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American Institute of Certified Public Accountants

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1991 Local Governmental Accounting Trends & Techniques

Fourth Edition

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Annual Survey of Accounting Practices Followed by 500 Local Governmental Units

AICPA

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Local Governmental Accounting Trends & Techniques

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PREFACE

Local Governmental Accounting Trends & Techniques—1991, Fourth Edition, is a compilation of data obtained by a survey of 500 local governmental units which had single audit reports undertaken for the purpose of analyzing the accounting information disclosed in such reports. All financial statements, notes and reports were presented as issued unless indicated. The reports surveyed were those of selected entities for fiscal periods ending between July 1, 1988 and June 30, 1989.

Significant accounting trends, as revealed by a comparison of the current survey finding with those of the prior year are highlighted in numerous comparative tabulations throughout this publication. These tables show trends in such diverse accounting matters as financial statement format and terminology and the accounting treatment of transactions and events reflected in the financial statements.

Accounting techniques are illustrated by excerpts from the reports of the survey entities. References (in the form of a listing of company census bureau numbers) to additional illustrations of an accounting technique may be requested from the American Institute of Certified Public Accountants either by writing or by calling Joseph Soldano—(212) 575-6595. Your comments are also welcome.

The American Institute of Certified Public Accountants has established the National Automated Accounting Research System (NAARS) as an additional means of information retrieval. NAARS includes a computerized data bank consisting of the full text of several thousand company annual reports to stockholders supplemented by a literature file of authoritative pronouncements. Information may be retrieved through individual computer terminal subscription or by requesting Institute personnel to perform searches on an AICPA terminal. For further information concerning NAARS, contact Hal Clark, American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036. Telephone (212) 575-6393.

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Table of Contents

Section 1: General

Section 2: Selected Topics

Section 3: Balance Sheet

Section 4: Operating Statements

Section 5: Statement of Changes in Financial Position

Section 6: The Auditor's Reports

Section 7: Auditor's Reports—Single Audit

Section 1: General

This section of Government Trends is concerned with general information about the 500 governmental units selected for the survey and with certain accounting information usually disclosed in notes accompanying the basic financial statements of these governmental units.

ENTITIES SELECTED FOR SURVEY

The reports analyzed for this study were prepared by the governmental units during the period July 1, 1988 through June 30, 1989.

For entity selection the aim of this survey was to include the financial statements of governmental entities dispersed through the country. The governments selected for this year's study are listed in Appendix A.

Of the 500 reports, 125 were counties, 225 cities, 25 townships, 50 special districts, and 75 were school districts.

THE GOVERNMENT SECTOR

The introduction to the "Codification of Governmental Accounting and Financial Reporting Standards," (GASB Codification) published by the Governmental Accounting Standards Board explains

> Governmental accounting is an integral branch of the accounting discipline. It is founded on the basic concepts and conventions underlying the accounting discipline as a whole and shares many characteristics with commercial accounting.
>
> The governmental environment differs markedly from that of business enterprises, however, and the information needs to be met by governmental accounting systems and reports differ accordingly. Thus, a set of basic principles applicable to governmental accounting and reporting has been developed for and used by governmental units. These principles are specific fundamental tenets which, on the basis of reason, demonstrated performance, and general acceptance by public administrators, accountants, auditors, and others concerned with public financial operations, are generally recognized as essential to effective management control and financial reporting. The National Council on Governmental Accounting (NCGA) due process procedures were followed in developing these principles.

The total number of governmental units is impressive. There are over 80,000 nonfederal governmental units, including states, counties, cities, towns, and numerous school and special districts. The 1987 census portrayed the array of local governmental organizations shown in Table 1-1.

TABLE 1-1. LOCAL GOVERNMENTAL UNITS

Type of Government	1987	1982	1972	1962
County	3,042	3,041	3,044	3,043
Municipal	19,200	19,076	18,517	18,000
Township	16,691	16,734	16,991	17,142
School district	14,721	14,851	15,781	34,678
Special district	29,532	28,588	23,885	18,323
Total local governments	83,186	82,290	78,218	91,186

Source: 1982 Census of Governments (Final), Governmental Organization, Vol. 1, U.S. Department of Commerce, Bureau of the Census, Washington, D.C., August 1983, and Census of Governments, 1987, Vol. 1, Government Organization.

AUDITING STANDARDS FOR GOVERNMENT*

The audits of governmental units are to be made pursuant to at least three sets of audit requirements: (1) generally accepted auditing standards established by the American Institute of Certified Public Accountants, (2) Government Auditing Standards issued by the Comptroller General of the U.S. and (3) the Single Audit Act of 1984 (Act).

The generally accepted auditing and reporting standards applicable to an audit of the financial statements of a governmental unit meets the expectations of governmental officials, securities rating organizations, and the general public.

To address the federal concerns the General Accounting Office (GAO), since 1979, has required that federal programs and activities be audited in accordance with both generally accepted auditing standards and generally accepted government auditing standards.

In 1984, additional auditing and reporting requirements were imposed by the Act, which applies to the audits of all governmental units receiving $100,000 or more of federal assistance for fiscal years beginning after December 31, 1984.

A casual reading of Government Auditing Standards and the Act might lead the reader to conclude that both—Government Auditing Standards and the Act—make reference to the same reports, but such is not the case.

Reports Required by Government Auditing Standards. Government Auditing Standards require that the reports of financial audits include the following:

1. A report that the audit of the financial statements of

*This section of Government Trends entitled "Auditing Standards for Government" was written by Cornelius E. Tierney. Mr. Tierney is a partner of Ernst & Young and is the National Director of the firm's Public Sector Services.

the governmental unit was made in accordance with generally accepted government auditing standards.

2. A written report that the audited governmental entity complied with applicable laws and regulations that may have a material effect on the financial statements.

3. A written report on the understanding of the internal control structure and the assessment of control risk made as a part of the audit of the entity's financial statements.

Under the Government Auditing Standards, the reports on internal control structure and compliance with applicable laws and regulations are a by-product of the auditing procedures used in assessing the fairness of the governmental unit's overall financial statements. The GAO specifically states, in Government Auditing Standards, that its reporting requirement does not necessitate any additional audit procedures other than that required as a part of a financial audit.

This is not the case for the following reports that are mandated by the Act. Considerable additional audit work is required to comply with the Single Audit Act and the related Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments," which is the federal regulation that implements the Act.

Audit Reports Required by the Single Audit Act. The following reports are required by the Act and must be added to the above reports to meet all of the reporting requirements of the Single Audit Act:

1. A report on whether the financial statements of the government, department, agency, or establishment present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles;

2. A report that the audited governmental unit has an internal control structure to provide reasonable assurance that federal programs are being managed in compliance with applicable laws and regulations;

3. A report that the audited governmental unit has complied with applicable laws and regulations that may have a material effect upon each major federal assistance program;

4. A schedule of federal financial assistance showing the total expenditures for each federal assistance program; and

5. A report of all instances of fraud, abuse, or illegal acts or indication of such acts that affect the audited governmental entity (when appropriate).

Reports as Defined by AICPA

During 1989, the AICPA issued Statement on Auditing Standards 63, *Compliance Auditing Applicable to Governmental Entities and other Recipients of Governmental Assistance.* This SAS provides guidance on and the standards for reporting on compliance and an explanation of "compliance" as the term is used in connection with (1) generally accepted auditing standards (the AICPA); (2) generally accepted *government* auditing standards; and (3) the Single Audit Act.

The SAS gives more detailed guidance for meeting the hierarchical reporting requirements of government and changed the types of reports made by auditors to comply with the Single Audit Act of 1984 and OMB Circular A-128. Pursuant to SAS 63 the full reporting for a governmental entity now includes:

(1) For generally accepted auditing standards: An opinion on financial statements

(2) For *Government* Auditing Standards:
  a. Opinion on financial statements
  b. Report on internal controls
  c. Report on compliance

(3) For the Single Audit Act of 1984:
  a. Opinion on financial statements*
  b. Report on internal controls*
  c. Report on compliance*
  d. Supplementary schedule for federal assistance programs*
  e. Internal control structure report for federal assistance programs
  f. Opinion on compliance for major federal assistance programs with respect to *specific* compliance criteria
  g. Report on compliance for major federal assistance programs with respect to *general* compliance criteria
  h. Schedule of findings and questioned costs
  i. Report on compliance for non-major federal assistance programs with respect to *specific* compliance criteria (in certain instances)
  j. Report on fraud or illegal acts (when appropriate)

All of the above reports may be separately bound or bound as a group in a single document. Also, while the two groupings of reports—both compliance reports and internal control reports—might also be combined, such reporting is cumbersome. Some practitioners have found that federal reviewers can more easily review the separate reports.

(Chapter 7 provides additional details on the auditing and reporting requirements of the Single Audit Act as well as several illustrative examples of the reports made by some governments.)

The AICPA audit guide, *Audits of State and Local Governmental Units,* fifth edition Appendix B illustrates reports related to audited financial statements and reports issued in accordance with Government Auditing Standards and the Act.

*The same reports are required by the Government Auditing Standards.

THE REPORTING ENTITY

The GASB, using several criteria relating to indicators of oversight—e.g., management, financial dependency, ability to influence, budgetary authority, fiscal management, responsibility for surpluses and deficits—defined whether the financial results of a governmental unit should be reported separately or be included in the general purpose financial statements of the government.

Presently, those criteria are being reexamined and a restatement and clarification could be issued by GASB in 1991.

Table 1-2 summarizes the reasons for exclusion from the reporting entity. Examples of disclosures relating to the entity issue follow this discussion.

TABLE 1-2. REASONS CITED FOR EXCLUDING GOVERNMENTAL FUNCTIONS AND ORGANIZATIONS FROM DISCLOSURES RELATED TO ENTITIES REPORTED IN FINANCIAL STATEMENTS

	Instances Observed			
Reasons Cited	**1989**	**1988**	**1987**	**1986**
Not a significant influence on operations	96	92	51	23
Not funded by the reporting entity	92	83	50	20
Not accountable for fiscal matters	86	85	61	30
No oversight authority	84	79	90	55
Discrete government entity apart from the reporting entity	82	83	65	26
Budgets not approved by the reporting entity	80	70	48	13
Management not appointed or controlled by the reporting entity	74	91	86	33
Not controlled by the reporting entity	50	45	46	24
Not financially interdependent	43	53	50	29
Joint venture	16	20	24	7
Not part of taxing authority	14	5	6	3
Not within scope of public service entity	7	10	7	2
Not administered by oversight authority	1	5	13	4
Reasons not disclosed	21	9	4	10

CITY OF SHREVEPORT, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS—FOR THE YEAR ENDED DECEMBER 31, 1988

1. Summary of Significant Accounting Policies [In Part]

The accounting policies of the City of Shreveport conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Shreveport was incorporated in 1839, under the provisions of Louisiana R.S. 67. In May of 1978, the present City Charter was adopted which established a Mayor-Council form of government. The City provides a full range of municipal services as authorized by the Charter. These include police and fire protection, emergency medical services, public works (streets and waste collection), public improvements, water and sewer services, parks and recreation, planning and zoning, public transportation, social, cultural and general administrative services.

The City of Shreveport, for financial reporting purposes in conformance with Governmental Accounting Standards Board (GASB) Codification Section 2100.122, includes all funds, account groups, agencies, boards, and commissions that are controlled by or dependent on the City's executive and legislative branches. The criteria considered in determining which activities to report include the degree of oversight responsibility exercised by the Mayor or City Council and the scope of the public service. The criteria used to assess oversight responsibility included: the selection of governing authority; the designation of management; the City's ability to significantly influence operations; the City's accountability for the entity's fiscal matters; and the nature of any special financing relationships which may exist between the City and a governmental entity.

Based on the foregoing criteria, the operations of the Shreveport Municipal and Regional Airports, the Shreveport Area Transit System, the Metropolitan Planning Commission, the City Courts, the City Marshal and the Shreveport Home Mortgage Authority are included as a part of the City's reporting entity.

The following entities are not included in Shreveport's reporting entity because the entities are deemed not to have met the oversight criteria set forth in NCGA Statement 3:

Downtown Development Authority

The Authority is a separate taxing district established by State Law. The City is not responsible for funding its deficits. Outstanding debt is secured by taxes of the Authority and not by the City. The City is not entitled to any surpluses of the Authority.

Shreve Memorial Library

This is a Parish Library System. The Library's operations are financed by Parish taxes and State grants. The City has no involvement in the budget determination process. The outstanding debt of the Library is not an obligation of the City.

Shreve Area Council of Governments

The cities of Shreveport and Bossier City formed this entity to assure coordinated regional planning. During the year the City of Shreveport's investment was in the form of in-kind services which amounted to $10,814. This amount was immaterial in relation to the City reporting entity. The City is involved in selecting management and the governing body for the Area Council of Governments; however, the City does not possess the ability to exercise financial oversight over the Council's operations. Federal and State funds from the Department of Housing and Urban Development and the Department of Transportation provide primary funding for Council operations. The City has no involvement in the determination of the Council's budget nor does it have any obligation for the Council's outstanding debt. Any surpluses earned are the Council's and not the City's.

Caddo-Shreveport Health Unit

The Health Unit provides medical services to the residents of Caddo Parish. Primary funding is provided by Federal, State and Parish monies. The City is not responsible for the operations of the Health Unit. The City has no involvement in the determination of the Health Unit's budget or any obligation for the Unit's outstanding debt.

Shreveport Regional Arts Council

The Council is a not-for-profit organization whose Board of Directors is elected by its membership. The City has no obligation for the Council's debt nor does it fund operating deficits incurred by the Council. The City is not entitled to the surpluses of the Council, and it does not determine the Council's budget for operating and capital expenditures.

Shreveport/Bossier Convention and Tourist Bureau

The Bureau is a separate entity which is comprised of an eleven member Commission appointed by the cities of Shreveport and Bossier City in conjunction with the Caddo and Bossier Parish Police Commissions. The City has the authority to appoint only one member.

No responsibility for the operating or capital expenditures of the Bureau is assumed by the City. All debt must be paid from the Bureau's tax revenues and the City does not guarantee its debt nor is it entitled to receive any surpluses which might result.

Shreveport Housing Authority

The Authority provides housing to certain qualified residents and is principally funded through U.S. Government grants and rental charges. The City is not responsible for funding its deficits nor does it have the right to surpluses accumulated by the Authority. The City is not responsible for the operations of the Authority.

Caddo-Shreveport Sales and Use Tax Commission

The Commission is an independent agency which collects sales taxes for the City and other local taxing jurisdictions. The City is not entitled to surpluses of the Commission, and under Louisiana law, the Commission is not authorized to incur debt; therefore, the City has no obligation in this respect.

CITY OF WILKES-BARRE

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 1—The City's Reporting Entity and Basis of Presentations

A. Reporting Entity

The City of Wilkes-Barre, Pennsylvania was incorporated May 4, 1871. It operates under a Mayor/Council (7 Members), Executive/Legislative form of government, with its fiscal operations monitored by the controller. It provides law enforcement, human services and community enrichment and development for its more than 50,000 residents.

For financial reporting purposes, it includes the Legislative Council, the Controller's Office, and the Executive Branch, consisting of the office of the Mayor and its various departments and all other funds or agencies that are controlled by or dependent on the City's executive or legislative branches (the mayor or the council respectively). The criteria used to determine whether or not to include these agencies in the financial statements were: (1) the selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, and (4) accountability for fiscal matters.

In addition, the City has reviewed and evaluated its relationship to determine if these agencies should be included in its reporting entity:

The Wilkes-Barre Parking Authority
The Wilkes-Barre Steam Heat Authority
The Wilkes-Barre Municipal Authority

In certain cases, the City approves or appoints members to the authority, but these appointees have little or no continuing relationships with the City. These appointments are therefore, not authoritative as defined in GASB Cod. Sec. 2100.

There were no cases where the City designates the management of the Authorities or where it was able to significantly influence operations. Also, the City has no accountability for fiscal matters of the authorities, but it may disapprove the Wilkes-Barre General Municipal Authority's operating budget. The right to disapprove is a part of the management agreement with the authority to provide assurance that the operating budget justifies the payment of the City's lease commitment. The City does not fund deficits or receive surplus funds. It does, however, contribute to a significant part of the General and Parking Authority's revenues in the form of guaranteed lease payments. In the case of the Parking Authority, that portion of its operations reflecting the Parking Facility and related bond indebtedness has been capitalized and reflected in the City's Enterprise Fund. The General Municipal Authority paid the bond issue debt service requirements directly from its operating revenues, thus relieving the city of its lease commitment.

Based on the above criteria, the City has not included any of the operations of the authorities in its financial statements. In addition, these agencies are considered separate legal entities and are responsible for their own independent audits.

CITY OF CLEVELAND, OHIO

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note A—Description of City Operations and Basis of Presentation [In Part]

The City: The City of Cleveland, Ohio (the "City") operates under an elected Mayor/Council (21 members) administrative/legislative form of government.

Reporting Entity: In evaluating how to define the governmental reporting entity, the City has considered all potential component units. The decision to include or exclude a potential component unit was made by applying the criteria defined by the National Council on Governmental Accounting (NCGA) Statement 3, *Defining the Governmental Reporting Entity*. The basic criteria for including a potential component unit is oversight responsibility which was determined on the component unit's financial interdependency and the City's ability to significantly influence operations, select the governing authority, designate management, and participate in fiscal management. The other criteria in evaluating potential component units are the scope of public service and the existence of special financial relationships.

For financial reporting purposes, the City includes all funds, account groups, agencies, boards and commissions which meet the aforementioned criteria including police and fire protection, waste collection, parks and recreation, health, certain social services and general administrative services. In addition, the City owns and operates nine enterprise activities, with the major ones consisting of a water system, a sewer system, an electricity system, two airports and a convention facility.

The following entities that are associated with the City and conduct activities within the City's boundaries for the benefit of the City and/or its residents are excluded from the accompanying financial statements because the City does not exercise oversight responsibility or engage in special financing relationships:

Cleveland City School District—Organized under the Constitution of the State of Ohio and the Ohio Revised Code, the Cleveland City School District provides education services to the community. The School Board, consisting of seven members elected by City-wide vote for overlapping four year terms, has oversight responsibility.

Northeast Ohio Regional Sewer District—Created by order of the Cuyahoga County Court of Common Pleas, the Northeast Ohio Regional Sewer District provides sewer treatment services to residents of the City and suburban municipalities. The seven member Board of Trustees has oversight responsibility.

Greater Cleveland Regional Transit Authority—Created under the Ohio Revised Code, the Greater Cleveland Regional Transit Authority provides public transportation services. The ten member Board of Trustees has oversight responsibility.

Cuyahoga Metropolitan Housing Authority—Created under the Ohio Revised Code, the Cuyahoga Metropolitan Housing Authority provides public housing services. The five member Board has oversight responsibility.

Cuyahoga County and private health institutions—Organized by an act of the Ohio General Assembly, Cuyahoga County and private health institutions provide public welfare, social services and hospital services. The three member Board of County Commissioners is the legislative and executive body and has oversight responsibility.

Cleveland-Cuyahoga County Port Authority—Created under the Ohio Revised Code, the Cleveland and Cuyahoga County Port Authority conducts port development and operations. The nine member Board of Directors has oversight responsibility.

CITY OF FORT WAYNE

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 8. Reporting Entity

The City has adopted the position of the Governmental Accounting Standards Board, as outlined in its Codification of Governmental Accounting and Financial Reporting Standards, regarding the definition of the "Reporting Entity."

The basic criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. Oversight responsibility was determined on the basis of authoritative appointments of governing authorities, designation of management, budgetary authority, taxing authority, funding, responsibility for debt, control over properties, and scope of public service.

The City's general purpose financial statements include all funds, account groups, agencies, boards, commissions, departments, and authorities for which the City has oversight responsibility.

The City's financial statements exclude the following organizations:

Fort Wayne Community Schools
Fort Wayne Public Transportation Corporation
Fort Wayne—Allen County Convention and Tourism Authority
Fort Wayne Housing Authority
Fort Wayne Children's Home
Fort Wayne Area Job Training Program
Fort Wayne Allen County Airport Authority
Fort Wayne Chamber of Commerce
Fort Wayne Convention and Visitor's Bureau
Fort Wayne Fine Arts Foundation

These organizations contain the name of the City in their title but do not meet the criteria of oversight responsibility. These entities are governed by independent boards.

The Fort Wayne Community School Corporation is a separate tax district under State statute. The board has full authority to administer the school corporation including selecting staff, and establishing budgets and controls. The City has no oversight responsibility and provided no funding to the school corporation.

NARRAGANSETT, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 1—Summary of Significant Accounting Policies [In Part]

Reporting Entity

The Town of Narragansett was founded in 1888. The Town is governed largely under the 1966 Narragansett Home Rule Charter. In some matters, including the issuance of short and long-term debt, the Town is governed by the general laws of the State of Rhode Island. The Town operates under a Town Council form of Government and provides the following services as authorized by its charter: public safety (police, fire, traffic safety, inspections, zoning and building), public works (recreation, sanitation, highways and streets, engineering and building maintenance), education, social services, and general administrative services.

The National Council on Governmental Accounting (NCGA), in order to clarify which organizations, functions, and activities of government should be included in general purpose financial statements, issued NCGA-3 (Defining the Governmental Reporting Entity) in December 1981. The NCGA has been replaced by the Governmental Accounting Standards Board (GASB), but the latter organization has endorsed NCGA-3. In issuing NCGA-3, the NCGA's intention was to provide a basis for making comparisons among units of government or between time periods for a given government, to reduce the possibility of arbitrary exclusion or inclusion of organizations in financial reports, and to enable financial statement users to identify the operations for which governmental entities are responsible. The NCGA concluded that the basic criterion for including an agency, institution, authority, or other organization in a governmental unit's reporting entity is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. Oversight responsibility is defined to include, but is not limited to:

Financial Interdependency—When a separate agency produces a financial benefit for or imposes a financial burden on a unit of government, that agency is part of the reporting entity.

Manifestations of financial interdependency include responsibility for financing deficits, entitlements to surpluses, and guarantees of or "moral responsibility" for, debt.

Selection of Governing Authority—An authoritative appointment is one where the entity's chief elected official maintains a significant continuing relationship with the appointed officials with respect to carrying out important public functions.

Designation of Management—When management is appointed by and held accountable to a governing authority that is included in the entity, the activity being managed falls within the entity.

Ability to Significantly Influence Operations—This ability includes, but is not limited to, the authority to review and approve budgetary requests, adjustments, and amendments.

Accountability for Fiscal Matters—Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

There may be, however, factors other than oversight that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These other factors include:

(a) Scope of Public Service—Aspects to be considered include who the activity benefits and whether it is conducted within the entity's geographic boundaries and generally available to its citizens.

(b) Special Financing Relationship—Such a relationship may have been created to benefit the entity by providing for the issuance of debt on behalf of the entity.

Based on the criteria established by NCGA-3, as supplemented by NCGA Interpretation-7 (Clarification as to the Application of Criteria in NCGA Statement-3—Defining the Governmental Reporting Entity), the reporting entity includes Narragansett School System and the Narragansett Library.

The Town of Narragansett's financial statements do not include the Narragansett Housing Authority, the Narragansett Historical Society and the Narragansett Redevelopment Agency.

A description of these entities and the reasons for their exclusion from the reporting entity are summarized below:

Narragansett Housing Authority

The Narragansett Housing Authority is located in the Town of Narragansett and the land and building in which it operates is owned by the Town of Narragansett. The Housing Authority, services only citizens of the Town of Narragansett with low-income housing throughout Narragansett. This relationship would suggest that the Housing Authority should be part of the reporting entity. The following factors suggest that the authority should not be included in the reporting entity:

The Housing Authority is exclusively responsible for its fiscal affairs including the funding of deficits and the disposition of surpluses.

The Housing Authority's management is responsible for employment of personnel and for the day to day operations of the authority.

The management of the Housing Authority is accountable to the Housing Authority's governing board which is not accountable to Town administration.

Narragansett Historical Society

The Narragansett Historical Society was organized to promote the preservation of history of the Town of Narragansett. The following factors suggest that the unit be excluded from the reporting entity's financial statements:

The society management and board are responsible for the administration of fiscal affairs and all other operation of the society.

The governing board is not accountable to the Town administration.

Narragansett Redevelopment Agency

The Narragansett Redevelopment Agency is located in a Town owned building. The agency was organized to redevelop areas of Narragansett including homes and businesses through direct grants and low-interest loans. This relationship suggests that the agency should be part of the reporting entity. The following factors suggest that the agency should not be included in the reporting entity:

The agency is exclusively responsible for its fiscal affairs including the funding of deficits and the disposition of surpluses.

The agency's management is responsible for employment of personnel and for the day to day operations of the agency.

The management of the agency is accountable to the governing board which is not accountable to Town administration.

CHATHAM COUNTY, GEORGIA

NOTES TO COMBINED FINANCIAL STATEMENTS— DECEMBER 31, 1988

(1) Reporting Entity

Chatham County (the County) is a political subdivision of the State of Georgia. The County is governed by an elected board of county commissioners which is governed by state statutes and regulations. There are certain other elected officials whose operations are wholly included within the financial records and financial statements of the County. These elected officials are the Sheriff, Tax Commissioner, State Court, Magistrate Court, Probate Court, and Superior Court Clerk.

The cost of operations of the Superior Court Judges and District Attorney, which are elected court functions, is shared with the State of Georgia. Only that portion of the cost for which Chatham County is responsible is reported in the County's financial statements. Chatham County participates in the Chatham-Effingham-Liberty Regional Library system. The expenditures made by the County in support of Chatham County's libraries are reported in the County's financial statements.

The County has fully implemented National Council of Governmental Accounting (NCGA) Statement 3 "Defining the Governmental Reporting Entity" which is effective for the County's fiscal year ended December 31, 1983. Statement 3 requires funds and account groups of agencies, boards or authorities that are controlled by or are dependent on the County, to be included in its Comprehensive Annual Financial Report. Oversight responsibility is the prime criteria under Statement 3 used in determining whether or not an agency, board or authority is a part of the County reporting entity. Scope of public service and special financing relationships are also considered. Particular attributes considered in determining oversight responsibility includes selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The criterion for determining whether the statements of these agencies should be included embraces the following: whether the activities are for the benefit of the reporting entity, whether the activity is conducted within the geographical boundaries of the reporting entity and is generally available to the citizens of the reporting entity.

The application of this criteria results in the inclusion of the Chatham Area Transit Authority. The County Commission exercises all the oversight responsibilities provided in the criteria for inclusion of the Chatham Area Transit Authority.

Based on the NCGA Statement 3 the following entities are excluded from the County Comprehensive Annual Financial Report:

Chatham County Board of Education
Chatham County Hospital Authority
Chatham-Effingham-Liberty Regional Library Board

Defining the Reporting Entity

	Chatham Area Transit Authority	Chatham County Board of Education	Chatham County Hospital Authority	Chatham-Effingham Liberty Regional Library Board
Manifestation of Oversight Responsibility:				
Financial interdependency	Partial	No	Partial	No
Selection of governing authority	Yes	No	Partial	No
Designation of management	Partial	No	No	No
Ability to significantly influence operations	Yes	No	No	No
Accountability for fiscal matters	Partial	No	No	No
Other Criteria:				
Scope of public service	Yes	Yes	Yes	Yes
Special financing relationships	No	No	No	No
Included in Reporting Entity	Yes	No	No	No

The County Commission exercises no oversight responsibility for the Chatham County Board of Education. The Board of Education is governed by an elected board in accordance with the Georgia State Board of Education.

In 1941 the Georgia General Assembly, by state law, created in and for each county and municipal operation of the state a hospital authority. However, said act provided that the authority could not transact business or exercise powers until the governing body of the area of operation by proper resolution declared that there was a need for an authority to function therein. Chatham County passed such a resolution on October 17, 1952 and again on November 6, 1964. This triggered the state law and created the Chatham County Hospital Authority. The Authority, a public body corporate and politic, is organized under the provisions of the Georgia Hospital Authorities Law. The Authority has broad powers to acquire, contract, improve, alter and repair hospitals, clinics, nursing homes, extended care facilities, medical office buildings and other public health facilities, to issue revenue bonds and to refund outstanding bonds, to establish rates and charges for the services and use of its facilities and to mortgage, pledge or assign any revenue or income received by it as security for its revenue bonds.

The County has a partial financial interdependency with the Chatham County Hospital Authority in that the County could have financial responsibility for revenue bonds issued by the Hospital Authority in 1980. The County would have responsibility for debt service only if the Hospital Authority's revenues are insufficient. Such debt has always been paid by the Hospital Authority's revenues in the past. Chatham County is not responsible for financing deficits and is not entitled to surpluses of the Hospital Authority. The business activities and affairs of the Authority are managed and conducted by a board of nine voting members plus a non-voting treasurer, functioning as the governing body of the Hospital, who serve six-year staggered terms. Members of the board of the Authority are appointed by the Commissioners of Chatham County; however, the appointed board members have no continuing relationship with the County and cannot be removed by the County.

The County has determined that the commission does not exercise sufficient oversight responsibilities to include the Chatham County Hospital Authority in the County's financial statements.

Chatham County exercises no oversight responsibilities for the Chatham-Effingham-Liberty Regional Library as provided for in the criteria for inclusion. The Library Board is an independent organization funded by the State of Georgia and the participating counties.

COUNTY OF BUCKS, PENNSYLVANIA

NOTES TO COMBINED FINANCIAL STATEMENTS—DECEMBER 31, 1988

2. Reporting Entity

The basic criterion used by the County to evaluate the possible inclusion of related entities (authorities, commissions and affiliates) within its reporting entity is the exercise of "oversight responsibility" by the County over such entities. In determining the extent of oversight responsibility exercised in a given case, the County reviews the applicability of the following specific criteria:

Financial Interdependency—When a separate agency produces a financial benefit or imposes a financial burden on a unit of government, that agency is part of the reporting entity. Manifestations of financial interdependency include responsibility for financing deficits, entitlements to surpluses and guarantees of or "moral responsibility" for debt.

Selection of Governing Authority—An authoritative appointment is one where the entity's elected officials maintain a significant continuing relationship with the appointed officials with respect to carrying out important public functions.

Designation of Management—When management is appointed by and held accountable to a governing authority that is included in the entity, the activity being managed falls within the entity.

Ability to Significantly Influence Operations—This ability includes, but is not limited to, the authority to review and approve budgetary requests, adjustments and amendments.

Accountability for Fiscal Matters—Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

There may, however, be factors other than oversight that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These other factors include:

Scope of Public Service—Aspects to be considered include who benefits from the activity and whether it is conducted within the entity's geographic boundaries and generally available to its citizens.

Special Financing Relationship—When a separate agency indirectly depends on a unit of government for significant funding or financing, special financing relations generally exist.

Authorities, commissions and affiliates which were evaluated for possible inclusion in the reporting entity and the cirteria used as the basis for evaluation are summarized on the following page:

	Manifestation of Oversight Responsibility					Other Criteria		
	Financial Interdependency	Governing Authority Selection	Designation of Management	Influence on Operations	Accountability for Fiscal Matters	Scope of Public Service	Special Financing Relationship	Included In Reporting Entity
Airport Authority	No	No	No	No	No	Yes	No	No
Bucks County Transport Inc.	No	No	No	No	No	Yes	No	No
Community College Authority	Yes	No	Yes	No	Yes	Yes	Yes	Yes
Community College Board of Trustees	Yes	No	No	No	Yes	Yes	No	Yes
Drug and Alcohol Commission, Inc.	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Housing Authority	No	No	No	No	No	Yes	Yes	No
Housing Development Corporation	No	No	No	No	No	Yes	No	No
Industrial Development Authority	No	No	No	No	No	Yes	No	No
Legal Aid Society	No	No	No	No	No	Yes	No	No
Library Board	No	No	No	No	No	Yes	No	No
Neshaminy Water Resources Authority	No	No	Yes	Yes	No	Yes	No	No
Opportunity Council	No	No	No	No	No	Yes	No	No
Redevelopment Authority	No	No	No	No	No	Yes	No	No
St. Mary Hospital Authority	No	No	No	No	No	Yes	No	No
Tourist Commission	No	No	No	No	No	Yes	No	No
Warminster Heights Development Board	No	No	No	No	No	Yes	No	No
Water and Sewer Authority	No	No	No	No	No	Yes	No	No

Based on these criteria, the County has determined three entities are includable. The entities includable and their classification for financial reporting purposes are as follows:

Bucks County Community College Fund—	Discrete Presentation
Bucks County Community College Authority—	Debt Service Fund
	—Capital Projects Fund
Bucks County Drug and Alcohol Commission, Inc.—	Special Revenue Fund

All entities evaluated perform their activities within the geographic boundaries of the government and are available to the citizens of the government. This factor alone was not considered significant enough to warrant inclusion of an entity.

Advisory Boards are shown on the organization chart so the public is aware of all County functions and areas where they may volunteer to serve the County. Boards, committees and councils in this category do not have funding of their own. Expenditures, if any, made on behalf of these boards are included in the County's financial statement by department.

Regional affiliates are organizations which service at least the five county Philadelphia region (Bucks, Chester, Delaware, Montgomery and Philadelphia). Bucks County has representation in these groups but does not exercise control as our representation is normally one-fifth or less.

The County's financial statements do not include the Bucks County Housing Authority and the Neshaminy Water Resources Authority even though certain elements of oversight criteria appear to indicate its inclusion. A description of the entity and the reasons for its exclusion are summarized below.

A. Bucks County Housing Authority

The Bucks County Housing Authority was organized in 1941. It is responsible for planning, developing, constructing and/or managing rental housing opportunities for low income families. The following factors strongly suggest that the unit be excluded:

- Officers of the Authority are elected by the Authorities Board of Commissioners.
- The Authority's commissioners are solely responsible for the day-to-day operations.
- The County is neither entitled to operating surpluses nor responsible for operating deficits of the Authority.
- The Authority is exclusively responsible for administration of its fiscal affairs.

Although the County has a special financing relationship whereby the County agreed to guarantee certain debt of the Authority (see Note 12), it is not considered significant enough to warrant inclusion in the reporting entity.

B. Neshaminy Water Resources Authority (N.W.R.A.)

On May 11, 1988 the Bucks County Commissioners passed Ordinance No. 76 whereby it signified its desire to acquire the Neshaminy Water Reservoir and Parks project from the Neshaminy Water Resources Authority.

On May 26, 1988 the Court of Common Pleas of Bucks County, Civil Division entered judgement in favor of the County of Bucks ordering the Neshaminy Water Resources Authority to convey to the County of Bucks by appropriate instrument or instruments the Reservoir and Park System, including all money, funds and property, real, personal and mixed, rights, grants, powers, licenses, easements, rights of way, privileges, franchises, contracts and other property or interests in property of whatsoever nature used or useful in connection with the Reservoir and Park System which may have been or may be made or acquired by the Authority.

Pursuant to the Court Order the County of Bucks has included all financial transactions concerning the above through governmental fund types and account groups.

METROPOLITAN DADE COUNTY

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

Note 1—General [In Part]

Reporting Entity

Metropolitan Dade County (the "County") is an instrumentality of the State of Florida established to carry on a centralized metropolitan government. The Board of County Commissioners (the "Commissioners") is responsible for legislative and fiscal control of the County. A County Manager is appointed by the Commissioners and is responsible for administrative and fiscal control of all County departments through the administration of directives and policies established by the Commissioners.

For financial reporting purposes, the accompanying financial statements include all of the operations of the County as a governmental unit over which the Commissioners exercise significant oversight responsibilities in accordance with the National Council on Governmental Accounting Statement 3—"Defining the Governmental Reporting Entity." Control by or dependence on the Commissioners was determined on the basis of oversight responsibilities, scope of public service, budgetary authority, taxing authority, obligations to finance any deficits that may occur and/or to provide significant subsidies.

Accordingly, based on the foregoing criteria, the accompanying financial statements include the financial position and results of operations of the following associated governmental organizations:

- Clerk of the Circuit and County Courts, Dade County, Florida
- Public Health Trust of Dade County, Florida

An associated governmental organization not meeting the above specified criteria, and consequently excluded from the accompanying financial statements, is the Housing Division of the Housing and Urban Development Department (the "Division"). Established in 1965 as a direct extension of the U.S. Department of Housing and Urban Development, the Division maintains responsibility for housing and urban development projects for the County and for all of the municipalities located within the geographic boundaries of Dade County, Florida. The Division manages 12,000 public housing units. In 1972, at the request of the U.S. Department of Housing and Urban Development, the County was asked to assume custodial oversight responsibility of the Division's operations and to provide certain administrative services. The continued existence of the Division is directly dependent on funding by the U.S. Department of Housing and Urban Development. The U.S. Department of Housing and Urban Development, however, reserved its right to perform financial and programmatic audits of the Division on a biennial basis. Accordingly, the accounts of the Division have not been included in the County's comprehensive annual financial report. Contributions to the operations of the Division, on a pro bono publico basis, amounted to $3,611,000 for the fiscal year ended September 30, 1988. The Division has annual audits performed by independent certified public accountants, and its published financial report for the fiscal year ended June 30, 1988, is available to the public.

During the fiscal year, the Division was reorganized and a portion of its operations became a County department called the Department of Special Housing Programs ("Special Housing"). Accordingly, the results of its operations are reflected in the accompanying financial statements. (See Note 3).

Other associated organizations which perform solely in an advisory capacity to the Board of County Commissioners and are included in this comprehensive annual financial report, to the extent that varying levels of administrative support are funded by the County, are as follows:

- Dade County Industrial Development Authority
- Dade County Health Facilities Authority
- Dade County Tourist Development Council
- The Housing Finance Authority of Dade County
- The Education Facilities Authority of Dade County

Debt obligations issued under the purview of the above named other associated organizations, though for the public and economic benefit of Metropolitan Dade County, Florida, taken as a whole, do not and shall never constitute an indebtedness, liability, general or moral obligation or a pledge of the faith or loan of credit of the respective authorities or of the County. Accordingly, such obligations are not included within the accompanying financial statements.

Also not included in these financial statements are the operations of the Dade County School Board since it consists of a separately elected Board of Trustees funded by separately levied ad valorem taxes and other revenue sources not provided by the Board of County Commissioners.

CHICAGO TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS—FISCAL YEARS ENDED DECEMBER 31, 1988 AND DECEMBER 26, 1987

Note A—Organization Data

The Chicago Transit Authority ("CTA") was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The City Council of the City of Chicago has granted the CTA the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago.

The Regional Transportation Authority Act ("Act") provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act establishes a regional oversight board (Regional Transportation Authority ("RTA")) and three service boards (Chicago Transit Authority, Commuter Rail Board and Suburban Bus Board). The Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least $5,000,000 for public transportation and that the CTA (collectively with the other service boards) finance at least 50% of their operating costs, excluding depreciation and certain other items, from system-generated sources.

Financial Reporting Entity: In conformance with Governmental Accounting Standards Board standards, the CTA includes in its financial statements all funds over which the Chicago Transit Board exercises oversight responsibility. Oversight responsibility is defined to include the following considerations: selection of governing authority; designation of management; ability to significantly influence operations; accountability for fiscal matters; the scope of an organization's public service, and/or special financing relationships.

Based on the application of the above criteria, the fund established for the employees' pension plan has been determined not to be part of the reporting entity. The fund is a legal entity separate and distinct from the CTA. It is administered by its own oversight committee, of which the CTA appoints half the members, and over which the CTA has no direct authority. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

The CTA is not considered a component unit of the RTA because, based on the application of the criteria described in the second preceding paragraph, the RTA does not exercise oversight responsibility in relation to the CTA. Although the RTA is required by the Act to approve the CTA's annual budget, the Act defines the sources of revenues to the RTA and the method of allocation to the CTA. Further, governing authority is entrusted to the Chicago Transit Board comprised of four directors appointed by the mayor of Chicago and three directors appointed by the governor of the State of Illinois.

GASB ACTIVITIES*

During the past year three GASB members were reappointed and two new members and a director of research were appointed. In making these appointments, the Financial Accounting Foundation staggered the terms so that only one term will expire in any one year. Jim Antonio, Chairman, and Martin Ives, Vice Chairman, were reappointed for five-year and four-year terms, respectively. Jim Antonio and Martin Ives serve full time. All other GASB members serve part time. Gary Harmer, chief financial officer of the Salt Lake City School District was reappointed for a one-year term. Robert Freeman, Distinguished Professor of Accounting at Texas Tech University, and Anthony Mandolini, treasurer and chief financial officer of the Chicago Transit Authority, were appointed to three-year and two-year terms, respectively. David Bean, formerly of Ernst & Young and former director of the Technical Services Center of the Government Finance Officers Association, was appointed as director of research. He serves as the full time director of research, replacing Martin Ives, who previously held the part-time positions of director of research and vice-chairman of the GASB.

Following is a brief description of the projects currently on the GASB's agenda (no pronouncements or exposure drafts have been issued since June 30, 1990).

Reporting entity. The GASB is considering the issues raised by respondents to the March 1990 exposure draft on defining the reporting entity. The issues, among others, being considered relate to modifying the benchmark for inclusion in the reporting entity to state that only those organizations for which the primary government is financially accountable, and to joint venture and display issues.

A final statement is expected in the second quarter of 1991.

Reporting model. The reporting model project includes issues which were previously a part of the measurement focus/basis of accounting for governmental funds project (GASB Statement 11), including a segregated presentation of fund balance. The GASB has had preliminary discussions on how to report the measurement of interperiod equity. Several alternatives were considered. At this early stage, some GASB members tentatively favor an approach that reports some, or all, of the long-term operating liability outside of the operating funds and, thus would not affect fund balance. Others are more inclined to support an approach that would recognize the long-term operating liabilities in the funds, with a corresponding effect on fund balance. Discussion will continue for several months. (See also "capital reporting" below.)

A discussion memorandum or preliminary views document is expected in the fourth quarter of 1991, an exposure draft in the third quarter of 1992 and a final statement in the second quarter of 1993.

Pension accounting and disclosures. The pension project consists of three parts: pension accounting and disclosures by employers, and accounting and reporting by public employee retirement systems (PERS). The GASB is currently considering the issues raised by respondents to the January 1990 exposure draft, "Accounting for Pensions by State and Local Governmental Employers." The disclosure portion of the project will revisit the disclosures required by GASB Statement 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers," in the context of a final statement on pension accounting by employers. The PERS project is to establish a

*The GASB Activities portion of section 1 was written by Deborah A. Koebele, a director with Ernst & Young.

single set of financial reporting standards for PERS. First, the GASB will consider separately issued PERS reports, with attention to information that should be included in the financial section of those reports. Later in the project, the GASB will consider how plan information should be displayed in an employer's financial statements (pension trust funds).

A final statement on pension accounting by employers is expected in the second quarter of 1991. Exposure drafts on PERS accounting and reporting and on Statement 5 revisited are expected in the fourth quarter of 1991 with final statements in the fourth quarter of 1992.

Capital reporting (debt service and model). A discussion memorandum was issued in March 1989 which addressed accounting and reporting for capital assets. The GASB tentatively decided to consider a reporting model that essentially retains the current methodology of capital reporting, through separate account groups and the capital projects and debt service funds. However, a "capital fund" reporting model will continue to be developed that could be presented as an alternative view if the other initial financial reporting issues (long-term operating liabilities) are exposed in a preliminary views document.

An exposure draft on capital reporting (debt service) is expected in the first quarter of 1991 with a final statement in the third quarter of 1991. An exposure draft on capital reporting (model) is expected in the second quarter of 1991 with a final statement in the first quarter of 1992.

Capital assets (measuring use and future service value). This project is to develop a conceptual approach to measuring the use and future service of capital assets to provide a means of reporting the capital assets component of a governmental entity on a statement that is to present interperiod equity information. Discussions have focused on the possible purposes or functions this information is to fulfill and the possible methods that have been used or considered in measuring capital asset use.

No timetable has been established for the issuance of an exposure draft.

Grants. This project will develop recognition standards for grant, entitlement, and shared revenue transactions accounted for in governmental and proprietary funds. The project is limited to cash programs; however, it will also include food stamp and voucher programs. The project will not address contributed services, loan programs, or food commodity programs.

A discussion memorandum or preliminary views document is expected to be issued in the second quarter of 1991, an exposure draft in the fourth quarter of 1991 and a final statement in the second quarter of 1992.

Compensated absences. This project is considering compensated absences expenditure recognition and measurement. Research on the termination benefit method is continuing. The GASB will also consider a method that calculates a liability only for already-vested compensated absences. A limited pre-field test of various methods will be conducted at selected local governments.

An exposure draft is expected to be issued in the second quarter of 1991 and a final statement issued in the second quarter of 1992.

Business-type activities. A discussion memorandum was issued in September 1988 addressing the measurement focus of governmental business-type activities. Industry reports on the more common activities carried out by governmental business-type activities are being prepared, including: lotteries, water and sewer, housing and housing finance, toll roads, ports, student loans, airports, building authorities, transit, parks and recreation, power utilities, health-care entities and development authorities. The reports will provide background information needed to prepare an exposure draft on the definition of business-type activities. The project will also address the measurement focus on these activities.

An exposure draft is expected in the second quarter of 1991 and a final statement in the first quarter of 1992.

Colleges and universities. This project is considering reporting entity issues, measurement focus, and display by public colleges and universities. Presently, GASB is considering adopting the AICPA Industry Audit Guide, "Audits of Colleges and Universities," model as an alternative to the governmental model for public colleges and universities.

An exposure draft to adopt the AICPA Audit Guide model is expected in the second quarter of 1991.

GASB Statement 3 Q&A and GASB Statement 9 Q&A. These projects are to result in question and answer documents addressing the answers to the more commonly asked questions about applying the provisions of GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," and GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Accounting." Advisory groups are presently being formed.

The Statement 3 Q&A is expected to be published in late 1991.

GENERAL PURPOSE FINANCIAL STATEMENTS (GPFS)

According to GASB Cod. Sec. 2200.129* the following "basic" financial statements are necessary for separately issued GPFS to be presented fairly in conformity with generally accepted accounting principles:

a. Combined Balance Sheet—All Fund Types and Account Groups

*References to "GASB Code Section" are to the "Codification of Governmental Accounting and Financial Reporting Standards" as of May 31, 1990, Third Edition, published by the Governmental Accounting Standards Board. Special districts are not general governmental units and therefore would not necessarily conform to or follow GASB criteria. The user should keep in mind that these units were included in the tables and illustrations.

b. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types
c. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General and Special Revenue Fund Types (and similar governmental fund types for which annual budgets have been legally adopted)
d. Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)—All Proprietary Fund Types
e. Combined Statement of Cash Flows—All Proprietary Fund Types and Nonexpendable Trust Funds
f. Notes to the financial statements
g. Required supplementary information

GASB Code Section 2200.113 states that combined financial statements of fund types and account groups may have a total column that aggregates the columnar statements by fund type and account group. If a total column is shown, it should be captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation. A note to the financial statements should disclose the nature of the column and should explain that it does not present consolidated financial information.

Almost all the units surveyed prepared combined financial statements, although it appears that the nature of activities dictated the specific combined statements used by individual governments, as shown in table 1-3.

TABLE 1-3. TYPE OF COMBINED FINANCIAL STATEMENTS

	Instances Observed			
Combined Financial Statement	**1989**	**1988**	**1987**	**1986**
Combined balance sheet	498	498	499	501
Combined statement of revenues, expenditures, and changes in fund balances—governmental fund types	451	455	447	401
Combined statement of revenues, expenditures, and changes in fund balances—budget and actual—governmental fund types	447	448	439	379
Combined statement of revenues, expenses, and changes in retained earnings—proprietary fund types	420	413	409	387
Combined statement of changes in financial position—proprietary fund types	368	404	395	313
Combined statement of cash flows	64	7	NA	NA

FUND ACCOUNTING SYSTEMS

GASB Cod. Sec. 1300 states that the accounting systems of governmental units should be on a fund accounting basis:

> Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GASB Cod. Sec. 1300.104 views the governmental unit as a combination of several distinctly independent and varied fiscal and accounting entities, each having a separate set of accounts and functions. Seven types of funds and the two account groups are prescribed for governmental accounting:

Four governmental fund types—general, special revenue, capital projects and debt service;

Two proprietary fund types—enterprise and internal service funds;

One fiduciary fund type—trust and agency funds; and

Two account groups—general fixed assets and general long-term debt account groups.

GASB Cod. Sec. 1300.107-.108 recognizes that not all fund types are appropriate for use every year by all governments. Some units often need several funds of a single type, other governments have no requirement for such funds. The general rule, however, is that the smaller the number of individual funds used the better. This is described in GASB Cod. Sec. 1300:

> Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

NOTES TO FINANCIAL STATEMENTS

GASB Code Section 2300.104 summarizes the notes to the financial statements essential for a fair presentation in the general purpose financial statements:

a. Summary of significant accounting policies including:
   (1) Criteria used to determine the scope of the reporting entity
   (2) Revenue recognition policies
   (3) Method of encumbrance accounting and reporting
   (4) Policy with regard to reporting infrastructure assets
   (5) Policy with regard to capitalization of interest costs on fixed assets
   (6) Definition of cash and cash equivalents used in the statement of cash flows for proprietary fund types and nonexpendable trust funds

b. Cash deposits with financial institutions
c. Investments
d. Significant contingent liabilities
e. Encumbrances outstanding
f. Significant effects of subsequent events
g. Pension plan obligations
h. Material violations of finance-related legal and contractual provisions
i. Debt service requirements to maturity
j. Commitments under noncapitalized (operating) leases
k. Construction and other significant commitments
l. Changes in general fixed assets
m. Changes in general long-term debt
n. Any excess of expenditures over appropriations in individual funds
o. Deficit fund balance or retained earnings of individual funds
p. Interfund receivables and payables.

Additional disclosures may include the following:

a. Entity risk management activities
b. Property taxes
c. Segment information for enterprise funds
d. Budget basis of accounting and budget/GAAP reporting differences not otherwise reconciled in the GPFS
e. Short-term debt instruments and liquidity
f. Related party transactions
g. Capital leases
h. Joint ventures
i. Total amount calculated for the year for special termination benefits, claims and judgments, compensated absences, operating leases, and employer pension expenditures for which the current portion is reported in the operating statement and the noncurrent portion is reported in the general long-term debt account group (if not reported on the face of the financial statements). (See Section T25, "Termination Benefits (Special)," paragraph .102; Section C50, footnote 3; Section C60, "Compensated Absences," paragraph .109; Section L20, paragraph .113; and Section P20, paragraph .113, respectively.)
j. Extinguishment of debt
k. Grants, entitlements, and shared revenues
l. Nature of total column use in combined financial statements
m. Methods of estimation of fixed asset costs
n. Fund balance designations
o. Interfund eliminations in combined financial statements not apparent from headings
p. Pension plans—in both separately issued plan financial statements and employer statements
q. Bond, tax, or revenue anticipation notes excluded from fund or current liabilities (proprietary funds)
r. Nature and amount of inconsistencies in financial statements caused by transactions between component units having different fiscal year-ends
s. Separate Summary of Significant Accounting Policies for discrete presentations
t. Relationship of component unit to oversight unit in separately issued Component Unit Financial Reports or Component Unit Financial Statements
u. Deferred compensation plans
v. Reverse repurchase and dollar reverse repurchase agreements
w. Special assessment debt and related activities
x. Demand bonds
y. Postemployment benefits other than pension benefits

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GASB Code Section 2200.107 requires that published financial reports contain a summary of the entities' significant accounting policies. This requirement is consistent with the Accounting Principles Board Opinion 22 of the American Institute of Certified Public Accountants, "Disclosure of Accounting Policies," which requires there be information in the financial statements about the accounting policies adopted by a reporting entity. Accounting policies are defined by Opinion 22 as the specific accounting principles and methods of applying those principles judged by management to be most appropriate in the circumstances to present fairly the financial position, results of operations and cash flows in accordance with generally accepted accounting principles.

In the case of the governmental units surveyed, most of the financial statements analyzed contained a section, in the footnotes, relating to the accounting policies of that particular governmental unit.

The note summarizing the governmental units' significant accounting policies described subjects such as "fund accounting," "basis of accounting," and "budgets and budgetary accounting."

Table 1-4 summarizes the accounting practices of the surveyed governments covered in their disclosure of accounting policies. The following are excerpts from notes summarizing significant accounting policies—fund accounting, taken from various units' financial statements.

TABLE 1-4. ACCOUNTING PRACTICES CITED IN THE NOTES IN THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

	Instances Observed			
Accounting Practices Reported	**1989**	**1988**	**1987**	**1986**
Basis of accounting	485	469	456	437
Description of fund accounting	436	428	409	357
Accounting policies specifically described for:				
depreciation	443	423	395	250
compensated absences	421	395	339	220
long-term liabilities	410	288	358	307
budget process	404	386	343	286
inventory	393	389	347	238
total columns	391	373	335	277
reporting entity	369	326	214	204
investment	361	338	334	231
encumbrances	319	303	268	136
budget reconciliation	40	43	122	22
changes in accounting principle or estimate	9	12	15	11

CITY OF CHICAGO, ILLINOIS

NOTES TO COMBINED FINANCIAL STATEMENTS—FOR THE YEAR ENDED DECEMBER 31, 1988

(1) Summary of Significant Accounting Policies

Reporting Entity

The City of Chicago was incorporated in 1837. It is a "home rule" unit under the Illinois Constitution. The City has a mayor-council form of government.

The Mayor is the Chief Executive Office of the City and is elected by general election. The City Council is the legislative body of Chicago and consists of 50 members who each represent one of the City's 50 wards. The members of the Council are elected through popular vote by ward for four-year terms.

The following criteria are considered in concluding which related activities (component units) should be included in the City's combined financial statements:

(a) Financial interdependency;

(b) Selection of governing authority;

(c) Designation of management;

(d) Ability to significantly influence operations; and

(e) Accountability for fiscal matters.

Section 2100, "Defining the Reporting Entity" of "Codification of Governmental Accounting and Financial Reporting Standards" published by the Governmental Accounting Standards Board was reviewed to determine whether the following local governmental entities should be included in the City's combined financial statements.

The accompanying combined financial statements include all funds, account groups, boards and authorities for which the City has oversight responsibility. The following component units were included based upon the criteria noted above:

(a) Public Building Commission

(b) Chicago Public Library

(c) Municipal Employees' Annuity and Benefit Fund

(d) Laborers' and Retirement Board Employees' Annuity and Benefit Fund

(e) Policemen's Annuity and Benefit Fund

(f) Firemen's Annuity and Benefit Fund

(g) Deferred Compensation Trust Fund

Each of the following nine major Chicago area units of local government, (i) is separately incorporated under laws of the State of Illinois; (ii) derives its power and authority under laws of the State; (iii) has, where applicable, independent statutory authority to levy taxes; and (iv) maintains its own financial records and accounts. Based upon the criteria noted earlier these units have been excluded from the City's financial statements and are reported separately:

(a) Chicago Board of Education

(b) Cook County

(c) Chicago Park District

(d) Chicago Transit Authority

(e) The Forest Preserve District of Cook County

(f) Chicago School Finance Authority

(g) Metropolitan Water Reclamation District of Greater Chicago (formerly the Metropolitan Sanitary District of Greater Chicago)

(h) Community College District No. 508

(i) Chicago Housing Authority

Although the Mayor appoints all or a substantial number of the members of the boards of the Chicago Board of Education, the Chicago Park District, the Community College District No. 508, the Chicago Housing Authority, and the Chicago Transit Authority (CTA), the chairman of each board is chosen by the board members. In the case of the CTA, the members appointed by the Mayor must be approved by the Governor of the State of Illinois. In certain cases, the City Council concurs with mayoral appointments. The fact that the Mayor makes such appointments is insufficient to warrant the inclusion of these entities as component units of government primarily because these are not authoritative appointments.

The Mayor has no responsibility for exercising management control over these agencies in operational or fiscal matters. In the case of the Chicago Board of Education, the School Finance Authority is responsible for oversight in fiscal matters. The Mayor has no responsibility for approving budgets, contracts, purchases, hiring of employees, or any other operational matters. In addition, the City of Chicago is not responsible for the debts of these agencies, morally or legally. The City has no entitlements to any operating surpluses of these agencies nor provides any financial assistance in the area of debt financing. Consequently, the City is operationally and financially independent of these agencies.

The accounting policies of the City of Chicago, Illinois are based upon generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

(a) Basis of Presentation—Fund Accounting

The accounts of the City of Chicago are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The various funds and account groups are summarized by fund type in the financial statements. The fund types are aggregated within three categories, i.e., governmental, proprietary, and fiduciary. The following fund types and account groups are used by the City:

Governmental Funds

General Fund—The General Fund, typically referred to by the City as the Corporate Fund, is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, Long-Term Debt and related costs.

Capital Projects Funds—Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Fiduciary Funds).

Proprietary Funds

Enterprise Funds—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds

Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust, Pension Trust and Agency Funds. Nonexpendable Trust and Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds because capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets Account Group—This account group is used to account for all fixed assets of the City, other than those accounted for in Proprietary and Trust Funds.

General Long-Term Debt Account Group—This account group is established to account for all Long-Term obligations of the City except those accounted for in Proprietary Funds.

(b) Basis of Accounting

The modified accrual basis of accounting is utilized in the Governmental, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for interest on Long-Term debt, compensated absences and pension liability.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the expenditure purpose and are generally revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

In governmental funds, licenses and permits, charges for services, and miscellaneous revenues are not susceptible to accrual and are recorded as revenues when received in cash.

The accrual basis of accounting is utilized by Proprietary, Nonexpendable Trust and Pension Trust Funds. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

(c) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. For budgetary purposes, encumbrances have been reflected as expenditures in the combined Statement of Revenues and Expenditures—Budget and Actual—General and Special Revenue Fund Types for meaningful budgetary comparisons. Under generally accepted accounting principles, encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Disbursements against encumbrances outstanding at the beginning of the year are recognized as expenditures in the current year under generally accepted accounting principles.

(d) Cash and Investments

City ordinances require cash belonging to the City to be deposited with the City Treasurer. Cash is currently deposited in total in the City's operating bank accounts which, except as noted in the last two paragraphs, are treated as a single, aggregate bank account. The City Comptroller issues warrants for authorized City expenditures which represent a claim for payment when presented to the City Treasurer. Payment for all City warrants clearing is made by checks drawn on the City's various operating bank accounts.

Investments are stated at cost except for Pension Trust Fund investments which are stated at amortized cost and deferred compensation plan investments which are stated at fair market value.

The City Treasurer and City Comptroller share responsibility for investing available resources in certificates of deposit and other investments. Interest earned on these investments is allocated to participating funds based upon their combined cash and investment balances.

Deficit cash balances represent interfund borrowings from the aggregate of funds other than escrowed funds and cannot be identified with any particular lending fund. It is the City's understanding that, under State law, certain interfund borrowings are authorized for the benefit of a fund having a stated and sufficient income to repay the amount borrowed. No interest income or expense is recognized on these interfund borrowings.

Due to contractual agreements and legal restrictions, the cash of certain funds is segregated by the City Treasurer. Investments which are specifically owned by these funds earn and receive interest directly from their investments and do not participate in earnings from pooled resources.

The City utilizes separate escrow accounts in which tax revenues are deposited and held for payment of general obligation debt and capitalized lease obligations. Interest income earned in such accounts is recorded in the General Fund.

(e) Inventories

Governmental Fund inventories are stated at cost determined principally on the first-in, first-out method. Such inventories are recorded under the purchase method. Reported inventories in governmental funds are equally offset by a reserve of fund balance to indicate that they do not represent available spendable resources. Proprietary Fund inventories, composed primarily of materials and supplies, are stated at cost, determined principally on the average cost method.

(f) Interfund Transactions

The General Fund provides services to all other funds. The amounts charged to the Enterprise Funds and Special Revenue Funds for these services are treated as internal service revenue in the General Fund, operating expenses in the Enterprise Funds and current expenditures in the Special Revenue Funds. Amounts paid to the General Fund equal to the pension expense amounts recorded in such funds are treated as internal service revenue in the General Fund.

(g) General Fixed Assets (Unaudited)

General fixed assets are those acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Assets Account Group. Donated fixed assets are capitalized at market value at the date received in the General Fixed Assets Account Group.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

Depreciation is not provided on general fixed assets and interest is not capitalized.

The City is in the process of upgrading its general fixed asset accounting systems and records to meet the standards necessary to comply with generally accepted accounting principles. Until this project is satisfactorily completed, it is not practical to conduct an audit of the General Fixed Assets Account Group.

(h) Property, Plant and Equipment–Enterprise Funds

Property, plant and equipment owned by the Enterprise Funds is stated at cost. Contributed fixed assets are recorded at fair market value on the date received. Depreciation is provided over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Structures and Improvements	50-100 years
Transmission and Distribution Plant	25-100 years
Equipment	6- 33 years

Expenditures which significantly extend the life of an asset are capitalized. All other repairs and maintenance expenditures are charged to expense as incurred.

Interest is capitalized on Enterprise Fund construction projects until substantially complete.

(i) Vacation and Sick Leave

City employees are granted vacation and sick leave in varying amounts:

(1) For other than sworn police department personnel, vacation leave is earned in one calendar year for use in the following year. For the sworn police department personnel, vacation leave is normally used in the year earned. Unused vacation leave may be carried over for one year upon adherence to City procedural requirements. In the event of death, retirement, or termination, other than by discharge for cause, approved unused vacation pay is payable to the employee, or employee's beneficiary. For governmental funds, vacation leave expected to be paid from future

resources is recorded in the General Long-Term Debt Account Group. Vacation leave earned for Proprietary Funds is recorded in those funds.

(2) Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unutilized portion. Sick leave pay is not accrued.

(j) Insurance

The City provides workers' compensation benefits and employee health benefit plans under self-insurance programs. Such claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the funds in which the expense is incurred (primarily General, Special Revenue and Enterprise Funds).

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State.

The City of Chicago has outside insurance coverage for certain of its major public facilities, primarily to provide protection from catastrophic losses. Other facilities are self-insured by the City. Also, principal officials of the City of Chicago are covered under various surety bonds.

(k) Property Taxes

Property taxes are recognized as receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end (See Note 3).

(l) Corporate Personal Property Replacement Tax

Personal property replacement tax, which is calculated as a percentage of state taxable income, is a shared state revenue. Revenue is accrued when available. Taxes for any year are first allocated to the Debt Service and Pension Trust Funds in accordance with State statutes.

(m) Pension Obligations

The City makes payments to the Pension Trust Fund in accordance with State statutes as described in Note 6. The excess of minimum pension costs determined under generally accepted accounting principles over amounts funded is reflected in the General Long-Term Debt Account Group.

(n) Budgetary Data

The City Council follows these statutory procedures in establishing the budgetary data reflected in the financial statements:

(1) Prior to November 15, the Mayor submits to the City Council a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.

(2) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council. The City Council is also required to hold at least one public hearing on the budget.

(3) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.

(4) Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations unused and unencumbered lapse at year-end. Project-length financial plans are adopted for capital projects funds.

(5) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget which result in a change in total appropriations. During the year, supplementary appropriations were necessary which increased total appropriations. City departments may initiate line item transfers within their department. Adjustments made during the year are reflected in the budget amount included in the financial statements. Budgetary control is exercised at the appropriation level, within department.

(6) The City's budgetary basis of accounting differs from generally accepted accounting principles (GAAP), as used in presenting actual data for comparative purposes. For budgetary purposes, encumbrances are recorded as expenditures but are reflected as reservations of fund balances for GAAP purposes. For budgetary purposes, property taxes are recognized as revenue in the year in which they become an enforceable lien on real property and proceeds of Long-Term debt and operating transfers are classified as revenues. For GAAP purposes, property taxes are recognized as revenue when both measurable and available and proceeds of Long-Term debt and operating transfers are treated as other financing sources.

The effects upon the 1988 financial statements from the different basis of revenue and expenditure recognition are as follows:

(dollars in thousands)

	General Fund	Special Revenue Funds
Revenues, GAAP Basis—December 31, 1988	$ 1,235,216	$350,389
Add:		
First Sixty Days Property Tax Collections—1988	1,599	17,166
1988 Net Property Tax Levy	—	189,774
Proceeds of Debt, Net	186,274	88,531
Deduct:		
Collections on Prior Year Property Tax Levy	—	(179,906)
First Sixty Days Property Tax Collections—1989	—	(9,683)
Revenues—Budgetary Basis—December 31, 1988	$ 1,423,089	$456,271
Expenditures, GAAP Basis—December 31, 1988	$ 1,426,988	$432,180

	(dollars in thousands)	
	General Fund	Special Revenue Funds
Add:		
Encumbrances—1988	13,028	6,468
Operating Transfers Out	2,850	2,384
Deduct:		
Payments on Prior Years' Encumbrances	(6,904)	(3,270)
Expenditures, Budgetary Basis—December 31, 1988	$ 1,435,962	$437,762
Revenues (Under) Over Expenditures, Budgetary Basis—December 31, 1988 ...	$ (12,873)	$ 18,509

(o) Total Columns on Combined Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data. Certain reclassifications have been made to the 1987 Memorandum Only totals to conform to the presentation of the 1988 Memorandum Only totals.

(p) Prior Period Adjustment

In the 1987 general purpose financial statements, the Chicago-O'Hare International Airport recorded certain expenses in connection with a proposed settlement of disputed charges. Subsequent to the issuance of the financial statements, the cost of the settlement with the various airlines was determined to be payable out of future O'Hare revenues, and only upon the occurrence of certain events. As a result, the accrual recorded in the general purpose financial statements at December 31, 1987 was not required. The net impact of the change was a decrease in 1987 operating expenses and an increase in ending total equity of $12,713,000, which is 1.3 percent of Enterprise Fund total equity.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 1: Summary of Significant Accounting Policies

A. Description of the Unit; Reporting Entity

New Hanover County is located in the southeastern corner of North Carolina and has a population of approximately 118,235 people. Some of the major services provided by the County include health, social, public safety and water and sewer. In addition, the County operates a resource recovery system and an airport.

The resource recovery system is composed of a secure sanitary landfill and an incineration system. Both serve the entire County. The incineration system reduces the volume of waste, thus lengthening the life of the landfill, and also generates energy that is sold.

The County airport serves the southeastern region of North Carolina.

The New Hanover County Water and Sewer District was established by the New Hanover County Board of County Commissioners on May 16, 1983. It includes all unincorporated areas within New Hanover County, north of Snow's Cut, that were in existence when the District was created. Approximately 61,942 people live in the District's service area. The District will provide sewer services to all unincorporated portions of the County. The District is included for financial reporting purposes using the criteria explained in Note 1: B below.

The New Hanover County Fire Service District was established by the New Hanover County Board of County Commissioners on January 6, 1986, to aid in the provision of fire protection service and other services consistent with fire fighting in various specified fire districts of New Hanover County. The district is included for financial reporting purposes using the criteria explained in Note 1: B below.

Also included in the reporting entity is the Cape Fear Coast Convention and Visitors Bureau, Inc., a nonprofit corporation organized by the County, as lead agency, to promote tourism in New Hanover County. The corporation is included for financial reporting purposes using the criteria explained in Note 1: B below.

B. Principles Used in Determining the Scope of Entity for Financial Reporting

For financial reporting purposes, in accordance with the criteria in GASB COD.2100, New Hanover County includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or financially dependent upon the County. Control by financial dependence was determined on the basis of obligation of the County to finance deficits, guarantee debt, selection of governing authority, approval of budget, authority to make a public levy, ownership of assets, scope of public service and special financing relationships where there was only partial or no oversight responsibility.

The following organizations had positive responses to some of the above criteria, but are excluded from the accompanying financial statements because the County had insufficient oversight authority.

New Hanover County Board of Education

The Board of Education has a separate elected governing authority and the County has no authority to appoint the management of the Board. The County does not have the authority to approve the Board's budget, however the County does approve the amount of the appropriation that the County makes to the Board, which represents approximately 22% of the total budget of the Board. The County is responsible for the bonded debt of the Board, however the County is not responsible for debt incurred directly by the Board. The County is neither responsible for nor entitled to surpluses of the Board. The County does not significantly influence the operation of the Board and the Board is not accountable to the County for its fiscal matters beyond the County's appropriation to the Board. While there were positive responses to the scope of public service and special financing relationship criteria, these were not considered significant enough to outweigh the limited oversight responsibility that the County has over the Board.

New Hanover Memorial Hospital

The governing authority of the Hospital is appointed by the County, however the County does not maintain a significant continuing relationship with the Hospital Board. The County does not have the authority to designate the management of the Hospital, nor does the County have the authority to approve the budget of the Hospital. The contracting authority rests with the Hospital Board and not with the County, but the County does own a significant portion of the Hospital facility which is leased to the Hospital. The County is not responsible for providing funds for the care of indigent patients and is not entitled to surpluses. The County does not control the collection or disbursement of Hospital funds nor is the County responsible for the Hospital's debt other than the general obligation bonds issued to construct and improve the Hospital facility. Although the Hospital is located within the County and is for the benefit of the County, the Hospital serves as a regional medical center. While there were positive responses to some of the component unit criteria, the County does not exercise sufficient control over the Hospital to warrant the inclusion of the Hospital as a part of the County reporting entity.

New Hanover County Industrial Facilities and Pollution Control Financing Authority

The County Board of Commissioners created the New Hanover Industrial Facilities and Pollution Control Financing Authority (the "Authority"), on February 7, 1977. Since that date, the Authority has been engaged in providing tax-exempt financing of industrial and pollution control facilities. This has resulted in bringing jobs to the County at a higher-than-existing hourly rate plus increasing the tax base through added real and personal property values.

Through June 30, 1989, the Authority has formally accepted applications from twelve companies for industrial and pollution control revenue bonds. Bonds have been issued totalling $85,195,000 to twelve companies.

The County has no responsibility for this debt and none issued through this authority is included in the financial statements. Also, the authority's operations are not included in the financial statements as the authority does not meet the component unit criteria necessary to be considered a part of the reporting entity.

C. Basis of Presentation—Fund Accounting

The accounts of the County are organized and operated on the basis of funds and account groups, each of which is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, fund equity, revenues, and expenditures as appropriate. County resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into five generic fund types and three broad fund categories (the minimum number of funds consistent with the requirements of the law) as follows:

Governmental Funds

General Fund—The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. Debt service payments for general long-term debt are accounted for in the general fund.

Special Revenue Funds—Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds—Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds—Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Agency Funds—Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government units and other funds. The agency funds include the Social Service agency fund, the tax clearing agency fund, the other escrows agency fund and the deferred compensation agency fund. Agency funds are custodial in nature (assets and liabilities) and do not involve measurement of results of operations.

Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

General Fixed Assets Account Group—This group of accounts is established to account for all fixed assets of the

County, other than those accounted for in its proprietary type funds.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings and equipment (e.g. roadways, pathways, etc.) are not capitalized along with other general fixed assets. No depreciation is provided on general fixed assets.

General Long-Term Debt Account Group—This group of accounts is established to account for all long-term obligations of the County except those which are accounted for in its proprietary type funds. Long-term liabilities expected to be repaid from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

During the year, all funds of the County are accounted for on the budgetary basis which is the modified accrual basis of accounting. Encumbrances are utilized as a management control technique. Revenues are recognized when they become measurable and available, as net current assets, to be used to pay liabilities of the current period. Taxpayer-assessed ad valorem, intangibles, and sales taxes are considered "measurable" when both due and in the hands of the County or intermediary collecting governments and are recognized as revenue at that time.

Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Taxes collected in advance are deferred until they become "due."

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. Capital outlays and payments of principal on long-term debt are considered to be expenditures. Depreciation is not considered to be an expenditure and interest on long-term debt is recognized only when paid.

Encumbrances are recognized during the year, but outstanding encumbrances at the end of the year do not constitute expenditures and are either charged to an appropriation the following year or the contractual commitment is cancelled.

All proprietary funds are converted to the accrual basis of accounting at year end. Under the accrual basis, revenues are recognized when they are earned, regardless of the measurement and availability criteria used in the modified accrual basis. Expenses are recognized when they are incurred. The conversion generally involves the accrual of interest expense and compensated absences, the provision for depreciation expense, and adjusting capital outlays and debt service outlays, including issue costs, to the accrual basis.

Agency fund assets and liabilities are accounted for on a modified accrual basis.

E. Budgets and Budgetary Accounting

General Budget Policies

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the County Manager submits to the Board of Commissioners, a proposed budget in the form of a budget message, for the fiscal year commencing July 1.

The budget message is filed with the office of the Clerk to the Board, where it is open to public inspection, and a public hearing is held.

Not earlier than 10 days after it receives the budget message but prior to July 1, the Board of Commissioners adopts its annual budget ordinance for all funds except the agency funds (no formal budget legally required) and project ordinances (adopted on a project-by-project basis). No supplemental budget ordinances are approved during the fiscal year.

The department heads are authorized to transfer budgeted line items within their departments (other than salaries, fringe benefits, and capital outlay, where Budget Officer approval is required) if the overall departmental budget remains unchanged.

The Budget Officer is also authorized to make transfers of up to $2,500 between departments but must subsequently report these to the Board of Commissioners. The Board of Commissioners must approve all other budget transfers before they become valid.

Formal budgetary integration is employed as a management control device during the year in governmental type (except capital projects funds, for which "project life" ordinances are used) and proprietary type (excluding construction project ordinances) funds. Appropriations under annual budgets lapse at fiscal year end, whereas appropriations for project ordinances continue for the project life. The level of control for each legally adopted annual appropriated budget during the year ended June 30, 1989, was as follows:

Fund	Level
Governmental Funds:	
General	Department
Room Occupancy Tax Special Revenue	Fund
Special Fire District	Fund
Public School Building Capital	Fund
Proprietary Funds:	
Airport Enterprise Operating	Fund
Water Enterprise Operating	Fund
Sewer Enterprise Operating	Fund
Resource Recovery Enterprise Operating	Fund

The Cape Fear Coast Convention and Visitors Bureau, Inc. adopts a non-appropriated budget that is included herein.

Budgets for funds are adopted on a basis consistent with generally accepted accounting principles for that fund type, except that proprietary fund types are budgeted in the same manner as governmental type funds and, as such, are not budgeted on the accrual basis.

The budgets presented in the statements are as amended through June 30, 1989. Amendments have been made in accordance with authorized procedures.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds. Encumbrances outstanding at year end in governmental funds with annual budgets represent the estimated amounts of the expenditures ultimately to result if contracts in process at year-end are completed. They are reported as a reservation of fund balance, since they do not constitute expenditures or liabilities and since unexpended appropriations lapse at year end. Other significant purchase commitments are disclosed in other notes to financial statements.

F. Assets, Liabilities and Fund Equity

Cash and Investments

Investments, other than those of the County's trusteed deferred compensation plan, are stated at cost, which approximates market. All cash and investments of the County (except trusteed deferred compensation funds and the cash and investments of the Cape Fear Coast Convention and Visitors Bureau Special Revenue Fund (component unit)) are subject to various statutes which exist to secure the safety of public deposits.

The County pools substantially all of its cash, investments and accrued interest receivable utilizing a single central depository. Each fund owns a pro rata interest in the pool. Equities of funds participating in the central depository are included on the balance sheet in "Cash and investments." Investment interest is allocated daily based on daily average equity.

Deferred compensation agency funds are reported at market value and are not subject to legal investment restrictions.

Ad Valorem Taxes Receivable

Ad valorem taxes receivable are not accrued as a revenue because they are not considered to be both "measurable and available." The amount of the receivable is reduced by an allowance for doubtful accounts equal to the percent of the original levy which has normally been written off based upon past experience. An amount equal to the net receivable is included in deferred revenue on the General Fund Balance Sheet.

According to the North Carolina General Statutes, ad valorem taxes become a lien on underlying real property on the January 1 (lien date) preceding the fiscal year, are levied (assessment date) on July 1, the beginning of the fiscal year, and are due (due date) September 1. The collection period runs from September 1 until January 5. Late payment interest begins to accrue January 6. By June 30, the taxes are materially past due and, consequently, cannot be considered as a resource which can be used to finance the government operations year even though the amount due is measurable.

Unbilled Service Receivables

Amounts have been accrued in the County's General and Enterprise Funds for services rendered but not yet billed as of June 30, 1989.

Allowances for Doubtful Accounts

Allowances for doubtful accounts are maintained for all types of receivables which historically experience uncollectible accounts.

Inventories

Inventories of parts held at the County garage (General Fund), Water and Sewer District (Water and Sewer Fund) and County steam plant and landfill (Resource Recovery Fund) for use in operations are priced at the lower of cost (first-in, first-out method) or market. In the General Fund, the amount is recorded as an asset and inventoriable supplies and parts are not charged to operations until consumed.

Restricted Assets and Liabilities

When proprietary fund type construction projects are funded primarily by bond proceeds, interest on unspent bond proceeds or state and federal grants, the assets and current liabilities related to those projects are shown as restricted assets and liabilities.

Fixed Assets

All fixed assets are valued at historical cost or estimated cost if actual historical cost was not available due to lack of detailed records in earlier years. Donated fixed assets are valued at their estimated fair value on the date donated.

The County follows the policy of capitalizing interest as a component of the cost of proprietary type fund fixed assets constructed for its own use in accordance with the guidelines of GASB COD.1400.111, and other related pronouncements.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are generally as follows.

Buildings	20-40 years
Land Improvements	25-50 years
Equipment	4-10 years

Amortization of Bond Issuance Costs

Bond issuance costs incurred in proprietary funds are amortized over the life of the related bond issue using the straight line method.

Accrual for Medical Self-Insurance

Beginning July 15, 1982, the County became self-insured for group medical insurance. The County contracts with Blue Cross and Blue Shield of North Carolina to administer the program. The contract provides for stop loss—aggregate stop loss charges and partial pooling of claims above a specified amount.

The stop loss—aggregate stop loss provides a method by which the Group limits claims charged to its account by 115% of expected claims.

The partial pooling—specific loss pooling provides that during any one contract period the total accumulated claims expense paid for any one participant above $40,000 will not be charged to the group during the remainder of that contract period for that participant.

A provision for estimated claims outstanding as of June 30, 1989, to be paid after June 30, 1989, is accrued in accordance with the guidelines of GASB COD.C50.110. Funds withheld from employees and/or deposited with the administrator above the provision for estimated claims outstanding, if any, are reported as reserved fund balance or retained earnings in the appropriate funds.

Long-Term Debt

Long-term debt of proprietary fund types is carried in the appropriate enterprise fund rather than the General Long-Term Debt Account Group. The related debt service requirements are being met by enterprise revenues, but the taxing power is pledged to make these payments if enterprise revenues should be insufficient.

Long-term debt for other purposes is included in the General Long-Term Debt Account Group and is serviced by the General Fund.

Vacation and Sick Pay

The vacation policy of the County generally provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. Accumulated earned vacation at June 30, 1989, amounted to approximately $1,028,292 in total, of which $1,000,469 related to the governmental funds and $27,823 related to the proprietary funds. The liability of the governmental funds is recorded in the General Long-Term Debt Account Group while the liability of the proprietary funds is recorded in the appropriate enterprise fund.

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 1989, amounted to approximately $2,189,569 in total, of which $2,147,478 related to the governmental funds and $42,091 related to the proprietary funds. Although sick leave does not vest, any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave is reported.

Deferred Revenues

Net ad valorem taxes receivable are reported as deferred revenue because they are not considered to be both "measurable and available." In addition, property taxes collected in advance of the fiscal year to which they apply should also be recorded as deferred revenues.

G. Other

Totals (Memorandum Only) Columns

In each of the accompanying financial statements, the "Totals (Memorandum Only)" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis.

Comparative Data and Restatement

Comparative total data for the prior year have been presented in order to provide an understanding of changes in the County's financial position and operations. Comparative data have been reclassified, as necessary, to conform to the 1989 presentation. The 1988 data has been restated to include, in the general long term debt account group, unfunded pension contributions at June 30, 1988.

CHARTER TOWNSHIP OF FLINT

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

I. Summary of Significant Accounting Policies

The Charter Township of Flint was incorporated July 17, 1978, under the provisions of Act 90, P.A. 1976, as amended (Charter Township). The Township provides the following services: public safety (police and fire), sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Charter Township of Flint conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Scope of reporting entity:

In accordance with the provisions of the National Council on Governmental Accounting's Statement #3 "Defining the Governmental Reporting Entity," the financial statements of the Charter Township of Flint contain all Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches. Control by or dependence on the Township was determined on the basis of appointment or governing authority, budget adoption, taxing authority, outstanding debt secured by revenues, or general obligations of the Township, obligation of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, and scope of public service.

Based on the foregoing criteria, the following organizations are included in the Township's annual report for the reasons stated.

Charter Township of Flint Firemen's and Policemen's Pension Trust Funds:

- Governing Board is made up of Township employees
- Township approves investment policies

Charter Township of Flint Central Business Development Authority:

- Township appoints governing board
- Township approves budget of Authority

- Township must approve any tax levy of the Authority
- Surplus funds existing at termination of the Authority vest to the Township

Charter Township of Flint Economic Development Corporation (E.D.C.):

- Township appoints governing board
- Township approves budget of the E.D.C.
- Township created the E.D.C.
- Township provides employees and facilities for the E.D.C.

B. Basis of Presentation—Fund Accounting:

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into six generic fund types and three broad fund categories as follows:

Governmental Funds

General Fund—The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds—Special Revenue Funds are used to account for all proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related cost.

Proprietary Funds

Enterprise Funds—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting:

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the *timing* of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include most federal intergovernmental revenues (e.g. federal grants) and charges for services. Most state intergovernmental revenues (e.g. income taxes, sales taxes), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

The major exception to this general rule is principal and interest on General Long-Term Debt which is recognized when due.

All Proprietary Funds and Pension Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year end.

D. Budgetary data:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General, certain Special Revenue, and Debt Service Funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution for all budgeted funds.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.

5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year-end except for certain grants which are appropriated on a grant or entitlement length basis. Individual funds that have expenditures budgeted in this manner are:
   - Community Development Special Revenue Fund
   - State Grant Special Revenue Fund
   - Mott Grant Special Revenue Fund

   As a result of their different budget perspectives, these funds are excluded from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual.
7. The original budget was amended during the year in compliance with the Township Charter and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the Township.
8. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Assets, Liabilities, and Fund Equity:

1. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets, consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical costs if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations, except for Water and Sewer facilities constructed by the county and financed with county bond issues, which are recorded at cost in the General Fixed Assets Account Group. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and Sewer facilities	40 years
Equipment	3-10 years

2. Deposits and Investments

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents.

Investments are stated at cost which approximates market. However, an allowance is recorded to reduce cost to market value when a permanent decline in the value of an investment is realized.

3. Inventory

Inventory in the General Fund is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption and the cost of tax reverted properties. The cost of supplies is recorded as an expenditure at the time the inventory is consumed.

F. Revenues, Expenditures, and Expenses:

1. Accumulated Unpaid Vacation and Sick Pay

Substantially all Township employees, except firemen, are paid for unused vacation and sick days on an annual basis.

Firemen (governmental fund employees) are allowed to accrue sick days up to a maximum of 120 days. One half of the accumulated unused sick pay for firemen becomes payable upon termination of employment.

Accumulated vested unpaid sick and vacation pay at December 31, 1988, is recorded in the financial statements of the Township as follows:

Governmental Fund Types

- A current year expenditure if expected to be paid out of expendable available financial resources.
- Part of the General Long-Term Debt Account Group if expected to be liquidated from future financial resources.

Proprietary Fund Types

- A current year expense.

2. Property Taxes

The Township levies property taxes on December 1, each year. These taxes become liens on the property at that date. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1, is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing the funds as unavailable for current appropriation. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis. Uncollected fees as of December 31, 1988, are recorded as a receivable with an offsetting deferred revenue account in the General Fund.

3. Post Retirement Benefits

The Township provides post retirement benefits (health, life, dental, and optical) to all Township retirees. The total cost for these benefits for 1988 was $25,675.

G. Comparative Data:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

H. Total Columns on General Purpose Financial Statements:

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

INDEPENDENT SCHOOL DISTRICT NO. 625, SAINT PAUL, MINNESOTA

NOTES TO COMBINED FINANCIAL STATEMENTS—JUNE 30, 1989

(1) Summary of Significant Accounting Policies

The accounting policies of Independent School District No. 625 (the District) conform to generally accepted accounting principles. The following is a summary of the more significant policies:

Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The Board of Education consists of elected officials and is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Criteria for determining the entity for financial reporting purposes is whether the governing body (Board of Education) exercises oversight responsibility. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

The combined financial statements include all of the funds and account groups of the District over which the Board of Education exercises operating control. The operations of the District include both the Elementary and Secondary Schools and the St. Paul Technical College (TC). The financial statements of TC are combined with the Elementary and Secondary Schools. The District does not have discretionary control over "student activity funds" of individual schools and, accordingly, these funds are not included in the combined financial statements. The District is in the process of integrating these funds in the financial reporting system. At June 30, 1989 approximately $500,000 of student activity funds are not included in the combined financial statements.

Basis of Presentation—Fund Accounting

The operations of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund or account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures.

The financial statements include the various funds summarized by type. The District uses the following fund types and account groups:

Governmental Fund Types

The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is on the determination of changes in financial position, rather than net income. Governmental fund types include:

General Funds—The General Funds are used to account for all financial resources except those required to be accounted for in another fund. In the combined financial statements, the General Funds include the Elementary and Secondary General Operating Fund, Desegregation Fund and the Elementary and Secondary Fully-Financed Programs Fund, excluding amounts relating to community service which are included under Special Revenue Funds.

Special Revenue Funds—The District accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes in the Special Revenue Funds. These funds include:

Elementary and Secondary Community Service and Fully-Financed Community Service—Activities relating to the adult education programs, recreation and civic programs and community programs which are fully financed by Federal, State or private grants are accounted for in this fund.

Elementary and Secondary Capital Outlay—Activities relating to school building repairs, maintenance and capital expenditures not financed by the sale of bonds are accounted for in this fund.

Elementary and Secondary Food Service—Activities relating to the school lunch and other related programs are accounted for in this fund.

Elementary and Secondary Transportation—Activities relating to student transportation services are accounted for in this fund.

TC General Operating Fund—Activities relating to the operation of the TC, not required to be accounted for in another fund, are accounted for in this fund.

TC Fully-Financed—Activities relating to programs which are fully financed by Federal, State or private grants are accounted for in this fund.

TC Community Service—Activities relating to evening community education programs are accounted for in this fund.

TC Capital Outlay, Building Addition and Repairs and Betterment—Activities relating to capital outlay, construction of additions, and repairs, respectfully, for the TC facility are accounted for in these funds.

Debt Service Funds—These funds account for resources used to repay bond indebtedness incurred to finance major property acquisition, construction and improvement programs for Elementary and Secondary Schools and TC.

Fiduciary Fund Type

Trust and Agency Fund—This fund accounts for assets held by the District in a trustee capacity or as an agent for others. It includes Elementary and Secondary Schools and TC trust and agency funds.

Account Groups

General Fixed Assets—The general fixed assets of the District, including land, buildings and equipment for Elementary and Secondary Schools and TC, are included in this account group. Depreciation is not recorded on such assets.

General Long-term Debt—This set of accounts is established to account for all long-term obligations of the District including Elementary and Secondary Schools and TC.

Basis of Accounting

The accounting policies of the District conform to the State of Minnesota Uniform Financial Accounting and Reporting Standards (UFARS).

The modified accrual basis of accounting is followed by the District. Under this method of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when liabilities are incurred, if measurable. Interest on long-term debt is recorded when paid.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. For the first type, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures recorded. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property Taxes

Property taxes are levied in October and are certified to Ramsey County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1st. The following are the dates the District receives the current year real property taxes:

May 24—First half of May real property tax collections

June 5—Remaining half of May real property tax collections

October 24—First half of October real property tax collections

November 2—Second half of October real property tax collections

As a result of a property tax shift instituted in 1982, 73% of property tax revenues for taxes due and payable by taxpayers in the year ended December 31, 1988, and 27% of the taxes due in the year ended December 31, 1989, were recognized as revenue during the year ended June 30, 1989. The remainder of the taxes due in calendar year 1989 is deferred until the year ended June 30, 1990. Property tax revenues for the year ended June 30, 1988, include 76% of the property taxes due in the year ended December 31, 1987, and 27% of the property taxes due in the year ended December 31,1988. All revenues recognized in the current year are actually collected within sixty days of the end of the year. Taxes receivable for delinquent property taxes are fully offset as deferred revenue as required by the State of Minnesota.

Encumbrances

Purchase orders, contracts and other commitments for the expenditure of funds are recorded as encumbrances to reserve a portion of the applicable appropriation. Open encumbrances are reported as reservations of fund balances since the commitments will be honored through a subsequent year budget appropriation. Encumbrances do not constitute expenditures or liabilities.

Investments and Investment Income

Investments are stated at cost or amortized cost, which approximates market.

The District uses pooled cash and investment accounts. Investment income is allocated to the various funds based upon average monthly cash and investment balances. Cash overdrafts in certain funds are considered short-term advances from other funds within the pool. The fund incurring the overdraft is charged interest.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of supplies held for consumption. Inventory in the Special Revenue Funds consists of food and related preparation supplies for the school lunch program.

General Fixed Assets

General fixed assets have been acquired for school purposes. Assets purchased are recorded as expenditures in the governmental type funds and capitalized at cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded in general fixed assets at estimated fair market value at the time received. No depreciation has been provided on general fixed assets.

Vacation, Sick Leave and Severance Pay

Under terms of union contracts, civil service employees are granted vacation and sick leave in varying amounts, portions of which can be carried over to future years. Teachers are granted a two-week vacation and cannot carry unused vacation time forward to the next year. In the event of termination, civil service employees are reimbursed for any vacation earned and unused for the current and prior years. The total amount accrued for earned and unused vacation at June 30, 1989 is $825,689 ($767,407 in 1988). The current portion (payable within 60 days of year end) of this obligation is included in accrued liabilities. The remainder of the obligation is recorded in the general long-term debt account group.

Unused sick leave for eligible employees is recorded as severance pay. An employee must have worked 10 years and have not less than 60 days unused sick leave to be eligible. Severance pay is calculated at the rate of one-half day of pay for each full day of accumulated and unused sick leave up to a maximum of $7,500 for teachers and $6,500 for civil service employees, payable in February of the following year.

Funding for severance pay is made available through a special levy. Severance pay is recorded as an expenditure when paid. The excess of special levy funding over expenditures for severance pay is recorded as a reservation of fund balance in the General Fund. The estimated severance pay liability for terminated employees is recorded in the long-term debt group of accounts.

Self-Insurance

The District is self-insured for workers' compensation. For the medical portion of workers' compensation the District is self-insured up to a $370,000 limit per incident at which time the District's reinsurance policy will pay for further liability. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year end including claims incurred and not reported.

Comparative Total Data

Comparative total data for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data by fund type have not been presented in each of the statements, since their inclusion would make the statements unduly complex and more difficult to read.

The total columns for 1989 and 1988 are captioned "memorandum only" to indicate that they represent aggregate amounts. No consolidating adjustments or other eliminations were made in arriving at the totals; thus, they do not present consolidated information.

Budget Data

The budget for each fund is prepared on the same basis of accounting as the financial statements. Budgeted expenditures for all funds lapse at year end, except TC Building additions fund which is a project length budget and lapses at the end of the project.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to January 1, the Superintendent appoints a Budget Committee. The Budget Committee reviews, adopts and forwards to the Board of Education, budget assumptions and the budget calendar.

Budget administrators submit their budget requests to the Budget Committee for review. The proposed budget is then forwarded to the Superintendent.

By the second Board of Education meeting in April, the Superintendent submits to the Board of Education a recommended budget for the fiscal year commencing on the upcoming July 1. The budget includes proposed expenditures and the means of financing them.

Prior to May 31, a revised budget is prepared based on the Board of Education's recommendations.

Early in June, a public hearing is conducted to obtain taxpayers' input and comments.

By the second meeting in June, the Board of Education officially adopts the budget.

The Superintendent is authorized to transfer budgeted amounts within a program; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Reclassifications

Certain reclassifications, not affecting fund balances, have been made to the 1988 comparative totals to conform with the 1989 presentation.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

(1) Summary of Significant Accounting Policies

(A) Description of the Reporting Entity

The County Sanitation Districts of Los Angeles County (Districts) are defined as "Special Districts." The financial statements of the Districts include the operations of all independent Districts operating within the County of Los Angeles providing both solid and liquid waste management and disposal services. Each of the Districts is governed by an independent board comprised of elected officials of the cities and unincorporated areas of the County within the respective District's boundaries. For purposes of control and daily management, the Districts are centrally operated and administered. Administration of the Districts entails fiscal as well as management control of the Districts' respective operations.

The Districts are independent of and overlap many formal political boundaries. There are many governmental entities, including the County of Los Angeles, that operate within the Districts' jurisdictions; however, financial information for these entities is not included in the accompanying financial statements based on the following factors:

Each entity has an independently elected governing body.

Each entity is solely responsible for its daily operations.

The Districts are neither entitled to operating surpluses nor responsible for operating deficits of any of the entities.

Each entity is exclusively responsible for administration of its own fiscal affairs.

(B) District Operations

The Districts' accounts are maintained in a fashion that facilitates compliance with the requirements and guidelines of the Controller of the State of California (State Controller). An annual report is filed with the State Controller for each District as required by Section 53891 of the California Government Code.

(C) Basis of Accounting

The Sanitation Districts operate under the following bases of accounting:

Name of funds	Fund type	Basis of accounting	Purpose
Sewerage Funds	Proprietary—Enterprise Funds	Accrual	Primary operating funds of the Sanitation Districts, including debt service and capital improvement activities
Landfill Funds	Proprietary—Enterprise Funds	Accrual	To account for operations of the Districts' refuse disposal system
Trustee Landfill Funds	Proprietary—Enterprise Funds	Accrual	To account for operations of Scholl Canyon and Los Angeles County Refuse Disposal Equipment Pools as well as the Scholl Canyon, Mission Canyon and Calabasas landfills
Central Revolving Fund	Proprietary—Internal Service Fund	Accrual	To account for joint operations expenditures for which allocation at the time of delivery of service would be impractical
District Joint Refuse System Fund	Proprietary—Internal Service Fund	Accrual	Accounts for activity relating to the acquisition, construction and maintenance of the Districts' refuse transfer or disposal sites
Los Angeles County Refuse Disposal Trust Fund	Fiduciary—Non-expendable Trust Fund	Accrual	Accounts for funds disbursed as authorized by the Board of Directors and the Los Angeles County Board of Supervisors for the acquisition, construction and maintenance of refuse transfer or disposal sites
Agency Fund	Fiduciary—Agency Fund	Modified-accrual	Accounts for monies received by the Districts, such as cash bonds, as well as the Districts' deferred compensation plan

Under the accrual basis of accounting, revenues are recorded in the period earned and expenses are recorded in the period incurred. As such, no consideration is given to when cash may be received or disbursed, with the result that net income is the difference between the revenues earned and the expenses incurred in earning those revenues.

The modified-accrual basis as it relates to the Agency Fund requires that assets be recognized when they become both "measurable" and available to pay liabilities of the current period.

A discussion of the fund types utilized by the Sanitation Districts follows:

Proprietary Fund Types

Enterprise Funds—The Districts' Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the Boards of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Boards of Directors have decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds—Internal Service Funds are used to account for the financing of services provided by one District to other Districts, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Type—Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by the Districts in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Nonexpendable Trust and Agency Funds. *Nonexpendable Trust Funds* are accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. *Agency Funds* are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(D) Operating Plans

Each year, personnel of the Districts prepare annual operating plans for each District. These plans, as adopted by the respective Boards of Directors, are used to serve as a basis for monitoring financial progress, estimating the levy and collection of taxes and determining future service charge rates. During the year, these plans may be amended as circumstances or levels of operations dictate.

(E) Cash in County Treasury and Cash in Bank

Cash in the County treasury consists of cash deposited in the interest-bearing Los Angeles County Treasurer's pooled surplus investment fund. The yield available through this investment vehicle provided the best possible return on the Districts' idle cash as of June 30, 1989. Since there are no withdrawal limitations on these funds, when greater returns may become available from specific investments, the appropriate transfers to these instruments can be made immediately. The carrying amount equals market value at June 30, 1989.

The Districts are authorized to invest in obligations of the U.S. Treasury and its agencies, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances; repurchase agreements; reverse repurchase agreements and the state treasurer's investment pool. During the fiscal year, the Districts invested only in the Los Angeles County treasurer's pooled surplus investment fund.

The Districts' cash in bank at year-end was entirely covered by Federal depository insurance.

(F) Inventories

Inventories are stated at the lower of cost (weighted average cost which approximates first-in, first-out) or market.

(G) Property, Plant and Equipment

Outlays for property, plant and equipment and construction in progress are recorded by the individual Districts. Such outlays may be for either individual District assets or their respective share of jointly owned assets. Property, plant and equipment are recorded at cost. Assets acquired by contribution are recorded at fair market value at the time received.

Depreciation—General

The State Controller has prescribed that an enterprise fund approach be used for accounting for fixed assets. This approach requires that fixed assets be capitalized and periodically charged against the operations of the Districts. The State Controller recommends use of the straight-line method of depreciation, but also allows for other depreciation methods; however, where historical costs are not available, assets acquired prior to July 1, 1970 may be depreciated using an optional depreciation method.

Consistent with the State Controller's guidelines, the Districts use the straight-line method for assets acquired after July 1, 1970 and the optional method for assets acquired prior to that date. For fiscal year 1988-89, optional depreciation expense is computed by applying 17.50% of operating expense in the base year (1970-71), exclusive of depreciation. In subsequent years, the percentage declines 1.25% per year until the year 2002, after which time any remaining depreciable costs will be depreciated at a constant amount per year.

The Districts depreciate assets acquired after 1970 based on the useful lives recommended by the State Controller:

	Useful lives
Joint administration buildings	5 to 20 years
Joint outfall—pumping plants	5 to 40 years
District-owned—pumping plants, water treatment plants	5 to 40 years
Trunk lines	75 years

Depreciation—Solid Waste and Trustee Landfill Funds

Depreciation of capital improvements at landfill sites is determined annually, using the ratio of the number of tons disposed of during the fiscal year to the total estimated capacity of each landfill and applying this ratio to the prior fiscal year's net book value of the capital improvements.

Capital improvements at the South Gate Transfer Station are depreciated over a ten-year period using the straight-line method. The gas-to-energy facility and related capital improvements at the active Puente Hills landfill site are depreciated over a forty-year period using the straight-line method; the gas-to-energy facility and related capital improvements at the closed Palos Verdes landfill site are depreciated over a twenty-year period.

Depreciation—Equipment Pools

Depreciation of assets maintained in the Equipment Pools is determined by either: (1) the straight-line method, using years of useful life as a basis, (2) the vehicle mileage method, using miles driven as a basis, or (3) the equipment hourly method, using hours used as a basis. The depreciation basis selected is based on the type of asset and its usage.

Disposal Rights—Sewerage Funds

Because of geographic conditions, certain Districts have found it advantageous to enter into reciprocal agreements with other public agencies. In these agreements, the public agencies grant the Districts specific sewerage disposal rights and assess the Districts for the cost of the additional capital investment for treatment facilities necessary to dispose of the Districts' discharge. These rights are amortized using the optional depreciation method previously described. Such amortization is included as a charge to operations in determining the respective District's results of operations.

Trunk Lines—Sewerage Funds

Depreciation of trunk lines is determined by the straight-line method, using 75 years of useful life as a basis.

Amortization of Use Rights—Solid Waste and Trustee Landfill Funds

Use rights, as they apply to the cost of the Districts' landfills and the Trustee Landfill Funds, are Districts-owned and leased assets and the attendant right to dispose of waste material therein. As the landfills are used, their value is reduced. The reduction of the usefulness of the landfills is amortized against operations and is termed amortization of use rights. Amortization charges are determined annually using the ratio of the number of tons disposed of during the fiscal year to the total estimated capacity of each landfill and applying this ratio to the prior fiscal year's net book value of the capital improvements. The capacity of each landfill is determined by engineering estimates.

(H) Accrued Vacation and Sick Leave—Central Revolving Fund

Vacation and sick leave pay is recorded as an expense when earned by District employees. As of June 30, 1989, accrued vacation and sick leave aggregated $10,141,435 and is based upon the following criteria.

Vacation Leave

Employees earn 80 hours of vacation leave during each of the first 4 years of service. From 5 through 9 years of service, 120 hours are earned each year, and after 10 years of service, 8 additional hours of vacation are earned per year up to 160 hours. After 25 years of service, employees (with the exception of those in management positions) earn an additional 40 hours of vacation. In addition, earned vacation leave can be accumulated for 1 or 2 years, depending on the employee's representation unit. Upon retirement or termination, employees are paid for all unused accumulated vacation leave at their final rate of pay. The accrued liability is based upon the full amount of accumulated vacation leave.

Sick Leave

Employees earn 8 hours of sick leave per month with a maximum accumulation of 1,440 hours. Employees are entitled to payment of the accumulated sick leave upon retirement or termination. The number of hours subject to payment depends on when the accumulated sick leave was earned and the employee's representation unit. The accrued liability is based upon the sick leave that would be paid upon termination.

(I) Accumulated Deficit

At June 30, 1989, District Nos. 11 and 34 Sewerage Enterprise Funds had accumulated deficits of $13,205 and $1,037, respectively. It is anticipated that these deficits will be eliminated by future revenues.

(J) Memorandum Only Totals

Columns in the accompanying financial statements captioned "Total (memorandum only)" are not necessary for a fair presentation of the financial statements in accordance with generally accepted accounting principles, but are presented to provide additional analytical data.

TOPICS DISCUSSED IN OTHER NOTES TO THE FINANCIAL STATEMENTS

Table 1-5 represents a partial listing of topics discussed in other notes to the financial statements of governmental units.

TABLE 1-5. PARTIAL LISTING OF TOPICS DISCUSSED IN OTHER NOTES TO THE FINANCIAL STATEMENTS OF GOVERNMENTAL UNITS

	Instances Observed			
Topic	**1989**	**1988**	**1987**	**1986**
Pensions*	475	461	443	366
Long-term debt	454	444	422	390
Employee benefits/plan/retirement/ pension	441	419	387	370
Fixed assets	436	434	405	418
Investments	355	436	300	79
Interfund accounts/balances/commitments	334	339	295	204
Cash and investments	334	335	290	59
General obligation bonds	323	289	283	203
Compensated absences	320	289	262	156
Lease agreements/balances/commitments	318	292	280	188
Commitments/contingencies	314	312	281	155
Litigation	313	303	275	160
Capitalized lease obligations	264	242	216	133
Property taxes	240	244	242	174
Deferred compensation plan	240	224	177	55
Segment information/enterprise funds	225	224	190	110
Fund deficits	221	202	206	103
Notes payable/receivable	197	208	209	164
Subsequent events	172	149	120	68
Self-insurance	162	166	130	57
Property, plant, and equipment	140	144	132	138
Restricted assets	124	117	99	53
Excess of expenditures	117	134	114	82
Deferred revenues	94	111	97	75
Prior period adjustment	82	76	95	67
Capital projects	80	89	101	46
Due from governments	73	76	71	55
Changes in accounting principles	37	49	73	28
Budgetary basis of accounting	8	102	92	51

*Includes IRAs and Money purchase pension plans

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND LEGAL COMPLIANCE

GASB Cod. Sec. 1200 prescribes a principle for governmental units that states:

> A governmental accounting system must make it possible to both: (a) present fairly and with full disclosure the financial position and results of financial operations of the

funds and account groups of the governmental unit in conformity with generally accepted accounting principles; and (b) determine and demonstrate compliance with finance-related legal and contractual provisions.

It provides additional discussion of this principle:

Generally accepted accounting principles are uniform minimum standards of and guidelines for financial accounting and reporting.

Adherence to GAAP is essential to ensuring a reasonable degree of comparability among the financial reports of state, provincial, and local governmental units. Governmental accounting systems thus must provide data that permit reporting on the financial status and operations of a government in conformity with GAAP.

Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. Rather the accounting system may be maintained on a legal-compliance basis but should include sufficient additional records to permit GAAP-based reporting.

Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the governmental unit should present such additional schedules and narrative explanations in the comprehensive annual financial report as may be necessary to report its legal compliance responsibilities and accountability.

COMPONENT UNIT PRESENTATIONS

As defined in GASB Cod. Sec. 2600.501, a component unit is a separate governmental unit, agency, or nonprofit corporation that, pursuant to the criteria in [GASB Cod.] Section 2100, is combined with other component units to constitute the reporting entity. GASB Cod. Sec. 2600.118 discusses component unit presentations. A component unit financial report covering all funds and account groups of a component unit—including introductory section; appropriate combined, combining, and individual fund statements; notes to the financial statements; schedules; narrative explanations; and statistical tables—may be prepared and published, as necessary.

Component unit financial statements of a component unit may be issued separately from the component unit financial report. Such statements should include the basic financial statements and notes to the financial statements essential to the fair presentation of financial position and results of operations (and cash flows of proprietary funds and nonexpendable trust funds).

TRANSMITTAL LETTERS IN ANNUAL REPORTS

Often an annual report contained two transmittal letters: one from the chief executive or administrative officer and a second from the chief or senior financial officer of the governmental unit. Each letter had a slightly different focus.

Letters of transmittal from the chief executive or administrative officer or from the financial officers described the content of the annual financial report and provided a general economic and operating summary of the governmental unit.

The letters from the chief executive officers generally are not as detailed as those from the financial officers. Illustrations of a letter from a financial official and a chief executive officer follow.

SAMPLE TRANSMITTAL LETTER FROM A FINANCIAL OFFICER

March 29, 1990

The Honorable Mayor, City Council and City Manager
City of Wichita, Kansas

Dear Mayor, Council and Manager:

The comprehensive annual financial report of the City of Wichita for the year ended December 31, 1989, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in five sections: introductory, financial, statistical, additional information, and single audit. The introductory section includes this transmittal letter, the city's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis. The additional information section contains audited schedules on the retirement systems, investments, long term debt, grants, enterprises, insurance, and other pertinent data relative to the fiscal year 1989.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-128, *Audits of State and Local Governments.* Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in the single audit section of this report.

The Reporting Entity and It's Services

The City of Wichita is the largest city in Kansas, population 298,330 and is the county seat of Sedgwick County. The city is located in south central Kansas, 161 miles southeast of the nation's geographic center and 124 miles from the North American geodetic center. The city's incorporated area is 118.37 square miles.

In 1917, the City became one of the first municipalities in the United States to adopt the Commission-Manager (also known as the Council-Manager) form of government. In 1987, the form of government changed to a Council-Manager form with the City Council members nominated by district and elected at large. One member of the Council was appointed annually to serve as Mayor. In 1989, the form of government was again changed to a Mayor-Council-Manager form with the Mayor elected at large and the other City Council members elected by district. The City Council was expanded from five to seven members, including the Mayor. The City Manager is appointed by the City Council and is responsible to them for the management of all City employees and the administration of all City affairs.

This report includes the financial statements of the funds and account groups of the City. Included are the activities, organizations and functions which are related to the City and controlled by or dependent upon the City's governing body, the City Council. The boards and commissions which are appointed by the City Council include the Art Museum Board, Airport Authority, Park Board, Library Board, Metropolitan Transit Authority, and Housing Authority. The criteria used by the City for including activities in preparing its financial statements are in conformity with the National Council on Governmental Accounting (NCGA) Statement Number Three, Defining the Governmental Reporting Entity.

Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to establish rates, outstanding debt secured by revenues or general obligations of the City, the City's obligation to finance any deficits that may occur, funding and selection of governing authority, and other evidence of financial interdependence and the ability to exercise oversight responsibility.

Based on the above criteria, the following activities are included in the City's 1989 financial statements: all municipal services, pension trust funds, and the deferred compensation program for City employees. The City provides a full range of municipal services including police and fire protection, emergency communications, parks and recreation programs, libraries, art museum, public housing, public health and social services, public infrastructure improvements, bus transportation, airports, water and sewer utilities, planning and zoning, cemetery maintenance, internal support services, and general administration.

Economic Condition and Outlook

The Wichita area economy continued to diversify and grow during 1989. The civilian workforce totaled 257,695. Employment increased by 2,733 or 1.1 percent. Employment increased by 3.6 percent or more in both the machinery and services sectors of the local economy.

Unemployment declined from 4.8 percent to 3.5 percent of the civilian labor force. The value of new construction permits totaled $210.6 million (3.5 percent below the previous year). The decline was attributable to building the Sedgwick County Adult Detention Facility in 1988. Nominal retail sales totaled $3.421 billion in Sedgwick County or 5.6 percent above the previous year.

In addition, the Wichita area has experienced a moderate resurgence of its manufacturing employment at a time when the national trend is downward. Major new business recruitments/retentions included Sears Telemarketing Center (1,500 new jobs and $7 million investment); retention of the Wolfe Creek Nuclear Energy Plant Operating Company (1,250 jobs and $4.5 million investment); Pioneer Teletechnologies (400 jobs and $1 million investment); Piaggio Aviation (250 jobs and $2 million investment); IFR Systems (200 jobs and $3.5 million investment); Learjet (300 jobs); Beech Aircraft (500 jobs); and, Wichita Greyhound Park (400 jobs and $18 million investment).

Major expansions announced included Boeing, Charter Hospital, Koch Industries, City Blue Print, Wesley Medical Center, J.C. Penny, Kandyman Sales, Riverside Hospital, Sharpline Converting, and U.S. Postal Service.

Boeing Company announced a corporate restructuring, resulting in even greater emphasis on commercial/aviation manufacturing at the Wichita division. The change is expected to help the firm respond to the changes in composition of aircraft production from military to commercial aircraft, and result in a stable work force over the next decade.

Prospects of future aviation contracts challenges the labor force to adjust from military contracts to general aviation and commercial aerospace production. Employment is predicted to grow by two to three thousand in 1990-1991. In house training programs have become prominent in the general aviation industry to maintain skilled employees in the local area. The overall diversity in aviation and other elements of the local economy has greatly contributed to the stability of Wichita's economic base since 1980 and even its moderate growth since 1987.

City's Strategic Agenda

The City maintains a strategic plan, the Strategic Agenda, to focus attention on the long-term requirements for maintaining and improving city services. The 1989 Budget provided for the improvement of existing services, increased cash reserves, and increased the total city property tax rate by 2.5 mills or 7.5 percent. The 1989 Budget was based on a multiyear financial plan and two-year budget strategy. The mill levy was increased to support an expansion of municipal services. A one mill increase (approximately one million dollars) was authorized for a Capital Maintenance and Improvement Program to increase maintenance of streets and public buildings. A new west side fire station and 17 additional fire fighters were authorized to support newly annexed areas. An east side police substation was authorized to reduce lost patrol time due to shift changes and improve police services. Five new emergency dispatchers were added to the budget. Parks and right-of-way maintenance was improved by two additional crews. Security improvements were made to the Central Library and the Art Museum. Construction began on the northeast freeway. A subsidy from the transient guest tax was not required for Exposition Hall operations. The City completed its conversion away from County data processing to a fully functional City operated data center (providing finance, accounting, payroll, water/sewer billing, police, and municipal court computer services). Airport terminal building remodeling was completed. Golf course system improvements were completed at Sim and Clapp Parks. The secondary treatment upgrade continued at the City's wastewater treatment plant. Reserves were increased in most budgeted governmental funds.

The City continued a lease agreement with the Wichita Wranglers AA Texas League Baseball Franchise. As a part of the contract, the City agreed to a comprehensive $5.1 million reconstruction/rehabilitation of Lawrence-Dumont Stadium.

Financial Information

The Department of Finance is responsible for providing all City financial services including financial accounting and reporting, payroll, accounts payable disbursement functions, cash and investments, debt management, budgeting, purchasing, contract administration, city clerk functions, retirement and insurance functions, and special financial and policy analysis for City management. The Director of Finance/City Clerk, appointed by the City Manager, supervises the department operations.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the City of Wichita is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City of Wichita's single audit for the fiscal year ended December 31, 1989 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

General Fund

The City's General Fund is used to account for expenditures of traditional governmental services, as well as all financial resources other than those required to be accounted for in other funds. Sources of revenues for this fund include property tax, sales tax, franchise fees, and others identified below. In 1989, the 1 percent County sales tax revenue added $25,227,035 to the General Fund. One-half of the sales tax revenue $12,613,517 was transferred to the Capital Projects Fund as it was received for freeways, bridges, arterial street improvements and associated rights-of-way.

On a budgetary basis, the General Fund performed very well in 1989 with revenues and other sources exceeding expenditures and other uses by $1,564,955 (equivalent to 2.0 percent of expenditures and other uses).

The unencumbered cash/fund balance at December 31, 1989 in the General Fund was $9,853,345 compared to $7,397,720 in the previous year. The 1990 budget includes using $3,246,234 of this balance for capital/contingency expenditures and an appropriated reserve of $1,662,925; leaving an amount of $4,067,736 as an appropriated strategic reserve.

The increase in tax revenues was caused by the increased tax levy rate to support expanded services, elimination of several special revenue funds, and modest increase in the tax base. The increased use of special assessments to abate nuisances resulted in increased collections. Increased license revenues resulted from implementation of a new liquor license fee schedule. Additional interest earnings were attributable to the pooled funds investment program and high short-term interest rates.

Revenues were $1,389,342 or 1.7 percent below the revised budget estimate and were attributable to a decrease in franchise fees (mild summer weather conditions), sales tax (earlier distribution of final annual payment by the state Department of Revenue), fines and penalties (warrant processing delays), liquor licenses (timing of receipts), parking meters (elimination of weekend enforcement), and administrative charges (decline in grants). Charges for services were down due to false alarm and parking meter revenues (litigation and elimination of weekend parking fees).

Expenditures and encumbrances were $2,266,467 or 2.8 percent below the revised budget for the fund. Minor budget variances occurred as a result of routine operations and computer system conversions. The 1989 budget was revised as part of the development for the 1990 budget and actual performance was consistent with these revisions.

A summary of sources and uses of funds as well as changes in fund balances for 1989 is provided below.

General Fund
Budgetary Basis Sources and Uses With Prior Year
Comparisons Including Consolidated Funds
(Dollars in Thousands)

	Amount	Percentage of Total	Increase (decrease) from prior year	Percentage of increase (decrease)
Sources of Funds				
Property taxes	$20,178	25.5	$10,719	113.3
Special assessments	200	0.3	74	58.7
Franchise fees	18,921	23.9	384	2.1
Local sales taxes.	25,227	31.9	306	1.2
Intergovernmental	4,376	5.5	28	.6
Fines and penalties	3,503	4.4	(15)	(.4)
Licenses and permits	806	1.0	34	4.4

	Amount	Percentage of Total	Increase (decrease) from prior year	Percentage of increase (decrease)
Charges for services and sales	574	0.7	(47)	(7.6)
Interest earnings	1,895	2.4	719	61.1
Rental income	1,634	2.1	187	12.9
Other	1,687	2.1	(92)	(5.2)
Operating transfers in	193	0.2	46	31.1
Total	79,194	100.0	12,343	18.5
Use of Funds				
General government	11,954	15.4	3,543	39.1
Public safety	38,305	49.3	8,049	25.2
Highways and streets	3,557	4.6	216	6.3
Sanitation	2,107	2.7	925	78.3
Health and welfare	615	0.8	132	26.5
Culture and recreation	1,709	2.2	232	15.7
Debt service	214	0.3	(109)	(33.7)
Operating transfers out	19,168	24.7	452	5.2
Total	77,629	100.0	13,440	20.9
Increase in fund balance	1,565			
Unencumbered Cash/Fund balance, January 1, 1989	7,398			
Residual Equity Transfer	890			
Unencumbered Cash/Fund balance, December 31, 1989	$ 9,853			

Special Revenue Funds

The Special Revenue Funds account for revenues derived from specific taxes, governmental grants or other revenue sources which are earmarked to finance particular functions or activities of the City. The Special Revenue Funds include special purpose funds, and Federal/State grant funds.

The financial statements for the Federal and State grant funds are prepared in conformance with the National Council on Governmental Accounting (NCGA) Statement 2 *Grant, Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments.* Statement 2 enunciates the application of generally accepted accounting principles for grants, entitlements, and shared revenues by the City.

Tax revenues declined from the prior year due to the merging of special revenue funds into the General Fund. Expenditures for "Sanitation" decreased due to the General Fund assuming more street cleaning costs.

A summary of sources and uses of funds as well as changes in fund balances for 1989 is provided below, excluding federal and state grants.

Special Revenue Funds
Budgetary Basis Sources and Uses With Prior Year
Comparisons Including Consolidated Funds
(Dollars in Thousands)

	Amount	Percentage of Total	Increase (decrease) from prior year	Percentage of increase (decrease)
Sources of Funds				
Taxes	$12,753	41.5	$(7,050)	(35.6)
Intergovernmental	9,788	31.9	972	11.0
Licenses and permits	2,264	7.4	(114)	(4.8)
Charges for services and sales	3,718	12.1	(17)	(0.5)
Rentals	799	2.6	273	51.9
Interest earnings	557	1.8	(153)	(21.5)
Other	225	.7	1	0.4
Operating transfers in	625	2.0	(50)	(7.4)
Total	30,729	100.0	(6,138)	(16.6)
Use of Funds				
General government	—	—	(9,426)	(100.0)
Public safety	2,854	9.2	(429)	(13.1)
Highways and streets	9,452	30.6	380	4.2
Sanitation	433	1.4	(594)	(57.8)
Health and welfare	627	2.0	(15)	(2.3)
Culture and recreation	15,011	48.6	2,617	21.1
Debt service	—	—	(76)	(100.0)
Operating transfers out	2,506	8.2	365	17.1
Total	30,883	100.0	(7,178)	(18.9)
Increase in fund balance	(154)			
Fund balance, January 1, 1989	5,485			
Residual Equity Transfers	(890)			
Fund balance, December 31, 1989	$ 4,441			

Debt Service Fund

The City maintains a separate debt service fund to administer debt associated with its general obligation bonds paid from special assessments and the general tax sources. A separate ad valorem tax is levied and collected providing funds to retire such debt. In 1989 this mill levy was 9.370. The fund balance (budgetary basis) designated for debt service at December

31, 1989 was $2,398,763, a decrease of $1,236,531 from 1988.

The decrease was attributed to a transfer of $2,330,922 in excess fund balance to the Capital Project Funds to reduce the amount of bonds to be issued. The transfer was consistent with the City's debt management program.

A summary of sources and uses of funds as well as changes in fund balances for 1989 is provided below.

Debt Service Fund
Budgetary Basis Sources and Uses With Prior Year Comparisons Including Consolidated Funds
(Dollars in Thousands)

	Amount	Percentage of Total	Increase (decrease) from prior year	Percentage of increase (decrease)
Sources of Funds				
Taxes	$15,864	40.9	$ 401	2.1
Special assessments	19,915	51.3	1,169	6.2
Charges for services and sales	72	.2	(23)	(24.5)
Interest earnings	1,420	3.7	222	18.5
Other..............	108	.3	(3,314)	(96.8)
Operating transfers in	1,405	3.6	200	14.2
Total	38,784	100.0	(1,345)	3.4
Use of Funds				
Debt service	37,689	94.2	(766)	(1.2)
Operating transfers out........	2,331	5.8	2,331	100.0
Total	40,020	100.0	1,565	3.9
Increase (decrease) in fund balance..	(1,236)			
Fund balance, January 1, 1989	3,635			
Fund balance, December 31, 1989	$ 2,399			

Capital Project Funds

The proceeds of general obligation bonds, temporary notes, special assessments paid prior to issuance of bonds, grants and interest earnings to finance capital improvement projects are accounted for in the Capital Project Funds.

The Sales Tax CIP Fund balance will be used for specific projects (freeways, major streets, bridges, and rights-of-way) authorized by the City Council. The Local Sales Tax CIP had a fund balance of $40.4 million at December 31, 1989.

Revenues and other financing sources decreased $4,015,661 or 7.9 percent in 1989, reflecting decreases in intergovernmental revenues and bond and note proceeds; offset by increased interest earnings.

Expenditures decreased $1,389,538 or 4.1 percent in 1989, reflecting decreased capital spending for water, sewer, and park improvements, offsetting increases in street and public improvements.

Project Category	1989	1988	1989 Over (under) 1988
Water......................	$ 1,616,329	$ 1,732,698	$ (116,369)
Sewer	7,057,763	8,459,928	(1,402,165)
Street......................	17,759,102	16,645,838	1,113,264
Public Improvement.....	5,495,166	5,461,102	34,064
Park Improvement.......	596,835	778,943	(182,108)
Local Sales Tax Arterial, Freeways	14,159	850,383	(836,224)
Total	$32,539,354	$33,928,892	$(1,389,538)

General Fixed Assets

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions but exclude the fixed assets of Enterprise and Internal Service Funds. As of December 31, 1989, the general fixed assets of the City amounted to $109,980,177. This amount represents the original cost of the assets and is considerably less than their estimated current value. Depreciation of general fixed assets is not recognized as part of the City's accounting system.

Enterprise Funds

Water Utility—Water pumpage (20.16 billion gallons) in 1989 decreased by 4.7 percent when compared to 1988. A wet summer contributed to the lowest maximum day pumpage (90.9 million gallons) recorded since 1979. Lower pumpage resulted in a 6.4 percent decrease in water sales. Operating and maintenance expenditures remained relatively constant when compared to the prior year.

Sewer Utility—Extra strength sewer charges increased over 100 percent from 1988 to 1989 reflecting the increased success of the industrial pre-treatment program. Sewer revenues increased only slightly after adjusting for the 10 percent rate increase for 1989. Wastewater treated in 1989 (14.73 billion gallons) remained constant with 1988 reflecting the success of inflow/infiltration reduction efforts. Operating and maintenance expenditures increase by 5.6 percent when compared to the prior year.

Airport Authority—Air travelers totaled 1,299,838 in 1989, declining by 4.16 percent when compared to the prior year. The decline was not unexpected, since industry analysts had predicted the continued demise of "super-saver" airfares would erode the leisure travel market. The Airport's usually stable business travel market also declined overall through the year because the business market bore the brunt of airfare increases in 1989. General aviation aircraft operations increased 4.7 percent to 126,919.

The Airport Authority welcomed Delta Air Lines in mid-1989 which brought the number of commercial carriers serving Mid-Continent Airport to nine. On the whole, 1989 service remained stable at 53 daily departures and non-stop services expanded from nine to twelve cities.

Capital projects during 1989 included the completion of the reconstruction of Runway 14-32 and the terminal building remodeling. The 14 month terminal building remodeling project was completed in the fall and will serve to significantly improve the first impression that air travelers have of Wichita. Several general aviation construction projects were accomplished by airport tenants including: hangar expansion by United Beechcraft, construction of a training center for flight mechanics by Flight Safety International, construction of a paint facility by Yingling Aircraft, and various improvements to Ryan Aviation's hangars. Dobbs House, the airport food and gift concessionaire also completed construction of an attractive new gift shop in the airport terminal in conjunction with the renovation project.

Metropolitan Transit Authority (MTA)—Operating revenues increased slightly over 1988. Ridership increased 3.8 percent in 1989. This is the second year that ridership has increased. The increases are due primarily to enforcing on-time performance. Handicap transportation services usage also increased to 48,277 rides for an increase of 26 percent over 1988. Operating expenditures remained stable.

Revenues contributed through a Federal grant totaled $1,697,869 and the City contributed $1,802,783 for operations and debt service.

Golf Course—The City of Wichita maintains and operates four golf courses. Each course employs a P.G.A. golf professional. Total rounds played increased to 169,315 in 1989. Major renovation projects at Sim and Clapp Parks were completed in 1989. User fees remained constant for 1989.

Enterprise Funds
(Dollars in Thousands)

	Amount	Percentage of Total	Increase (decrease) from prior year	Percentage of increase (decrease)
Operating Revenues				
Charges for services	$51,802	84.5	$3,195	6.6
Fees	3,318	5.4	350	11.8
Rentals	5,873	9.6	510	9.5
Other	281	0.5	22	8.5
Total Operating Revenues	61,274	100.0	4,077	7.1
Operating Expenses				
Personal services	14,412	26.7	944	7.0
Contractual services	7,389	13.7	482	7.0
Materials and supplies	21,602	40.0	2,309	12.0
Administrative charges	1,357	2.5	112	9.0
Payments in lieu of franchise tax	566	1.0	—	—
Depreciation and amortization	8,701	16.1	207	2.4
Total Operating Expenses	54,027	100.0	4,054	8.1
Operating earnings	7,247			
Nonoperating revenues	20			
Other revenues—transfers	1,721			
Net earnings	8,988			
Depreciation/assets acquired with Federal Funds	2,236			
Increase in retained earnings	$11,224			

Internal Service Funds

Data Center—The Data Center is responsible for coordination of the City's automation effort. Functions include staff assistance to the City departments, liaison with Sedgwick County Data Processing and the Management Information Systems Team. In August, the City undertook conversion of all Public Safety and Municipal Court computer applications. This conversion substantially completed the major components of the Management Information Systems Plan. Other current computer applications include finance budget preparation, purchasing, payroll/personnel, water utility billing and office automation. Revenues are based on user fees to client departments to cover the costs of operations and debt service.

Equipment Motor Pool—The Motor Pool purchases and maintains equipment and vehicles used by City departments.

Rental revenues increased 8.9 percent. Expenditures for capital equipment increased by 29.4 percent reflecting the continued upgrade in the capital equipment replacement program.

Telecommunications—The City has established a Telecommunications Fund to provide telephone services to our various facilities. The fund charges back to the various departments their share of the cost for the purchase of four telephone switches, telephone equipment, long distance service, together with associated costs of tie lines, DID trunks, and outgoing trunks.

Stationery Stores—The Stationery Stores provide the operating departments with office supplies, printing, and microfilm services. This fund is self sustaining as departments are charged for supplies and services. In addition postage, office machine maintenance, legal advertising and vehicle registration costs are charged back to the operating departments. The supplies inventory is turned four times a year and maintains a level of approximately $55,000.

Self Insurance—The City has established a Self-Insurance Fund to account for self-insurance programs of health insurance, workers compensation, group life insurance, employee liability, property damage and tort liability.

The employee health insurance program is a partially self funded program covering substantially all full-time employees. The workers compensation program is a partially self funded program covering substantially all full-time and part-time employees. The City maintains a group life insurance program which provides life and accidental death and dismemberment insurance to designated employees and dependents.

Internal Service Fund
(Dollars in Thousands)

	Amount	Percentage of Total	Increase (decrease) from prior year	Percentage of increase (decrease)
Operating Revenues				
Charges for services	$ 2,932	17.1	$ 383	15.0
Rentals	6,425	37.5	223	3.6
Employer contributions	2,635	15.4	(742)	(22.0)
Employee contributions	4,053	23.7	2,276	105.1
Other	1,079	6.3	345	47.0
Total Operating Revenue	17,124	100.0	2,485	15.4
Operating Expenses				
Personal services	1,960	12.0	(15)	(.8)
Contractual services	1,374	8.4	(636)	(31.0)
Materials and supplies	2,564	15.8	317	14.1
Administrative charges	127	0.8	68	115.3
Depreciation and amortization	1,912	11.7	(83)	(4.2)
Other	8,346	51.3	455	5.8
Total Operating Expenses	16,283	100.0	106	.7
Operating earnings	841			
Nonoperating revenues	404			
Other revenues—transfers	338			
Net earnings	$ 1,583			

Fiduciary Funds

These funds are separated into three areas: Expendable Trust Funds, Pension Trust Funds, and Agency Funds.

The Expendable Trust Funds include Air Capital Cable Television, City-County Operations, Model Cities Loan Guarantee, Weekend Intervention, Public Defender, Unemployment Claims, WSU Management Trainee Program, Employee Training, Riverside Zoo, Cemetery, City 911, and Environmental Trust.

The City of Wichita has two Pension Trust Funds covering all regular full-time employees. The Police and Fire Retirement Fund is divided into three plans and the Wichita Employees Retirement Fund for all other City employees is divided into two plans. In 1989, the City contributed 12.0 percent of salaries for employees under the Wichita Employees Retirement Fund and 23.3 percent of salaries for employees in the Police and Fire Retirement Fund. Employer contribution rates continue to decline reflecting the favorable performance of the Trust Funds relative to actuarial assumptions.

The pension fund portfolio is held in the following types of investments:

	Wichita Employees Retirement	Police and Fire Retirement
Cash	8.23%	5.98%
Stocks	31.92	32.26
Corporate Obligation	9.30	9.71
Government & Agencies	25.01	35.84
Mutual Funds	25.54	16.21
Total	100.00	100.00

Agency Funds (pass through funds or resources held for third party beneficiaries) include Employees' Social Security, Community Donations, Employees' Deferred Compensation, Performance Deposits, and Special Assessments Advance Payments.

The City initiated a special assessment payment program to discount the payoff of future year special assessments, reflecting the time value of money based on 30 year treasury bond yields. The City escrows the payments in a special agency fund. The interest earned on the payments is combined with the payment amount to meet annual special assessment charges. In consideration for the payment, the special assessments are removed from the property. In 1989, a total of $929,585 in special assessments were paid in advance.

Debt Administration

General Obligation debt paid by the City-at-large (including special assessment and proprietary fund debt) for the next ten years should decrease. Past (1985) bond refinancing/restructuring efforts will provide the City an opportunity to consider a "pay-as-you-go" financing policy for property tax supported projects. Starting in 1998 the City will not be required to issue new general obligation bonds for capital construction (assuming the City maintains it's present financing and capital construction policies). New annual capital construction which presently requires general obligation financing, can be paid from annual revenues. Because debt financing accounts for approximately 40 percent in additional cost for interest payments on the debt, the City will be able to do more capital projects from cash.

The legal debt margin for the City of Wichita is $220.2 million. The City's net general obligation debt paid by the City-at-large totaled $90.2 million at year-end, a 4.3 percent decrease over last year. The decrease is attributable to the aggressive repayment schedule established in the 1985 General Obligation Refunding Bond Series (maintained by the 1988 Refunding), and reflects a projected decline in net debt over the next 9 years.

Special assessment debt increased by $5.9 million or 4.5 percent in 1989. Sewer utility general obligation debt decreased by $1.9 million or 16.0 percent as no new debt was issued for these purposes in 1989. The Airport Authority issued $3.8 million in bonds during 1989. All general obligation debt issued for City enterprises will be retired from enterprise fund resources.

In December, 1989 the City sold $27.5 million in combined Water and Sewer Utility Revenue Bonds dated January 1, 1990.

The City continues to receive favorable interest rates on its general obligation bonds relative to the average AA rated issues, reflecting the financial markets' confidence in the credit worthiness of the City of Wichita bonds. The reoffering yields on the city's general obligation bonds frequently trade at the 99-98 range on the Delphis-Hanover Corporation scale, where 100 is AAA and 96 is AA. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are indicators of the City's debt position. Debt statistics at year end were as follows: Net bonded debt excludes general obligation bonds financed by special assessments and other offsetting revenues for City enterprises. The State of Kansas has not reappraised real estate property since the early 1960s. Real estate accounts for 65 percent of assessed valuation. This distorts the meaningfulness of the assessed value ratio.

	General Obligation Debt Payable from Ad Valorem Taxes	Ratio of Net Bonded Debt to Assessed Value of $1,665,997,544	Net Bonded Debt per Capita
1985	$ 98,098,891	8.35%	$339.92
1986	101,689,878	8.55	342.64
1987	95,332,495	7.65	318.31
1988	97,794,360	7.26	319.35
1989	92,187,287	5.42	302.51

Statewide Reappraisal and Classification

The lack of periodic reappraisal of property has caused a significant distortion in how various types of property are assessed for tax purposes. Prior to January 1, 1989, State law required that all property be assessed at 30 percent of fair market value. However, in actuality, personal and state assessed property were assessed at 30 percent, commercial and industrial property were assessed at 10 percent, and other urban property was assessed at 8 percent. The *de facto* assessment system resulted in shifting the general property tax burden away from residential/commercial/industrial real estate to personal property and state assessed utilities. The constitutional amendment approved by the electorate in 1986 provided for classification of property for tax purposes to mitigate the tax shifts resulting from reappraisal. Property will be divided into seven classes and assessed at one of three rates, as follows:

Class of Property	Assessed/Appraised Value
Commercial/Industrial Real Estate	30 percent
Vacant lots	12 percent
Other urban real estate	12 percent
Mobile homes	12 percent
Manufacturers machinery/equipment	20 percent
Other personal property	30 percent
State assessed utilities	30 percent

The classification amendment exempted farm machinery and equipment, merchant's inventory, manufacturer's inventory, and livestock from property taxation. Assessed valuation is expected to increase significantly for the City of Wichita; however, the market value of the tax base will decline due to the exemption of inventories.

The state legislature has frozen the amount of general property taxes with some exceptions (debt service, employee benefits, and judgments) to be levied for the 1990 budget at the same amount levied for the 1989 budget for the General Fund and Park-Library-Art Museum Fund, excluding new improvements. New improvements will be taxed at the same rate as 1989.

Cash Management

The City continued a pooled funds investment program for all cash not otherwise restricted. This program allows the City to invest its cash in secured investments for larger amounts and longer terms with fewer total investment transactions. The program is more efficient and realizes generally higher yields on City investments. The City initiated a repurchase agreement contract consistent with PSA standards. Each financial institution desiring to enter into a repurchase agreement with the City must sign this contract.

The banking services agreement for maintenance of the City's checking account was awarded to Kansas State Bank and Trust Company. The new agreement requires an automatic repurchase agreement for the City's overnight cash in its checking account not to exceed $5 million at a rate equal to .4 percent below the preceding day's federal funds rate. The City continued to use investment agreements for bond/note proceeds with Salomon Brothers and Donaldson, Lufkin and Jenrette Investment Bankers firms as authorized by state law (the earnings are used to pay the interest cost on the bonds until all the proceeds have been expended for capital projects).

All City investments are rated Category I, reflecting the lowest level of risk for investment instruments.

Independent Audit

Kansas Statutes require an annual audit of all funds of the City. The firms of Arthur Andersen & Company and Kennedy and Coe have included their opinions in this report.

Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement in Financial Reporting to the City of Wichita, Kansas, for its comprehensive annual financial report for the year ended December 31, 1988.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award

The City of Wichita has received GFOA's Distinguished Budget Presentation Award for its 1989 budget document. This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a government and its management. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications medium. The award is the budgetary counterpart to the Certificate of Achievement and valid for one year only.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Controller's Office. We would like to express our appreciation to all members of the office who assisted and contributed to its preparation. In addition, the Wichita Area Chamber of Commerce and the Wichita State University provided assistance in assessing the condition of the local economy. The City Manager and elected members of the City governing body continued their interest and support in planning and conducting the financial operations of the City in a professional, responsible and progressive manner.

Respectfully Submitted,

[Signature]
Director of Finance/City Clerk

[Signature]
Controller

SAMPLE TRANSMITTAL LETTER FROM A CHIEF EXECUTIVE OFFICER

June 15, 1990

To the Citizens of
Boone County, Missouri:

The Commission is proud to present the Boone County, Missouri, Comprehensive Annual Financial Report for your review.

Economic Condition and Outlook—Over the years, the economic stability of the County has been remarkable; especially when compared to our neighbors. The County's unemployment rate is currently 2.3%, the lowest of any of the mid-Missouri counties. Also, this is well below the Missouri average of 4.7%. The total assessed value of all taxable property grew from $279,485,530 in 1979 to $660,400,712 at the end of 1989. The financial condition of the County is good. For example, we closed the 1989 fiscal year with a $5.1 million general fund balance.

The well-being of the economy in the County has not just happened. Hundreds of concerned citizens throughout the County have given countless hours of time to this effort. Major expansion has taken place in the private sector. The formation of Regional Economic Development Inc. (REDI) demonstrates the combined efforts of local governments, the private sector, the University of Missouri and the chambers of commerce in the County. Through the efforts of REDI there are several prospects giving careful consideration to locating a facility in the mid-Missouri area.

Major Initiatives—The completion of the County law enforcement center (sheriff's administrative office and jail) will mark the beginning of the decade of the 1990s. The second phase of capital improvement, an enlarged and remodeled courthouse, was begun with planning in 1989. The county commission and courthouse officials are working closely with the architects to finalize construction documents in 1990. Renovation of the dome and roof is scheduled for the summer of 1990, and ground breaking for the new addition will occur when the present jail is vacated.

Land has been deeded to the state of Missouri for a new National Guard armory to be built adjacent to the new law enforcement complex. The County has acquired the right to future use of 4,500 square feet in the existing armory building located across from the courthouse.

The planning and building inspection department is expanding services provided by the addition of a planning technician. This person will assist in enforcement of the zoning ordinances and allow existing staff to continue work on updating the land use master plan and zoning ordinances. Revisions to the zoning ordinances will be completed in 1990.

The computerization of the collector's office is a major goal for 1990. This is a joint project of the collector and the County data processing department. When complete, County taxpayers will receive faster, more accurate service from the collector's office. Most of the computerized accounting functions in the collector's office are now done by contract with an outside firm. The County will achieve significant cost savings when these services are done in-house.

The assessor's office will achieve a major goal in 1990. This year will mark completion of the computerization of the office. Personal property taxes are now being computed and billed in-house.

The major task facing the sheriff's department in 1990 is moving to the new facility, due for completion in early December. These challenges include development and installation of a new computer system and the capacity to house more than twice as many inmates.

Modern technology has enabled the County treasurer to increase the return on invested County funds. Computers and fax machines enable the treasurer to keep abreast of the daily changes in the markets.

Through the guidance of the citizens advisory committee, the road and bridge department will present a new road policy and prioritization package to the County commission in 1990. Engineering work is underway on planned improvements to Vawter School Road. A dedicated effort is needed to improve the quality of the road surfaces in the County.

A citizen's advisory council is at work to develop ideas for distinctive landmarks at the major highway entrances to the County.

A centralized purchasing system is being established for all County offices, as well as a cooperative purchasing program allowing all the County municipalities to share in cost savings.

We are optimistic about the challenges and the opportunities the future holds for the County, especially noting we will become a first class county on January 1, 1991.

Very Truly yours,

[Signature]
Presiding Commissioner

[Signature]
District I Commissioner

[Signature]
District II Commissioner

FISCAL YEARS

Unlike some private sector corporations, governmental units do not have a natural business year, which, from an accounting standpoint, is the most appropriate way to report the cycle of business activities for an organization. The month in which the surveyed governmental units ended their fiscal year varied. Table 1-6 contains a summary of the fiscal years adopted.

TABLE 1-6. FISCAL YEARS OF THE GOVERNMENTAL UNITS SURVEYED

	Instances Observed			
	1989	**1988**	**1987**	**1986**
Year-end	1988	1987	1986	1985
July	3	2	0	0
August	11	10	5	0
September	41	42	31	1
October	1	0	1	0
November	1	1	1	0
December	178	151	139	259
	1989	1988	1987	1986
January	0	0	0	0
February	5	2	4	5
March	10	7	15	33
April	3	3	3	6
May	0	0	0	1
June	247	282	301	195
Total	500	500	500	500

Section 2: Selected Topics

CLAIMS AND JUDGMENTS

For Claims and Judgments GASB Cod. Sec. C50 requires adherence with FASB Statement No. 5, "Accounting For Contingencies." Specifically, FASB Statement No. 5, paragraph 8, requires that:

An estimated loss from a loss contingency... shall be accrued by a charge to income if *both* of the following conditions are met:

a. Information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss.

b. The amount of loss can be reasonably estimated.

GASB Cod. Sec. C50.110 explains the amount of claims recorded as expenditures in governmental funds shall be the amount accrued during the year that normally would be liquidated with expendable available financial resources. The following information should appear on the face of the financial statements or in the notes thereto:

Expenditures:
Claims and judgments [$XXX (total amount determined for the year under FASB Statement 5) less (plus) $XXX recorded as long-term obligations]
$XX,XXX

Because governmental fund balance sheets reflect current liabilities, only the current portion of the liability should be reported in the fund. The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The remainder of the liability should be reported in the general long-term debt account group.

GASB Cod. Sec. 1500.110 requires "contingent liabilities not requiring accrual should be disclosed in the notes to the financial statements."

Proprietary funds should follow FASB Statement No. 5 without modification.

Many of the governmental financial statements surveyed contained some reference to claims or judgments. Table 2-1 lists the most frequently cited origins of liabilities for claims or judgments referred to in the notes to the financial statements.

TABLE 2-1 ORIGINS OF LIABILITIES FOR CLAIMS AND CONTINGENT LIABILITIES

Cited Origin of Claims and Contingent Liabilities	Instances Observed			
	1989	1988	1987	1986
Possible disallowance or dispute related to federal contract or grant	234	211	182	119
Lawsuits:				
Specified	129	130	107	49
Unspecified	219	230	197	92
Discrimination/civil rights	23	32	71	36
Disputes—tax levies or assessed valuations	8	19	39	14
Compensation claim	1	8	18	17
Action of governmental personnel (e.g., accident by government driver, malpractice by government doctor, or improper arrest)	0	7	26	13
Claim for property damage	0	5	25	5
Contract dispute	0	4	30	6
Other descriptions	165	74	46	14

COMMITMENTS AND CONTINGENCIES

Many governments, in the notes of their financial statements, provided disclosure of a reasonable possibility of future liability with respect to commitments and contingencies.

Commitments are obligations, generally under contracts not yet completed, for which the financial liability is reasonably determinable. *Contingencies* are defined as conditions, situations, or circumstances that will ultimately be resolved when one or more future events occur or fail to occur. Commitments or contingent liabilities were disclosed in the notes of many of the financial statements surveyed.

The reporting of commitments and contingencies varied. Where the amount of the obligation was known, some governments recorded the commitment or contingency as a liability; in other instances disclosures were made in the notes to the financial statements. In many instances, no dollar amount was cited in the financial statements, but a caption may have been included in the body of the combined balance sheet. When the latter format was used, the caption appeared most often in one of three places: (1) between the liabilities and equity sections of the balance sheet, (2) after the equity section of the combined balance sheet but before the total balances of the liability and equity section, or (3) following the total balances of the liability and equity section of the combined balance sheet. Table 2-2 summarizes the various methods used by the surveyed governments to report contingencies and commitments.

The following are excerpts from selected note disclosures and balance sheet formats appearing in the financial statements surveyed. These exhibits contain examples of notes relating to both commitments and contingencies, because a distinction was not always maintained by the governmental units between these two types of liabilities.

TABLE 2-2. REPORTING OF COMMITMENTS AND CONTINGENCIES IN COMBINED BALANCE SHEETS

	Instances Observed			
Nature of Disclosure	**1989**	**1988**	**1987**	**1986**
No captions in balance sheet—footnote only	301	308	305	271
Caption between total equity and total liability and equity	33	37	30	19
Caption between liabilities and equity section	20	24	36	18
Reservation of fund balance/retained earnings	20	12	13	4
Other	16	16	18	2

CITY OF AUSTIN, TEXAS

NOTES TO COMBINED FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

21—Commitments and Contingencies

a—Fuel Contracts

The City of Austin and the Lower Colorado River Authority (LCRA) have entered into a long-term coal contract with ARCO to supply fuel for operation of the Fayette Power Project. The contract expires in 1995 and requires a minimum annual purchase of approximately 1.5 million tons. The contract provides for price escalation based on changes in certain price indices and other factors.

A ten year coal transportation agreement has been signed with the Union Pacific Railroad Company and Western Railroad Properties Incorporated as part of the settlement of certain litigation. (See Notes 20 and 23 for further information).

The City has entered into a long-term contract with Valero Natural Gas for the supply of natural gas to its gas-fired electric generating facilities. The gas sales section of the contract expires on January 1, 1990, but may continue on a month-to-month basis, until terminated by either party. The contract provides a firm supply for 25% of the City's gas needs at a price equal to the average price paid by electric utilities in Texas. The remaining amounts may be purchased from third parties. The gas transportation agreement expires on January 1, 2000, with a month-to-month basis clause, and is for transport of gas to current facilities, with the Utility being able to competitively bid gas transportation for any new gas-fired generating facilities. Other purchases of gas have been made based on short term contracts less than two years in duration.

b—South Texas Project (STP) Fuel Contracts

The three major components in the preparation of nuclear fuel for reactor use are uranium ore, ore enrichment, and fuel fabrication.

The primary source of ore for nuclear fuel fabrication for STP is through an Agreement of Settlement (the "Westinghouse Settlement") between Houston Lighting and Power Company, acting individually and as STP project manager, and Westinghouse Electric Corporation ("Westinghouse") dated October 2, 1978, as amended and a contract among STP participants and Chevron U.S.A. Inc. dated August 18, 1977, as amended August 1, 1979, (the "Chevron Contract"). Scheduled deliveries under the Westinghouse Settlement and the Chevron Contract provide a source of ore for STP into the 1990's. In addition to the fuel loaded into Unit No. 1, STP currently has on hand approximately 7,000,000 pounds of uranium concentrate equivalent, and has scheduled deliveries of an additional 4,000,000 pounds through 1991.

Ore enrichment is provided for through a long-term contract with the U.S. Department of Energy, and is provided only by this source.

Fuel fabrication for STP fuel elements is provided for through the Westinghouse Settlement at no charge for 10 years and a reduced charge for an additional 6 years. However, the initial invoice received from Westinghouse in December, 1985 indicated that they do not believe the project is entitled to these settlement terms because of the project delays.

c—Purchased Power Contracts

In October 1984, the City signed a contract with the Valley View Energy Corporation to purchase up to 100 MW of electric power from Valley View's facilities located in the Texas Panhandle which are fueled by cattle manure. Approximately 50 MW was to be available in late 1986, with an additional 50 MW available in 1987. Valley View is responsible for making wheeling arrangements for the delivery of such power and energy. The contract is for a 30-year period beginning 1986, and provides for a capacity payment and an energy payment for each kilowatt-hour ("kWh") of energy delivered to the City. Because of unanticipated wheeling and construction delays, the schedule for both units has been delayed by at least 48 months. On October 1, 1986, Valley View began paying the City $1,000 per day in liquidated damages until the first 50 MW unit begins commercial operation. Since April 1, 1987, Valley View has been paying an additional $1,000 per day penalty for the second unit.

The capacity payment under the contract would have been 3.21¢ per kWh beginning in 1986 and escalating at 2% per year, with the energy payment being based on the City's average monthly cost of fossil fuel subject to minimum and maximum payments specified in the contract. When both units are operating fully, the pricing arrangements are forecasted to result in City payments of approximately $54 million per year.

The City Council voted to discontinue its contract with Valley View in February 1989, (see Note 23).

d—Certificates of Participation

The City has entered into several capital lease arrangements through the issuance of Certificates of Participation as follows:

$24,445,000	Certificates of Participation, City of Austin, Texas Personal Property Leasing Program, Series 1987;
$23,060,000	Certificates of Participation, City of Austin, Texas Electric Utility Office Project, Series 1987;
$14,000,000	Certificates of Participation, City of Austin, Texas Water and Wastewater Utility Office Project, Series 1987;
$11,820,000	Certificates of Participation, City of Austin, Texas Personal Property Leasing Program, Series 1987A.

The Certificates represent proportionate interests in lease payments to be made by the City to a third-party lessor. The City has title to the office projects, pursuant to General Warranty Deeds; however, the trustee maintains a Vendor's Lien and Superior Title to the properties until all sums due are paid in full. For the capital equipment leasing program, the City will receive title to the equipment when the final payments on the Certificates are made.

The City's obligation to make lease payments and any other obligations of the City under the Lease Agreements are subject to and dependent upon annual appropriations for such purpose being made by the City Council. The City's obligation to make lease payments under the Lease Agreement does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Thus the certificates are treated as capital lease obligations rather than long-term bonds.

The following table presents information regarding these certificates:

	Equipment	Electric Office Project[1]	Water and Wastewater Office Project[1]	Equipment
Date issued	January 1987	February 1987	August 1987	December 1987
Amount issued	$24,445,000	23,060,000	14,000,000	11,820,000
Interest rates	4.00%-5.40%	4.00%-7.00%	5.25%-8.00%	6.76%
Interest payable on	October 1 and April 1	March 15 and September 15	May 15 and November 15	October 1 and April 1
Maturity dates	October 1 1987-1991	September 15 1988-2007	November 15 1989-2007	October 1 and April 1 1988-1991
Present value of lease payments	$9,430,000	21,060,000	12,250,000	$9,810,000
Reserve fund[2]	$467,854	2,000,000	1,250,000	—

[1]Subject to mandatory redemption upon the occurrence of certain events.
[2]Held by trustee, to be used to make final payments.

The January 1987 Certificates issued for lease equipment, contained a clause which required all acquisitions to be completed by November 30, 1987. If acquisitions were not completed by that time, any monies remaining in the acquisition account were to be used to redeem certificates on April 1, 1988. This was the case, and as of that date, some $13.5 million remained to be disbursed. The City issued $11,820,000 Certificates of Participation, City of Austin, Texas Personal Property Leasing Program, Series 1987A in December, 1987 to finance the equipment not purchased as of November 30, 1987.

The Certificates are reflected as a capital lease liability in these financial statements in the fund for which the corresponding assets were or will be acquired or in the General Long-Term Debt Account Group for General Fixed Assets. In those funds in which assets have not yet been acquired, and therefore proceeds from the certificates had not been used to purchase assets, the capital lease liability is offset by Cash held by trustee. In the General Fund a portion of fund balance has been reserved in an amount equal to cash held by trustee.

e—Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights of way, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expense for the year ended September 30, 1988 amounted to approximately $10,025,000. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments for these leases should be approximately the same amount.

The City has entered into certain lease agreements, including the Certificates of Participation, as lessee for financing the purchase of equipment utilized in the General, Electric Utility, Water and Wastewater Utility, Hospital, Sanitation, Growth Services, and General Services funds. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of equipment, buildings and land leased under capital leases and Certificates of Participation by fund and type of equipment as of September 30, 1988:

	Electric System Fund	Water and Wastewater Fund	Hospital Fund	Sanitation Fund
Assets				
Machinery and equipment:				
Computer	$ 798,861	101,427	3,807,339	—
Communication	—	—	1,175,524	—
Medical	—	—	1,599,124	—
Furniture	702,178	16,325	—	—
Other	—	—	219,485	2,132,857
Building	21,060,000	12,750,000	—	—
	22,561,039	12,867,752	6,801,472	2,132,857
Accumulated depreciation	690,772	132,406	1,673,642	399,394
	$21,870,267	12,735,346	5,127,830	1,733,463

The following is an analysis of the future minimum lease payments under these capital leases, and Certificates of Participation and the present value of the net minimum lease payments as of September 30, 1988:

Year Ended September 30	Electric System Fund	Water and Wastewater Fund	Hospital Fund	Sanitation Fund
1989..........	$ 2,716,261	1,359,310	1,211,418	598,552
1990..........	2,557,469	1,394,963	882,568	409,080
1991..........	2,510,968	1,399,119	612,806	273,630
1992..........	2,116,085	1,400,900	19,625	—
1993..........	2,115,135	1,400,181	—	—
Later years.........	29,634,130	20,877,954	—	—
Total minimum lease payments.	41,650,048	27,832,427	2,726,417	1,281,262
Less:				
Amount representing interest	17,952,727	13,514,999	196,191	93,642
Present value of net minimum lease payments.	23,697,321	14,317,428	2,530,226	1,187,620
Current portion....	1,188,596	317,428	1,095,511	539,058
Long-term portion	$22,508,725	14,000,000	1,434,715	648,562

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—DECEMBER 31, 1988

11. Contingent Liabilities and Insurance

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Solicitor and other City officials, liabilities arising from these claims and legal actions, if any, will not be significant.

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be significant.

The Clean Water Act required the City to cease discharge of raw sewage into waterways by July 1, 1988. Since the City of Manchester's Water Pollution Abatement Program was not completed by this date, a civil penalty of $145,000 (which is included in rent and other expenses in the enterprise fund in the accompanying general purpose financial statements) was levied as part of a consent decree entered into by the City with the State of New Hampshire as agent for the EPA. Additionally, the City may be assessed additional fines as a result of its anticipated inability to complete construction on a pump station within the deadlines established by the consent decree due to a dispute with a contractor, and its continual exceeding of allowable levels of coliform levels.

The City's insurance coverage consists of both self-insured programs and policies maintained with various carriers. Insurance maintained for each type of claim is as follows:

Accident and health—Accident and health claims are administered through a private carrier. The City is self-insured under this program up to $100,000 for each individual claim and in the aggregate up to the premium that would have been paid to the private carrier to obtain the same coverage.

Property—Property insurance is maintained with a commercial insurer and provides for a deductible of $100,000 for each claim and an overall coverage limit of $100,000,000.

Liability—Liability claims are administered through a private carrier. The City is self-insured under this program. State law generally limits a city's liability for an incident to $150,000 per individual and $500,000 per incident.

Workers' compensation—Workers' compensation claims are administered through a private carrier. The City is self-insured under this program for all City employees.

At December 31, 1988, $711,180 of claims and judgments settled during 1988 were accrued in the governmental funds. In addition, $3,620,359 was recorded in the general long-term account group as the City's estimated liability for claims incurred in 1988 or prior which have not been settled.

The City makes significant estimates in determining the amounts of unsettled claims under its self-insurance program and believes that the self-insurance reserves recorded as appropriations in the general fund are adequate to cover losses for which the City may be liable. It is not determinable whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the general purpose financial statements.

CITY OF BRAINERD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

10. Contingent Liabilities

The City participates in a number of federally assisted grant programs, principal of which are the Airport Development Grants, Community Development Block Grant Programs and the construction grants associated with the waste water treatment plant of the Public Utility Fund. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 1988.

In addition the following contingent liabilities exist:

1) The City is involved in litigation regarding the awarding of a bus service contract. The plaintiff, Mark-Daniel Enterprises, Inc. claims damages of $246,797,

together with punitive damages, attorney's fees, costs and interest. The City believes that the lawsuit is defendable and consequently no liability is reflected in the financial statements.

2) The other matter relates to guarantee and pledge agreements through American National Bank of Brainerd, Minnesota concerning loans from the Bank to Trailer Systems 2000, Inc. These are as follows:

   a) Promissory Note for $350,000 dated October 24, 1988 executed by Trailer Systems 2000, Inc. in favor of American National Bank to which the City executed a pledge agreement and an assignment of time/savings account.

   b) In addition, there are Promissory Notes between the same parties totaling $350,000 which are due and payable, with accrued interest. These notes have a guarantee by the Economic Development Authority of the City of Brainerd.

   c) In addition there is a Promissory Note of $25,000 between the same parties, for which the Director of the Economic Development Authority signed a guarantee.

   The liability of the City as to all the above Promissory Notes is uncertain. Trailer System 2000, Inc. has failed to meet Bank demands for payment on the Notes. In May of 1989, the Bank took possession of the time saving accounts mentioned in a) above and has initiated legal action to enforce the City's guarantees of b) and c).

   The City, in turn, has initiated legal action against the Bank.

   The financial statements do not reflect liabilities relating to these contingencies because the outcome is uncertain.

3) In connection with the City's involvement in the development project of Trailer Systems 2000, a contingent liability exists for amounts expended by vendors on behalf of Trailer Systems 2000. Such claims have been verbalized at City Council meetings by vendors stating reliance on the City's involvement, particularly financing of the project through Tax Increment Financing. Such vendor losses have not been quantified and litigation of this matter is uncertain.

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

(17) Commitments and Contingent Liabilities

The City has outstanding commitments for construction and acquisition of property, plant and equipment in the various enterprise funds. The following is a summary of the more significant of these commitments at September 30, 1988:

Water and Sewer Fund	
Injection Well Program	$ 134,159
Digital Control Systems for Water Treatment Plants	60,732
Collection and Distribution Systems	557,384
Fiveash Water Treatment Plant Expansion	1,013,897
Sludge Processing Facility	154,226
G. T. Lohmeyer Wastewater Treatment Plant Expansion	2,242,170
Master Plan Update	224,475
	4,387,043
Airport Fund	
Taxiway and Runway Improvements	59,218
	$4,446,261

The City is also liable for accumulated and unpaid longevity pay in the approximate amount of $2,361,000 at September 30, 1988. This amount has not been recorded in the financial statements.

The General Fund and Intergovernmental Revenue Fund have made advances ($142,290 and $1,204,574 respectively at September 30, 1988) to the Airport Fund. The repayment of these advances is dependent on continued profitable operations of the Airport Fund.

The City has received a federal grant audit report questioning reimbursement from the Environmental Protection Agency (EPA) for the construction of a regional sewage pumping station which will not be placed into service due to circumstances beyond the City's control. The City and the EPA are working to resolve this matter and, as of the report date, the City is contingently liable for the repayment of $434,500 in grant funds.

American Telephone & Telegraph has notified the City of a $1,720,000 overpayment of utility taxes to the City in fiscal years 1985-86 through 1987-88. The ultimate outcome of this claim for the return of the overpaid taxes cannot presently be determined. Accordingly, no liability and adjustment to current year revenues or beginning fund balance has been recognized in the General Fund as a result of this contingency.

Various substantial lawsuits have been filed against the City including personal injury claims, liability claims related to police activities and general liability claims. The estimated liabilities related to the various claims have been accrued in the City Insurance Fund. In the opinion of City management, the expected liability for these claims would not materially exceed the amounts recorded in the financial statements.

CITY OF IDAHO FALLS, IDAHO

NOTES TO COMBINED FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

Note L. Commitments

The City, along with other Bonneville Power Administration (BPA) preference customers, executed agreements with BPA and WPPSS to purchase a portion of the electric power and energy capability of WPPSS Projects Numbers 1, 2 and 3. Plant number 2 is completed and operating. Construction has been halted on Numbers 1 and 3, which are being held in a preservation state because of regional power surplus and financing difficulties.

Pursuant to these agreements (the net billing agreements) as executed by BPA, WPPSS and certain BPA preference customers including the City, the participating utilities make payments to WPPSS for the proportionate share of the annual cost of projects, including debt service payments. The participating utilities have assigned their share of the project capability to BPA.

The power and energy from the projects become part of the power and energy made available to the City and other BPA preference customers under terms of their respective power sales contracts with BPA. In consideration thereof, BPA credits the payments made by the participating utilities to WPPSS against billings by BPA for power and certain other services rendered by BPA.

Bulb Turbine Project

The City has also entered into an agreement with BPA wherein the City sells and BPA purchases all power generated from the Bulb Turbine Project. For the year ended September 30, 1988, the City's power sales to BPA totaled $4,568,000. Under the terms of the agreement, the City is obligated to sell its generated power to BPA through January 2029 (the expiration date of the FERC license) at a price structured to pay the debt service on the 1985 Electric Revenue Refunding Bonds, operating and maintenance expenditures of the Bulb Turbine and a reasonable return on investment. If filing is made for renewal of the FERC license, the City must offer to sell the power generated during the renewal period to BPA, prior to offering such power generation to others. The City may, at its option and under specified terms, withdraw from the agreement. The City's right to give notice of withdrawal expires July 1, 1998.

Gem State Project

In connection with the Gem State Project, the City has entered into a Power Sales Contract and Ground Lease Agreement with Utah Power and Light Company (UP&L):

a. Under the Power Sales Contract, UP&L is entitled to a maximum of 39% of the energy to be produced from the Project through 2023. Beginning in 1989, UP&L is required to pay annual amounts equal to its entitlement percentage rate times (i) the variable costs of operating and maintaining the Project and (ii) the debt service on the 1986 General Obligation Electric Refunding Bonds, plus (iii) 5% of the amounts set forth in (i) and (ii). The City may with three years notice reduce the UP&L entitlement to 25%.

b. The Ground Lease covers the term of the Project's FERC license and provides that UP&L will lease to the City, the land upon which a portion of the Project is to be located. The land is subject to various encumbrances. The City's obligation to sell energy to UP&L is the sole consideration to be provided by the City under the Ground Lease during the term of the UP&L Contract. The City is permitted to terminate the Ground Lease in the event the Project is damaged or destroyed and the City determines not to rebuild.

At September 30, 1988, the Electric Light Fund had commitments outstanding for construction contracts of approximately $2,398,000.

Credit Agreement With Bonneville Power Administration

The City has entered into an Exchange Transmission Credit Agreement (ETCA) with BPA. Under the terms of the ETCA payments are received from BPA and passed through to the Fund's residential customers (as defined by the agreement) as billing adjustments. At September 30, 1988, cumulative excess ETCA credits passed through to residential customers amounted to $376,000. Pass through ETCA credits to customers has been suspended until this excess has been recovered.

Note M. Contingencies

The City and eighty-seven other Northwest public utilities entered into agreements in 1976 with the Washington Public Power Supply System (WPPSS) to purchase shares of project capability for generation of electricity of Nuclear Projects Numbers 4 and 5, which WPPSS undertook to build. WPPSS terminated construction of Projects Numbers 4 and 5 which had been financed by the issuance of bonds. WPPSS cannot repay and is in default on the bonds.

The City is a defendant in numerous legal actions involving bonds issued to finance Projects Numbers 4 and 5, along with the eighty-seven utilities referred to above in issuing WPPSS bonds. Plaintiffs in these actions assert various claims against the City, including federal and state securities law violations, fraud, misrepresentation, negligence and control over WPPSS. The City is a member of a defendant group (the Small Utilities Group) which executed a stipulation and agreement of compromise (Settlement Agreement) on September 30, 1988, under the terms of which the litigation will be dismissed. The Settlement Agreement must be approved by the plaintiff class members. The Settlement Agreement also provides for a release of certain claims in exchange for payment by the Small Utilities Group of $25.8 million. Certain claims of the bondholders are excluded from the settlement. The City is obligated only to pay its share of the settlement sum in the approximate amount of $3.6 million, of which at least $1.6 million is covered by insurance. The City is continuing litigation against one of its liability insurance carriers in which litigation it seeks to establish additional coverage. The Electric Light Fund recognized in 1988 an extraordinary loss of $2.0 million for the uninsured portion of the City's probable settlement. It is impossible at this time to evaluate the likelihood of approval of the settlement agreement or of an unfavorable outcome to this litigation.

Various legal proceedings arising from the normal course of business are pending against the City. In the opinion of management, the resulting liability, if any, from these proceedings will not materially affect the City's financial statements.

COUNTY OF WESTCHESTER, NEW YORK

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 4—Summary of Significant Contingencies and Commitments

Litigation

The County, its officers and employees are defendants in a number of lawsuits. The Department of Law of the County, headed by the County Attorney, has reviewed the status of pending lawsuits and reports that an adverse decision in the following cases could have the potential for an expenditure of more than $500,000 in excess of any applicable insurance.

Bancker Construction Corp. and J&L Concrete Construction Corp. v. County of Westchester. This is an action commenced in Supreme Court, Westchester County, by a general construction contractor seeking $6,000,000 in compensatory damages for extra work and delays in the construction of the Peekskill Sewage Treatment Plant. The County has denied the material allegations of the complaint, and discovery is in progress.

City of Yonkers, et al. v. DelBello, et al. This is an action in Supreme Court, Westchester County, for monetary and injunctive relief in which plaintiffs claim that the Yonkers Joint Sewage Treatment is a nuisance, and that a proposed sludge plant, if built and operated, would be a nuisance. Since the inception of the lawsuit, the County has independently abandoned its intention to build the sludge plant. The total claim for monetary relief is approximately $525,000. Since injunctive relief is also sought to compel abatement, the case could result in additional financial liability which cannot be estimated at this time. The outcome of the matter, therefore, is uncertain.

County Electric Co. v. County of Westchester. This is an action in Supreme Court, Westchester County, in which the plaintiff, an electrical contractor, seeks $900,000 in damages for extra work and delays in modifying the Ossining Sewage Treatment Plant. The parties are engaged in pre-trial discovery.

Datacom Systems v. New York Medical College, et al. This is an action commenced in Supreme Court, Westchester County, by plaintiff, provider of computer services to the New York Medical College and the Mental Retardation Institute. In 1981, the County took over the Mental Retardation Institute and assumed the Institute's obligations under the Datacom contract. Plaintiff seeks approximately $600,000 from the County in indemnification. The County has denied the material allegations in the complaint, and discovery is continuing.

Dubinsky v. Village of Tarrytown, County of Westchester, et al. This is an action in Supreme Court, Westchester County, seeking more than $4,000,000 in damages as a result of plaintiff's arrests on May 30, 1984 and May 8, 1985. The County has served its answer, and the Court has established a discovery schedule.

Federal Insurance Co. v. County of Westchester. This is an action in United States District Court for the Southern District of New York. The plaintiff, as the surety of the general contractor at the Ossining Sewage Treatment Plant, seeks $6,500,000 in damages for extra work and delays in the construction of the plant. The County is preparing its answer to the complaint.

Giordano v. O'Neill, Guski and the County of Westchester. This is an action in Supreme Court, Westchester County, in which the plaintiff, a former inmate at the Westchester County Jail, alleges that he was assaulted by two County correction officers while he was incarcerated. The plaintiff seeks $1,500,000 in compensatory and punitive damages. The defendants have denied the material allegations of the complaint, and discovery has begun.

United States v. County of Westchester. In this action before a United States Department of Labor Administrative Law Judge, the County is charged with a failure to properly document the expenditure of $1,962,909 in CETA funds for the years 1977 to 1980. The case is in the early stages of discovery, and the County has served the Department of Labor with extensive discovery demands. The County has accrued its estimate of the amount to be refunded.

Certiorari Proceedings. The various towns and cities within the County are defendants in numerous certiorari proceedings, the results of which generally require tax refunds on the part of the County. The dollar value of the actions currently pending is not available. However, refunds of $2,708,223 and $2,619,359 were paid and accrued in 1988 and in 1987, respectively. Any future refunds resulting from adverse settlements will be provided in the year in which the settlements are made.

For matters arising prior to January 1, 1986, in the opinion of the insurance carriers for the County, there are no other pending suits or claims against the County of Westchester which present an exposure beyond the insurance available to the County.

As of January 1, 1986, the County's general liability, public officers' liability and medical malpractice insurance ceased. In order to provide for future contingencies, by Local Law No. 6-1986, duly adopted by the County Board of Legislators on April 21, 1986, and approved by the County Executive on April 23, 1986, the County established a liability and casualty reserve fund. Expenditures may be made from such fund for payments of judgments and court-approved settlements that are founded upon tort or that arise out of any acts or omissions of officers or employees of the County that result in personal injury or property damage, if such officers or employees, at the time the damages were sustained, were executing or performing, or in good faith purporting to exercise or perform, their powers and duties. The fund had assets of $34,009,139 as of December 31, 1988. The County intends to increase this fund. Local Law 6-1986 provides that the unreserved cash balance in such fund at the end of the fiscal year not exceed five percentum (5%) of that year's total budget. The amount paid into such fund each year may not exceed one and two-thirds percentum (1⅔%) of the total budget. Interest gained shall become part of such fund.

The following actions with the potential for an expenditure of $500,000 or more fall within the coverage of the County's self-insurance program:

Abrams v. Westchester County Medical Center. In this action in Supreme Court, Westchester County, the plaintiff alleges that personnel at the Westchester County Medical Center negligently failed to timely diagnose and remove a spinal cord tumor. The County has answered denying the material allegations of the complaint, and discovery is underway.

Almodovar v. County of Westchester, et al. This is an action in Supreme Court, Westchester County. The plaintiff alleges that personnel at the Westchester County Medical Center failed to properly treat the 15 year old patient's aortic rupture, resulting in his losing use of his lower extremities. Discovery is underway.

Bermes v. Westchester County Medical Center. The claimant alleges that medical and surgical malpractice at the Westchester County Medical Center caused the infant claimant brain damage, resulting in a coma and a seizure disorder. A notice of claim has been served, and the County has demanded a statutory hearing on that notice of claim. No summons has been served yet.

Cairl v. County of Westchester, et ano. This is an action in Supreme Court, Westchester County in which the plaintiff seeks $5,000,000 in compensatory damages for injuries she suffered when she was allegedly sexually assaulted by a psychologist employed by the County of Westchester. The Supreme Court held that the plaintiff could serve a late notice of claim on the grounds that she was insane during the statutory time to serve that notice. The County is appealing that decision.

Campanella v. O'Rourke, et al. This is an action commenced in the United States District Court for the Southern District of New York under 28 U.S.C. §1983. The plaintiff, a Westchester County Department of Social Services employee, alleges that various members of the Department of Public Safety, the Personnel Department and the County Executive's office deprived him of his civil rights by illegally detaining him and demoting him in retaliation for events connected with that detention. The County has filed its answer denying the material allegations of the complaint, and pre-trial discovery has begun.

Charlson v. County of Westchester. In this action in Supreme Court, Westchester County, the plaintiff seeks $1,000,000 in damages for alleged assault, false imprisonment and infliction of emotional distress stemming from a search of the plaintiff's residence by Westchester County Police and New York State Police. The County has answered denying the material allegations of the complaint, and the matter is in pre-trial discovery.

Dunleavy v. Westchester County Medical Center, et al. This is an action in Supreme Court, Westchester County. The plaintiff alleges that personnel at the Westchester County Medical Center improperly diagnosed and treated his unstable angina and prematurely discharged him, resulting in him suffering a myocardial infarction. The County has answered denying the material allegations of the complaint, and discovery is underway.

Fowler v. County of Westchester. In this action in Supreme Court, Westchester County, the plaintiff alleges that Westchester County police officers improperly searched his home without a search warrant. Pre-trial discovery is proceeding.

Fox, et al, v. County of Westchester, et al. This is an action in Supreme Court, Westchester County. The plaintiff is suing on behalf of himself and his two daughters, alleging various torts concerning a child abuse investigation and prosecution against him. He also maintains that the County's failure to bring a neglect petition against the children's mother caused the children harm. The plaintiff seeks $15,000,000 in damages. The County has moved to dismiss the plaintiff's complaint for failure to state a cause of action. That motion is pending.

Galimore v. Torisi and County of Westchester. This is an action in Supreme Court, Westchester County, in which the plaintiff seeks to recover $1,000,000 in compensatory damages and $750,000 in punitive damages for his alleged false arrest and false imprisonment. The plaintiff was arrested on a warrant issued pursuant to a grand jury indictment. The matter is in the pre-trial discovery stage.

Gitlin v. County of Westchester, et al. This is an action in Supreme Court, Westchester County, in which the plaintiff seeks $2,000,000 in damages for injuries suffered in an automobile accident on the Bronx River Parkway. The plaintiff alleges that the accident was caused by the County's negligent construction and maintenance of the parkway. The County has filed its answer denying the material allegations of the complaint, and discovery is underway.

Headecker & Morris v. Westchester County Medical Center. This is a medical malpractice action in Supreme Court, Westchester County. The plaintiffs' newborn infant was transferred to the Westchester County Medical Center with a gangrenous left hand and respiratory distress, and after the infant was transferred back out of the Medical Center, the fingers of his left hand were amputated. The County has answered the complaint, and discovery has not yet begun.

Jed v. Westchester County Medical Center, et al. The plaintiffs allege that negligent medical treatment provided to their infant son while he was a patient at the Westchester County Medical Center exacerbated the effects of the meningecoccemia he had contracted. To date, the plaintiffs have served a notice of claim only. No complaint has been filed.

Karasik v. County of Westchester. This is an action in Supreme Court, Westchester County. The plaintiff alleges that the obstetrical staff at the Westchester County Medical Center failed to recognize signs of fetal distress, resulting in more than a two hour delay in ordering a Cesarean section. It is alleged that this delay caused cerebral palsy and mental retardation in the infant. Discovery is underway.

Lebron v. County of Westchester. In this action in Supreme Court, Westchester County, the plaintiff, as adminstratrix of decedent's estate, seeks $20,000,000 in damages for the decedent's suicide while he was incarcerated at the Westchester County Jail. The plaintiff alleges that the Department of Correction, former Correction Commissioner John Maffucci and an unnamed correction officer were grossly negligent in placing the decedent in a jail cell with the means to commit suicide. The New York State Commission of Correction's Medical Review Board has issued a report which found, among other things, that the decedent was not scheduled for periodic follow-up mental health evaluations after he was returned to the jail from the Bronx House of Detention, and the report recommended that a policy be instituted to provide such periodic evaluations for inmates with histories of mental health crises or suicidal behavior. The County filed its answer to the plaintiff's amended complaint on April 28, 1988, and there has been no action in the matter since that date.

Lederman v. Westchester County Medical Center, et al. In this action in Supreme Court, Westchester County, the plaintiff claims she was injured during a diagnostic procedure at the Westchester County Medical Center. The County has answered denying the material allegations of the complaint, and the matter is in the pre-trial discovery stage.

Lefkowitz v. County of Westchester. This is an action commenced in Supreme Court, Westchester County. The plaintiff alleges that personnel at the Westchester County Medical Center negligently failed to diagnose a spinal fluid fistula, leaving the plaintiff completely and permanently disabled. The County has filed its answer denying the material allegations of the complaint, and discovery has begun.

Lozano v. County of Westchester. This is an action in United States District Court for the Southern District of New York in which the plaintiffs seek $45,000,000 in damages for alleged civil rights violations and deprivation of unspecified constitutional rights. This action stems from the plaintiff's arrest in 1987 by U.S. Drug Enforcement agents and County police officers. The County's motion for summary judgment is pending.

Marricco v. County of Westchester. This is a medical malpractice action commenced in Supreme Court, Bronx County. The plaintiff's decedent suffered a hypotensive episode during surgery in 1984 causing him to become comatose, and he remained in that condition until his death in 1987. The matter is in the pre-trial discovery stage.

Mastrocola v. Westchester County Medical Center. This is a medical malpractice action in Supreme Court, Westchester County. The plaintiff's decedent was transferred to the Westchester County Medical Center after giving birth with symptoms including elevated blood pressure, and she died two days later after suffering a cerebral vascular accident. Discovery is underway.

McMahon v. County of Westchester. This is an action in Supreme Court, Westchester County, for alleged negligent obstetric, perinatal and neonatal care at the Westchester County Medical Center resulting in brain damage to the infant plaintiff. The plaintiff maintains that this brain damage manifested itself as cerebral palsy and anticipated learning problems. Discovery is underway.

Moe v. County of Westchester, Doe, et al. v. County of Westchester. These actions were commenced in Supreme Court, Westchester County. The plaintiffs, parents of children who were allegedly sexually abused by the operator of a day care center in Mount Vernon, maintain that the County was negligent in allowing the day care center to continue to operate after its certification expired. If the plaintiffs are successful, their recovery could exceed $500,000. The plaintiffs' motion for summary judgment against the County was denied, and they have appealed that decision to the Appellate Division, Second Department. That appeal is pending.

Papanikalaou v. County of Westchester and Dr. Robert Madden. This is an action in Supreme Court, Westchester County, in which the plaintiff, a fifty-nine year old man with a history of vascular problems, alleges that doctors at the Westchester County Medical Center negligently performed operations to save his leg. Plaintiff ultimately underwent an above-knee amputation of the leg. Plaintiff's complaint seeks $1,000,000 in compensatory damages. The County has answered denying the material allegation of the complaint, and discovery has begun.

Rosa v. Westchester County Medical Center. This is a medical malpractice action in Supreme Court, Westchester County. The plaintiff alleges that improper performance of a coronary bypass caused paralysis of the lower extremities. Pre-trial discovery is underway.

Speziale v. Westchester County Medical Center. In this action in Supreme Court, Westchester County, the plaintiff alleges that negligence by personnel at the Westchester County Medical Center caused her to suffer a ruptured blood vessel during surgery, resulting in a hypertensive episode, cardiac arrest, coma, neurological deficits and a need for further surgery. Pre-trial discovery is underway.

Sutch v. County of Westchester, et al. This is a negligence action commenced in Supreme Court, Westchester County. The plaintiff lost three fingers and suffered other injuries when an unexploded fireworks shell went off in his hand at Playland. The County will probably be indemnified by its co-defendant, but if it is not, its liability could exceed $500,000. Pre-trial discovery has begun.

Timm v. County of Westchester. This action is a civil rights and negligence action commenced in the United States District Court, Southern District of New York, pursuant to 42 U.S.C. §1983. The plaintiff seeks $38,500,000 in damages, together with attorney's fees, for the alleged wrongful intrusion into her home in the mistaken belief that a warrant had been issued to search the residence. The County has submitted a motion for summary judgment, and that motion is pending.

Felicitas Welch v. County of Westchester. This is an action in Supreme Court, Westchester County. The plaintiff alleges she was wrongfully and maliciously confined to the Psychiatric Institute of the Westchester County Medical Center in violation of her civil rights, and she seeks $20,000,000 in damages. The County's motion in Supreme Court for summary judgment dismissing the action was granted, and the plaintiff appealed. The Appellate Division, Second Department, reversed that decision and remanded the case to the trial court for further proceedings.

Wilkins v. County of Westchester. The claimants allege that negligence during the labor and delivery of their infant at the Westchester County Medical Center resulted in brain damage and a seizure disorder. A notice of claim has been served, and the County has demanded a statutory hearing on that notice of claim. No summons has been served yet.

Weiss v. County of Westchester. This is a medical malpractice action in Supreme Court, Westchester County. The plaintiff's decedent was treated at the Westchester County Medical Center for revision of a gastroplasty, and post-operative complications resulted in the need for an exploratory laparotomy, during which the patient became hypotensive and died despite resuscitative efforts. The matter is in the initial stages of discovery.

Other Litigation. With regard to other pending litigation, it is the opinion of the County Attorney that the final determination of such litigation, either individually or in the aggregate, would not materially affect the County's financial position.

The County also receives numerous notices of claims each year. These notices, however, are usually not explicit enough for the County Attorney to accurately ascertain their potential for liability to the County. The nature of these matters will be disclosed when more information is available.

Other Contingencies

The County participates in numerous state, federal and private grant programs, principal of which are programs of the Department of Health, Education and Welfare. These programs are subject to program compliance audits pursuant to the Single Audit Act of 1984. This examination is currently in process and the report will be issued under separate cover. Accordingly, the County's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Although the County anticipates such amounts, if any, to be immaterial.

Lease of Facilities

The County has commitments under leases for equipment and facilities at annual rentals totaling $42,880,492 with various expiration dates to December 31, 2005. Annual required payments on existing leases are as follows:

1989	$ 6,990,337
1990	5,923,196
1991	5,510,415
1992	4,855,068
1993	3,171,712
Thereafter	16,429,764
	$42,880,492

PINELLAS COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

Note D—Commitments, Contingencies and Guarantees:

Accrued Vacation and Sick Leave. All full time employees of the County are entitled to annual vacation and sick leave with pay. The employees are generally allowed to accumulate vacation leave of 30 to 72 days depending on length of service. Sick leave may be accumulated with no maximum; however, upon termination, the employee is paid for one-third of accumulated sick leave. Vacation pay and sick leave payments are included in operating costs for Governmental Fund Types when the payments are made to the employees. Appropriations lapse at fiscal year end (Note A-11) and accordingly, there are no available expendable financial resources. Because of this, the estimated commitment for accumulated vacation and sick leave (compensated absences) for governmental funds is reported in the general long-term debt account group under the provisions of Section C60, Codification of Governmental Accounting and Financial Reporting Standards. The estimated commitment is approximately $10 million.

Pursuant to the requirements of Financial Accounting Standards Board Statement No. 43, Accounting for Compensated Absences, it is the County's policy in its Proprietary Funds to reflect on an accrual basis the amounts of earned but unused vacation leave and that portion of earned but unused sick leave estimated to be payable upon retirement.

Letter of Credit. In November, 1986 Pinellas County and the State of Florida entered into a contractual arrangement for funding certain capital improvements of the Pinellas County Water System. At September 30, 1988 $520,000 was on deposit under a Letter of Credit arrangement with the County's local depository bank. This amount is restricted as to its use according to the terms of the existing Letter of Credit.

Guarantee. In December 1981, the Performing Arts Center and Theater (PACT) in Clearwater, Florida negotiated a $5.5 million mortgage to finance the construction of a public auditorium. The County guarantees up to $2 million of the PACT mortgage if the project cannot generate sufficient revenues. In addition, this guarantee takes effect after the project is foreclosed, sold, the City of Clearwater has contributed $1 million, and the Herald Company has contributed $1.5 million.

Construction Commitments. A construction commitment is defined as the difference between the contract price of a project and the paid amount on that contract. Outstanding construction commitments at September 30, 1988, were (dollars in thousands):

General Government	$ 9,652
Water System	4,891
Sewer System	14,141
Airport	802
	$29,486

West Coast Regional Water Supply Authority, Capital Improvement Revenue Bonds, Series 1979. In 1979, the West Coast Regional Water Supply Authority issued $18.2 million of Capital Improvement Revenue Bonds. These bonds, which mature at various dates through 2010, are to be paid from the revenues derived from water supply contracts.

Under the terms of the water supply contracts, the County is required to pay a Project Facilities Charge (PFC) in an amount sufficient to meet the debt service requirements of the above bonds and the water rate. The water rate would include the Fixed Operating Costs of the Cross Bar Facilities (operating costs at zero water production) plus the additional operating costs incurred for the delivery of water to the customers.

Should the County decide that it does not need all water available from the Cross Bar Ranch facility, the Authority can then contract to supply water to other customers. At that point, the PFC and the water rate would be prorated among all project customers in proportion to their maximum annual water entitlement.

The PFC and the water rate are included in operating expenses of the accompanying financial statements in the amount of $7,449,583 for the year ended September 30, 1988. The debt service portion of PFC for the next five fiscal years follows (dollars in thousands):

1989	$1,347
1990	1,348
1991	1,347
1992	1,350
1993	1,347

In bond counsel's opinion, the principal and interest portion of the PFC is not to be included as an operating expense but treated as a water system debt for compliance calculations required by the outstanding water system debt.

Self-Insurance Program. Pinellas County is self-insured for its auto and general liability losses pursuant to Section 768.28, Florida Statutes. It is also self-insured for its workers' compensation and auto physical damage. Material liabilities for claims pending have been accrued at year end. The following table summarizes the insurance coverages in force:

Area Covered	Limits of Outside Liability Coverage	Deductible Amount
Boiler & Machinery	$5,000,000 per accident	$50,000
Windstorm—Restaurant Ft. DeSoto Park	$262,000 on the building with 90% of the amount of the loss payable in excess of the deductible.	$500
Windstorm (Bathhouse) Sand Key	1) $240,000 with 90% of the amount of the loss in excess of the deductible.	$500
Windstorm (Maintenance Building)	2) $137,000 with 90% of the amount of the loss in excess of the deductible.	$500
Windstorm (Frame dwelling on stilts)	3) $141,000 with 0% of the amount of the loss in excess of the deductible.	$250
Aviation Liability	$15,000,000	N/A
Airport Liability	$100,000,000 CSL	$2,500
Inland Marine	27 pieces covered for all risk for a scheduled valuation on each type equipment.	$250 deductible under All Risk and the rider for each loss.
	8 pieces covered under a business electronic equipment rider for following: 1) Equipment $1,798,452 subject to deductible 2) Data Processing Media $25,000 subject to deductible 3) Extra expense and transit coverage $25,000 subject to deductible	$5,000
EMS/Auto Liability & Physical Damage	$1,000,000 CSL	
EMS/General Liability (1st Layer)	$500,000 Annual Aggregate	$1,000
EMS/General Liability (2nd Layer)	$500,000 Each Claim/Annual Aggregate	N/A
Crime	$500,000 Faithful Performance Blanket Bond	$25,000
	$4,000,000 Securities & Physical Damage all premises.	
	$4,000,000 Securities & Physical Damage all messengers.	
Watercraft Liability	$5,000,000	$100,000
Watercraft Hull Insurance	$177,000	$25,000
Bridge Property Damage	$12,410,000 P.D.	1%
	$1,500,000 Business Interruption	7 days
Sheriff's AD&D	$20,000 per person	
Flood	$143,000 on building (Park Ranger's residence)	$500
Flood	$129,000 on building (2nd bathhouse/Sand Key)	$500
Vehicle Terminal	$7,500,000 Aggregate	$350,000 deductible $500,000 per any one vehicle per loss or occurancy from flood
Property	$137,723,745 replacement value of buildings, contents and related structures is County insured for fire, windstorm and flood with $10 million Risk Financing fund reserves, followed by a priority against renewal and replacement funds, and further guaranteed with a pledge of general non ad valorem tax receipts. Proceeds necessary for losses at replacement values are pledged as security for outstanding bonds, with any excess over repair or replacement costs to be deposited to the Revenue Fund.	$25,000 In & Out

COUNTY OF ORANGE, NEW YORK

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 4—Summary Disclosure of Significant Contingencies

Litigation

The County receives numerous notices of claims for damages occurring generally from false arrest, negligence, bodily injury, breach of contract, defamation of character and invasion of privacy. The filing of such claims commences a statutory period for initiating judicial action, and the County currently carries excess general liability insurance to cover possible losses arising therefrom. The County Attorney has indicated that he is not aware of any such action which would have a significant adverse impact on the County's financial condition.

Self-Insurance

Contingencies relative to self-insurance include the following:

Workers' Compensation Insurance

Effective January 1, 1980, the County adopted a self-insured workers' compensation program under the provisions of Local Law No. 14 of 1979. The County, as well as other participants in the program, are assessed premiums which are based upon the actual historical claims experience of such participant. Costs relating to the litigation of claims are charged to expenditures as incurred.

The Workers' Compensation Fund reflects a fund balance of $2,529,229, at December 31, 1988 for all participants. The actuarial amount as calculated, after adjustment, by the independent administrator of the program at December 31, 1988 was $5,115,100. Accordingly, the unfunded amount is $2,585,871. The independent administrator has determined that the deficiency is attributable primarily to participants other than the County of Orange and that the County's share would be immaterial. The other participants intend to account for this amount over the next five years through a proportionate increase in rates.

Health Insurance

On November 1, 1981, the County became self-insured for employees' and retirees' health insurance and established a fund to account for the accumulation of premiums and payment of claims arising under the terms of the plan. An administrator has been retained to administer the plan and make recommendations as to the amount of premiums to be charged to County operating funds. In the opinion of management, the fund balance of this fund will be sufficient to satisfy all claims incurred through December 31, 1988.

Unemployment Benefits

The County is currently self-insured against claims arising from unemployment benefit cases. In the opinion of management, the amount reserved will be sufficient to satisfy all claims arising from actions through December 31, 1988.

Liability and Casualty

The County is currently self-insured for liability and casualty claims, but, maintains excess liability coverage with an independent insurance carrier. The general liability excess coverage is $17 million above the County's original $1 million per occurrence. The public officials liability coverage is limited to $5 million per occurrence and in the aggregate and the hospital professional and medical malpractice policy provides coverage of $1 million per occurrence and $3 million in the aggregate. In the opinion of management, sufficient resources exist to satisfy all existing claims against the County. The actuarially determined fund balance, as calculated by the administrator, disclosed that fund balance was underfunded in the amount of $28,930.

Other Contingencies

The County participates in various state and federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act of 1984. This examination is currently in process and the report will be issued under separate cover. Accordingly, the County's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County anticipates such amounts, if any, to be immaterial.

HILLSBOROUGH COUNTY, FLORIDA

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

Note 15—Commitments

1. *Tampa Sports Authority—Bond Cooperation Agreement of May 25, 1977.* This agreement, made between the Tampa Sports Authority, the City of Tampa, and Hillsborough County, is to provide funds equal to the amount, if any, by which the Authority's net operating revenues are insufficient to provide for the annual debt service of the Tampa Sports Authority Revenue Bonds of 1977. For the year ended September 30, 1988, the approximately $319,000 appropriated by the County for the benefit of the Authority was returned by the Authority as not needed for the payment of the annual debt service.

2. *Hillsborough County Aviation Authority—Bond Cooperation Agreement of August 6, 1968 and Supplemental Cooperation Agreement of April 17, 1985.* An agreement between the Hillsborough County Aviation Authority and Hillsborough County was made to assist the Authority in the sale of its Revenue Bonds of 1968 and 1985. The County agreed to pay the Authority one-half of the amount of any deficit in the Authority's Reserve Funds. These funds are to be provided from monies other than ad valorem taxes. No such payments have been required as of September 30, 1988.

3. *Outstanding Purchase Orders and Contract Commitments.* Purchase orders and contracts (including construction contracts) had been executed, but goods and services were not received as of September 30, 1988, for the following funds, in the amounts shown (amounts in thousands):

Fund	Amount
General	$ 2,123
Special Revenue	24,423
Capital Projects	45,144
Solid Waste Control	1,750
Water & Wastewater	39,106
Internal Service	21
Total	$112,567

Included in the above total are significant construction contract commitments as follows (amounts in thousands):

Fleet maintenance service center	$ 5,601
Road construction and resurfacing	$18,795
Water and/or Wastewater facilities	$31,274
Fire station	$ 322
Library building	$ 486
Jail facility	$36,653

TOWN OF BRAINTREE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

(7) Commitments and Contingencies

The Town has been named as a defendant in a number of lawsuits at June 30, 1989. In the opinion of the Town's administration, the ultimate resolution of these legal actions will not result in a material loss to the Town.

(8) Massachusetts Municipal Wholesale Electric Company and Purchased Power Commitments

In 1977, the Town of Braintree, through BELD, became a member of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a political subdivision of the Commonwealth of Massachusetts authorized to issue revenue bonds, secured by power sales agreements with its members and other electric systems, and to finance the construction and ownership of electric power facilities.

BELD withdrew as a member of MMWEC effective December 1986; however, it remains obligated to honor the terms related to its investment in Seabrook Unit 1 and purchase power commitment for Point Lepreau.

(a) Seabrook

As authorized by the Electric Light Board, BELD entered into a power sales agreement with MMWEC for a share of the power supply capability of Seabrook Units 1 and 2. Seabrook Unit 2 was effectively canceled in 1984, and the Seabrook joint owners have notified the Nuclear Regulatory Commission (NRC) that they do not intend to renew the construction license for Unit 2. Under the terms of the power sales agreement, BELD is obligated to pay for its share of MMWEC's actual costs, including interest and financing costs relating to these generating units. BELD's obligations to pay are not contingent upon the completion or operational status of the units. Through its power contract, BELD effectively participates in a 0.6% (7MW) share of Seabrook Unit 1.

Seabrook Unit 1 has experienced persistent and substantial cost increases and significant schedule delays, has been the source of continuing controversy and opposition from government officials, regulators, intervenors and others and has created financial problems for many of its joint owners. Although certain problems relating to the Seabrook Unit 1 construction schedule, with the exception of emergency response plans, have been overcome and the unit is complete, other problems and uncertainties relating to Seabrook remain and are discussed in the following paragraphs.

In May 1989, the NRC issued a low power operating license for Seabrook Unit 1. The low power operating license limits the operation of the unit up to 5% of full power, requiring further NRC licensing approval for commercial operation. In June 1989, an incident involving a malfunctioning steam valve and a subsequent delay in the shutdown of the plant resulted in an agreement between the NRC and plan management to cease the testing until further NRC approval. The Seabrook project management implemented new management procedures and is working with the NRC to resolve issues relating to this incident.

In October 1987, the NRC issued a rule change that allows owners of completed nuclear plants to obtain an operating license upon NRC approval of utility-sponsored emergency response plans in cases where states or localities have refused to participate in formulating such plans. In January 1989, subsequent to public hearings, emergency response plans for New Hampshire communities within the 10 mile radius of Seabrook Station were approved by the Atomic Safety & Licensing Board (ASLB). NH Yankee has prepared and submitted emergency response plans for the Massachusetts municipalities located within the 10-mile radius of Seabrook Station for which plans have not been submitted by Massachusetts officials. Acceptance of these plans is currently before the ASLB.

PSNH, owner of 35.6% of the Seabrook project, is experiencing substantial difficulty in sustaining its current financial obligations for the project. On January 28, 1988, PSNH filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Act. PSNH has submitted and is currently working with the court and creditors on a plan of reorganization.

Other parties to the bankruptcy proceeding, including utilities with an interest in acquiring certain assets of PSNH, have submitted their own reorganization plans. It is not possible to predict what impact the financial difficulties of PSNH will have on the Seabrook Project or on the issuance of the remaining licenses by the NRC. To date, PSNH has continued to meet its Seabrook obligations.

Payments are to be made by BELD to cover its share of MMWEC's principal and interest payments, plus operating and maintenance costs of Seabrook Unit 1. MMWEC's principal and interest payments are expected to be over a period of 35 years, which began on a "phase-in" basis in 1988. BELD's total principal obligation associated with its share of MMWEC's Seabrook project debt is estimated to be $43,325,000, of which $42,718,000 was outstanding at June 30, 1989.

BELD is unable to predict whether the Seabrook project will ultimately achieve commercial operation. However, as noted above, BELD remains liable for its share of MMWEC's actual cost for both Seabrook units, including financing and interest costs, and must recover these costs whether or not the units become operational.

MMWEC estimates BELD's annual payments for principal and interest related to the Seabrook Project (excluding operating and maintenance expenses) to be as follows:

1990	$ 4,242,000
1991	4,219,000
1992	4,211,000
1993	4,196,000
1994	4,179,000
Later years	97,932,000
Total	$118,979,000

(b) Other Purchased Power Commitments

BELD is a party to several agreements to purchase power from other utilities for periods in excess of one year. In return for the right to receive electricity under the agreements, BELD is obligated to pay certain fixed amounts plus amounts which vary based on electricity received. BELD's estimated annual capacity costs related to its long-term power purchase commitment through fiscal 1995 are approximately $7,000,000.

SCHOOL DISTRICT NO. 12, ADAMS COUNTY

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note L: Commitments and Contingencies

1. Refunded Debt

At various dates in prior years, the district has placed proceeds from refunding bond issues and district cash contributions in irrevocable refunding escrow accounts. The monies deposited in the irrevocable escrow accounts are invested in U.S. Treasury obligations that, together with interest earned thereon, would provide amounts sufficient for payment of all principal and interest on the following bond issues on each remaining payment date. The likelihood of the earnings and principal maturities of the U.S. Treasury obligations not being sufficient to pay the refunded bond issues appears remote. Accordingly, the escrow accounts, and the following refunded bonds are not included in the district's balance sheet:

General Obligations Bonds	Date of Issue	Series	Outstanding Principal Balance
Refunding Bonds	5-1-75	"B"	$ 10,000
Refunding Bonds	9-1-76		3,670,000
Refunding Bonds	8-15-77		9,305,000
Building Bonds	2-1-78		2,235,000
Refunding Bonds	8-1-78		1,860,000
Building Bonds	5-1-80	"A,B,C,D"	2,230,000
Refunding Bonds	7-1-80	"A,B,C,D"	31,020,000
Building Bonds	7-1-83		500,000
Refunding Bonds	9-15-83		32,810,000
Refunding Bonds	4-1-84	"A"	42,250,000
Refunding Bonds	4-1-84	"B"	8,080,000
Refunding Bonds	5-15-85	"A"	45,205,000
Refunding Bonds	9-15-85	"B"	3,690,000
			$182,865,000

2. Litigation

There are several lawsuits pending in which the district is involved. The district and its legal counsel estimate that the potential claims against the district not covered by insurance resulting from such litigation would not materially affect the financial statements of the district.

3. Grants

The district has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, will be immaterial.

HOUSING AUTHORITY OF THE CITY OF OMAHA, OMAHA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note J. Contingencies

a. As mentioned in Note 1, OHA does not record accrued vacation hours earned by employees. This liability was $176,593 as of December 31, 1988.

b. In addition to the $208,877 in investments, (see Note C), the Omaha Housing Authority had $140,000 in Franklin Community Credit Union Certificates of Deposit at December 31, 1988. Franklin Credit Union, however, was forced into liquidation proceedings in November 1988, and although the Housing Authority has received $100,000 of this amount it appears unlikely that the remaining uninsured $40,000 will be collected.

c. OHA has entered a tentative agreement with the owner of property located at 59th Street and Henninger Drive in Omaha, NE, whereby OHA will assume ownership of a 129-unit apartment complex. In exchange for the property, which is valued at 2.7 million dollars, OHA will assume liability for the existing mortgage of 1.3 million dollars, an unsecured loan of $60,000 and current operating obligations. OHA proposes to refinance the loan and pay the other obligation and expenses of acquisition through a new first mortgage loan from First National Bank of Omaha in the amount of 1.1 million dollars. This transaction has been challenged in the courts by an organization opposed to the rehabilitation of this property for low income housing. The organization has been denied a request to halt the transaction by both the local and federal courts.

COMPENSATED ABSENCES

GASB Cod. Sec. C60 provides guidance for accounting and financial reporting for compensated absences. The FASB issued Statement No. 43, *Accounting for Compensated Absences*, requiring employers to accrue a liability for future vacation, sick, and other leave benefits that meet the following conditions:

a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.

b. The obligation relates to rights that vest or accumulate.

c. Payment of the compensation is probable.

d. The amount can be reasonably estimated.

Accounting and Reporting

Liabilities for compensated absences should be inventoried at the end of each accounting period and adjusted to current salary costs.

Governmental Funds

If all conditions of FASB Statement 43 are met, the amount of compensated absences recorded as expenditures in governmental funds shall be the amount accrued during the year that normally would be liquidated with expendable available financial resources.

Because governmental fund balance sheets reflect only current liabilities, only the current portion of the liability should be reported in the fund. The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The remainder of the liability should be reported in the general long term debt accounting group.

Proprietary Funds

Accounting for proprietary funds should follow FASB Statement 43 without modification.

Trust Funds

Expendable trust funds should follow the standards that apply to governmental funds. Nonexpendable trust and pension trust funds should follow the standards that apply to proprietary funds.

Many statements provided note disclosures in connection with compensated absences. In some instances specific references were made to governmental accounting requirements.

Liabilities for compensated absences for the reporting units, were shown in the fund types and account group noted in Table 2-3. In other instances, the accounting was not discernible from the report.

TABLE 2-3: LIABILITIES FOR COMPENSATED ABSENCES

	Instances Observed			
Fund Type and Account Group:	**1989**	**1988**	**1987**	**1986**
General long-term debt account group	121	118	162	91
Enterprise funds	69	40	72	59
General fund	42	32	23	31
Internal service funds	37	18	29	10
Special revenue funds	18	9	17	9

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS—AS OF JUNE 30, 1989

Note 12—Claims, Judgments and Compensated Absences:

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Authority has accrued the liability arising from outstanding claims and judgments and compensated absences.

Authority employees earn vacation and sick leave at the rate of one day for each per month. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation up to thirty days is paid upon termination. The Authority has outstanding accrued vacation pay totaling $17,762.

GREATER HARTFORD TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 1. Summary of Significant Accounting Policies [In Part]

F. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts:

Accumulated unpaid vacation, sick pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts are also accrued in governmental funds (using the modified accrual basis of accounting). The amount of liability expected to be liquidated with expendable available financial resources is accrued in the individual fund. The District has a policy of reimbursing an employee for any accumulated vacation or other employee benefits at the end of each fiscal year. The District is not obligated to pay accumulated sick time until the Board approves the expenditure.

BEAVERTON SCHOOL DISTRICT 48J

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—JUNE 30, 1989

2. Summary of Significant Accounting Policies [In Part]:

Accrued Compensated Absences

Accumulated accrued compensated absences for vacation pay in the governmental fund types expected to be liquidated with expendable available resources are accrued and the amount payable from future resources is recorded in the General Long-Term Debt Account Group. Sick pay does not vest and is recorded as an expenditure when taken.

TOWNSHIP OF CHERRY HILL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

Note 6: Compensated Absences

Board employees are entitled to ten paid sick leave days after ten months of employment. Thereafter they are entitled to twelve sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent years. Board employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Since amounts required to be paid in any fiscal year are raised in that year's budget, no liability has been accrued at June 30, 1989.

SAHUARITA UNIFIED SCHOOL DISTRICT NO. 30

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 1—Summary of Significant Accounting Policies [In Part]

Compensated Absences—The District's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Twelve month employees earn sick leave at the rate of one day per contract month of employment. Twelve month employees accrue vacation at the rate of ten to twenty-two days per year based upon the employee's position and length of employment. The maximum allowable vacation carryforward for any employee is forty-four days. The liability for accumulated vacation is recorded in the General Long-Term Debt Account Group since the amount expected to be paid from current resources is not significant.

TOWN OF WALLKILL

NOTES TO THE FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 7—Accumulated Unpaid Vacation and Sick Pay

At December 31, 1988 unrecorded General and Special Revenue Fund liabilities included approximately $73,175 in accumulated unpaid vacation pay and $178,400 in accumulated unpaid sick pay. These amounts are in excess of a normal years' accumulations because they include accumulated benefits carried over from prior years.

TOWN OF CHAPEL HILL, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

A. Summary of Significant Accounting Policies [In Part]

13. Vacation and Sick Pay

The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the governmental funds, the liability is recorded in the General Long-Term Debt Account Group since vacation leave is not expected to be materially liquidated with expendable available financial resources. For the Enterprise Funds, the liabilities are recorded in the funds themselves.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS—AS OF JUNE 30, 1989

Note 8—Claims, Judgments and Compensated Absences:

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the County has accrued the liability arising from outstanding claims and judgments and compensated absences.

County employees earn vacation leave at various rates. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The County has outstanding accrued vacation pay totaling $378,200 in the General Long-term Obligation Account Group.

KENT COUNTY LEVY COURT

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 10. Compensated Absences

As of June 30, 1988, the County adopted the policy of accruing compensated absences. The general fund accrued $3,961, the Sewer Fund accrued $49,109 and the remaining amount of $110,699 was accrued as an estimated liability for compensated absences in the Long-Term Debt Group of Accounts. As of June 30, 1989, the general fund accrued $4,266, the Sewer Fund accrued $61,619 and the remaining amount of $126,077 was accrued as an estimated liability for compensated absences in the Long-Term Debt Group of Accounts.

CITY OF PUEBLO, COLORADO

NOTES TO FINANCIAL STATEMENTS—YEAR ENDED DECEMBER 31, 1988

Note 13—Accrued Compensated Absences

In accordance with NCGA Statement No. 4, the City has recognized as an expenditure and a liability in the General Fund the accrued vacation and sick pay that is expected to be liquidated with available spendable resources. The remaining amount of the unpaid vacation and sick pay attributable to Governmental Funds has been recognized in the General Long-Term Debt Account Group. The unpaid vacation and sick pay attributable to Proprietary Funds has been accrued in its entirety.

The following is a summary of the total unpaid vacation and sick pay that existed at December 31, 1988:

General Fund	$ 150,000
Enterprise Funds	
Memorial Airport	106,975
Sewer User	160,363
Internal Service Funds	
City Shops	52,070
General Long-Term Debt	3,629,111
Total	$4,098,519

The total amount of $4,098,519 consists of $1,763,831 vacation pay and $2,334,688 sick pay.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—[JUNE 30, 1989]

(11) Compensated Absences

City employees may accumulate unlimited days of sick leave and 40 or more days of annual leave depending on the individual union contract; employees are entitled to full or partial lump-sum cash distributions upon death, retirement or termination based on their then pay rates. Such compensated absences have been recorded as liabilities at the current pay rates.

School teachers may accumulate up to 190 days of sick leave but no annual leave. They are entitled to a lump-sum cash distribution of 75% of accumulated sick leave upon retirement. Based upon salary levels teachers' accumulated sick leave totals approximately $5,100,000 at June 30, 1989. Such an amount has not been recorded in the accompanying general purpose financial statements because the number of school teachers who will become eligible for retirement, and ultimately be paid, is not reasonably estimable.

CITY OF LAS VEGAS, NEVADA

NOTES TO THE FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

1. Summary of Significant Accounting Policies [In Part]

K. Compensated absences

Vested or accumulated vacation leave and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

LEASE AGREEMENTS

For lease agreements GASB Cod. Sec. L20.108 requires, subject to the accounting and financial reporting distinctions of governmental funds and expendable trust funds, the criteria of FASB Statement No. 13, *Accounting for Leases* (as amended and interpreted), should be the guidelines for accounting and financial reporting for lease agreements. FASB Statement 13 (as amended and interpreted) should be consulted for specific guidance concerning detailed criteria referenced in this section.

Governmental Funds and Account Groups

General fixed assets acquired via lease agreements should be capitalized in the general fixed asset account group at the inception of the agreement in an amount determined by the criteria of FASB Statement No. 13. A liability in the same amount should be recorded simultaneously in the general long-term debt account group. When the acquisition or construction of a general fixed asset is accounted for as a capital lease, the acquisition or construction of the general fixed asset should be reflected as an expenditure and other financing source, consistent with the accounting and financial reporting for general obligation bonded debt.

Lessor Accounting

In governmental funds, lease receivables and deferred revenues should be used to account for leases entered into by a state or local government as lessor. Only the portion of lease receivables that represents revenue or other financing sources that are measurable and available should be recognized as revenue or other financing sources in governmental funds. The remainder of the receivable should be deferred.

Proprietary Funds

Lease accounting for proprietary funds should follow FASB Statement No. 13, as amended and interpreted, without modification. All assets and liabilities of proprietary funds are accounted for and reported in the respective funds. Therefore, transactions for proprietary fund capital leases are accounted for and reported entirely within the individual proprietary fund.

Trust Funds

Depending on their purpose, trust funds are accounted for on either the financial flow or capital maintenance measurement focus. Expendable trust funds should follow the principles that apply to governmental funds. Nonexpendable trust and pension trust funds should follow the principles that apply to proprietary funds.

The disclosure requirements of FASB Statement No. 13 should be followed for financial reporting purposes. Of the units whose financial statements were surveyed, 264 provided note disclosure relating to capital or noncancellable leases. Forty-three percent accounted for the related lease liability in the general long-term debt account group of their financial statements.

Section 3 "Balance Sheet" illustrates how some governments report these assets and liabilities. It also includes excerpts from notes related to capital and noncancellable leases.

PENSION ACCOUNTING AND REPORTING*

An analysis was made of the financial statements of the 500 governmental entities of which 484 of these statements contained a footnote describing the existence of or providing other details on pension plans. This analysis was made to identify the various types of pension presentations and disclosures found in the financial statements.

TYPES AND NATURE OF PENSION PLANS

The study disclosed the following types of plans for the surveyed units. Multiple responses were possible, because many governmental units had more than one pension plan.

TABLE 2-4: ENTITIES HAVING CERTAIN TYPES OF PENSION PLANS

	Instances Observed			
Pension Plans	**1989**	**1988**	**1987**	**1986**
Multiple employers	327	341	328	283
Single employer	119	103	158	59
Not determinable	159	151	22	77

*On January 31, 1990 the GASB issued an exposure draft titled, "Accounting for Pensions by State and Local Governmental Employers." It would require accrual basis recognition of pension expenditure/expense in all fund types. See section 1, "General," for a further discussion.

TABLE 2-5: NATURE OF PENSION PLANS

	Instances Observed			
Nature of Plan	**1989**	**1988**	**1987**	**1986**
Defined benefit	416	393	335	233
Defined contribution	71	78	46	39
Money purchase	26	23	14	10
IRA	2	5	3	3
Other (not disclosed or unclear)	50	80	113	135

ACTUARIAL VALUATIONS

An actuarial valuation is the process by which an actuary reviews the terms of a pension plan, the demographics of the workforce covered by the plan, the investment results of the plan, etc. and thus estimates the present value of benefits to be paid under the plan and calculates the amount of employer contributions and accounting charges for the period. Actuarial valuations normally only are conducted for defined-benefit plans, because for defined-contribution plans both the current period contribution and expense already are known and the benefits to be paid are determined by the funds available. However, for some defined-contribution plans actuarial studies may be performed for other reasons.

As required by paragraph 30c.(2) of GASB Statement No. 5, for fiscal years beginning after December 15, 1986 (earlier application is encouraged) actuarial valuations must be performed at least biennially, with an actuarial update to the date 12 months after that biennial valuation. A new valuation is required if significant changes were made to benefit provisions since the last valuation.

ASSUMED RATES OF RETURN ON PENSION PLAN INVESTMENTS

A significant assumption in the actuarial valuations is the assumed rate of return on pension plan benefits. The various cited rates of return are summarized in the accompanying table for those 226 survey units that disclosed the rates.

TABLE 2-6: RATE OF RETURN ON PLAN BENEFITS*

	Instances Observed			
Rate of Return Percentage	**1989**	**1988**	**1987**	**1986**
5	3	4	3	1
6	9	12	14	10
6.5	2	9	10	13
7	43	17	19	28
7.5	50	41	38	13
8	53	29	17	9
8.5	23	26	10	1
9	19	14	8	1
9.5	0	1	1	—
Over 9.5	1	1	1	—
Multiple rates	12	44	21	3
Other rates	11	—	—	—

*Some plans have more than one rate of return.

The actuarial cost method used for funding or expensing purposes also is an essential element in pension plan accounting. The following types of actuarial cost methods were disclosed for the units surveyed.

TABLE 2-7: ACTUARIAL COST METHOD FOR FUNDING PURPOSES*

	Instances Observed			
Cost Method	**1989**	**1988**	**1987**	**1986**
Entry age normal cost method........	76	78	36	18
Entry age actuarial cost method......	70	34	14	4
Aggregate actuarial cost method......	21	19	12	5
Unit credit actuarial cost...............	20	6	4	2
Frozen entry age actuarial cost method................................	16	7	6	2
Projection of actuarial cost forecast method................................	10	32	1	1
Others.....................................	19	18	20	7

*Some statements contained multiple plans.

For those 484 financial statements containing a pension note, the basis of the pension plan investment assets was disclosed in several instances. Further, there were circumstances where different bases were used for different types of investment assets within the same governmental unit. Those cited could be categorized as follows:

TABLE 2-8: BASIS OF INVESTMENT ASSETS

	Instances Observed			
Basis	**1989**	**1988**	**1987**	**1986**
Cost.......................................	151	112	34	8
Market value............................	122	131	47	21
Cost, which approximates market value..................................	0	2	2	2
Other basis..............................	53	47	16	1

REFERENCE TO FASB AND GASB STATEMENTS

Four of the 484 governmental units with footnotes specifically made reference to FASB Statement of Financial Accounting Standards No. 35 or to GASB Statement No. 4 of the Governmental Accounting Standards Board. The disclosure requirements pertaining to the actuarial present value of vested accumulated plan benefits, the actuarial present value of nonvested accumulated plan benefits, and the plan net assets available for benefits were surveyed. The following data illustrate the extent to which each of these items was observed.

TABLE 2-9: BENEFITS AND NET ASSETS DISCLOSURE*

	Instances Observed			
Disclosure	**1989**	**1988**	**1987**	**1986**
Plan net assets available for benefits	397	323	204	122
Actuarial present value of credited projected benefits....................	375	274	47	6
Actuarial present value of both vested and nonvested accumulated plan benefits....................	15	50	128	78
Actuarial present value of vested accumulated plan benefits (only)..	0	4	12	15
Actuarial present value of nonvested accumulated plan benefits (only)..	0	2	3	4

*Instances observed related to the governmental units that have pension plan footnotes.

REFERENCE TO PENSIONS IN AUDITORS' REPORTS

The auditors' reports made reference in 15 instances to the pension plan and contained qualifications related to pension accounting and reporting.

Some auditor's reports were qualified because of a pension GAAP departure. Those departures included using the pay-as-you-go method for recording pension expense and for funding, and where the entity recorded an expense less than the amount actuarially determined.

See the following illustrations of notes related to pension disclosures.

CITY OF SAN ANTONIO, TEXAS

NOTES TO FINANCIAL STATEMENTS—FOR THE YEAR ENDED SEPTEMBER 30, 1988

8. Pension and Retirement Plans

A. City of San Antonio

The Texas Municipal Retirement System (Exclusive of CWB)

The City provides pension benefits for all of its eligible employees (excluding firemen and policemen) through a non-traditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS). TMRS is an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contribution to the plan, with interest, and City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of an amount equal to two times that would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is an amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary for the last three years. At retirement, the benefit is calculated as if the sum of the employee's contributions with interest and the City's monetary credits with interest were used to purchase an annuity.

Employees can retire at age 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits. An employee is vested after 10 years, but he must leave his accumulated contributions in the plan. If an employee withdraws his contributions, he is not entitled to the City-financed monetary credits, even if he vested.

Effective July, 1988, the contribution rate for the employees is 6%, and the City matching percent is currently 150%. The City contribution rate is annually determined by the actuary. Part of the City contribution rate (the normal cost) funds currently accruing monetary credits, with the remainder (prior service cost) calculated as the level percent of payroll needed to amortize the unfunded actuarial liability over a 25-year period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over 25 years. The unit credit actuarial cost method is used for determining the City contribution rate. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

City contributions were for employees covered based on a payroll of $98,708. Both the City and the covered employees made the required contributions, amounting to $6,932 (6.77% of covered payroll for the months in calendar year 1987, 6.83% for the months January through June, 1988 and 7.74% for the months July through September, 1988) for the City and $5,162 (5% for the months October 1987 through June, 1988 and 6% for the months July through September, 1988) for the employees. The City adopted changes in the plan since the previous actuarial valuation, which had the effect of increasing the City's contribution rate for 1988 by 0.16% of payroll.

Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The pension benefit obligation shown below excludes projected salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The latest actuarial valuation was as of December 31, 1987. Market value of assets has not been determined for the City's plan, but the market value of assets for the TMRS as a whole was 105% of book value as of December 31, 1987.

Pension Benefit Obligation	
For Retirees, Beneficiaries and Inactive Participants	$ 27,303
For Terminated Employees	3,687
For Active Participants	
Accumulated Employee Contributions including	
Allocated Invested Earnings	49,309
Employer-Financed Vested	72,783
Employer-Financed Nonvested	11,768
Total Pension Benefit Obligation	164,850
Less:	
Net Assets Available for Benefits at Book Value	112,036
Unfunded Pension Benefit Obligation	$ 52,814

The book value of net assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the City's contribution rate are the same as those used to compute the pension benefit obligation. The above amounts reflect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded pension benefit obligation by $3,189.

Ten-year historical trend information related to TMRS for the year ending December 31, 1987 can be found in the actuarial and statistical sections of the TMRS comprehensive annual financial report.

Firemen and Policemen's Pension Fund

Plan Description

The Firemen and Policemen's Pension Fund is a single employer defined benefit retirement plan established in accordance with the laws of the State of Texas. The City's payroll for employees covered by the fund for the year ended September 30, 1988 was $84,065. On September 30, 1988, membership of the Pension Fund consisted of:

Retirees and Beneficiaries	905
Vested Active Participants	501
Nonvested Active Participants	1,980
Total	3,386

Employees retiring after August 31, 1981, but before October 1, 1984 who have served and contributed for twenty (20) years or more receive a retirement pension based on the average of the employee's total salary excluding overtime pay for the highest five (5) years of pay at the rate of two percent (2%) of such salary for each year served. The pension of an employee who retired after September 30, 1984, but before October 1, 1987 shall be based on the highest four years of the employee's pay excluding overtime pay. The pension of an employee who retires after September 30, 1987 shall be based on the highest three years of the employee's salary excluding overtime pay.

The highest pension paid for 30 years service may not exceed sixty percent (60%) of the average so determined. Employees retiring after October 1, 1983 with at least 31 years service shall receive an additional 1 percent pension increment for each whole year served over 30 years, up to a maximum of 70 percent of such salary.

If service is terminated by reason of death or disability, the employee's beneficiary or the employee shall be entitled to one-half (½) of the average of his total salary excluding overtime pay based on the same number of years of the employee's pay as used to compute retirement benefits.

The pension plan is funded in accordance with State Statutes. The City contributed 20% of salary excluding overtime pay, 21% beginning October 1, 1989. Employee contribution rate was 10% of salary excluding overtime pay, 10.5% beginning October 1, 1989.

Funding Status and Progress

The pension benefit obligation shown below was computed as of September 30, 1988. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 12 percent for benefits corresponding to members retired before 1983, and 8½ percent for benefits corresponding to active and other retired members, (b) projected salary increases of 7 percent a year (c) inflation rate of 8 percent for benefits corresponding to members retired before 1983, and 8½ percent for benefits corresponding to active and other retired members.

Pension Benefit Obligation	
For retirees and Beneficiaries	$136,844
For current Employees	
Employer-Financed Vested	176,044
Employer-Financed Nonvested	133,706
Total Pension Benefit Obligation	446,594
Less: Net Assets Available for Benefits (Market Value is $216,225)	217,342
Unfunded Pension Benefit Obligation	$229,252

Contribution Requirements and Contributions Made

Contribution requirements are not actuarially determined but established by state law. Actual contributions made in the year ended September 30, 1988 were as follows:

	Contribution
Employer	$17,024
Employee	8,407
Total	$25,431

Historical Trend Information

Trend information indicates progress made in accumulating sufficient assets to pay benefits when due. Trend information for the latest three years is presented below:

	1988	1987	1986
Net assets available for benefits as % of pension benefit obligation	49%	49%	Not Available
Unfunded pension benefit obligation as % of covered salaries and wages	273%	276%	Not Available
City's contribution as % of covered salaries and wages	20%	20%	19%

The available ten-year historical trend information is presented in the separately issued Firemen and Policemen's Pension Fund audit report and financial statements for the year ended September 30, 1988.

Pension Costs

A calculation was performed by the Pension Fund Actuary to estimate the accrued pension cost as of September 30, 1988. The accumulative accrued pension cost represents the accumulation of the difference between amounts funded and estimated amounts of pension expense determined under the guidelines of Accounting Principles Board Opinion 8. The cumulative accrued pension cost as of September 30, 1988 is estimated to be $79,304. This cost will be funded in future years and is recorded as a liability in the Long-Term Debt Account Group.

Other Benefits

The City of San Antonio is committed to providing its retired employees with a comprehensive health insurance program. Costs of medical claims for this program are shared on a 67% City-33% retiree cost sharing formula. The City's cost of providing such benefits was $1,663 in 1988.

B. Gas and Electric System (CPS)

The Gas and Electric System (CPS) prior to 1983, had an insured pension plan under which insurance was purchased for each participating employee in an amount calculated to yield cash value at retirement sufficient to provide an annuity equal to prescribed benefits. To the extent benefits represented amounts attributable to wage increases received after an employee reached age 60½, CPS assumed all of the incremental cost. The costs for these individuals are paid directly to retirees by CPS and are recorded when paid.

In 1983, CPS adopted a self-administered defined-benefit contributory pension plan covering substantially all employees. Participating employees contribute 5% of their base pay. Normal retirement age is 65; however, early retirement is available with 25 years of benefit service. Benefits are reduced for retirement under age 55. The total employer pension which, including amortization of past service costs over 30 years, using the Unit Credit Cost actuarial method, is summarized as follows:

	1988
Paid directly to retired employees	$ 723
Amounts deposited in the CPS Employees' Pension Trust	9,345
Total	$10,068

The latest actuarial valuation, as of December 31, 1987, assumed a rate of return on net assets of 8.5% and projected salary increases of 6.5%.

The following presents CPS' pension benefit obligation as of December 31, 1987:

For Retirees, Beneficiaries and Inactive Participants	$ 54,862
For Current Employees:	
Employer and Employee-Financed Vested	146,473
Employer-Financed Nonvested	25,848
Total Pension Benefit Obligation	227,183
Net Assets Available for Plan Benefits (At fair market value)	148,962
Unfunded Pension Benefit Obligation	$ 78,221

Historical trend information related to CPS' defined-benefit pension plan for the year ended December 31, 1987 is not available.

Other Benefits

In addition to providing pension benefits, CPS provides certain health care and life insurance benefits for retired employees. CPS employees are eligible for these benefits upon retirement from CPS. The cost of the retiree health care and life insurance benefits, funded by CPS and retired employees contributions, is recognized as an expense of CPS as employer contributions are made to the programs. For the year ended January 31, 1988, those costs approximated $792.

C. Water System (CWB)

CWB's Retirement Program (the Program) includes benefits provided by Texas Municipal Retirement System, a contract with Principal Mutual Life Insurance Company, and Social Security.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of:

1. 28 years of credited service regardless of age, or

2. 25 years of credited service and at least age 50, or
3. 10 years of credited service and at least age 60.

The normal retirement benefit is based upon average salary and years of credited service. Average salary is defined as the three highest base monthly salaries the employee had on January 1 during the ten years preceding retirement. The normal retirement benefit is equal to:

1. 2¼% of the average salary, as defined, times years of credited service not in excess of 25 years, plus
2. 1¼% of the average salary times years of credited service in excess of 25 but not less than 35 years, plus
3. ¾% of the average salary times years of credited service in excess of 35 years

There are seven alternative retirement payment options. Each option provides monthly payments as long as the retired employee lives. The options address how plan benefits are distributed to designed beneficiaries.

The Program also provides death and disability benefits.

Texas Municipal Retirement System—CWB

CWB provides pension benefits for all full-time employees, through the Texas Municipal Retirement System (TMRS). Employees are eligible to participate in the plan upon completion of a probationary period, normally six months in duration. Both the employees and CWB have established a 3.0% contribution rate. CWB contributes a variable percentage of full salaries based on actuarial valuations on December 31, of each year. CWB's contribution rate during 1987 was 2.98%. CWB's contributions for each employee, and interest allocated to the employee's account, are fully vested when an employee has ten years of credited service.

CWB's payroll for employees covered under the TMRS plan in 1987 was $15,875. Total salaries and wages for CWB in 1987 were $16,214. Both CWB's and employees' contributions were made to TMRS for 1987 as required. The contribution amounts are presented below:

Employer Contributions	$473
Employee Contributions	$476

Principal Mutual Life Insurance

Plan Description

The contract with Principal Mutual Life Insurance Company (the Company), which became effective January 1, 1965, was added by CWB to its Retirement Program as a supplement to the TMRS and Social Security benefits. The Company serves as an agent multiple-employer provider that acts as a common investment and administrative agent for CWB. CWB's payroll for employees covered under this contract in 1987 was $15,375.

CWB provides supplemental pension benefits for all full-time employees through this defined benefit plan. Employees are eligible to participate in the plan on January 1 of the calendar year following date of hire. An employee covered by the plan may vest a portion of the plan benefits if termination occurs after sufficient years of service have been credited. The plan allows an employee to accrue vesting benefits as follows:

Years of Service	Vested Percentage
Less than 10	0%
10	50%
11	60%
12	70%
13	80%
14	90%
15 or more	100%

An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

Funding Status and Progress

The "pension benefit obligation" shown below, was computed as of January 1, 1987. The amount shown below as the unfunded pension obligation is based on the assumptions presented below, except that the calculation of the accrued benefits does not include a salary scale, and the values of vested benefits do not include a withdrawal assumption as these amounts, required by GASB Statement No. 5, are not readily available. Benefits for retired employees are fully guaranteed at retirement. Fixed income assets are valued on a contract basis. Long-term equity investments are adjusted by spreading unrealized appreciation and depreciation over four years. Short-term investments, real estate, and bonds are valued at market. Significant actuarial assumptions used in these valuations include:

1. Rate of return—7.5% per annum, compounded annually,
2. Salary scale—6.0% increase per year until retirement,
3. Plan expenses—5.0% of estimated plan costs

Total unfunded pension benefit obligation applicable to CWB's employees was $1,460 at January 1, 1987 computed as follows:

Present value of vested benefits	
For retired participants	
For nonretired participants	$4,753
Present value of nonvested	1,028
Total pension benefit obligation	5,781
Less: Net assets available for benefits	4,321
Unfunded pension benefit obligation	$1,460

Actuarially Determined Contribution Requirements and Contributions Made

The plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. The actuarial cost method is known as the Entry Age Normal-Frozen Initial Liability Method. This method spreads the total cost of the projected pension benefits for each employee from the date the employee is first eligible for the plan to the employee's normal retirement date. As plan benefits are related to compensation, the cost is spread as a level percentage of compensation.

Actuarial valuation results for plan year 1987 is presented below:

Minimum Contribution	$ 810
Contribution to fund Normal Cost and Unfunded Frozen Initial Liability over 30 Years	$1,104
As % of annualized compensation @ Jan. 1	7.2%
Normal Cost	$ 397
As % of annualized compensation @ Jan. 1	2.6%
Unfunded Frozen Initial Liability	$8,333

CWB's contributions to the plan in 1987 were $1,022. CWB does not make contributions based on the above actuarially computed amount. CWB contributes the actuarially computed normal cost plus interest on the Unfunded Frozen Initial Liability. CWB's contributions in 1987 represent 6.6% of annual covered wages and salaries. CWB is the sole contributor to the plan.

Trend Information

Certain trend information for the most current three years is presented below:

	1987	1986	1985
Net assets available for benefits as % of pension benefit obligation	74.7%	58.9%	46.1%
Unfunded pension benefit obligation as % of covered salaries and wages	9.5%	15.3%	20.3%
Board contribution as % of covered salaries and wages	6.6%	7.4%	8.0%

Other Benefits

In addition to providing pension benefits, CWB provides certain health care and life insurance benefits for retired employees. Substantially all of CWB's full-time employees may become eligible for those benefits if they reach normal retirement age while working for CWB. Those and similar benefits for active employees are provided through insurance companies. CWB recognizes the cost of providing these benefits by expensing the annual insurance premiums which amounted to $229 in 1987.

CITY OF CHICAGO, ILLINOIS

NOTES TO COMBINED FINANCIAL STATEMENTS—FOR THE YEAR ENDED DECEMBER 31, 1988

(6) Pension Plans

Eligible City employees participate in one of four single-employer defined benefit pension plans. These plans are: the Municipal Employees'; The Laborers' and Retirement Board Employees'; the Policemen's and the Firemen's Annuity and Benefit Funds. Certain employees of the Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds for which the City levies taxes to make the required employer contributions. These funds are part of the City of Chicago financial reporting entity and are included in the accompanying financial statements as a Pension Trust Fund.

Substantially all full-time City employees become members of one of the funds based on the position held. The City's current year payroll for all employees was $1.356 billion. The current year covered payroll (as defined), including $286.0 million attributable to the Board of Education, was as follows:

Annuity and Benefit Funds

	(dollars in thousands)
Municipal Employees'	$ 769,978
Laborers' and Retirement Board Employees'	132,686
Policemen's	443,670
Firemen's	188,094
	$1,534,428

Fund membership at December 31, 1988, is as follows:

Active Employees	55,738
Retirees and Beneficiaries Currently Receiving Benefits	31,226
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	6,102

The funds provide retirement and death and disability benefits as established by the Illinois Revised Statutes. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 (50 for policemen and firemen) with 10 years of credited service qualify to receive a money purchase annuity. Employees who retire at or after 55 (50 for police and firemen) with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by percentages ranging from 1.8 percent to 2.5 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service.

Illinois Revised Statutes require covered employees to contribute a percentage of their salary. Contribution percentages are: 8.5 percent for the Municipal Employees', and the Laborers' and Retirement Board Employees' Annuity and Benefit Funds, 9.0 percent for the Policemen's Annuity and Benefit Fund and 9.125 percent for the Firemen's Annuity and Benefit Fund. Employees who leave covered employment without qualifying for an annuity receive their accumulated contributions including statutory interest. By statute, the City's contributions are based on the amounts contributed by employees. Financing of the City's contribution is through a separate property tax levy and the personal property replacement tax.

Enterprise Funds record an amount for pension expense in addition to the pension contribution recorded in the Special Revenue Funds. The Enterprise Funds make payments to the General Fund equal to the amounts recorded as pension expense in each Enterprise Fund. The amount of such payments totaled $27.6 million in 1988. Such payments are recorded as internal service revenue by the General Fund.

Each annuity and benefit fund records equity securities at cost subject to certain adjustments. Bonds are recorded at amortized cost with discounts or premiums amortized using the effective interest rate method. Group annuity contracts are recorded at original cost plus credited income not including unrealized appreciation.

The pension benefit obligations shown below are a standardized measure of the present value of credited projected benefits, estimated to be payable in the future as a result of employee service to date. The present value of the pension benefit is adjusted for the effects of projected salary increases and any step-rate benefits. The measure is independent of both the actuarial funding method used to determine contributions to the individual annuity and benefit funds and the method used to determine the "pension obligations" liability recorded in the General Long-Term Debt Account Group.

The pension benefit obligations were determined as part of an actuarial valuation at December 31, 1988. Significant actuarial assumptions include:

Rate of Return on Investment	7.5%	Compounded Annually
Projected Salary Increases		
Attributable to Inflation	4.0%	Compounded Annually
Seniority/Merit	2.0%	Compounded Annually
Post-Retirement Benefit Increases[1]	3.0%	Per Year for Annuitants Age 60 or Over (Not Compounded)

[1]Policemen's Annuity and Benefit Fund used 3% per year for annuitants age 60 or over born before 1940 and 1.5% per year for 20 years for annuitants age 60 or over born in 1940 or later.

Firemen's Annuity and Benefit Fund used 3% per year for annuitants age 60 or over born before 1930 and 1.5% per year for 20 years for annuitants age 60 or over born in 1930 or later.

The actuarial present value of pension benefit obligations under the "credited projected benefits" funding method at December 31, 1988 are as follows:

(dollars in thousands)

	Total	Municipal Employees'	Laborers'	Policemen's	Firemen's
Retirees and Beneficiaries:					
Currently Receiving Benefits and Terminated Employees Not Yet Receiving Benefits	$2,680,468	$ 987,465	$ 229,024	$ 963,838	$ 500,141
Current Employees:					
Accumulated Employee Contributions Including Statutory Interest	1,323,447	522,989	133,794	489,779	176,885
Employer-Financed Vested and Nonvested Benefits[1]	2,367,443	814,598	178,812	1,034,054	339,979
Total Pension Benefit Obligations	$6,371,358	$2,325,052	$ 541,630	$2,487,671	$1,017,005
Net Assets Available for Benefits, at Cost[2]	4,089,850	1,731,819	584,899	1,270,671	502,461
Unfunded Pension Benefit Obligations	$2,281,508	$ 593,233	$ (43,269)	$1,217,000	$ 514,544

[1]Division between vested and nonvested current employees is not possible due to the different vesting schedules of the defined benefit and contribution portions of the benefits.

[2]The market value of net assets available for benefits of the Municipal Employees', Laborers', Policemen's and Firemen's Funds is $1,774,607, $591,106, $1,297,971 and $508,025, respectively. Total market value of all funds is $4,171,709.

The effect on the pension benefit obligation caused by current year changes in actuarial assumptions reflected in the December 31, 1988 pension benefit obligation is an increase of $2.8 million attributable to the Laborers' and Retirement Board Employees' Annuity and Benefit Fund.

The funding policy mandated by Illinois Revised Statutes requires City contributions at statutorily, not actuarially determined rates. The rates are expressed as multiples of employee contributions. These contributions equal employee contributions made in the calendar year two years prior multiplied by 1.69 for the Municipal Employees'; 1.37 for the Laborers' and Retirement Board Employees'; 2.00 for the Policemen's; and 2.26 for the Firemen's Annuity and Benefit Funds.

The actuarially determined contributions are a level percentage of payroll determined by the entry age normal actuarial funding method using the same actuarial assumptions used to compute the pension benefit obligations. The actuarial contributions required for funding purposes include only the interest on the unfunded liabilities.

The actuarially determined contributions requirements for the year ended December 31, 1988 are as follows:

	(dollars in thousands)				
	Total	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarially Determined Contribution Requirements:					
Employer and Employee as Dollar Amounts					
Normal Cost	$252,947	$ 97,969	$20,008	$ 90,317	$44,653
Interest on unfunded Actuarially Accrued Liability	195,037	63,092	2,629	92,163	37,153
Total	$447,984	$161,061	$22,637	$182,480	$81,806
As a Percent of Covered Payroll:					
Normal Cost	16.48%	12.72%	15.08%	20.36%	23.74%
Interest on Unfunded Actuarially Accrued Liability	12.71	8.19	1.98	20.77	19.75
Total	29.19%	20.91%	17.06%	41.13%	43.49%
Contributions Made:					
As Dollar Amounts:					
Employer	$211,786	$ 92,914	$15,158	$ 69,375	$34,339
Employee	133,507	64,080	11,741	40,522	17,164
Total	$345,293	$156,994	$26,899	$109,897	$51,503
As a Percent of Covered Payroll:					
Employer	13.80%	12.07%	11.42%	15.64%	18.26%
Employee	8.70	8.32	8.85	9.13	9.13
Total	22.50%	20.39%	20.27%	24.77%	27.39%

The employer contributions reflect the amounts reported in the financial statements of the four annuity and benefit funds. The effect on the contribution requirements caused by current year changes in actuarial assumptions reflected in the 1988 contribution requirement is an increase of $388,000 attributable to the Laborers' and Retirement Board Employees' Annuity and Benefit Fund.

The following table of three-year historical information will assist users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The City's contribution to the funds was statutorily, not actuarially determined. The three-year historical information for each annuity and benefit fund is as follows:

Year	Assets Available for Benefits as a % of Pension Benefit Obligation	Unfunded Pension Benefit Obligation as a % of Covered Payroll	Employer Contributions as a % of Covered Payroll
Municipal Employees':			
1986	71%	83%	11%
1987	72	82	12
1988	75	77	12
Laborers':			
1986	107	N/A	11
1987	105	N/A	11
1988	108	N/A	11
Policemen's:			
1986	47	280	15
1987	49	272	15
1988	51	274	14
Firemen's:			
1986	46	297	17
1987	49	265	16
1988	49	274	18

Ten-year historical information provides information about the funds' progress in accumulating sufficient assets to pay benefits when due. Ten-year historical information is available in the City of Chicago Comprehensive Annual Financial Report and in the separate reports of the individual annuity and benefit funds.

CITY OF HARRISBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

14. Pension Plans:

A. Plan Description:

The City contributes to the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer Public Employee Retirement System (PERS). Six plans have been established with PMRS covering substantially all full-time employees. Employees become eligible for participation in a plan after one year of employment and become fully vested after 20 years of service for City A plans and 10 years of service for City B plans. The plans have been established by City ordinance with the authority for municipal contributions required by Act 205 of the Pennsylvania legislature. The plans require covered employees to contribute a percentage of total compensation.

Active City membership in PMRS as of January 1, 1988 is presented below. Retirees and beneficiaries currently receiving benefits are not included in the table because the obligation for benefits is transferred from the City to PMRS when benefits become payable.

	Non-uniformed Employees'		Police Officers'		Firemen's	
	Plan A	Plan B	Plan A	Plan B	Plan A	Plan B
Terminated employees entitled to deferred benefits	—	—	8	1	—	—
Active employees:						
Vested	28	33	20	—	26	—
Nonvested	68	334	60	75	41	36

The benefits provided by the plans differ by employment group and are based upon average compensation and length of service. Normal benefits are calculated at 2% and 2.5% per year of credited service multiplied by the final average annual salary for the Police Officers' and Firemen's B plans, and Non-Uniformed Employees', Police Officers' and Firemen's A plans, respectively. In no case may the benefit exceed 50% of the final average annual salary. The benefits provided by the Non-uniformed employees B plan are calculated at .8% of years of credited service multiplied by the final average annual salary less than $9,000 plus an additional amount of 1.6% of the final average annual salary greater than $9,000.

B. Funding Status and Progress:

The pension benefit obligation is the actuarial present value of credited projected benefits, a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the PERS to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is independent of the actuarial funding method used to determine contributions to PMRS.

The pension benefit obligation, which is actuarially determined on an annual basis, has been calculated as of January 1, 1988. Significant actuarial assumptions used include a rate of return on the present and future assets of 7% per year compounded annually and projected salary increase of 5% per year compounded annually attributable to inflation and ½% per year attributable to merit or seniority. Post retirement benefit increases are not assumed in the City's valuation as retired employees are the responsibility of the PERS. The actuarial value of the plans' assets is market value, the method used to value assets for the PERS balance sheet. PMRS does not hold any securities of the City or related parties at the valuation date.

There were no changes in either actuarial assumptions or benefit provisions used in calculating the pension benefit obligation as of January 1, 1988.

The pension benefit obligation and net assets available for benefits at January 1, 1988, the date of the last actuarial valuation, are presented in the table on the following page. Retirees and beneficiaries currently receiving benefits are not included in the table because the obligation for benefits is transferred from the City to PMRS when the benefits become payable.

It is the practice of PMRS to account for all contributions to City A Plans, regardless of source, as a reduction of the City's obligation to PMRS for the assumption of the City's liability to retirees and beneficiaries currently receiving benefits. This obligation was $13,174,578 as of January 1, 1988, the most recent valuation date. Accordingly, the records of PMRS reflect no net assets available for benefits for the City's A Plans. However, employee contributions are accounted for internally by PMRS and records of employee contributions are available for individuals who elect to withdraw from the system prior to retirement.

	Non-uniformed Employees'		Police Officers'		Firemen's	
	Plan A	Plan B	Plan A	Plan B	Plan A	Plan B
Pension benefit obligation						
Terminated employees entitled to deferred benefits			$ 725,548	$ 13,969		
Current employees:						
Accumulated employee contributions including allocated investment income	$1,093,636	$1,644,932	1,204,120	359,089	$ 968,852	$ 200,014
Employer-financed vested	1,952,670	1,022,534	3,144,261	199,871	3,718,141	50,299
Employer-financed nonvested	1,757,992	1,491,195	3,611,061	626,298	2,654,371	383,461
Total pension benefit obligation	4,804,298	4,158,661	8,684,990	1,199,227	7,341,364	633,774
Net assets available for benefits	—	3,816,258	—	1,066,870	—	1,168,476
Unfunded (assets in excess of) pension benefit obligation	$4,804,298	$ 342,403	$8,684,990	$ 132,357	$7,341,364	$ (534,702)

A summary of benefit provisions, by employee group, is as follows:

	Non-uniformed Employees'		Police Officers'		Firemen's	
	Plan A	Plan B	Plan A	Plan B	Plan A	Plan B
Normal retirement age	60	65	50	56	50	56
Years of service	20	10	20	10	20	10
Average compensation period, in months	12	60	12	60	12	60

C. Contributions Required and Contributions Made:

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due.

Contributions by the City are determined under the entry age normal method. Unfunded past service liability is amortized over the average future service of active participants. The City has met the statutory funding requirements for 1988 and contributions are expected to remain relatively level over future years.

Employee contributions to the plan are based on a percentage of compensation. Non-uniformed employees contribute 4% and 4.5% of annual compensation for plans A and B, respectively, while fire and police employees contribute 5% of annual compensation regardless of plan membership. An interest rate of 6.5% is applied to the employees' account. Employees' accumulated contributions plus interest will be returned upon termination or death if no other benefits are payable under the plan.

The Commonwealth of Pennsylvania allocates foreign fire and casualty premium collections to individual municipalities. The monies received must be contributed to the pension plans.

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation.

Pertinent information regarding contributions of the City's plans in 1988 is present below. Contributions to the plans by the City, the Commonwealth of Pennsylvania and employees are expressed in both dollar amounts and as a percentage of covered payroll.

	Non-uniformed Employees'		Police Officers'		Firemen's	
	Plan A	Plan B	Plan A	Plan B	Plan A	Plan B
Contribution requirements:						
Normal cost	$ 206,509	$ 612,180	$ 317,439	$ 150,204	$ 272,867	$ 62,470
Amortization of unfunded liability	455,023	35,414	665,980	6,979	489,886	—
	$ 661,532	$ 647,594	$ 983,419	$ 157,183	$ 762,753	$ 62,470
Contributions by source:						
Municipality	429,420	182,870	300,000	4,726	323,302	2,773
Commonwealth of Pennsylvania	411,174	306,920	886,754	160,292	757,021	15,320
Employer related	840,594	489,790	1,186,754	165,018	1,080,323	18,093
Employees	94,589	357,827	105,185	87,851	80,195	37,023
	$ 935,183	$ 847,617	$1,291,939	$ 252,869	$1,160,518	$ 55,116

(continued)

	Non-uniformed Employees'		Police Officers'		Firemen's	
	Plan A	Plan B	Plan A	Plan B	Plan A	Plan B
Contributions by source (expressed as a percentage of covered payroll):						
Municipality	21.90%	2.30%	13.14%	.26%	18.87%	.34%
Commonwealth of Pennsylvania	20.97%	3.86%	38.84%	8.83%	44.19%	1.89%
Employer related	42.87%	6.16%	51.98%	9.09%	63.06%	2.23%
Employees	4.82%	4.50%	4.61%	4.84%	4.68%	4.54%
	47.69%	10.66%	56.59%	13.93%	67.74%	6.77%
Covered payroll (total payroll of $17,081,489)	$1,960,443	$7,950,892	$2,282,863	$1,814,458	$1,713,049	$815,111
Unfunded liability:						
Amortization period (years)	40	40	40	40	40	—
Remaining period (years)	37	37	37	37	37	—

D. Historical Trend Information:

Historical trend information designed to provide information about the City's progress made in accumulating sufficient assets to pay benefits when due is presented in the following table and on pages 71 to 82.

During 1986, 1987 and 1988, total contributions were made in accordance with funding requirements established by the Municipal Pension Plan Funding Standard and Recovery Act, Act 1984-205 (Act 205), enacted by the Commonwealth of Pennsylvania on December 18, 1984 with implementation effective January 1, 1986. Computations based on the pensions benefit obligation for 1988 are not presented below because the actuarial valuation as of January 1, 1989 is not yet available.

		Non-uniformed Employees'		Police Officers'		Firemen's	
		Plan A	Plan B	Plan A	Plan B	Plan A	Plan B
Net assets available for benefits expressed as a percentage of the pension benefit obligation:	1987	0.00%	91.76%	0.00%	88.96%	0.00%	184.37%
	1986	0.00%	81.49%	0.00%	99.37%	0.00%	227.57%
Unfunded pension benefit obligation expressed as a percentage of covered payroll:	1987	237.76%	4.53%	399.88%	7.64%	458.08%	0.00%
	1986	232.85%	9.19%	345.60%	0.34%	439.09%	0.00%
Employer contributions expressed as a percentage of covered payroll:	1988	42.87%	6.16%	51.98%	9.09%	63.06%	2.23%
	1987	35.61%	6.02%	49.17%	10.34%	56.79%	7.63%
	1986	8.70%	3.30%	34.48%	.79%	36.85%	18.08%

CITY OF PHOENIX, ARIZONA

NOTES TO THE FINANCIAL STATEMENTS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

21. Retirement and Pension Plans

Substantially all full-time employees and elected officials of the City are covered by one of three contributory pension plans. In addition to normal retirement benefits, all of the plans also provide for the following types of benefit payments:

1) Disability
2) Survivor
3) Deferred pensions for former employees

All pension benefits vest after five years. A brief description of each plan is as follows:

General City Employees

The City of Phoenix Employees' Retirement Plan (COPERS) is a single-employer defined benefit pension plan for all full-time classified civil service City employees. COPERS is reported on as part of the City's reporting entity as a pension trust fund.

Benefits:

Members are eligible for retirement benefits upon meeting one of the following age and service requirements:

1) Age 60 years, with ten or more years of credited service.
2) Age 62 years, with five or more years of credited service.

3) Age plus service credit equals 80 (Rule of 80).

4) Age plus service credit equals 85 (Rule of 85).

Benefits are based on 2% of final average compensation multiplied by the years of service credit up to 32.5 years. The percentage is reduced for years of service in excess of 32.5. Members retiring under the Rule of 80 prior to age 60 receive a 6% reduction in benefit amounts for each year under age 60. A supplemental post retirement payment may be provided to retirees if sufficient reserves are available at the end of the fiscal year.

Public Safety Employees

The Arizona Public Safety Personnel Retirement System (APSRS) is an agent multiple-employer defined benefit pension plan for all sworn police officers and firefighters.

Benefits:

Members are eligible for normal retirement benefits after 20 years of service or at age 62 with completion of 15 years of service.

Elected Officials

The Elected Officials' Retirement Plan of Arizona (EORPA), is a cost-sharing multiple-employer defined benefit pension plan for all elected officials of the City of Phoenix.

Benefits:

Members are eligible for retirement benefits upon meeting one of the following age and service requirements:

1) Age 60 years, with 25 or more years of credited service.

2) Age 62 years, with 10 or more years of credited service.

3) Age 65 years, with 5 or more years of credited service.

4) Age 50 years, with 10 or more years of credited service (reduced pension).

Benefits are based on 4% of the members final annual salary multiplied by the years of credited service. The maximum is 80% of the member's final annual salary. Benefits for early retirees (option 4 above) are reduced by 3/12 of 1% for each month that early retirement precedes normal retirement age as described in options 1-3 above.

Summary Information

The following schedule summarizes membership data, contribution requirements and actuarial assumptions for the City's pension plans as of and for the fiscal year ended June 30, 1989:

		APSPRS		
	COPERS	Police	Fire	EORPA
Authority	City Charter	State Statute	State Statute	State Statute
Related Party Investments	None	None	None	None
Membership Data				
Members				
Active Participants				
Vested	4,132	1,370	737	6
Non-Vested	2,999	472	239	3
Retirants and Beneficiaries	2,044	494	413	—
Terminated Vested	145	—	—	—
	9,320	2,336	1,389	9
Covered Payroll (total City payroll for all employees was $308,025,547)	$195,808,258	$71,484,337	$40,558,484	$174,468
Required Contributions as a % of Payroll				
Employee	5.0%	8.0%	8.0%	7.0%
Employer	(1)	(1)	(1)	(1)
Actuarial Assumptions				
Investment Earnings	7.5%	9.0%	9.0%	9.0%
Salary Increases Due to				
Inflation	5.5%	6.5%	6.5%	7.0%
Seniority/Merit	0%-4.0%	0%-3.0%	0%-3.0%	—
Mortality Table	1971 Group Annuity	1960 Group Annuity	1960 Group Annuity	1960 Group Annuity
Retirements	(2)	(2)	(2)	(2)
Turnover	(2)	(2)	(2)	(2)

(1) The City contributes an actuarially determined amount to fully fund benefits for active members and to amortize any unfunded actuarial liability.
(2) Probabilities of retirement at specific ages and assumptions for separation from active employment and for disability are based on past experience.

Funding Status and Progress

Presented below are the pension benefit obligations (PBOs) of the City's pension plans. The amount of the PBO is based on a standardized measurement established by the Governmental Accounting Standards Board (GASB) Statement 5. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases and step-rate benefits. A standardized measure of the PBO was adopted by GASB to enable readers of PERS financial statements to:

(a) Assess funding status on a going-concern basis

(b) Assess progress made in accumulating sufficient assets to pay benefits when due

(c) Make comparisons among PERS

The standardized measurement is independent of the actuarial computations made to determine contributions to the plans.

The Pension Benefit Obligations as of the dates of the most recent actuarial valuations are as follows:

		APSPRS		
	COPERS	Police	Fire	Totals
Date of most recent actuarial valuation	June 30, 1989	June 30, 1988	June 30, 1988	
Retirees and beneficiaries currently receiving benefits	$148,695,061	$ 67,107,648	$ 53,416,800	$ 269,219,509
Terminated employees not yet receiving benefits	4,250,791	34,992	39,948	4,325,731
Current employees				
Accumulated employee contributions including allocated investment income	77,275,356	39,268,277	20,760,721	137,304,354
Employer financed—vested	140,449,802	102,148,970	55,166,367	297,765,139
Employer financed—non-vested	5,352,629	17,002,798	8,522,212	30,877,639
Total Pension Benefit Obligation	376,023,639	225,562,685	137,906,048	739,492,372
Net assets available for benefits	357,263,039	257,345,864	133,864,075	748,472,978
Unfunded (Assets in excess of) Pension Benefit Obligation	$ 18,760,600	$ (31,783,179)	$ 4,041,973	$ (8,980,606)
Change in PBO for the current year as a result of a change in benefit provisions	$ —	$ —	$ —	$ —
Basis for asset valuation	Amortized Cost	Amortized Cost	Amortized Cost	

EORPA does not make separate measurements of the assets and PBOs for individual employers. The PBO at June 30, 1988 for the plan as a whole, determined through an actuarial valuation performed as of that date, was $71,798,905. The Plan's net assets available for benefits on that date (valued at cost) were $73,993,374, which exceeded the PBO by $2,194,469.

Contributions

Employer contributions are determined on actuarial bases other than the projected unit credit method that was used to calculate the PBOs. However, the significant actuarial assumptions used to compute the pension contribution requirements are the same as those used to determine the PBOs.

Normal cost is funded on a current basis. The unfunded actuarial accrued liabilities are funded over various periods, as shown in the table below. Contributions for both the normal cost and the amortization of the unfunded actuarial accrued liabilities are based on the level percentage of payroll method.

		APSPRS		
	COPERS	Police	Fire	EORPA
Actuarial Method	Attained age normal cost	Entry age normal cost		Entry age normal cost
Funding period for unfunded actuarial liability	24 years from July 1, 1989	29 years from July 1, 1989		33 years from July 1, 1989
Contributions for the fiscal year ended June 30, 1989				
Required and made				
Employer	$13,807,917	$ 4,639,680	$2,801,563	$24,236
Employee	9,821,593	5,719,073	3,244,802	12,493
Fire insurance premium tax	—	—	1,907,277	—
	$23,629,510	$10,358,753	$7,953,642	$36,729
As a % of covered payroll				
Employer	7.8%	6.5%	11.6%	13.6%
Employee	5.0%	8.0%	8.0%	7.0%
Normal Cost	$23,629,510	$11,815,539	$7,416,247	
Amortization of unfunded actuarial accrued liability	—	(1,456,786)	537,395	
	$23,629,510	$10,358,753	$7,953,642	

City contributions to EORPA equaled 4% of total required employer contributions to EORPA as a whole for the fiscal year ended June 30, 1989.

The computations of the pension contribution requirements for 1989 were based on the same actuarial assumptions, benefit provisions, actuarial funding methods and other significant factors as used to determine pension contribution requirements in the prior year and were determined by actuarial valuations as of June 30, 1988.

Trend Information

Historical trend information for each of the three years ended June 30, 1989 is as follows:

	COPERS			APSPRS Police			APSPRS Fire		
	88/89	87/88	86/87	88/89	87/88	86/87	88/89	87/88	86/87
Net assets available for benefits as a % of the PBO	95.0%	95.6%	102.1%	(1)	114.1%	112.7%	(1)	97.1%	96.1%
Unfunded PBO as a % of the City's annual covered payroll	9.6	8.3	—	(1)	—	—	(1)	10.8	14.0
City's contributions as a % of annual covered payroll	7.8	7.5	7.4	6.5	6.2	7.3	11.6	11.0	11.8

(1) Information is not available.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable. Ten year historical trend information presenting the plans' progress in accumulating sufficient assets to pay benefits when due is presented in the plans' separately issued annual financial reports. The City's contributions were made in accordance with the actuarially determined requirements.

COBB COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

Note 22. Employees and Elected Officials Retirement Plans

The County maintains two single-employer, noncontributory, defined benefit pension plans (PERS); one covering the Board of Commissioners and their direct appointees, department heads, and certain staff (PERS A); and one covering substantially all other full-time employees (PERS B).

Pension costs are recorded in the amount of the County's contributions to the Pension Trust Fund. Management of the assets of the Pension Trust Fund is handled by a contracted investment manager.

Summary of Significant Accounting Policies and Plan Asset Matters:

The Cobb County PERS financial statements are prepared on the accrual basis of accounting. Contributions from the County are recognized as revenue in the period in which employees provide services to the County. Investment income is recognized as earned by the PERS. The net appreciation (depreciation) in the fair value of investments held by the PERS is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the balance sheet. Investments in securities are valued at current market prices. There are no investments in, loans to, or leases with parties related to the pension plans.

Public Employee Retirement System A (PERS A)

Plan Description and Provisions:

County commissioners and their direct appointees, department heads, and certain staff participate in the PERS A, a single-employer, noncontributory, defined benefit pension plan. The payroll for employees covered by the PERS A for the calendar year ended December 31, 1988 was $1,025,241; the County's total payroll was $68,260,635. Current membership in the PERS A is comprised of the following:

Group	December 31, 1988
Retirees and beneficiaries currently receiving benefits	11
Vested terminated employees	9
Active employees:	
Fully vested	11
Nonvested	14

Pension Benefits:

Benefit Formula:	1.9% of final earnings multiplied by years of credited service, up to a maximum of 35 years.
Minimum Benefits:	$76 times years of credited service.
	For an employee who is a District Commissioner with at least eight (8) years of service, the minimum benefit is $480 times years of credited service.
	For an employee who is the Chairman of the Board of Commissioners, with at least eight (8) years of service, the minimum benefit is $1,500 times years of credited service for the period that the employee was Chairman of the Board of Commissioners.

(continued)

Group		December 31, 1988
Income Payable:		Amount described in sections (a) or (b) below, whichever applies:
		(a) If Participant has a spouse as of his retirement date and does not elect otherwise, retirement income shall be paid on the basis of Joint and Survivor form, as stipulated by ERISA, and will be the amount determined under the benefit formula multiplied by the appropriate factor.
		(b) If Participant either has no spouse as of his retirement date or elects to receive his income under the Normal Form, retirement income will be the amount determined under the benefit formula.
Early:	Eligibility	Age 55 with 7 years of service.
	Benefit Formula	Normal Retirement Benefit accrued to early retirement, actuarially reduced for the number of months Annuity Commencement Date precedes Normal Retirement Date. The actuarial reduction to the accrued benefit for those participants qualifying for the special early retirement provision is 1/12 of 1% for each month Annuity Commencement Date precedes Normal Retirement Date.
Vested:	Eligibility	Age 55 with 7 years of service.
	Benefit Formula	Benefit accrued to date of termination.
Supplemental Benefits:		
Pre-Retirement Spouse Benefit:		
	Eligibility	Age 30 with five years of service; married one full year prior to death.
	Benefit Formula	45% of the pension benefit which the participant would have received had his date of death been his Normal Retirement Date.

Funding Status and Progress:

The amount shown below as the "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the PERS' funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due and (iii) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the PERS. The pension benefit obligation was determined as part of an actuarial valuation of the plan as of January 1, 1988. Significant actuarial assumptions used in determining the pension benefit obligation include: (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 6.0 percent per year compounded annually.

Pension Benefit Obligations	January 1, 1988
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$1,002,626
Current employees:	
Employer financed—vested	314,168
Employer financed—nonvested	437,418
Total pension benefit obligation	1,754,212
Net assets available for benefits, at market value	1,291,366
Unfunded pension benefit obligation	$ 462,846

During the year, the PERS A experienced a net decrease of $11,338 in the pension benefit obligation. Of this change, a $374 increase was attributable to plan amendments as described below:

Prior:		
Normal Retirement Date:		The first day of the month coinciding with or next following the Participant's 65th birthday, or the completion of 10 years of Service, if later.
Eligibility for Plan Participation		Hired prior to age 60.
Early:	Eligibility	10 years early with 7½ years of service.
Vested:	Eligibility	Seven years and 6 months of service equals 100% vesting.
Current:		
Normal Retirement Date:		The first day of the month coinciding with or next following the Participant's 65th birthday, or the completion of 5 years of Service, if later.
Eligibility for Plan Participation		None.
Early:	Eligibility	Age 55 with 7 years of service.
Vested:	Eligibility	Seven years of service equals 100% vesting.

Contributions Required and Contributions Made:

The County's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using the Projected Benefit Unit Credit actuarial funding method. Unfunded actuarial accrued liabilities are being amortized in equal installments over 30 years.

During the year, annual contributions totaling $149,809 were made in accordance with contribution requirements determined by an actuarial valuation of the PERS as of January 1, 1988. The employer contributions consisted of $114,372 for normal cost and $35,437 for amortization of the unfunded actuarial accrued liability. Employer contributions represented 14.6 percent of current year covered payroll.

There were no changes in actuarial assumptions during the year.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

The plan changes previously described resulted in increases of $104 and $31 to the normal cost and the amortization of the unfunded actuarial accrued liability, respectively.

Trend Information:

Historical trend information for the Cobb County PERS A is presented below:

	Year Ended December 31	
	1988	1987
Net assets available for benefits as a percentage of the pension benefit obligation applicable to County employees	73.6%	61.9%
Unfunded pension benefit obligation as a percentage of the County's annual covered payroll*	45.1%	61.7%
County's contribution to the pension plan as a percentage of covered payroll	14.6%	17.0%

*Showing the unfunded pension benefit obligation as a percentage of the County's annual covered payroll approximately adjusts for the effects of inflation for analytical purposes.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

The pension benefit obligation, as currently presented, was not determined for years ending prior to December 31, 1987. Therefore, trend information from prior years is not readily available.

Public Employee Retirement System B (PERS B)

Plan Description and Provisions:

Substantially all of the County's full-time employees participate in the PERS B, a single-employer, noncontributory, defined benefit pension plan. The payroll for employees covered by the PERS B for the calendar year ended December 31, 1988 was $43,361,452; the County's total payroll was $68,260,635. Current membership in the PERS B is comprised of the following:

Group	December 31, 1988
Retirees and beneficiaries currently receiving benefits	211
Vested terminated employees (includes disabled)	140
Active employees:	
Fully vested	970
Nonvested	778

Pension Benefits:

Benefit Formula:		1.5% of Final Earnings multiplied by years of credited service. Minimum benefit: $76 multiplied by the number of years of credited service.
Early:	Eligibility	Age 55 with 7 years of service.
	Benefit Formula	Normal retirement benefit accrued to early retirement, actuarially reduced for the number of months Annuity Commencement Date precedes Normal Retirement Date.
	Special Provision:	Participant age 60 and has 25 years of service or is 60 and disabled with consent of the Board of Commissioners may retire early. Normal retirement benefit accrued to early retirement, reduced 1/12 of 1% for each month Annuity Commencement Date precedes Normal Retirement Date.
Vested:	Eligibility	7 years of service equals 100%. Eligible for early retirement and if service ceases on or after Normal Retirement Date equals 100%.
	Benefit Formula	Benefit accrued to date of termination adjusted by the appropriate vesting percentage.

Supplemental Benefits:

Pre-Retirement Spouse Benefit:

	Eligibility	Age 30 and 5 years of service, married one full year prior to death.
	Benefit Formula	45% of Normal Retirement Benefit had the participant's date of death been his normal retirement date assuming credited service continues to Normal Retirement Date.

Funding Status and Progress:

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the PERS' funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due and (iii) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the PERS. The pension benefit obligation was determined as part of an actuarial valuation of the plan as of January 1, 1988. Significant actuarial assumptions used in determining the pension benefit obligation include: (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 6.0 percent per year compounded annually.

Pension Benefit Obligations	January 1, 1988
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 7,988,074
Current employees:	
Employer financed—vested	15,664,868
Employer financed—nonvested	15,673,350
Total pension benefit obligation	39,326,292
Net assets available for benefits, at market value	28,670,975
Unfunded pension benefit obligation	$10,655,317

During the year, the PERS B experienced a net increase of $7,487,994 in the pension benefit obligation. Of this increase, $481,124 was attributable to plan amendments as described below:

Prior:		
Normal Retirement Date:		The first day of the month coinciding with or next following the Participant's 65th birthday, or the completion of 10 years of Service, if later.
Eligibility for Plan Participation		Hired prior to age 60.
Early:	Eligibility	10 years early with 7½ years of service.
Vested:	Eligibility	10 years of service equals 50% increasing 10% for each year of Service to 15 years equals 100%.
Current:		
Normal Retirement Date:		The first day of the month coinciding with or next following the Participant's 65th birthday, or the completion of 5 years of service, if later.
Eligibility for Plan Participation		None.
Early:	Eligibility	Age 55 with 7 years of service.
Vested:	Eligibility	Seven years of service equals 100% vesting.

Contributions Required and Contributions Made:

The County's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using the Projected Benefit Unit Credit actuarial funding method. Unfunded actuarial accrued liabilities are being amortized in equal installments over 30 years.

During the year, contributions totaling $3,617,832 were made in accordance with contribution requirements determined by an actuarial valuation of the PERS as of January 1, 1988. The contributions consisted of $2,594,029 for normal cost and $1,023,803 for amortization of the unfunded actuarial accrued liability. Employer contributions represented 8.34 percent of current year covered payroll.

There were no changes in actuarial assumptions during the year.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

The plan changes previously described resulted in increases of $37,676 and $39,571 to the normal cost and amortization of the unfunded actuarial accrued liability, respectively.

Trend Information:

Historical trend information for the Cobb County PERS B is presented below:

	Year Ended December 31	
	1988	1987
Net assets available for benefits as a percentage of the pension benefit obligation applicable to the County employees	72.9%	80.0%
Unfunded pension benefit obligation as a percentage of the County's annual covered payroll*	24.6%	16.8%
County's contribution to the pension plan as a percentage of covered payroll	8.3%	7.4%

*Showing the unfunded pension benefit obligation as a percentage of the County's annual covered payroll approximately adjusts for the effects of inflation for analytical purposes.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

The pension benefit obligation, as currently presented, was not determined for years ending prior to December 31, 1987. Therefore, trend information from prior years is not readily available.

COUNTY OF ALAMEDA, CALIFORNIA

NOTES TO COMBINED FINANCIAL STATEMENTS—JUNE 30, 1989

15. Defined Benefit Pension Plan

A. Plan Description

The County is a major participant in the Alameda County Employees' Retirement Association (ACERA), a retirement system organized under the 1937 Retirement Act. ACERA is a cost-sharing multiple-employer Public Employee Retirement System in which all the risks and costs are shared by the participating entities. One actuarial valuation is performed for the system as a whole, and the same contribution rate applies to each participating entity. The participating entities are the County and four special districts located in the county that are not controlled by the County's Board of Supervisors. The total covered payroll by ACERA for the year ended December 31, 1988 was $270,150,000 of which $266,950,000 pertains to the County. The County's total payroll was $298,272,446.

All full-time employees of participating entities appointed to permanent positions automatically become members of the Alameda County Employees' Retirement Association. Employees who are in active law enforcement, probation officers, juvenile hall group counseling, or active fire suppression are Safety Members; all others are General Members.

Benefits in the system vest after five years of credited service. Vested General Members may retire at age fifty or older with ten or more years of qualifying service; at any age with thirty or more years of qualifying service, or at age seventy or older regardless of service credit. Vested Safety Members may retire at age fifty or older with ten or more years of qualifying service; at any age with twenty or more years of qualifying service. Members who retire at or after age fifty with ten years or more of credited service are entitled to an annual retirement benefit, payable monthly for life, equal to the number of years of credited service times final average salary times a statutory age factor. Final average salary is the average monthly salary based on the highest twelve consecutive months of earnings, earned or earnable, for employees with an entry date into the system prior to July 1, 1983 (Tier one), or the average of the highest thirty-six consecutive months for those entering the System after that date (Tier two).

Any active Tier 1 member may at any time after April 11, 1985 opt to have their membership changed to the Tier 2 benefit level. This is a one time option and is irrevocable.

The retirement benefit is subject to post-retirement cost-of-living (COL) adjustments based upon changes in the Consumer Price Index for the San Francisco Bay Area. COL increases/decreases are capped at 3% for employees with a date of entry prior to July 1, 1983, and 2% for those entering the system after that date. ACERA is integrated with Social Security for all employees except police, fire and juvenile hall group counselors. For members covered by Social Security, the retirement benefit is reduced based on the number of years of Social Security coverage as an employee of the County or District times a reduction factor.

The System paid post-retirement health insurance of $1,813,547 and supplementary COL benefits of $591,203 for the calendar year 1988. Funding is provided solely through the Supplementary Retirees Benefit Reserve (SRBR), as provided by statute. The SRBR derives its funding from excess earnings over and above those credited to accounts and used for necessary expenses. Contributions are not used for these benefits, nor does the associated liability enter into the contribution-rate calculations.

Covered employees are required by statute to contribute to their pension. Members' contribution rates are formulated on the basis of the age at date of entry and the actuarially-calculated future benefits. The County is required by statute to contribute the remaining amounts necessary to finance the estimated benefits accrued to its members. Benefit and contribution provisions are established by state law subject to amendment only by an act of the State of California legislature. Alternative benefit and contribution schedules are permissive with the Board of Supervisors' approval.

At December 31, 1988, ACERA membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:	
General	4,454
Safety	276
Total	4,730
Current employees:	
Vested:	
General	4,192
Safety	646
Nonvested:	
General	3,362
Safety	377
Total	8,577
Total membership	13,307

B. Securities of Employer Included in Plan Assets:

The Alameda County Employees' Retirement System does not own any Alameda County securities or obligations.

C. Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and single-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the system. The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1988. Significant actuarial assumptions used in the valuation include (1) a long-term annual rate of return on the investment of present and future assets of 9.5% per annum (starting at 9.8% and grading down to 9.5% over the next three years); (2) projected salary increases of 6.5% a year attributable to inflation; and (3) additional projected salary increases of 1% a year attributable to merit and longevity increases.

The unfunded pension benefit obligation applicable to the participating entities was $112,553,000 at December 31, 1988 and was calculated as follows:

Pension Benefit Obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$404,190,000

Current Employees—	
Accumulated employee contributions including allocated investment earnings	170,405,000
Employer-financed vested	265,275,000
Employer-financed nonvested	16,120,000
Total Pension Benefit Obligation	855,990,000
Net Assets Available for Benefits, at cost	(743,437,000)
(market—$760,429,000)	
Unfunded pension Benefit Obligation	$112,553,000

On December 8, 1983, the Board of Retirement adopted the early retirement program approved by the Alameda County Board of Supervisors. The program is a one-time offer which permits eligible employees of the County and the Flood Control and Water Conservation Districts to receive two years additional service credit plus 50% of unused sick leave. Eligible employees must retire between and including the dates of November 1, 1988 and April 1, 1989.

The County will reimburse ACERA for all costs relative to this program over a 30 year period. The overall impact of the program on ACERA's funding status was not ascertainable as of the audit date.

D. Actuarially Determined Contributions Required and Contributions Made

The System's funding policy provides for actuarially determined periodic contributions at rates that, for individual members, are based on a formula reflecting the age at entry into the system. The rates are established to provide, for each year of service, an average annuity at age 60 of 1/100 of final average salary for General Members under Tier 1; at age 60 of 1/120 of final average salary for General Members under Tier 2, and at age 50 of 1/100 of final average salary for Safety Members. Members' cost-of-living rates are actuarially determined to pay one-half of future cost-of-living liabilities. For members integrated with Social Security, the above contributions are reduced by 1/3 of that portion of such contributions payable with respect to the first $350 of monthly salary. Member contributions are refundable upon termination from the system. The County rates are actuarially determined to provide for the balance of contributions needed to fund the benefits defined under the Retirement Plan. The County's liability is presently being funded on the Attained Age Normal method with a Supplemental Present Value. The basic portion of this present value is being amortized over the next 16 years and the cost-of-living portion is amortized over the next 21 years.

The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation as described in (C) above.

The required contributions to the System by the participating entities and their employees for the calendar year 1988 of $45,142,065 were determined by using the actuarially-computed composite rates obtained from the actuarial valuation of December 31, 1987, and the covered payroll for the calendar year 1988. The required contribution rate was the same for all employers, and the County required contribution represented approximately 99% of the total actuarially determined contribution requirements for all employers. The required contributions consisted of (1) $15,668,700 normal cost (5.80% of covered payroll); (2) $10,211,670 amortization of unfunded actuarial accrued liability (3.78% of covered payroll) and (3) employee contributions of $19,261,695 (7.13% of covered payroll). Actual contributions were short of the required contributions as follows: The County and other employers contributed $23,796,433 (8.18% of covered payroll); employees contributed $18,779,928 (6.95% of covered payroll) for a total actual contribution of $42,576,361.

In its actuarial report dated January 1, 1989, the actuary recommended a long term interest rate assumption of 8.5%, which represents a 1% decrease from the current assumption of 9.5%. This change, combined with the 1988 experience loss and the conservative funding method used by ACERA, would lead to a large increase (41%) in the County rate. For the employees, the change in assumptions results in a 5% increase, or about $9.50 per month for an employee earning $30,000/year. The above recommendation was adopted by the Board of Supervisors on August 29, 1989, as recommended by the Board of Retirement. The new rates will be effective August 20, 1989.

E. Historical Trend Information:

Trend information gives an indication of the progress made in accumulating assets to pay benefits when due. The unaudited available trend information for ACERA is presented below.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (ACERA)

REQUIRED SUPPLEMENTARY INFORMATION— SCHEDULE OF REVENUES BY SOURCE AND EXPENSE BY TYPE

Calendar Year	Net Assets Available for Benefits	Pension Benefit Obligation	Percent Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation As Percent of Covered Payroll
1979-1984[2]	—	—	—	—	—	—
1985	$576,676,053	$651,780,000	88.48%	$ 75,103,947	$208,531,000	36.02%
1986	611,862,028	703,810,000	86.94	91,947,972	223,604,000	41.12%
1987	693,029,293	781,962,000	88.63	88,932,707	241,997,000	36.75%
1988	743,436,839	855,990,000	86.85	112,553,161	270,150,000	41.66%

SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE—DECEMBER 31, 1988

Revenue by Source

Calendar Year	Employee[1] Contributions	Employer Contributions Amount	% of Cov. Payroll	Investment Income	Other Revenue	Total
1979	$11,103,821	$18,165,484	12.44%	$18,174,758	$ 8,350	$47,452,413
1980	13,509,745	22,917,757	14.96%	22,253,267	58,054	58,738,823
1981	15,409,390	26,627,771	16.11%	21,496,436	59,168	63,592,765
1982	16,484,341	27,559,469	15.74%	33,318,413	71,801	77,434,024
1983	16,236,731	25,630,017	14.30%	37,403,891	60,292	79,330,931
1984	16,001,324	25,158,081	12.97%	39,031,571	37,873	80,228,849
1985	15,954,573	24,135,061	11.57%	50,225,884	38,335	90,353,853
1986	16,613,872	24,827,185	11.10%	80,376,323	39,774	121,857,154
1987	17,982,731	24,487,533	10.12%	86,445,356	44,861	128,960,481
1988	18,779,928	23,796,433	8.81%	54,249,070	40,104	96,865,535

[1]Contributions were made in accordance with actuarially determined contribution requirements.
[2]Information for 1979-1984 is not available.

Expenses by Type

Calendar Year	Benefits	Administrative Expense	Refunds	Other Expenses	Total
1979	$15,135,330	$ 373,978	$4,444,490	$ 835,181	$20,788,979
1980	17,242,617	317,187	4,682,922	1,099,568	23,342,294
1981	19,683,157	496,108	5,273,984	1,595,313	27,048,562
1982	22,034,416	590,679	4,150,493	1,819,421	28,595,009
1983	24,207,540	611,718	4,052,768	1,925,985	30,798,011
1984	26,463,974	761,009	5,561,187	1,858,837	34,645,007
1985	28,982,046	1,794,618	5,321,682	1,931,024	38,029,370
1986	31,590,610	2,719,634	4,329,349	1,996,329	40,635,922
1987	34,095,020	3,193,989	4,281,871	2,149,786	43,720,666
1988	36,809,631	3,263,920	3,979,688	2,404,750	46,457,989

PENNINGTON COUNTY, SOUTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS—DECEMBER 31, 1988

7. Retirement Plan

South Dakota Retirement System

Plan Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the state and local governments. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the state's financial report as a pension trust fund. For the fiscal year ended December 31, 1988 the entity's covered payroll was $5,123,572.39 and the total payroll was $5,446,437.49.

Any local government in the state may elect to have its full-time general, police and fire department employees covered by the SDRS.

The SDRS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service. General members who retire at or after age 65 with five years of service or at or after age 60 where age and service equal 85 are entitled to an unreduced annual retirement benefit. Public safety members can retire at or after age 55 (age 60 if hired after June 30, 1982) with five years of service and judicial members who retire at or after age 65 with five years of service are entitled to an unreduced annual retirement benefit.

All full-time and permanent part-time state employees participate in the SDRS. In addition, the following groups of employees are covered:

- Teachers
- Justices, judges and law trained magistrates
- Police and certain firemen of participating municipalities
- General employees of participating municipalities
- General employees and law enforcement officers of participating counties
- Participating school district classified employees
- Employees of the Board of Regents
- State law enforcement officers
- State penitentiary correctional staff personnel

Covered employees are required by statute to contribute a percentage of their salary to the SDRS as follows:

General members—5 percent
Judicial—8⅝ percent, increasing by ⅛ of 1 percent per year until contributions equal 10 percent
Public safety hired after June 30, 1982—8 percent
Public safety hired before June 30, 1982—8⅝ percent, increasing by ⅛ of 1 percent per year until contributions equal 10 percent

The employer is required by the same statute to contribute an amount equal to the member's contribution. Members may make an additional contribution of $\frac{9}{10}$ of 1 percent of salary for optional death benefit coverage.

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended, on an ongoing basis, to facilitate the assessment of funding status and progress made in accumulating sufficient assets to pay benefits when due and to allow for appropriate comparisons of this data among public employee retirement systems. The measure is independent of the actuarial funding methods used to determine the adequacy of contributions to the SDRS, discussed below. The SDRS does not make separate measurements of assets and pension benefit obligation for individual employers.

The June 30, 1987 pension benefit obligation was determined by updating the actuarial valuation prepared as of June 30, 1986. An update includes adjustments for service, salary and cost of living increases, but assumes experience was as expected at the last valuation, rather than looking at actual experience for the year. Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7 percent per year compounded annually plus prefunding of improvement factor, b) projected cost-of-living increases of 4 percent and wage base increases of 5.5 percent per year compounded annually, c) post retirement benefit increases of 3 percent per year compounded annually and d) active participant experience.

The pension benefit obligation at June 30, 1987 is shown below:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 274,697,534
Current employees:	
Accumulated employee contributions including allocated investment income	246,634,000
Employer-financed vested	343,790,870
Employer-financed non-vested	38,422,579
Total pension benefit obligation	$ 903,544,983
Net assets available for benefits	$1,088,022,240
Net assets available for benefits (net of actuarial adjustment of asset market value)	$ 875,668,673
Unfunded pension obligation	$ 27,876,310

Contributions: The SDRS funding policy provides for periodic member and employer contributions at a rate established by law.

On a biennial basis, an actuary determines that the combined member/employer contributions are adequate to pay normal cost and expenses and to amortize the unfunded actuarial accrued liability over a period of time using the entry age actuarial funding method. The June 30, 1986 valuation of the plan determined that the contribution rate was sufficient to pay normal costs and expenses and to amortize the unfunded actuarial accrued liability over a covered payroll.

Contributions during fiscal year 1987 totaling $55,181,890 ($27,505,485 employer and $27,676,405 employee) were made in accordance with statutory rates. These contributions represent 10.491 percent of current year covered payroll for all participating units.

The entity's total cost of the plan for the fiscal year ended December 31, 1988 was $279,019.47. Deferred contributions payable at December 31, 1988 are $11,464.91 which will be repaid over a period of nine years.

Significant actuarial assumptions used to determine the adequacy of the level of contributions are the same as those used to compute the standardized measure of the pension obligations discussed above. The actuarial value of assets is used to determine the long-term funding of the plan.

Historical Trend Information: Ten-year historical trend information is not available due to the transition in financial reporting by the SDRS.

WALKER FIELD, COLORADO, PUBLIC AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988 AND 1987

Note 8—Defined Contribution Plan

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completion of one year of service. Eligible employees may elect to participate by contributing from 0% to 13% of compensation to the plan. The Authority contributes 3% of participating employees' compensation. Vesting occurs at the rate of 30% after 3 years and 10% per year thereafter until fully vested. Authority contributions for, and interest forfeited by, employees who leave employment before three years of service are used to reduce the Authority's future contribution requirements.

The Authority's total payroll, covered payroll and contributions for 1988 and 1987 were as follows:

	1988	1987
Authority's total payroll	$289,114	$303,107
Authority's covered payroll	$116,846	$ 76,042
Authority's contribution	$ 2,681	$ 2,416

REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988 AND 1987

Note 8—Employee Pension and Welfare Benefits

Effective August 19, 1986 TMSEL received from the Internal Revenue Service a favorable letter of determination and approval of its defined benefit retirement income plan (the plan) covering substantially all TMSEL employees. On October 15, 1986, the RTA completed the transfer of pension fund assets from NOPSI to TMSEL, as called for under the terms of the Transfer Agreement between NOPSI and the RTA. Net pension plan assets transferred totalled $35,059,639, as of the actuarial valuation nearest the date of transfer (dated June 30, 1986).

All employees over the age of 21 are eligible to participate in the plan. Benefits vest after ten years of service. Employees who retire at age 65 are entitled to annual retirement benefits for life in an amount equal to one and one half percent of their five year average of compensation, for the highest five consecutive plan years during their last ten years, times years of service. The plan also provides early retirement, postponed retirement, disability and death benefits.

Accumulated plan benefits and plan net assets as of the most recent actuarial valuation at January 1, 1988 are presented below:

Actuarial present value of accumulated plan benefits:

Vested	$36,237,065
Nonvested	1,850,479
	$38,087,544
Net assets available for benefits at estimated market value	$43,323,205

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.0%.

The amount shown below as the "projected pension benefit obligation" is a standardized disclosure measure of the present value of projected pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plan.

The projected pension benefit obligation was computed as part of the actuarial valuation performed as of January 1, 1988. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of seven percent per year compounded annually, (b) projected salary increases of percents in accordance with scale S-3 in the Actuary's Handbook compounded annually and (c) no postretirement benefits increases.

Total overfunded projected pension benefit obligation applicable to the TMSEL employees was $4 million at January 1, 1988, as follows (in millions):

Projected pension benefit obligation	$38.6
Net assets available for benefits, at market excluding accrued employer contributions	42.6
Assets in excess of projected benefit obligation	$ 4.0

TMSEL funds actuarially determined pension costs when accrued. Any unfunded actuarial accrued liability is amortized over ten years. Pension expense, which is included in labor and fringe benefits expense, was $1,906,021 in 1988 and $1,976,561 in 1987. The 1988 contribution consisted of (a) $1,092,476 of normal costs (3.94 percent of 1987 payroll) and (b) $813,545 amortization of unfunded actuarial accrued liability (2.93 percent of 1987 payroll). The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the projected pension benefit obligation as described above.

As part of the Transfer Agreement between NOPSI and the RTA, the RTA, through TMSEL, began providing benefits for health care and life insurance to retired and disabled transit employees of NOPSI. In addition, the RTA assumed liability for benefits payable to those employees who retired or became disabled prior to July 1, 1983. On July 1, 1983, the actuarially determined present value of such benefits was approximately $24,000,000. In consideration for the assumption of liability, NOPSI and other parties agreed to reimburse the RTA $13,000,000 and $11,000,000 respectively, plus an interest factor of 9%. Also NOPSI paid $7,330,000 to the RTA for indemnification against any unforeseen losses arising from the transaction, and this amount has been reflected by the RTA as employee benefits payable. The most recent actuarial valuation, performed in 1986, indicates that the present value of future benefits continues to be in the range of $13,000,000 to $24,000,000. In future years, the $7,330,000 will be adjusted, either to increase or decrease the amount, based on changes in circumstances affecting RTA's potential liability under the agreement, resulting from benefit payment experience or performance of the other parties to the agreement. As of December 31, 1988 and 1987 the RTA has set aside $4,360,074 and $3,031,122, respectively, as restricted assets to be available to fund the RTA's portion of liabilities under the Agreement.

Under the terms of the Employee and Retiree Pension Benefits Agreement, the RTA was reimbursed or owed by NOPSI for claims paid to qualifying disabled or retired transit employees in the amounts of $2,805,543 and $2,635,461 for the years ended December 31, 1988 and 1987, respectively.

OAK PARK TOWNSHIP, ILLINOIS

NOTES TO THE FINANCIAL STATEMENTS—MARCH 31, 1989

9) Retirement Fund

A. Plan Description

The EMPLOYER contributes to the Illinois Municipal Retirement Fund ("IMRF"), an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for 2,396 local governments and school districts in Illinois. The EMPLOYER'S total payroll for the year ended December 31, 1988 was $633,720. Of this amount, $544,815 in payroll earnings were reported to and covered by the IMRF system.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1⅔ percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Participating members are required to contribute 4.5 percent of their annual salary to IMRF. The EMPLOYER is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

B. Related Party Transactions

There were no securities of the EMPLOYER and related parties included in the System's assets.

C. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of IMRF on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to IMRF.

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1988. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7% a year compounded annually, (b) projected salary increases of 3.75% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 1% a year, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually.

Total unfunded pension benefit obligation applicable to the EMPLOYER'S employees was $214,481 at December 31, 1988, determined as follows:

Pension benefit obligation:	
Terminated employees not yet receiving benefits	$157,563
Current employees—	
Accumulated employee contributions including allocated investment earnings	136,620
Employer-financed vested	292,324
Employer-financed nonvested	72,738
Total pension benefit obligation	659,245
Net assets available for benefits at cost (market value is $477,043)	444,764
Unfunded pension benefit obligation	$214,481

The pension benefit obligation applicable to retirees and beneficiaries currently receiving benefits is not included in the above schedule due to the fact that this obligation was transferred from the EMPLOYER to IMRF as a whole when the annuity became payable.

Current-year changes in the actuarial assumptions, benefit provisions, and methodology are reflected in the December 31, 1988, pension benefit obligation shown above. This amount has been calculated by the IMRF Actuary using the measure described above. The dollar effect of these changes on the pension benefit obligation was not economically determinable on an individual employer basis by IMRF.

D. Actuarially Determined Contribution Requirements and Contribution Made

The IMRF funding policy provides for actuarially determined monthly contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the EMPLOYER'S employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the entry age normal actuarial funding method. IMRF used the level percentage of payroll method to amortize the unfunded liability over an open-ended 40 year period.

The significant actuarial assumption used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described in C above.

The contributions by the EMPLOYER to IMRF for 1988 of $39,825 were charged to the EMPLOYER'S account and were based on a contribution rate that was calculated in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 1986. The contribution consisted of (a) $14,219 normal cost (2.61 percent of 1988 covered payroll) (b) $21,465 amortization of the unfunded actuarial accrued liability (3.94 percent of 1988 covered payroll) and (c) $4,140 death and disability cost (.76) percent of 1988 covered payroll). The employer contributed $39,825 (7.31 percent of 1988 covered payroll); employees contributed $24,506 (4.5 percent of 1988 covered payroll).

Current-year changes in the actuarial assumptions, benefit provisions, and methodology, will be incorporated in the 1990 employer contribution rate. These changes are estimated to increase the 1990 rate by approximately 1.23 percent of payroll over the 1989 rate. Separate dollar effects of each change were not economically determinable on an individual employer basis by IMRF.

E. Other Information

For the year ended 1988, available assets were sufficient to fund 67.46 percent of the pension benefit obligation. Unfunded pension benefit obligation represented 39.36 percent of the annual payroll for participating members covered by IMRF for 1988. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the year ended 1988 the contributions to IMRF, all made in accordance with actuarially determined requirements, were 7.31 percent of annual covered payroll.

TOWN OF CHESTERTOWN, MARYLAND

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 4. Pension Plan

A. Plan Description

The Town of Chestertown contributes to the Chestertown, Maryland Employees Retirement Plan and Trust, which is a single-employer public employees retirement system (PERS). Administration of the plan is the responsibility of the Mayor and Council, who established the plan under authority granted them by the Town's charter. The Mayor of Chestertown, presently serves as the Trustee for the plan.

All employees of the Town, who have attained the age of twenty-five (25) and have completed a minimum of thirty-six (36) months of service are eligible to participate in the plan. The pension plan provides retirement, death and disability benefits. Benefits vest after 15 years of service. A plan member may retire with full benefits at age 65 and the completion of 11 years of service. Retirees under the plan receive a percentage of the highest average salary earned while a plan participant. The percentage earned is based on length of service—20% for the first ten years of service; plus 1% for each year of service thereafter.

Early retirement at reduced benefits is allowed when an employee attains age 55 and completes 20 years of service or if an employee becomes disabled and completes 15 years of service.

Pre-retirement death benefits under the plan are funded by individual life insurance contracts. The benefit amount is 50 times the participant's normal retirement benefit but not less than $5,000.

The plan is non-contributory. Chestertown is responsible for plan funding with annual contributions based upon actuarial determinations.

For the year ended June 30, 1989, the Town's total payroll for all employees was $442,018 and the Town's covered payroll was $241,937. Covered payroll refers to all compensation paid by the Town to active employees covered by the Chestertown PERS on which contributions to the pension plan are based.

B. Funding Status and Progress

The Town of Chestertown has not calculated the standardized disclosure method prescribed by GASB-5 for its pension benefit obligation. However, the plans funding status and progress as of June 30, 1989, based on the actuarial funding method used to determine contributions to the PERS, was as follows:

Present Value of Non-Vested Accrued Benefits	$ 67,653
Present Value of Vested Accrued Benefits	-0-
Total Accrued Benefits	$ 67,653
Net Assets Available for Benefits, at Market	$(160,099)
Excess of Net Assets Over Accrued Benefits	$ (92,446)

C. Contributions Required and Contributions Made

Periodic employer contributions are determined on an actuarial basis using the collective aggregate actuarial cost method. Under this method, all accrued liability for the plan is funded as a level percent of current compensation. Pension cost is funded on a current basis. The funding strategy for the plan should provide sufficient resources to pay employee pension benefits on a timely basis.

Total contributions to the pension plan for the year ended June 30, 1989 were $9,748. The contributed amounts exceeded the actuarially determined contribution requirement by $5,163, according to the latest annual actuarial valuation dated June 30, 1989. Contributions made by the Town represented 4% of covered payroll for the year.

The computation of the pension contribution requirements for the year ended June 30, 1989, were based on the same (a) actuarial assumptions (b) benefit provisions (c) actuarial funding method and (d) other significant factors as used to determine pension contribution requirements in the previous year.

BURLINGTON EDISON SCHOOL DISTRICT NO. 100, WASHINGTON

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 1, 1987-AUGUST 31, 1988

2. Pensions

Substantially all Burlington-Edison School District full-time and qualifying part-time employees participate in one of the following contributory, multi-employer, cost-sharing statewide retirement systems. Each one is managed by the State of Washington through the Department of Retirement Systems (DRS).

A. Teachers' Retirement System (TRS)

This retirement system includes 296 public school district employer members. As of June 30, 1988 there are 71,655 members statewide and 140 local school district members participating in this system. Their members include the following:

Current Active Members	47,266
Terminated Employees with Vested Benefits	3,438
Former Employees/Beneficiaries receiving Benefits	20,951
TOTAL	71,655

Prior to the 1986-87 fiscal year, the State of Washington paid the district's share of the TRS contribution. Beginning with the 1986-87 fiscal year, RCW 41.32.401 requires the district to pay the employer's contribution at a rate established by the Department of Retirement Systems' Director without regard to whether the state appropriates funds to the district for this purpose. The statute requires an appropriation to the district for state-funded positions. The statute provides funding of any remaining contribution is the district's responsibility.

See accompanying tables for other detailed system information.

B. Public Employees' Retirement System (PERS)

In addition to state, county and other local government employers, PERS includes 296 public school district employer members. As of December 31, 1987, there are 174,851 members statewide and 71 district members participating in this system. Their members include the following:

Current Active Members	125,651
Terminated Employees with Vested Benefits	5,047
Former Employees/Beneficiaries receiving Benefits	44,153
TOTAL	174,851

The Burlington-Edison School District contribution represents its full liability under both systems.

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 1988 comprehensive annual financial report. Refer to said report for detailed trend information. It is available from:

State of Washington
Office of Financial Management
300 Insurance Building AQ-44
Olympia, WA 98504-0201

COMBINED INFORMATION BY SYSTEM

	TRS RCW 41.32	PERS RCW 41.40
1. Actuarial Valuation Date	June 30, 1988 (updated)	December 31, 1987
2. District annual covered payroll (year ended at actuarial valuation date)	$4,596,509.72	$1,107,829.67
3. District total annual payroll (year ended at actuarial valuation date)	6,020,868.72	5,874,658.58
4. Statewide annual covered payroll (in millions)	1,459	2,932
5. Pension benefit obligation as of actuarial valuation date (the actuarial present value of credited projected benefits—a standardized measure of pension benefits including projected salary increases and step-rate benefits) (in millions)	5,349	5,944
6. Net assets available for benefits as of actuarial valuation date (in millions)	3,260	4,949
7. Unfunded pension benefit obligation as of actuarial valuation date (in millions)	2,089	995

GENERAL SYSTEM INFORMATION BY INTERNAL BENEFIT PLANS

Membership Requirements

Membership in TRS consists of certificated teachers.

Non-certificated public employees are members of PERS.

Retirement age for full benefits.

TRS and PERS, Plan 1: (employment on or before September 30, 1977)

- 5 years of credited service and age 60, or
- 25 years of credited service and age 55, or
- 30 years of credited service

TRS and PERS, Plan 2: (employment on or after October 1, 1977)

- 5 years of credited service and age 65, or
- 20 years of credited service and age 55 with the benefit actuarially reduced from age 65

Average Final Compensation (AFC).

TRS and PERS, Plan 1

- greatest average salary during any two consecutive years

TRS and PERS, Plan 2

- greatest average salary during any five consecutive years

Retirement Allowance

TRS and PERS, Plan 1

- 2% per year of service X AFC (Capped at 60%)

TRS AND PERS, Plan 2

- 2% per year of service X AFC
- cost of living adjustment capped at 3% per year

	TRS	PERS
Employee contribution rates at actuarial valuation date		
Plan 1	6.0%	6.0%
Plan 2	6.99%	4.9%
Actual system-wide covered employee contribution for year ended at actuarial valuation date (Expressed in millions of dollars for total payroll covered)		
Plan 1	$60.6	$80.8
Plan 2	$28.6	$72.8

Actual Burlington-Edison School District Employee Contributions

	TRS	PERS
Plan 1	235,930.89	28,940.40
Plan 2	45,920.71	30,831.83

Burlington-Edison School District Employer Contributions (at actuarial valuation date and excluding administrative expenses)

Plan 1 Rates	Actuarially determined rate requirement	16.93%	8.19%
	Actually paid to DRS	11.33%	5.96%
Dollars:	Actuarially determined requirement	684,044.80	50,543.49
	Actually paid to DRS	457,780.72	36,781.34

Plan 2 Rates	Actuarially determined rate requirement	13.45%	6.79%
	Actually paid to DRS	11.33%	6.00%
Dollars:	Actuarially determined requirement	145,116.69	51,080,11
	Actually paid to DRS	77,106.22	45,137.06

System-wide Employer Contributions (at actuarial valuation date and excluding administrative expenses)

Plan 1 Rates	Actuarially determined rate requirement	16.93%	8.19%
	Actually paid to DRS	11.33%	5.96%
Dollars: (in millions)	Actuarially determined requirement	171.0	112.7
	Actually paid to DRS	114.4	80.8
Plan 2 Rates	Actuarially determined rate requirement	13.45%	6.79%
	Actually paid to DRS	11.33%	6.00%
Dollars: (in millions)	Actuarially determined requirement	56.0	100.2
	Actually paid to DRS	48.3	89.8

The contribution rates are those in effect as of the date of each pension plan valuation. Since some of the actual contribution rates changed during the year, some of the actual payments to DRS computed and reported herein using these rates are approximations of the amount "Actually paid to DRS."

CAPITALIZATION OF INTEREST

Many governmental units provided note disclosures of their procedures relating to capitalization of interest. FASB Statement No. 34, "Capitalization of Interest Cost," established the standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. Statement No. 34 defined *interest cost* as including interest recognized on obligations having explicit interest rates; interest imputed on certain types of payables in accordance with APB Opinion No. 21, "Interest on Receivables and Payables"; and interest related to a capital lease determined in accordance with FASB Statement No. 13, "Accounting for Leases." Under FASB Statement No. 34, the amount of interest cost to be capitalized for qualifying assets is that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided (for example, by avoiding additional borrowings or by using the funds expended for the assets to repay existing borrowings) if expenditures for the assets had not been made.

FASB Statement No. 62 amended FASB Statement No. 34, "Capitalization of Interest Cost," (a) to require capitalization of the interest cost of restricted tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use, and (b) to prescribe capitalization of the interest cost on qualifying assets acquired using gifts or grants that are restricted by the donor or grantor to acquisition of those assets.

GASB Cod. Sec. 1400.111 states that the accounting policy with respect to capitalization of interest costs incurred during construction should be disclosed and consistently applied.

Examples for the disclosure of capitalization of interest follow.

CITY OF BEVERLY HILLS, CALIFORNIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

(11) Interest Capitalized

The City and Parking Authority incur interest expense on water bonds, parking revenue bonds and certificates of participation.

For the years ended June 30, 1989 and 1988, interest incurred ($4,394,206 and $4,417,816, respectively), with respect to the $75,300,000 Refunding Certificates of Participation (Civic Center Project) (note 13) related to uncompleted project components, net of interest income on the temporary investment of certificate proceeds ($2,650,815 and $3,063,653, respectively), was capitalized in construction in progress in the General Fixed Asset Account Group.

For the years ended June 30, 1989 and 1988, interest incurred ($1,640,040 and $662,628, respectively) with respect to the $53,845,000 Certificates of Participation (note 13) related to uncompleted project components, net of interest income on the temporary investment of certificate proceeds ($1,734,641 and $585,183, respectively), was capitalized in construction in progress in the General Fixed Assets Account Group.

CITY OF WICHITA, KANSAS

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

9. Capitalization of Interest

Interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

The Wichita Airport Authority capitalized interest totaling $597,968 during 1988. Interest earned totaled $2,421,071 of which $301,337 was offset against interest costs. Total interest costs of the Airport Authority amounted to $4,178,760.

CITY OF ALBUQUERQUE, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 6. Fixed Assets [In Part]

Changes to property and equipment of the enterprise funds for 1989 and 1988 include the following amounts of capitalized interest:

	1989			1988		
Fund	Total Interest	Interest Related to Tax-Exempt Borrowings	Net	Total Interest	Interest Related to Tax-Exempt Borrowings	Net
Airport						
Interest expense	$12,490,779	$11,811,900	$ 678,879	$ 9,605,548	$9,039,669	$ 565,879
Interest income	6,352,154	4,082,865	2,269,289	6,240,755	5,552,740	688,015
Capitalized interest		$7,729,035			$3,486,929	
Joint Water and Sewer						
Interest expense	$12,103,704	$4,363,304	$7,740,400	$10,748,428	$5,541,760	$5,206,668
Interest income	6,021,665	2,122,662	3,899,003	5,885,911	1,659,572	4,226,339
Capitalized interest		$2,240,642			$3,882,188	

CITY OF NEWPORT NEWS, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS—JUNE 30, 1989

7. Fixed Assets [In Part]

It is the City's policy to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. For the year ended June 30, 1989, the Public Utility Fund's total interest expense was $4,900,898. Net interest cost of $2,475,130 (interest cost of $3,215,420, reduced by interest income of $740,290) was capitalized in connection with construction in progress. The City's policy is in accordance with the Statement of Financial Accounting Standards Number 62 which requires the capitalization of interest cost of restricted tax exempt borrowings less any interest earned on investment of the proceeds of these borrowings during the construction period.

CITY OF TEMPE, ARIZONA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 6—Property, Plant and Equipment [In Part]

In accordance with Financial Accounting Standards Board Statement 62, the City capitalizes interest in connection with construction-in-progress for Proprietary Fund types. For the year ended June 30, 1989, construction-in-progress was reduced by $178,000 (interest income of $1,389,278 offset by interest expense of $1,211,278).

CITY OF JACKSONVILLE, FLORIDA–SEPTEMBER 30, 1988

NOTES TO FINANCIAL STATEMENTS

5. Fixed Assets [In Part]

Enterprise Fund interest is charged to expense as incurred except for interest expense from borrowings used for construction projects which is capitalized to the extent that proceeds are used for construction purposes. For 1988, the City capitalized interest expense (net of interest earned) of $122,090 in the Public Parking Enterprise Fund's construction work in process account.

COMPLIANCE, STEWARDSHIP, AND ACCOUNTABILITY

Several of the surveyed governments provided a grouping of note disclosures under the heading "compliance, stewardship, and accountability." This disclosure may have been included as part of the note titled "summary of significant accounting policies" or separately. Generally, subjects such as fund deficits, grants from other governments, budget compliance and adjustments, and debt were discussed.

The following are excerpts from selected financial statements on this type of note disclosure.

COUNTY OF WESTCHESTER, NEW YORK

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 2—Stewardship, Compliance and Accountability

Property Tax Limitations

The amount that may be raised by the County-wide tax levy on real estate in any fiscal year for purposes other than for debt service on County indebtedness, is limited to one and one-half percentum (subject to increase up to two percentum by State legislative enactment) of the average full valuation of taxable real estate of the County. In accordance with this definition, the maximum which could have been raised in 1988 was $417,254,350, which exceeded the levy by $176,482,490.

Departures from Generally Accepted Accounting Principles

The accompanying financial statements have been prepared on a basis consistent with the budgetary and accounting policies of the County. However, these policies differ from generally accepted accounting principles as prescribed for state and local governmental units with respect to recognition of certain revenues.

Generally accepted accounting principles require that revenues, with the exception of grant funds, be recognized in the accounting period in which they become objectively measurable and available. With regard to grant funds, if the expenditure of funds is the prime factor for determining eligibility for grant monies, revenues should be recognized at the time the funds are expended. As disclosed in Note 1, the County generally recognizes revenue, with the exception of State and Federal reimbursements in the Department of Social Services, on the cash basis, but generally includes four quarters or twelve months of revenue in each category. The following schedule discloses the effects of the conversion to generally accepted accounting principles and the resulting estimated increases (decreases) in revenues and fund equity in the respective funds, had the financial statements been prepared in accordance with generally accepted accounting principles:

	Increase in Fund Equity December 31	Increase (Decrease) in Revenue
General Fund		
1988	$22,821,107	$(6,637,162)
1987	29,458,269	(6,108,731)

MONTGOMERY COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

II. Stewardship, Compliance and Accountability

Deficit Retained Earnings/Fund Balance

The following is a composition of retained earnings (deficits) of the Enterprise Funds:

Enterprise Funds with deficits:	
MCPS Food Service Activities	$ (3,146,394)
All other Enterprise Funds	130,507,142
Total Retained Earnings	$ 127,360,748

The following is the composition of retained earnings (deficits) of the Internal Service Funds:

Internal Service Fund with deficits:	
Motor Pool	$ (48,050)
Management Services	(102,234)
All other Internal Service Funds	18,587,641
Total Retained Earnings	$ 18,437,357

The following is the composition of fund balance (deficits) of the Special Revenue Funds:

Special Revenue Funds with deficits:	
Damascus Fire Tax District	$ (177,358)
All other Special Revenue Funds	33,207,535
Total Fund Balances	$ 33,030,177

The following is the composition of fund balance (deficits) of the Capital Projects Funds:

Capital Projects Funds with deficits:	
Montgomery County Government Capital Projects Fund	$ (4,192,380)
Montgomery County Public Schools Capital Projects Fund	(16,950,845)
All other Capital Projects Funds	5,676,362
Total Fund Balances (Deficit)	$ (15,466,863)

The deficits are to be funded by increasing service rates, tax increases, or bond issues in subsequent years. If activities are discontinued before full funding, the remaining deficits would first be applied to contributed capital; then, if necessary, funded by the General Fund except for the MCPS Food Service Activities Fund which would be funded by the MCPS Special Revenue Fund. The MCPS Food Service Activities contributed capital exceeds the deficit by $6,733,341. The Motor Pool Internal Service Fund contributed capital exceeds the deficit by $10,298,699. The Management Services Internal Service Fund contributed capital exceeds the deficit by $833,425. The Damascus Fire Tax District Special Revenue Fund, the Montgomery County Government Capital Projects Fund, and the Montgomery County Public Schools Capital Projects Fund have no contributed capital. In Fiscal Year 1990, the Damascus Fire Tax District was merged into the Consolidated Fire Tax District as a result of statutory criteria. The Consolidated Fire Tax District has sufficient resources to cover this deficit. Accordingly, no fund balance has been designated for this deficit. Bond Anticipation Notes were issued July 14, 1989, to cover the Capital Projects Funds deficits. Accordingly, the fund balance of the General Fund has not been designated for these deficits. (See Note VII)

Uncollateralized Deposits at Year End and During the Year

At certain times during the year and at year end deposits of one account of the MCPS Special Revenue Fund were not fully collateralized for short periods when bank clearings lagged behind scheduled deposits intended to cover such clearings. Maryland State statute requires that all deposits be collateralized. The uncollateralized amount at year end was $1,999,384.

MUSCOGEE COUNTY SCHOOL DISTRICT, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

II. Stewardship, Compliance and Accountability

A: Capital Projects Operations

Proceeds from the sale of general obligation bonds are restricted to the Capital Projects Fund for the expansion of educational facilities. Since 1950 the proceeds of such bond issues have totaled $39,750,000. In addition, the School District's building program receives monies from state, federal and local sources. The contracts for these projects range from renovations of existing structures to construction of new facilities.

Amounts currently due on partially completed contracts in force at June 30, 1989, and the remaining uncompleted contract amounts on these construction projects total $2,371,751 and $4,360,595 respectively.

As enacted by the Georgia State Legislature, a physical facilities program for Georgia school systems was completed in fiscal year 1986. This program is designed to provide State Funds for capital expenditures related to a system's building and equipment requirements over a five-year period. Local school districts are required to have a physical facilities priority list and also participate in the financing of the projects based on a formula devised by the State.

The initial facilities plan, as approved by the State in fiscal year 1981, outlined forty six capital renovation and improvement projects. During the fiscal years 1981-1986, eleven of these projects were started. State funding for these projects was approved at the ninety percent level, with local funds absorbing the remaining ten percent. The projects included in the initial facilities plan that were not started were included in the local facilities plan for fiscal years 1986-1991. During fiscal year 1988, a new facilities plan was developed. This plan omitted air conditioning projects that are financed by the 1987 issuance of the $18,000,000 general obligation bonds. The expected financing for capital projects is approximately $46 million over a five-year period subject to funding levels approved by the State. These funds will be applied to projects in the order of priority as outlined in the survey. Any unfunded projects at the end of this five-year period will then be considered in the survey for preparing the next local facilities plan.

THE HOUSING AND REDEVELOPMENT AUTHORITY OF SOUTH ST. PAUL, SOUTH ST. PAUL, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 2—Stewardship, Compliance and Accountability

A. Fund Deficits

The following funds had deficit fund balances at December 31, 1988:

Special Revenue	
Rehabilitation Administration	$ (25)
Enterprise—	
Section 8 Housing (Voucher)	$(1,930)

The above deficits will be eliminated by contributions from HUD and from other funds.

B. Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the following funds for the year ended December 31, 1988:

	General Fund	Tax Increment
Expenditures	$42,240	$2,407,477
Appropriations	25,570	1,850,000
Excess	$16,670	$ 557,477

CHARTER TOWNSHIP OF FLINT

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

II. Stewardship, Compliance, and Accountability

A. Budget and Actual Comparisons—Grant/Project Length Budgets:

The following is a comparison of budget (on a project (grant) length basis) and actual expenditures for the Community Development Fund, Mott Grant Fund, and the State Grant Fund, for the year ended December 31, 1988.

	Revised Project (Grant) Length Budget	Project Funds Expended During 1988	Total Project Funds Expended Through 12-31-88	Unexpended Balance at 12-31-88
Special Revenue Fund Type:				
Community Development Fund:				
Capital outlay	$382,601	$ 184,959	$ 314,971	$ 67,630
Public safety	71,602	39,540	42,763	28,839
Public service	7,000	1,000	1,000	6,000
Total Community Development	$461,203	225,499	$ 358,734	$102,469
Mott Grant Fund:				
Public service	$ 30,370	21,997	$ 21,997	$ 8,373
State Grant Fund:				
Capital outlay	$ 11,500	10,200	$ 10,200	$ 1,300
All other Special Revenue Funds:				
General government		184,707		
Public safety		1,462,437		
Capital outlay		17,548		
Total all other Special Revenue Funds			1,664,692	
All Special Revenue Funds total expenditures		$1,922,388		

B. Expenditures Over Budget:

The following Debt Service Funds incurred expenditures in excess of appropriations:

	Budget	Actual	Actual Over Budget
Sewer Bond Fund:			
Interest and fiscal charges	$1,277,558	$1,278,443	$ 885
Miscellaneous	—	5	5
Water District #17:			
Loss on marketable securities	—	6,031	6,031
Water District #18:			
Loss on marketable securities	—	4,020	4,020
Water District #23:			
Interest and fiscal charges	14,620	14,629	9

THE TOWN OF NORTH PROVIDENCE, RHODE ISLAND

[NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989]

Note 2—Stewardship, Compliance, and Accountability

LEGAL DEBT MARGIN–The Town's legal debt limit as set forth by State Statute is limited to three percent of total assessed value which approximates $22,110,318. As of June 30, 1989 the Town's debt is under the debt limit by $18,210,318.

CITY OF SHREVEPORT, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS—FOR THE YEAR ENDED DECEMBER 31, 1988

(2) Compliance, Stewardship, and Accountability

A. Excess of Expenditures over Appropriations

During 1988, no individual fund for which an annual operating budget is adopted had an excess of expenditures over appropriations. However, several departments or reporting entities within the General Fund had excess expenditures over appropriations. The overages occurred primarily in (1) bad debt and interest expenses included in interest, insurance and civic appropriations, (2) salaries, wages, and employee benefits and (3) contractual services.

B. Fund Deficits

The Shreveport Area Transit System Fund has a deficit in the amount of $315,559 which should be funded in future periods by subsidies from the General Fund and other available sources.

A fund deficit is recorded in the Employees Health Care Fund in the amount of $166,343. This deficit should be eliminated by future premiums to be paid by participants in the program and by the effect of certain benefit reductions.

C. Budgets and Budget Basis of Accounting

Annual expenditure budgets are adopted for the General Fund, the Metropolitan Planning Commission and the City Marshal Special Revenue Funds. Revisions made to the original budget for each fund were as follows:

	Original Budget	Total Revisions	Revised Budget
General Fund	$78,606,300	$1,411,400	$80,017,700
Special Revenue Funds			
Metropolitan Planning Commission	432,700	(24,400)	408,300
City Marshal	756,680	18,500	775,180
Total	$79,795,680	$1,405,500	$81,201,180

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase.

Adjustments necessary to convert the expenditures at the end of the year on the budgetary basis to the GAAP basis are as follows:

	General Fund	Special Revenue Funds
Budgetary basis	$73,631,303	$ 853,484
Expenditures of amounts encumbered at December 31, 1987	955,589	5,200
Encumbrances outstanding at December 31, 1988	(1,865,382)	(1,976)
Special Revenue Funds without operating budgets	—	9,030,896
GAAP basis	$72,721,510	$9,887,604

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT—FOR THE YEAR ENDED JUNE 30, 1989

Note 2. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provision

Noncompliance with N.C. General Statutes

The budget resolution of the City is adopted at the departmental level. Overexpenditures of the budget at the level at which it was adopted is a violation of GS 159-28. One department, the Production Department in the Electric Fund, expended more than was budgeted.

G.S. 159-32 requires that all moneys collected be deposited daily. The City was found to not be in compliance with this requirement in some instances.

The City is required by G.S. 143-129 to obtain performance and labor and material bonds for construction contracts which exceed $50,000. The City did not obtain the required bonds on some contracts.

CITY OF OKLAHOMA CITY, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS—[JUNE 30, 1989]

II. Stewardship, Compliance, and Accountability

A. Deficit Retained Earnings

Enterprise Funds

- Transportation and Parking Fund—The Transportation and Parking Fund's deficit balance in Retained Earnings of $6,989,220 is the result of revenues inadequate to cover expenses currently, and the extraordinary loss on advance refunding recognized in fiscal year 1987.
- Water Fund—The Water Fund's deficit balance in Retained Earnings of $7,950,865 is the result of revenues inadequate to cover expenses currently, and the extraordinary loss on advance refunding recognized in fiscal year 1987.
- Wastewater Fund—The Wastewater Fund's deficit balance in Retained Earnings of $56,804,224 is the result of revenues inadequate to cover operating expenses including depreciation and the extraordinary loss on advance refunding recognized in fiscal year 1987.
- Sanitation Fund—The Sanitation Fund's deficit in Retained Earnings of $3,313,151 is the result of the inclusion of OCMFA expenses in this fund in fiscal year 1983.
- Myriad Gardens Fund—The Myriad Gardens Fund has a deficit Retained Earnings balance of $3,044,024 resulting from operating expenses incurred before the completion of the Gardens and Botanical Tube and current year revenues inadequate to cover expenses including depreciation.
- Redevelopment Fund—The Redevelopment Fund's deficit balance in Retained Earnings of $1,662 is the result of revenues inadequate to cover expenses in fiscal year 1989.
- Public Events Fund—The Public Events Fund's deficit balance in Retained Earnings of $159,250 is the result of revenues inadequate to cover expenses in fiscal year 1989.

Internal Service Fund

- Equipment Services Fund—The Equipment Services Fund's deficit balance in Retained Earnings of $578,990 is the result of charges for services inadequate to cover expenses including depreciation in fiscal year 1989.

Funding of Deficit Retained Earnings

- Deficit Retained Earnings are substantially funded with contributed capital.

B. Excess of Expenditures Over Appropriations

Resulting from a late adjustment on a computer purchase for Planning and Economic Development, internal service fund charges for Traffic Operations, and a wage increase for Public Services, expenditures exceeded appropriations at the level of budgetary control in the General Fund, and Street and Alley Fund, as shown in the table. Subsequent revisions were made as required.

		Character		
Fund	Department	Personal Services	Maintenance and Operation	Capital Outlay
General Fund....	Planning and Economic Development	$ —	$ —	$35
	Traffic Operations	—	9,099	—
Street and Alley.	Public Services	$150,256	$ —	$—

C. Restatements

1. The restatement of the Federal Grants Fund is the result of an error in recording a loan as an expenditure in 1988. The restatement reflects the loan as a receivable and an increase to fund balance.
2. Sanitation services' customers are billed for two months in advance and the current month at the initiation of service. They are billed monthly thereafter. The advanced billing had been incorrectly recorded as revenue. The restatement correctly reflects the advanced billing as deferred revenue.
3. During 1989, it was determined that the City could reasonably estimate the current portion of compensated absences for affected governmental funds. Prior year balances have been restated to reflect these as fund liabilities.
4. During 1989, while preparing to implement a new, customized utility billing system, the City performed extensive analysis of utility accounts receivable. Based on that analysis, it was determined that the estimated bad debt expense had been understated. The restatement correctly reflects the impact of this analysis.

	General Fund	Street and Alley Fund	Hunting and Fishing Fund	Enforcement and Training Fund	Federal Grants Fund	Water Fund	Wastewater Fund	Sanitation Fund
Fund Balance/Retained Earnings (deficit), June 30, 1988, as previously reported..	$ 37,037,715	$16,406,334	$ 46,566	$ 278,343	$ 442,903	$(7,533,190)	$(60,969,396)	$(2,050,135)
Effect of restatement:								
(1).....................					880,600			
(2).....................								(1,680,894)
(3).....................	(1,131,195)	(86,163)	(8,782)	(4,145)	(27,668)			
(4).....................						(980,268)	(366,175)	
Fund Balance/Retained Earnings (deficit), June 30, 1988, as restated	$ 35,906,520	$16,320,171	$ 37,784	$ 274,198	$1,295,835	$(8,513,458)	$(61,335,571)	$(3,731,029)
Increase (decrease) in excess of revenues over expenditures for fiscal year 1989.....	$ (24,201)	$ 3,472	$ (9,141)	$ (2,886)	$ 2,383	$ —	$ —	$ —

CITY OF WASHINGTON, NORTH CAROLINA

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS—JUNE 30, 1989

Note 2. Stewardship, Compliance and Accountability

A. Material Violations of Finance—Related Legal and Contractual Provisions

During the year ended June 30, 1989, expenditures exceeded appropriations in the following departments:

Fund	Department	Expenditures Over Budget
Water and Sewer............	Misc.—Non-departmental	$ 3,577
Electric.........................	Misc.—Non-departmental	$53,076
	Electric Power Purchases	$42,385

This is in violation of General Statute 159-28.

B. Deficit Fund Balance or Retained Earnings of Individual Funds

The following individual funds had a deficit fund balance at 6-30-89:

	Amount
Community Development Block Grant—1982-1983 Small Cities..........	$ 2,809
Community Development Block Grant—1983-1984 Small Cities..........	$ 30,222
Wastewater Treatment Capital Project..........................	$1,214,492

CITY OF BATON ROUGE-PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 2—Stewardship, Compliance, and Accountability

a. Finance Related Legal and Contractual Provisions

There are a number of limitations and restrictions contained in the various bond indentures. The City-Parish is in compliance with all significant limitations and restrictions. No material violations of finance-related legal and contractual provisions occurred during 1988.

b. Deficit Fund Balance and Retained Earnings of Individual Funds

Special Revenue Funds:

Consolidated Road Lighting District No. 1 has a fund balance deficit of $1,026,369 primarily as a result of insufficient revenues in previous years and the current year. The property tax is the main source of revenues. A property tax millage rate of 7.00 mills was levied for the year 1988, which was the maximum rate allowable by State law. The legal tax limit expired in December 31, 1988. A special election was held in January, 1989 at which time voters approved an increase in the legal tax limit, beginning with the year 1989. Revenues will then be sufficient to cover yearly expenditures.

Consolidated Garbage Service District No. 1 has a fund balance deficit of $4,896,961 which is a decrease from the 1987 fund deficit of $5,651,289. The property tax is the main source of revenue, and currently a millage rate of 10.30 mills is levied. The 1988 millage rate is sufficient to cover current operating costs. The deficit is a result of past years' operations.

Enterprise Funds:

Capitol Transportation Corporation shows a deficit in Retained Earnings of $1,217,555. Capitol Transportation Corporation is a bus company that incurs a deficit each year which is offset by subsidies from federal and local governments. These operating subsidies do not cover the depreciation on assets acquired with Capitol Transportation Corporation funds or local government contributions which results in a Retained Earnings deficit.

Riverside Centroplex Fund shows a deficit in Retained Earnings of $4,286,568. Management policy is to provide operating transfers from the General Fund for the amount of the net loss, exclusive of depreciation.

The Greater Baton Rouge Parking Authority Fund shows a deficit in Retained Earnings of $62,544. Management policy is to provide an operating transfer from the General Fund for the amount of the net loss, exclusive of depreciation.

Internal Service Funds:

Central Supply Store shows a deficit in Retained Earnings of $1,892 resulting from expenses exceeding billings to departments.

Central Garage shows a deficit in Retained Earnings of $627,530 which is a decrease from the 1987 fund deficit of $1,010,326 resulting from expenses exceeding billings to departments. Beginning January 1, 1987, billing rates at Central Garage were adjusted so that all costs, direct and indirect, of the operation of this fund may be recovered.

Expenditures Exceeding Appropriations (Non-GAAP Budgetary Basis)

Excess of expenditures and encumbrances over appropriations in individual funds or divisions within the funds occurred as follows:

	Revised Budget	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
General Fund:			
District Court............	$2,169,730	$2,172,180	$ (2,450)
Special Revenue Funds:			
Baton Rouge Convention and Visitors Commission..........	670,250	760,809	(90,559)
City Constable Court Costs Fund............	515,000	533,483	(18,483)

d. Budgetary—GAAP Reporting Reconciliation

Annual budgets are adopted for the General and Special Revenue Funds. Budgets for the General and Special Revenue Funds are prepared on the modified accrual basis of accounting except for encumbrances and capital leases. Budgetary comparisons presented in this report are on the budgetary basis. Adjustments reconciling expenditures and other uses at year end on the GAAP basis to the budgetary basis are as follows:

	General Fund	Special Revenue Funds
Total Expenditures and Other Uses (GAAP Basis)	$131,949,968	$45,106,740
Adjustments:		
To adjust for encumbrances	(94,490)	2,094,593
To adjust for capital leases (Note 1d)	(382,915)	(31,742)
Total Expenditures, Encumbrances, and Other Uses (Budgetary Basis)	$131,472,563	$47,169,591

The adjustment to encumbrances is due to a timing difference between budgetary practices and GAAP. Encumbrances reduce appropriations on the budgetary basis while encumbrances are not considered as expenditures on the GAAP basis. Grant revenues are not recognized for encumbrances, therefore, encumbrances to grants are eliminated from reserve for encumbrances on the GAAP basis. In the Special Revenue Funds, the effect on reserve for encumbrances by eliminating grant encumbrances for the years 1988 and 1987 is as follows:

	1988	1987	1988 Over (Under) 1987
Reserve for Encumbrances	$1,678,077	$ 158,739	$1,519,338
Grant Encumbrances	1,710,074	1,134,819	575,255
Total Encumbrances	$3,388,151	$1,293,558	$2,094,593

The difference between 1988 and 1987 encumbrances is the adjustment for the timing difference between budgetary basis and GAAP.

THE CITY OF NORMAN, OKLAHOMA

NOTES TO COMBINED FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

II. Stewardship, Compliance and Accountability:

A. Budget Reconciliations

Items required to adjust actual revenues, expenditures, and fund balances reported on the budgetary basis to those reported on the GAAP basis are as follows:

	General Fund	Special Revenue Funds
Fund balances, June 30, 1989 (Non-GAAP budgetary basis)	$ 2,581,290	$ 262,926
Current year encumbrances included in expenditures	778,465	29,586
Cumulative effect of cancelled prior year encumbrances	—	28,294
Revenue accrual	1,080,222	230,549
Expenditure accrual	(770,694)	(12,235)
Fund balances, June 30, 1989	$ 3,669,283	$ 539,120
Budgetary basis revenues	$15,678,137	$1,891,591
Current year revenue accrual	1,080,222	230,549
Prior year revenue accrual	(1,195,477)	(391,298)
GAAP basis revenues	$15,562,882	$1,730,842
Budgetary basis expenditures	$17,554,322	$1,217,453
Current year encumbrances	(778,465)	(29,586)
Prior year expenditures paid	111,969	—
Current year expenditure accrual	770,694	12,235
Prior year expenditure accrual	(257,507)	—
Non-budgeted expenditures	191,208	—
GAAP basis expenditures	$17,592,221	$1,200,102

	Debt Service Fund	Capital Projects Fund
Fund balances, June 30, 1989 (Non-GAAP budgetary basis)	$ 3,201,180	$4,700,153
Current year encumbrances included in expenditures	—	1,725,289
Revenue accrual	176,781	323,775
Expenditure accrual	—	(345,956)
Fund balances, June 30, 1989	$ 3,377,961	$6,403,261
Budgetary basis revenues	$ 3,802,377	$3,653,459
Current year revenue accrual	176,781	323,775
Prior year revenue accrual	(186,693)	(266,871)
GAAP basis revenues	$ 3,792,465	$3,710,363
Budgetary basis expenditures	$ 3,920,361	$3,503,800
Current year encumbrances	—	(1,725,289)
Prior year expenditures paid	—	805,552
Current year expenditure accrual	—	345,956
Prior year expenditure accrual	—	(520,160)
GAAP basis expenditures	$ 3,920,361	$2,409,859

B. Retained Earnings Deficits

Building Services Internal Service Fund

The Building Services Internal Service Fund shows an accumulated deficit in retained earnings of $20,272 as a result of revenues from the other City funds inadequate to cover depreciation, a non-cash charge, in fiscal year 1989. The depreciation expense in 1989 is $20,983.

C. Restatement

Prior to July 1, 1988, the City did not maintain detailed records on property, plant and equipment for either the proprietary funds or general fixed assets. A General Fixed Assets Account Group was not presented in the financial statements prior to July 1, 1989, as the City did not record fixed assets.

The City performed a fixed asset inventory as of July 1, 1988. The fixed assets' cost and date of acquisition were derived through historical records where available. Where actual costs could not be determined, the historical cost was estimated based on indexes.

Balances in the General Fixed Asset Account Group as of July 1, 1988, based on the inventory performed as of that date, are as follows:

Land	$49,245,822
Buildings	12,220,176
Improvements other than buildings	2,283,156
Machinery and equipment	5,676,688
Vehicles	3,874,110
	$73,299,952

Beginning retained earnings in the proprietary funds have been restated to reflect the changes in the net cost of the fixed assets as of June 30, 1988 as follows:

	Norman Municipal Authority	Norman Utilities Authority
Retained earnings, June 30, 1988, as previously reported	$2,628,672	$40,049,790
Restatement	4,341,327	3,322,072
Retained earnings, June 30, 1988, as restated	$6,969,999	$43,371,862

ENCUMBRANCES

According to GASB Cod. Sec. 1700.129 and .130 encumbrances—commitments related to unperformed (executory) contracts for goods or services—often should be recorded for budgetary control purposes, especially in general and special revenue funds. Encumbrance *accounting and reporting* may be summarized as follows:

a. Encumbrance accounting should be used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

b. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

c. If performance on an executory contract is complete, or virtually complete, an expenditure and liability should be recognized rather than an encumbrance.

d. Where appropriations lapse at year-end, even if encumbered, the governmental unit may intend either to honor the contracts in progress at year-end or to cancel them. If the governmental unit intends to honor them: (1) encumbrances outstanding at year-end should be disclosed in the notes to the financial statements or by reservation of fund balance, and (2) the subsequent year's appropriations should provide authority to complete those transactions.

e. Where appropriations do not lapse at year-end, or only unencumbered appropriations lapse, encumbrances outstanding at year-end should be reported as reservations of fund balance for subsequent year expenditures based on the encumbered appropriation authority carried over.

Under the recommended approach, encumbrances outstanding at year-end should not be reported as expenditures. The method by which encumbrances are accounted for and reported should be consistently applied and should be disclosed in the Summary of Significant Accounting Policies.

Many of the governmental units provided information concerning the status of outstanding encumbrances at the end of the fiscal year. The following are examples of notes related to encumbrances.

SALT LAKE CITY SCHOOL DISTRICT, UTAH

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

(1) Summary of Significant Accounting Policies [In Part]

(e) Encumbrances

An encumbrance accounting system, in which purchase orders for expenditure of funds are recorded in order to restrict that portion of the applicable appropriation, is used in the Maintenance & Operation, Recreation, Capital Project Funds, and Salt Lake Foundation Trust Fund. Outstanding encumbrances at year end are reported as a fund balance reserve.

TOWN OF DERRY

NOTES TO THE FINANCIAL STATEMENTS—JUNE 30, 1989

Note 1—Summary of Significant Accounting Policies [In Part]

F. Fund Balance

The portion of fund balance which has been legally segregated for a specific future use, or which indicates that that portion is not appropriable for expenditures, is shown as reserved.

Reserved for Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at June 30, 1989 and are carried forward to supplement appropriations of the subsequent year.

The General Fund reserve for encumbrances at June 30, 1989 is detailed in Exhibit A-2 and totals $578,651.

The Special Revenue and Capital Projects Funds reserve for encumbrances are detailed as follows:

Special Revenue Funds		
Taylor Library	$ 12,196	
Derry Public Library	11,717	
Water Department	600	
Sewer Department	4,041	
		$ 28,554
Capital Projects Funds		
Treatment Plant Expansion	$ 73,188	
Roadway Management	176,819	
MacGregor Public Library Addition	1,385,674	
Home Brook Bridge	5,426	
Ash Street Bypass	23,475	
Pinkerton Street	319,589	
		$1,984,171

Other Reserves

Other reserves used by the Town include Reserved for Special Purposes (which includes Capital Reserve and Capital Projects Fund balances), and Reserved for Endowments.

TOWN OF HANOVER

NOTES TO THE FINANCIAL STATEMENTS—JUNE 30, 1989

Note 1—Summary of Significant Accounting Policies [In Part]

F. Fund Balance [In Part]

The portion of fund balance which has been legally segregated for a specific future use, or which indicates that that portion is not appropriable for expenditures, is shown as reserved.

Reserve for Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at June 30, 1989 and are carried forward to supplement appropriations of the subsequent year.

The General Fund reserve for encumbrances at June 30, 1989 is detailed in Exhibit A-2 and totals $91,502.

The Special Revenue Funds reserve for encumbrances is attributable to the Sidewalk Service Fund.

ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

3. Summary of Significant Accounting Matters [In Part]

Encumbrances—

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration by the Parish. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

CITY OF CONCORD

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—FOR THE YEAR ENDED DECEMBER 31, 1988

3. Budgetary Accounting and Encumbrances

The approved budgets for the General Fund and for the Airport and Parking Meter special revenue funds are presented in the Statements of Revenues, Expenditures and Encumbrances—Budget (Non-GAAP Budgetary Basis), Actual and Encumbrances.

Under generally accepted accounting principles (GAAP), encumbrances, representing general fund appropriations based on purchase orders, contracts or other forms of legal commitments, are regarded as reservations of fund equity and are not reported as expenditures. Under the non-GAAP budgetary basis, encumbrances in the General Fund are accounted for similar to expenditures. Under GAAP, property tax revenues are recorded on a modified-accrual method, whereas the full accrual method is used for budgetary purposes. The difference in reporting for these funds is as follows:

General Fund	Revenues	Expenditures
Statement of Revenues, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)	$20,692,979	$18,496,470
Appropriations carried from prior year		970,458
Encumbrances at year end		(910,193)
Deferral of property tax revenue required under GAAP	(877,794)	
Statement of Revenues, Expenditures and Changes in Fund Balances—in conformity with generally accepted accounting principles	$19,815,185	$18,556,735
Special Revenue Funds		
Statement of Revenues, Expenditures and Encumbrances (non-GAAP Budgetary Basis)		
Airport fund	$ 80,932	$ 128,032
Parking meter fund	554,954	337,479
Total	635,886	465,511
Expenditures reported as operating transfers under generally accepted accounting principles		44,971
Special revenue funds not governed by mandatory annual budgets	596,885	646,637
Statement of Revenues, Expenditures and Changes in Fund Balances—in conformity with generally accepted accounting principles	$1,232,771	$1,157,119

CITY OF WOOSTER, OHIO

NOTES TO THE COMBINED FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 2—Compliance and Accountability [In Part]

Budget Requirements, Accounting, and Reporting [In Part]

Requirements for all funds [In Part]

C. Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts (i.e., purchase orders, other commitments) in process are completed. Encumbrances are reported as reservations of fund balances in the governmental funds since they do not constitute expenditures or liabilities but do commit appropriations. That commitment is reported in the encumbrance column of the budgetary statements. Encumbrances are carried forward and added to the subsequent year's appropriation. The unencumbered balance of each appropriation lapses at year end and reverts to the respective fund from which it was appropriated and becomes available for future appropriations.

CITY OF CAMAS

NOTES TO THE FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 5. Legal Compliance—Budgets [In Part]

3. Encumbrance Accounting

The city utilizes for budget control purposes, an encumbrance accounting procedure in conjunction with a centralized purchase order system. Encumbrances are made at the time items or services are ordered based upon estimated or known costs. Upon payment the encumbrance is reversed and the actual cost recorded. Outstanding encumbrances are not reservations of fund balance and are not recorded as expenditures unless susceptible to accrual.

CITY OF VALDOSTA, GEORGIA

NOTES TO FINANCIAL STATEMENTS—FOR THE YEAR ENDED JUNE 30, 1989

Note 1. Summary of Significant Accounting Policies [In Part]

E. Encumbrances and Capital Outlay Distributed [In Part]

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

JOINT VENTURES

Governmental units commonly have joint agreements with other units to provide services to their respective constituents. These arrangements might be with, for example, nongovernmental units, authorities, or regional quasi-governmental entities. GASB Cod. Sec. J50.102a states that for proprietary and similar trust funds the joint venture should be included in the investing fund's financial statements using the equity method of accounting under APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," even though there is no common stock. For governmental and similar trust funds the joint venture should be disclosed in the notes to the financial statements if not accounted for under the equity method of accounting.

The notes to the financial statements should contain the following disclosures for both proprietary and governmental fund joint ventures:

a. A general description of each joint venture, including:
   (1) Identifying the participants and their percentage shares
   (2) Describing the arrangements for selecting the governing body or management
   (3) Disclosing the degree of control the participants have over budgeting and financing
b. Condensed or summary financial information on each joint venture, including:
   (1) Balance sheet date
   (2) Total assets, liabilities, and equity
   (3) Total revenues, expenditures/expenses, other financing sources (uses), and net increase (decrease) in fund balance/retained earnings
   (4) Reporting entity's share of assets, liabilities, equity, and changes therein during the year, if known

The following are excerpts from several notes relating to joint ventures.

TOWN OF POUGHKEEPSIE, NEW YORK

NOTES TO FINANCIAL STATEMENTS—YEAR ENDED DECEMBER 31, 1988

4. Joint Ventures

The following are activities undertaken by the Town jointly with other municipalities. These activities are excluded from the financial statements of the Town. Separate financial statements are issued for such joint ventures.

A. Tri-Municipal District—The Town has joined with the Village of Wappingers Falls to construct and operate an inter-municipal sewerage treatment and disposal system. The municipalities agreed upon several different ratios for allocating construction costs to each municipality depending upon the construction item.

1. The maximum estimated cost of the construction of the Tri-Municipal Sewer System is $21,000,000 of which the Town of Poughkeepsie will be responsible for $7,770,000 and the Village of Wappingers Falls for $13,230,000. These amounts will be reduced by the amount of federal and/or state aid received.

   On November 2, 1983, the Town Board authorized the issuance of serial bonds, up to a maximum of $5,465,000, for their share of the construction costs. On March 22, 1985 a bond anticipation note of $2,600,000 was issued, of which $1,600,000 is outstanding at December 31, 1988.

2. Operation and maintenance costs of the sewer system and plant are allocated to each municipality in proportion to the waste flow, as a percentage of the total.

3. Real property of the Tri-Municipal Sewer District is owned jointly by the improvement areas of the Town of Poughkeepsie and the Village of Wappingers Falls.

The following is a summary of unaudited financial information at December 31, 1988 included in the financial statements issued for this joint venture:

Total Assets (Excluding Fixed Assets)	$ 868,098
Total Liabilities	$ 758,119
Joint Venture Equity	$ 109,979
Total Revenue 1988	$2,194,151
Total Expenditures 1988	$2,098,265

B. City of Poughkeepsie/Town of Poughkeepsie Regional Sewer Project—The City and a part of the Town known as the Fourth Ward Sewer Improvement Area jointly own this sewer project. The venture operates under the terms of an agreement dated May 1, 1973. Significant provisions of this agreement are as follows:

1. The joint sewerage treatment plant, constructed as part of this joint venture, is owned by the City and Town as tenants in common with the City holding 65% interest and the Town 35% interest.

2. All costs of operation and maintenance of the joint sewer project shall be borne by each municipality based upon sewage flow, as a percentage of the total.

Each municipality funded its own debt for the initial construction of the system. The Town's outstanding debt at December 31, 1988 was $3,484,500, which is accounted for in the general long-term debt account group in the accompanying combined financial statements.

The following is a summary of unaudited financial information at December 31, 1988 included in the financial statements issued for this joint venture:

Total Assets (Excluding Fixed Assets)	$ 249,579
Total Liabilities	$ 51,883
Joint Venture Equity	$ 197,696
Total Revenue 1988	$ 1,600,416
Total Expenditures 1988	$ 1,406,560
Total Fixed Asset Accounts	$16,041,102

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note I—Joint Venture

The District participates in the South Central Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES is:

- financially independent and responsible for financing its own deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for day to day operations and is accountable to the separate governing board,
- the governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients of services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and control fiscal management.

The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable. The most recent joint venture summary audited financial information available is as of December 31, 1987, as follows:

Assets	$ 439,298
Current Liabilities	$ 383,971
Fund Equity	55,327
Total Liabilities and Fund Equity	$ 439,298
Revenues	$ 1,461,182
Expenditures	1,519,669
Excess (Deficiency) of Revenue to Expenditures	$ (58,487)

The BOCES has long-term debt outstanding as of December 31, 1987 of $32,405.

CITY OF AUSTIN, TEXAS

NOTES TO COMBINED FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

18—Joint Ventures

The City has entered into several participating agreements on joint projects. In accordance with NCGA Statement 7, Financial Reporting for Component Units with the Governmental Reporting Entity, such joint ventures have been evaluated to determine under the criteria set forth in NCGA Statement 3 (see Note 1) which fall within the definition of the reporting entity. The following joint ventures meet the criteria for inclusion in the reporting entity and are included in the City's financial statements.

a—Fayette Power Project

The Fayette Power Project (the "Project," Units I and II) is an equal partnership between the City and the Lower Colorado River Authority (LCRA), Project Manager)—each participant owns a 50% share. This is a joint venture for operation of two coal-fired electric power generation units with a net capacity of 1,100 megawatts. Each partner's actual equity in the Project may vary from 50% depending on the percentage of kilowatt hours produced by the Project used by each partner.

The Project is governed by a management committee whose four members are administratively appointed, two each, by the partners. As managing partner, LCRA is responsible for the operation of the Project and appoints the Project's management. However, the City has the ability to influence significantly the operation of the Project through approval of major contracts and new major expenditures by its appointees to the management committee. Each partner issued its own debt to finance its share of construction costs. The City's portion is financed through revenue bonds to be repaid by the Electric Light and Power System Fund. In addition, each partner has the obligation to finance its portion of any deficits that may occur.

In accordance with the criteria in NCGA Statement 7, revenues and expenditures associated with the Project are accounted for in the Electric Light and Power System Fund. Assets, liabilities, and equity associated with the Project are also reported in the Electric Light and Power System Fund.

The following is a summary of financial information taken from the Project's audited financial statements, dated June 30, 1988 and 1987, the Project's fiscal year end. These statements were not examined by the City's auditors.

Amounts presented are in thousands of dollars.

	June 30, 1988			June 30, 1987		
	Total	COA	LCRA	Total	COA	LCRA
Assets	$ 85,614	36,963	48,651	76,988	35,296	41,692
Liabilities	15,106	7,553	7,553	11,998	5,999	5,999
Equity	70,508	32,068	38,440	64,990	29,297	35,693
Revenues	690	357	333	457	228	229
Expenses	151,853	70,965	80,888	145,310	77,310	68,000
Net expenses incurred	$151,163	70,608	80,555	144,853	77,082	67,771

b—South Texas Project

See Note 19.

c—Utility Construction Contracts with Municipal Utility Districts

The City has certain contractual commitments with several Municipal Utility Districts (MUDs) for the construction of certain additions, improvements and extensions of the City's Waterworks and Sewer System. These MUDs are authorized to issue contract revenue bonds to finance the construction of such improvements. The City's commitment exists in either of two forms:

(1) The City becomes the owner of the improvements upon completion of the construction and makes payments equal to debt service on the MUD's bonds. Sources of such payment are MUD customers' user fees, surplus net revenues of the City's Waterworks and Sewer System and, if necessary, City ad valorem taxes.

(2) The City makes payments equal to the principal only on the MUD's bonds from the same sources mentioned above. The utility construction contract between the MUD and the City provides that the City will own and operate the water and wastewater improvements upon completion of construction, retirement of all bonds, or upon annexation of the MUD.

Under these contracts, the MUDs have issued $198,755,000 City of Austin, Texas Contract Revenue Bonds to provide funding for construction costs of the contract facilities, $197,530,000 of which is still outstanding. The bonds are limited obligations of the MUDs payable from and collateralized by a first lien on and pledge of payments to be made by the City pursuant to the utility construction contracts wherein the City has agreed to make semiannual payments in amounts sufficient to pay principal and interest on the bonds, when due. A substantial portion of these bonds is collateralized by a subordinate lien on and pledge of the net revenues of the City's Waterworks and Sewer System on a parity with all subordinate lien revenue bonds. The remainder of the bonds are collateralized by a pledge of surplus net revenues of such system and, if necessary, ad valorem City taxes.

To the limited extent of the MUD's obligation to pay a pro rata share of debt service, the bonds are additionally collateralized by and payable from a levy by the MUD of an annual ad valorem tax, without limit as to rate or amount, upon all taxable property within the MUD.

In accordance with the criteria in NCGA Statement 7, the City's investment in the MUDs and related debt is accounted for in the Waterworks and Sewer System Fund. Upon completion of the contract facilities and acceptance thereof by the City, the investment will be reclassified as property, plant and equipment.

At the time of preparation of these financial statements, financial information was available for a number of the MUD's. The following information is taken from the most recent audited financial statements which are for the fiscal year ended September 30, 1987.

MUD Fiscal Year Ended September 30, 1987

	N. Central Austin Growth Corridor MUD No. 1	North Austin MUD No. 1	North Austin Growth Corridor MUD No. 1	N.W. Travis County MUD No. 1	South Austin Growth Corridor MUD No. 1	Springwoods MUD	Circle C MUD No. 3	Southland Oaks MUD	Maple Run at Austin MUD	Village at Western Oaks MUD	TOTAL
	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	FYE 9-30-87	
Assets	$72,908,962	47,568,096	26,302,061	13,136,803	10,691,655	11,075,237	37,662,715	87,419,011	66,924,669	23,521,926	$397,211,135
Liabilities	70,008,896	24,090,681	12,932,878	3,565,826	7,986,107	1,028,973	37,892,215	56,690,173	41,474,221	23,449,239	279,119,209
Equity	2,900,066	23,477,415	13,369,183	9,570,977	2,705,548	10,046,264	(229,500)	30,728,838	25,450,448	72,687	118,091,926
Revenues	4,288,158	1,630,663	3,379,441	1,544,429	2,329,082	1,309,634	5,490	1,726,436	1,121,365	2,058,952	19,393,650
Expenses	4,127,589	[b]5,570,014	7,046,045	1,362,099	2,321,901	1,548,190	79,916	2,108,390	5,429,437	1,986,265	31,579,846
Net Income (Loss)	160,569	[b](3,939,351)	[d](3,666,604)	182,330	7,181	[g](238,556)	(74,426)	[h](381,954)	[i](4,308,072)	72,687	(12,186,196)
Net Increase (Decrease) in Retained Earnings	[a]813,203	[c](867,521)	[e]1,691,037	[f]1,366,855	7,181	(238,556)	(74,426)	[j](18,918)	[k]21,566,343	72,687	24,317,885

[a] Includes Prior Period Adjustment, $652,634.
[b] Includes Capital Outlay, $2,690,223.
[c] Includes Developer Contribution, $1,052,153, Proceeds from Bond Sales, $2,100,000, and Prior Period Adjustment, ($80,323).
[d] Includes Capital Outlay, $4,256,637.
[e] Includes Proceeds from Bond Sales, $5,218,500, and Prior Period Adjustment, $139,141.
[f] Includes Prior Period Adjustment, $1,184,525.
[g] Includes Capital Outlay, $475,405, and a $100,000 Principal Payment.
[h] Includes Capital Outlay, $2,114.
[i] Includes Operating Advances from Developer, $14,488, and Organization Cost Advances from Developer, $1,605 and Interest Expense $346,943.
[j] Includes Capital Outlay, $3,173,628, and Repayment of Developer Advances, $510,495.
[k] Includes Proceeds from Bond Sales, $3,675,000, Developer Contribution, $746,787, and Prior Period Adjustment, $20,885,430.
Prior period adjustments are the result of a change in accounting and report presentation from enterprise funds to governmental type funds.

The following table presents that portion of debt service requirements on contract revenue bonds outstanding at September 30, 1988 for which the City is liable.

Fiscal Year Ended September 30	North Central Austin Growth Corridor MUD No. 1			Northwest Travis MUD No. 1[1]	North Austin Growth Corridor MUD No. 1			Spring woods MUD[1]	South Austin Growth Corridor MUD #1			North Austin MUD #1		
	Principal	Interest	Total	Principal	Principal	Interest	Total	Principal	Principal	Interest	Total	Principal	Interest	Total
1989	$ 1,630.000	4,861.380	6.491,380	350,000	200.000	644.153	844.153	100,000	—	119,288	119,288	—	1,569,525	1,569.525
1990	1,825,000	4,751,130	6.576,130	350.000	225.000	619,152	844,152	100,000	—	119,288	119,288	—	1,569,525	1,569,525
1991	1,905,000	4,627.524	6.532,524	350.000	250,000	591,028	841,028	100,000	50,000	116,913	166,913	275,000	1,558,869	1,833,869
1992	1,985,000	4.493.755	6.478,755	350.000	275.000	559,777	834,777	100.000	50,000	112,163	162,163	300.000	1,536,212	1,836,212
1993	2,070.000	4,349,243	6.419,243	350,000	300,000	525.403	825.403	100,000	50,000	107,413	157,413	325,000	1,510,806	1,835,806
1994	2,250,000	4,189.830	6.439,830	350,000	350.000	490,152	840.152	100.000	50,000	102.663	152,663	350,000	1,482,525	1,832,525
1995	2,430,000	4,011,293	6,441,293	350.000	400,000	452,528	852.528	45,000	75.000	96,725	171,725	400,000	1,450,150	1,850,150
1996	2,550.000	3,815.130	6,365.130	400.000	450.000	408,927	858,927	—	75,000	89,788	164,788	450,000	1,412,400	1,862,400
1997	2.775,000	3,600.743	6.375,743	—	500,000	359,428	859,428	—	75,000	83,375	158,375	500,000	1,369,150	1,869,150
1998	3,100,000	3,360,480	6.460,480	—	550,000	303,177	853.177	—	75,000	77,244	152.244	550.000	1,320,575	1,870,575
1999	3,315,000	3,093,375	6.408,375	—	625.000	239,928	864,928	—	100,000	69,950	169,950	600,000	1,266,800	1,866,800
2000	3,640,000	2,798.535	6,438,535	—	710,000	166,490	876,490	—	100,000	61,500	161,500	650,000	1,207,725	1,857,725
2001	3,955.000	2,470.883	6.425.883	—	800,000	82,000	882,000	—	125,000	51,875	176,875	725,000	1,142,050	1,867,050
2002	4,280.000	2,110,520	6,390.520	—	—	—	—	—	125,000	41,063	166,063	800,000	1,068.450	1,868.450
2003	4.700.000	1,713,050	6,413.050	—	—	—	—	—	150,000	29,063	179,063	900,000	985,550	1,885,550
2004	5,115,000	1,273.725	6.388,725	—	—	—	—	—	150,000	16,875	166,875	975,000	893,187	1,868,187
2005	5.540.000	794,250	6.334,250	—	—	—	—	—	150,000	5.625	155,625	1,075,000	791,712	1.866,712
2006	6,055.000	272.475	6.327,475	—	—	—	—	—	—	—	—	1,200,000	679,100	1,879,100
2007	459,542	6,110.458	6.570,000	—	—	—	—	—	—	—	—	1,325,000	554,113	1,879,113
2008	420.458	6,159,542	6.580,000	—	—	—	—	—	—	—	—	1,475,000	415,513	1,890,513
2009	—	—	—	—	—	—	—	—	—	—	—	1,625,000	261,250	1,886,250
2010	—	—	—	—	—	—	—	—	—	—	—	1,800,000	90,000	1,890,000
	$60,000,000	68,857,321	128,857,321	2,850,000	5,635,000	5,442,143	11,077,143	645,000	1,400,000	1,300,811	2,700,811	16,300,000	24,135,187	40,435,187

[1]The City is liable for principal only on these contract revenue bonds.

Fiscal Year Ended September 30	Circle C MUD #3			Southland Oaks MUD		
	Principal	Interest	Total	Principal	Interest	Total
1989..	$ —	3,012,888	3,012,888	—	2,602,800	2,602,800
1990..	—	3,012,888	3,012,888	—	2,602,800	2,602,800
1991..	625,000	2,992,575	3,617,575	550,000	2,576,125	3,126,125
1992..	700,000	2,947,763	3,647,763	600,000	2,524,700	3,124,700
1993..	750,000	2,896,263	3,646,263	650,000	2,476,550	3,126,550
1994..	825,000	2,838,738	3,663,738	725,000	2,426,325	3,151,325
1995..	925,000	2,773,063	3,698,063	800,000	2,369,100	3,169,100
1996..	1,025,000	2,698,194	3,723,194	875,000	2,304,575	3,179,575
1997..	1,125,000	2,614,038	3,739,038	950,000	2,232,450	3,182,450
1998..	1,225,000	2,520,600	3,745,600	1,050,000	2,151,663	3,201,663
1999..	1,350,000	2,416,925	3,766,925	1,150,000	2,061,150	3,211,150
2000..	1,475,000	2,301,406	3,776,406	1,275,000	1,959,875	3,234,875
2001..	1,625,000	2,172,719	3,797,719	1,400,000	1,847,175	3,247,175
2002..	1,800,000	2,028,825	3,828,825	1,525,000	1,723,213	3,248,213
2003..	1,975,000	1,868,344	3,843,344	1,700,000	1,586,150	3,286,150
2004..	2,175,000	1,690,388	3,865,388	1,850,000	1,435,275	3,285,275
2005..	2,375,000	1,494,144	3,869,144	2,050,000	1,269,013	3,319,013
2006..	2,625,000	1,277,894	3,902,894	2,250,000	1,085,188	3,335,188
2007..	2,875,000	1,040,019	3,915,019	2,475,000	882,575	3,357,575
2008..	3,175,000	777,563	3,952,563	2,725,000	658,975	3,383,975
2009..	3,500,000	487,200	3,987,200	3,000,000	412,800	3,412,800
2010..	3,850,000	167,475	4,017,475	3,300,000	141,900	3,441,900
	$36,000,000	46,029,912	82,029,912	30,900,000	39,330,377	70,230,377

Following is a schedule of outstanding contract revenue bonds at September 30, 1988, and related debt service requirements (including amounts outstanding for which the City is not liable):

	Fiscal Year End	Outstanding Bonds at September 30, 1988 (Unaudited)	Aggregate Debt Service Requirements (Unaudited)
North Central Austin Growth Corridor MUD No. 1	9/30	$ 60,000,000	128,857,321
Northwest Travis County MUD No. 1	9/30	2,850,000	2,850,000
North Austin Growth Corridor MUD No. 1	9/30	5,635,000	11,077,143
Springwoods MUD	9/30	645,000	645,000
South Austin Growth Corridor MUD No. 1	9/30	1,400,000	2,700,811
North Austin MUD No. 1	9/30	16,300,000	40,435,187
Circle C MUD No. 3	9/30	36,000,000	82,029,912
Southland Oaks MUD	9/30	30,900,000	70,230,377
Maple Run at Austin MUD	9/30	20,900,000	46,535,976
Village at Western Oaks MUD	9/30	22,900,000	51,986,841
		$197,530,000	437,348,568

No new debt was issued by these MUDs during 1988.

Maple Run at Austin MUD			Village at Western Oaks MUD			Total		
Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
—	1,700,838	1,700,838	—	1,906,875	1,906,875	2,280,000	16,417,747	18,697,747
	1,700,838	1,700,838	—	1,906,875	1,906,875	2,500,000	16,282,496	18,782,496
375,000	1,683,025	2,058,025	400,000	1,893,875	2,293,875	4,880,000	16,039,934	20,919,934
400,000	1,649,713	2,049,713	450,000	1,865,125	2,315,125	5,210,000	15,689,208	20,899,208
450,000	1,618,463	2,068,463	475,000	1,832,156	2,307,156	5,520,000	15,316,297	20,836,297
500,000	1,584,588	2,084,588	525,000	1,795,513	2,320,513	6,025,000	14,910,334	20,935,334
525,000	1,546,775	2,071,775	575,000	1,754,238	2,329,238	6,525,000	14,453,872	20,978,872
600,000	1,503,838	2,103,838	650,000	1,707,038	2,357,038	7,075,000	13,939,890	21,014,890
650,000	1,454,588	2,104,588	700,000	1,653,688	2,353,688	7,275,000	13,367,460	20,642,460
700,000	1,400,588	2,100,588	775,000	1,594,300	2,369,300	8,025,000	12,728,627	20,753,627
775,000	1,341,588	2,116,588	850,000	1,528,063	2,378,063	8,765,000	12,017,779	20,782,779
850,000	1,276,163	2,126,163	950,000	1,453,788	2,403,788	9,650,000	11,225,482	20,875,482
950,000	1,203,263	2,153,263	1,050,000	1,370,525	2,420,525	10,630,000	10,340,490	20,970,490
1,050,000	1,121,738	1,171,738	1,150,000	1,278,388	2,428,388	10,730,000	9,372,197	20,102,197
1,150,000	1,031,250	2,181,250	1,250,000	1,177,275	2,427,275	11,825,000	8,390,682	20,215,682
1,250,000	932,250	2,182,250	1,375,000	1,066,025	2,441,025	12,890,000	7,307,725	20,197,725
1,375,000	823,969	2,198,969	1,525,000	942,394	2,467,394	14,090,000	6,121,107	20,211,107
1,525,000	704,344	2,229,344	1,675,000	805,175	2,480,175	15,330,000	4,824,176	20,154,176
1,675,000	572,344	2,247,344	1,825,000	654,675	2,479,675	10,634,542	9,814,184	20,448,726
1,850,000	426,938	2,276,938	2,025,000	489,125	2,514,125	11,670,458	8,927,656	20,598,114
2,025,000	267,094	2,292,094	2,225,000	306,375	2,531,375	12,375,000	1,734,719	14,109,719
2,225,000	91,781	2,316,781	2,450,000	105,350	2,555,350	13,625,000	596,506	14,221,506
20,900,000	25,635,976	46,535,976	22,900,000	29,086,841	51,986,841	197,530,000	239,818,568	437,348,568

d—Brushy Creek

On December 16, 1985, the City of Austin entered into a contract with the Brushy Creek Water Control and Improvement District No. 1 of Williamson and Milam Counties (the District) and three other entities: the City of Round Rock, Williamson County MUD No. 2 and Williamson County MUD No. 3. This contract provides for joint funding of a regional wastewater collection and treatment system serving the upper Brushy Creek watershed in Williamson County.

According to the contract, when bids for the construction are received, participants have the option of reviewing those bids and reconsidering participation if bids exceed estimated construction costs stated in the contract by ten percent. If any party decides to withdraw, the District and other participants are relieved from their obligation to proceed with the project; they may also continue participation. When actual bids were received in June 1987, Williamson County MUD No. 2 notified the District of its intention to withdraw from the project. Since that time, Williamson County MUD No. 3 has also withdrawn leaving only the Cities of Austin and Round Rock.

The District presently holds a wastewater discharge permit issued by the Texas Water Commission which will allow a discharge of ten million gallons a day when the system is functional, providing the City with an additional 17,920 living unit equivalents ("LUEs") (approximately equal to one single family detached residence) of wastewater treatment for its customers. After additional wastewater discharge permitting is obtained, the City will have a total of 27,500 LUEs.

Under this contract, the District acts as Project Manager and uses funding from the other participants for acquiring, constructing, financing and operating the system. The Project Manager is assisted by a Technical Committee, established in the contract, which serves in an advisory capacity to the District. It is responsible for reviewing plans, specifications and work related to the project contracts; submitting recommendations to the District for operating budgets, rates for service, and awards or changes in project contracts, reviewing changes to the Engineering Report; and reviewing any other matters referred to the Committee. This Committee is comprised of two members each from Austin and Round Rock.

Ownership in the project at September 30, 1988 is delineated in the following ratios:

	Phase IA & IB
City of Austin	85%
City of Round Rock	15%

The most recent audited figures for the project show the following analysis of funding and expenditures as of September 30, 1988:

	City of Austin	City of Round Rock	Williamson County MUD No. 2	Williamson County MUD No. 3	Total
Funded	$2,911,239	381,550	984,361	248,986	4,526,136
Interest earned on funded amounts	80,347	5,107	34,432	9,205	129,091
Total sources	2,991,586	386,657	1,018,793	258,191	4,655,227
Expenditures for the project	2,937,233	430,397	950,969	244,224	4,562,823
Refunds to participants withdrawn from the project	—	—	67,824	13,954	81,778
Total uses	2,937,233	430,397	1,018,793	258,178	4,644,601
Liability to customers at September 30, 1988	54,353	(43,740)	—	13	10,626

Estimated project costs at July, 1987 were $56,545,724, an increase of $15,854,694 over original estimates. Increases in project costs were attributed to design requirements from the Williamson County Edwards Aquifer Rules, stricter blasting requirements, a higher quality biological waste treatment system, and increased reimbursement costs for donated facilities. During 1988, because of the withdrawal of two participants, reduced growth projections and increase costs, the project was scaled down and phased for construction over the next ten years. This has reduced the City's near term costs substantially and its share of total costs to $33,577,000.

To finance the wastewater treatment facilities, the City has issued approximately $23 million of Revenue Bonds; the remaining funds are comprised of capital recovery fees which have already been collected, North Austin Municipal Utility District No. 1 contract bonds, and developer participation funds.

CITY OF HELENA, MONTANA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—JUNE 30, 1989

Note O. Joint Ventures

Montana Municipal Insurance Authority

Pursuant to an interlocal agreement authorized by State statutes, the City is a member of the Montana Municipal Insurance Authority (MMIA). The Authority provides coverage for workers' compensation and liability insurance. The liability limits are set at $750,000 per person and $1.5 million per accident. The reserve for the liability program is covered under a $6.265 million bond issue. The City's portion of the debt outstanding at June 30, 1989 is $492,281.

The Board of Directors is made up of six representatives of cities with populations of 25,000 and over and six representatives of cities and towns with populations under 25,000. One director is appointed by the 12 members. To date, the MMIA liability insurance group has 103 members and the MMIA workers compensation group has 78 members. The operating and capital budgets approved by the Board are funded based on contributions recommended by an actuarial study.

The annual operating budget is approved by the Board of Directors and presented to the members at the annual meeting. MMIA is a non-profit organization. The Board of Directors operate under Roberts Rules of Order with all business approved by majority vote of the members present.

The City is contingently liable for its pro-rata portion of the $6.265 million bond issue. The debt service requirement to maturity, excluding interest, is presented below for the City's portion of the debt:

Year Ending	Principal	Annual Rates
1989/90	$ 15,789	6.25%
1990/91	17,003	6.50%
1991/92	17,813	6.70%
1992/93	19,028	6.90%
1993/94	20,242	7.10%
1994/95	21,861	7.25%
1995/96	23,481	7.40%
1996/97	25,100	7.50%
1997/98	26,719	7.60%
1998/99	28,743	7.70%
1999/20	31,172	7.80%
2000/01	33,601	7.90%
2001/02	36,030	7.90%
2002/03	38,864	8.00%
2003/04	42,103	8.00%
2004/05	45,342	8.00%
2005/06	49,390	8.00%
	$492,281	

Unaudited summary financial information for Montana Municipal Insurance Authority for the year ending June 30, 1989, and audited summary financial information for the year ended June 30, 1988 is as follows:

Liability Insurance Fund

	Unaudited June 30, 1989	Audited June 30, 1988
Financial Position:		
Total assets	$ 10,305,546	$ 8,585,588
Total liabilities	(8,848,431)	(8,326,354)
Net assets	$ 1,457,115	$ 259,234
Operating Results:		
Total revenues	$ 2,592,682	$ 2,664,796
Total expenses	(1,399,683)	(2,739,973)
Excess revenues (expenses)	$ 1,192,999	$ (75,177)
Changes in Net Assets:		
Balance, beginning of year	$ 259,234	$ 316,687
Excess revenue (expense)	1,192,999	(75,177)
Contributed capital	4,882	17,724
Balance, end of year	$ 1,457,115	$ 259,234

Worker's Compensation Fund

	Unaudited June 30, 1989	Audited June 30, 1988
Financial Position:		
Total assets	$ 2,569,705	$ 1,610,269
Total liabilities	(1,744,423)	(1,610,269)
Net assets	$ 825,282	$ —
Operating Results:		
Total revenues	$ 2,384,127	$ 2,254,305
Total expenses	(2,667,316)	(2,254,305)
Excess revenues (expenses)	$ (283,189)	$ —
Changes in Net Assets:		
Balance, June 30, 1988	$ —	$ —
Excess revenues (expenses)	(283,189)	—
Estimated claims incurred but not reported	1,108,471	—
Balance, June 30, 1989	$ 825,282	$ —

Helena Municipal Airport

Pursuant to a joint resolution authorized by State statutes, the City joined Lewis and Clark County to establish and operate the Helena Municipal Airport (Airport). The joint resolution created a seven-member Joint City-County Airport Board (the Board) to act as agent of the City and County in operating the Airport. The City and County alternate on an annual basis making appointments to the Board so that on alternate years, each government will have appointed four of the members serving on the Board. The operating and capital budgets are funded by user fees, government grants and a permissive tax levy on County residents as authorized by State statutes. Upon dissolution, the City's share in the net assets of the Airport would be in excess of 50% based upon a division formula contained in the joint resolution. Summary financial information as of, and for the fiscal year ended June 30, 1989 follows:

	Audited
Cash and investments	$ 1,011,102
Other assets	8,264,953
Total assets	$ 9,276,055
Total liabilities	$ 1,537,188
Total equity	7,738,867
Total liabilities and equity	$ 9,276,055
Total revenues	$ 1,187,788
Total expenses	1,364,794
Net decrease in equity	$ (177,006)

Revenue bonds were issued in 1977 and 1982 for various building and runway improvements. These variable rate bonds, with average interest rates between 5.16% and 9.32%, are payable from net revenues of the Airport. The debt service requirements to maturity, excluding interest, are presented below:

Year Ending June 30,	Amount
1990	$ 115,000
1991	130,000
1992	130,000
1993	135,000
1994	135,000
Thereafter	540,000
Total outstanding	$1,185,000

Lewis and Clark Library

In 1974, the City entered into an Interlocal Library Contract with Lewis and Clark County to create the Lewis and Clark Library (the Library) located within the City of Helena. The five-member Board of Trustees (the Board) consists of two members appointed by each government and one member appointed jointly. The operating and capital budgets are funded in accordance with a funding agreement between the governments. For fiscal 1989, the City's general fund expenditures include $142,365 paid to the Library. The City has a 50% share in the net assets of the Library. Summary financial information as of, and for the fiscal year ended June 30, 1989 follows:

	Unaudited
Cash and investments	$ 45,460
Other assets	2,193,290
Total assets	$2,238,750
Liabilities	$ 760,000
Fund equity	1,478,750
Total liabilities and equity	$2,238,750
Revenues	$ 671,203
Expenses	632,545
Net increase in equity	$ 38,658

General obligation bonds were issued by Lewis and Clark County to fund construction of the Library facility. These variable rate bonds, with interest rates between .05% and 6.30%, mature as follows (exclusive of interest costs of $59,423):

Year Ending June 30,	Amount
1990	$ 95,000
1991	95,000
1992	95,000
1993	95,000
1994	95,000
1995	95,000
Total outstanding	$570,000

CITY OF ANAHEIM, CALIFORNIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—JUNE 30, 1989

Note 17—Joint Ventures

Authority for California Cities Excess Liability (ACCEL)

The City has obtained excess liability coverage through the Authority for California Cities Excess Liability (ACCEL), a joint powers authority of medium size California municipalities. ACCEL pools catastrophic general liability, automobile liability, and public officials errors and omissions losses. ACCEL intends to pool virtually every catastrophic loss incurred by its members, thereby eliminating the need for commercial excess insurance protection. As a result, each member's share of the pooled costs will depend on the catastrophic losses of all the members. In addition, the cost to a member city will also depend on that member's own loss experience. Entities with a consistent record of costly claims will pay more than entities with a consistent record of lesser claims activity.

In order to provide funds to pay claims, ACCEL collects a deposit from each member. The deposits are credited with investment income at the rate earned on the Authority's investments. At June 30, 1989, ACCEL's investments totalled $15,188,000 of which the City of Anaheim's share is $2,947,000. The following is a summary financial information of the Authority as of and for the fiscal year ended June 30, 1989 (in thousands):

Total Assets	$15,955
Total Liabilities	15,903
Members Equity	52
Total Revenues	6,276
Total Expenses	6,246
Excess Income over Expenses	30

The following municipalities are also members of ACCEL: Bakersfield, Burbank, Gardena, Modesto, Ontario, Palo Alto, Santa Barbara, Santa Monica and Visalia. A representative from each member city, appointed to the position by their City Council, serves on the Board of Directors of ACCEL. The Board is responsible for deciding the risks the Authority will underwrite, monitoring the costs of large claims, and arranging financial programs. Each member of the Board has an equal vote in matters concerning the Authority. ACCEL does not have any debt outstanding.

Jointly-owned utility plant

The City's Electric Utility owns a 3.16% interest as a tenant in common in the San Onofre Nuclear Generating Station (SONGS), Units 2 and 3. The other participants and their respective ownership interests in Units 2 and 3 are: Southern California Edison (SCE), 75.05%; San Diego Gas and Electric Company, 20%; and the City of Riverside, California, 1.79%. There are no separate financial statements for this joint venture since each participants' interests in utility plant and operating expenses are included in their respective financial statements. The City's cumulative share of construction costs included in utility plant at June 30, 1989 amounted to $172,914,000. The City's bonded indebtedness incurred to finance its portion of the construction costs is also included in these financial statements.

The operation and maintenance of SONGS is the responsibility of SCE. The five-member San Onofre Board of Review (the Board) approves the joint venture's budgets for capital expenditures and operating expenses. SCE has two participants on the Board, including the chairman; Anaheim and the other participants each have one representative on the Board.

Other

The City plans to participate in various power generation projects with other agencies. Deferred charges include $5,938,000 of unamortized project costs which represent advance payments to participating agencies for preliminary engineering and environmental impact studies for the related projects.

SHELBY COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note (11)—Joint Ventures

Memphis Cook Convention Center

The County entered into an agreement with the City of Memphis to fund the construction and operations of the Memphis Cook Convention Center. In October 1970, the County issued $12,500,000 of general obligation bonds to pay a portion of the County's share (50%) of the cost of construction. The bond issue is being repaid from revenues generated by a five percent hotel-motel room tax levied against the occupants of hotels and motels located in the County.

The Convention Center is managed by the Auditorium and Market Commission, a five-member board consisting of three members appointed by the mayor of the City of Memphis and two members appointed by the mayor of Shelby County. The commission is responsible for reporting the results of operations of the Convention Center semi-annually to both the City and County. Each participant shares equally in the profits of the Convention Center and is responsible for funding any deficit from operations in the same proportion. The County contributed approximately $975,000 to the operations of the Convention Center during the year ended June 30, 1989.

Mid-South Coliseum

The Mid-South Coliseum is a joint operation between the City of Memphis and Shelby County. It is managed by a board consisting of two members appointed by the City of Memphis, two appointed by the County, and one appointed jointly by the City and County. The participants must approve expenditures other than salaries over $2,000 and salaries over $3,000. The City and County share in profits or fund any deficits from operations in a ratio of 60% and 40% respectively.

The following is a summary of the financial information of the joint ventures (not covered by independent auditor's report):

	Memphis Cook Convention Center	Mid-South Coliseum
Balance sheet date	June 30, 1989	June 30, 1989
Operating revenues	$ 1,660,091	$2,938,254
Operating expenses		
Depreciation	622,141	277,628
Other	3,073,977	2,438,910
Operating income (loss)	(2,036,027)	221,716
Fundings from (payments to) City of Memphis and Shelby County	1,950,896	(150,000)
Non-operating income	7,266	199,338
Net income (loss)	$ (77,865)	$ 271,054
Assets	$ 20,730,414	$4,396,635
Long-term liabilities payable from operating revenues	—	348,667
Other liabilities	318,479	735,505
Fund equity	$ 20,411,935	$3,312,463

ST. LOUIS COUNTY, MISSOURI

NOTES TO COMBINED FINANCIAL STATEMENTS—YEAR ENDED DECEMBER 31, 1988

Note H—Agreement with St. Louis Regional Health Care Corporation:

Through an agreement with St. Louis Regional Health Care Corporation (RHCC), the County provides hospital and skilled nursing services to medically indigent inhabitants of the County. The agreement provides that the County will make periodic payments to RHCC for services provided to certified County patients according to a formula based on the amount of billed charges to County patients as a percentage of total RHCC billed charges, applied to net operating expenses. Additionally, the agreement provides that the County will provide funding for 50% of principal and interest requirements on borrowings of RHCC for the purposes of acquiring, renovating, and equipping the hospital facilities.

The agreement with RHCC further stipulates that the County will provide funding for 50% of any operating deficit incurred by RHCC after consideration of all other available funding sources. However, it is the County's position that all operating expenditures should be encompassed within the formula for net operating expenses described above, and thus the County would not anticipate any expense under this segment of the contract.

Condensed summary financial data for the RHCC as of June 30, 1988 is as follows:

	(In Thousands)
Total assets	$47,778
Total liabilities	42,778
Fund balance	$ 5,000

The excess of expenses over revenues before settlements under joint venture agreements with the City of St. Louis and St. Louis County totalled approximately $33,892,080. Pursuant to the agreement, the County paid or accrued $5,718,313 for the year ended June 30, 1988, including the County's pro rata share of net expenses, at approximately 19%, and the County's 50% share of interest expense.

The above financial data was obtained from RHCC audited financial statements for the year ended June 30, 1988. RHCC's independent auditors expressed an unqualified opinion on those financial statements.

At December 31, 1988, the County's share of estimated principal and interest requirements to maturity on RHCC debt is as follows:

Year ending December 31,	Principal	Interest	Total
1989	$ 840,000	$ 735,660	$ 1,575,660
1990	840,000	666,360	1,506,360
1991	1,340,000	594,960	1,934,960
1992	1,340,000	478,380	1,818,380
1993	1,340,000	361,800	1,701,800
1994	1,340,000	241,200	1,581,200
1995	1,340,000	120,600	1,460,600
	$8,380,000	$3,198,960	$11,578,960

Related contractual obligations for the above disclosed principal amounts are included in the County's General Long-Term Debt Account Group.

The County's estimated payments for patient care and its share of the anticipated operating deficit for RHCC is being paid on an estimated pro rata basis each month. Such estimates are based on expected utilization of the hospital by County patients of approximately 19.5%.

The Board of Overseers for RHCC consists of three appointees of the County Executive, three appointees of the Mayor of the City of St. Louis, and one joint appointee to serve as Chairman.

The County's agreement with RHCC is considered a joint venture, because it constitutes a contractual agreement for public benefit in which the County retains an ongoing financial responsibility.

STARK COUNTY, DICKINSON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 13: Joint Venture

Stark County entered into a joint venture for the operation of the Southwest Multi-County Correction Center with Dunn, Hettinger, Bowman, Slope and Billings counties. Each county appoints one member to the correction center board. Each participating county's share of the cost of operations is determined by the relative population of each county based upon the 1980 census.

Summary financial information for 1988 is not available. The following information is as of, and for the year ended December 31, 1987, is as follows:

Cash and investments	$ 1,036,514.52
Other assets	9,402,187.37
Total assets	$10,438,701.89
Total liabilities	$ 5,760,699.48
Total equity	4,678,002.41
Total liabilities and equity	$10,438,701.89
Total revenues	$ 1,244,156.67
Total expenses	1,191,683.08
Net increase in equity	$ 52,473.59

Bonds were issued in 1983 by Law Enforcement Center Building Authority. Stark County leases the building from the authority and in turn subleases to the Law Enforcement Center and the City of Dickinson. The annual lease payments are equal to the annual bond payments required. The annual requirements to maturity, excluding interest after December 1991 are presented in the next column.

Year Ending	Amount
1988	$ 369,475
1989	375,400
1990	430,225
1991	426,625
1992-2000	4,150,025
Total	$5,751,750

NEW FUNDS

Some governmental units found it necessary to establish new funds and disclosed that in the notes to the financial statements. The following illustrates excerpts from the notes of several surveyed financial statements.

THE CITY OF NORMAN, OKLAHOMA

NOTES TO COMBINED FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

III. Detail Notes on All Funds and Account Groups: [In Part]

B. Liabilities [In Part]

3. Fund Classifications

On July 1, 1988, the City changed its fund classifications by establishing four new funds: Emergency Medical Services Fund, Vehicle Internal Services Fund, Building Internal Services Fund, and Printing Internal Services Fund.

The Emergency Medical Services Fund ("EMSF"), previously reported in the General Fund, has been recorded as an enterprise fund. The net accounts receivables recorded in the General Fund at June 30, 1988 ($134,036) were transferred to the new fund in 1989 as a residual equity transfer which is recorded as a change in fund balance/retained earnings. Property, plant and equipment related to EMSF was recorded in the General Fixed Assets Account Group at June 30, 1988, at a cost value of $645,218. The property, at a net value of $391,663, was contributed by the General Fund and recorded in EMSF as a contributed capital in 1989.

The three new internal service funds were also previously reported in the General Fund. The only transfers or contributions made to the new funds were property, plant and equipment for the Vehicle and Building Services Funds. Properties related to these funds were recorded in the General Fixed Assets Account Group at June 30, 1988, at cost values of $309,439 and $455,382, respectively. The properties, at net values of $129,174 and $292,273, were contributed by the General Fund and recorded as contributed capital in the Vehicle and Building Services Funds, respectively, in 1989.

CHATHAM COUNTY, GEORGIA

NOTES TO COMBINED FINANCIAL STATEMENTS—FOR THE YEAR ENDED DECEMBER 31, 1988

(14) Fund Changes

Three new funds were created in 1988: one in the special revenue fund type, one in the capital projects fund type and the other in the agency funds. The Community Development Special Revenue Fund has been established to account for the grant revenues to support construction and related improvements for 24 low-income single family houses being built through the Habitat for Humanity Program. The Capital Improvement Program Fund has been established to account for the construction and acquisition of major capital projects. The Harbor Widening Agency Fund has been established to account for the proceeds of state funds flowing through Chatham County. Chatham County acting as the local assurer will provide land, easements, rights-of-way and relocations as well as construction costs of the project. The Georgia Department of Transportation is providing the funds to the County for the required local assurer's share.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

Note II—Stewardship, Compliance, and Accountability [In Part]

d. Establishment of New Funds

1. Solid Waste Fund—Until September 30, 1987, Solid Waste operations were a part of the General Fund. Because it is the intent of management that solid waste operating costs be recovered primarily through user charges, it was converted to an enterprise fund in fiscal year 1988.

2. Golf Course Fund—Until September 30, 1987, operations of the golf courses were a part of the General Fund. Because it is the intent of management that golf course operating costs be recovered primarily through user charges, it was converted to an enterprise fund in fiscal year 1988.

3. Communication Fund—Until September 30, 1987, the communication program was a part of the General Fund. Since it is the intent of management that the services provided by the communication program to other departments be accounted for on a cost-reimbursement basis, the Communication Division was reorganized as an Internal Service Fund in fiscal year 1988.

CITY OF BEAUMONT, TEXAS

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

16. Establishment of New Funds

The City established the following new funds:

Small Business Revolving Loan Fund—To account for funds received from the U.S. Department of Commerce and the Economic Development Administration establishing a revolving loan fund to promote business development.

Emergency Shelter Grant Fund—To account for funds received from the Texas Department of Community Affairs and the U.S. Department of Housing and Urban Development to provide for the rehabilitation and operation of an emergency shelter for the homeless.

Housing and Urban Development Section 108 Loan Fund—To account for the loan guarantee assistance program under Section 108 of the Housing and Community Development Act of 1974, as amended.

Telephone Fund—To account for the revenues and costs associated with providing a communication service to City departments.

KING COUNTY, WASHINGTON

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 3—Fund Changes

Four new funds were created in 1988:

- Two new funds were created in the Capital Projects Fund group to account for revenue and expenditures related to new capital projects. They are Harborview Long-Range Capital Improvement Projects Fund and Health Department Clinic Projects Construction Fund.
- Two new funds were created in the Internal Service Fund group. One, the Employee Benefits Program Fund, accounts for employee benefits in subfunds for dental, life, and medical benefits. The other, Project Management Fund, accounts for the management of above-grade, non-park King County capital improvement projects.

Four funds were closed in 1988:

- One Special Revenue Fund, the Federal Shared Revenue Fund, was closed because activity was completed at the end of 1988.

- Three Expendable Trust Funds, the Dental Benefit Plan Fund, the Life Insurance Fund, and the Medical Benefit Plan Trust Fund were closed and their activity transferred to a new Internal Service Fund, the Employee Benefits Program Fund.

A name change was made for one Special Revenue Fund. The Road Service District Matching Fund was renamed Bridge Replacement Fund to identify the fund's new purpose.

Beginning in 1988, subfunds are being used with certain funds and reported separately on combining schedules within their fund group. The subfunds of the Employee Benefits Program Fund are the Employee Dental Benefit Program Subfund, the Employee Life Benefit Program Subfund, and the Employee Medical Benefits Program Subfund. The subfunds of the Systems Services Operating Fund are the Data Processing Services Subfund and the Telecommunication Services Subfund.

Two funds reported in the Special Revenue Fund group in 1988 were reported in the Trust and Agency Fund group in 1987. They are the Law Library Fund, which accounts for the King County Law Library, and the Flood Control Zone Districts Fund, which accounts for four Flood Control Zone Districts within King County.

The 1988 beginning fund balances for the Special Revenue Fund group in the Combined Statement of Revenues, Expenditures and Change in Fund Balances is changed from the ending fund balances of 1987 by the inclusion of these two funds:

Ending fund balances for 1987 per the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	$22,863,660
1988 Beginning fund balance for:	
Law Library Fund	274,361
Flood Control Zone Districts Fund	877,286
1988 Total beginning fund balances	$24,015,307

OPERATING LEASES

According to GASB Cod. Sec. 1400.108, significant noncapitalized lease commitments should be disclosed in the notes to the financial statements.

Many governmental units had significant operating-type leases for which disclosure was made in the notes to the financial statements. The following illustrates several examples of these disclosures.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

II. Details of All Funds and Account Groups [In Part]

6. Lease Obligations [In Part]

a. Operating Leases

General Fund—The County's lease agreements are contingent on the County Board appropriating funds for each year's payments. The following is a summary of the County's future commitments, due in years ending June 30, under operating leases:

1990	$ 3,992,291
1991	3,969,700
1992	3,969,700
1993	3,969,700
1994	3,969,700
1995	3,969,700
Thereafter	31,757,600

Court House Plaza—In January 1987, the County entered into various agreements for the disposition of land owned by the County (the "Court House Tract"). The agreements call for the sale of a fee interest through January 20, 2062 in a portion of the Tract on which a hotel will be constructed.

The agreements lease the remainder of the Tract to a developer on which two office buildings and two residential buildings will be constructed. At the end of the lease term (75 years) all land and improvements thereon will revert to the County. As compensation the County will receive 50% of the net cash flow generated by the office and residential buildings, subject to a minimum of $100,000/year. The County will also receive a guaranteed rental of $350,000/year for the first four years of the lease. During the fiscal year ended June 30, 1989 the County received $175,000 under the lease agreement.

The County is also leasing a portion of one of the office buildings for general government offices. Under the lease the County is paying a minimum annual rental of $3,969,700.

The County is a party to a number of building and equipment lease agreements, most of which involve purchase options. Lease commitments under such lease purchase options are summarized below under capitalized leases. The building lease commitments are subject to various adjustments during the term of the lease.

Ballston Public Parking Garage—The County (as lessee) has entered into a lease agreement for approximately 4.41 acres of land used for construction and operation of a parking garage facility which opened on September 29, 1986. Minimum annual lease payments become due at September 29 of each year during the 45-year lease term as follows:

Years	Amount
1-5	$ 129,996
6-10	255,000
11-15	279,996
16-20	405,000
21-25	654,996
26-27	904,992
28-45	1,279,992

CITY OF RICHMOND, VIRGINIA

NOTES TO COMBINED FINANCIAL STATEMENTS—JUNE 30, 1989

18. Leases

Lessee

The City leases office space, business machines and vehicles under operating lease agreements. Operating lease agreements are generally for one-year terms or allow cancellation if for original terms of five years and twenty years, respectively. GRTC leases tires and tubes based on mileage driven; RMA leases expressway toll-collecting equipment.

At June 30, 1989, the approximate annual operating lease commitments subject to appropriation of funds, except for the office space leases also included below, were as follows:

	Operating Leases	
Fiscal Year	City	RMA
1990	$ 2,340,396	$ 486,000
1991	1,809,880	486,000
1992	1,751,171	283,500
1993	1,417,884	—
1994	1,384,284	—
1995 and thereafter	14,881,053	—
Total minimum lease payments	$23,584,668	$1,255,500

Rent expense for the City during fiscal 1989 aggregated approximately $2,496,863, of which approximately $479,000 related to the RMA.

Lessor

The RMA Stadium Facility has entered into a Stadium Use and Management Agreement with the Atlanta National League Baseball Club, Inc. for a period of ten years ending December 31, 1994. The Agreement will automatically renew for an additional ten years unless written notice of termination is given by either party. Rent paid to RMA, which aggregated $137,809 for fiscal 1989 is based on a percentage of estimated ticket revenues for each season.

COUNTY OF SACRAMENTO, CALIFORNIA

NOTES TO COMBINED FINANCIAL STATEMENTS—JUNE 30, 1989

(Amounts expressed in thousands)

Note 8—Leases [In Part]

Lease Obligations [In Part]

The County also leases buildings and equipment under operating leases, some of which contain escalation clauses. Future minimum noncancellable operating lease payments for Governmental and Proprietary Fund types as of June 30, 1989 are as follows:

		Proprietary	
	Governmental	Enterprise	Internal Service
Year Ending June 30			
1990	$ 6,872	80	450
1991	4,046	8	325
1992	4,127		291
1993	3,046		233
1994	2,245		175
Thereafter	10,159		
	$30,495	88	1,474

Operating leases may be terminated without substantial penalty if the Board of Supervisors determines that funds are not available for appropriation in the County budget.

Total rental payments recorded in the Governmental Funds, the Enterprise Funds and the Internal Service Funds under operating leases for the year ended June 30, 1989 were $8,149, $363 and $898, respectively.

RELATED PARTY TRANSACTIONS

Many of the surveyed governmental units had operations that involved agreements and arrangements that were termed to be related party transactions by the reporting governments. These transactions involved a wide variety of transactions between funds and organizations.

The following are excerpts from the notes to the financial statements of some of the surveyed governmental units of related party transactions.

INDEPENDENT SCHOOL DISTRICT NO. 70, LAKE CRYSTAL, MINNESOTA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

9. Commitment and Related Party—

The District has entered into an agreement for interdistrict cooperation with Independent School District No. 78, pursuant to Minnesota Statutes, Section 122.541. The agreement is for an initial period from July 1, 1987, to June 30, 1991. Under the agreement, pupils in kindergarten through grade six attend school in the district in which they reside, pupils in grades seven and eight from both districts attend school in Independent School District No. 78, and pupils in grades nine through twelve from both districts attend school in Independent School District No. 70. According to the agreement, each district pays its proportionate share of certain net costs of cooperative instruction.

For the year ended June 30, 1989, the District's share of cooperative instruction costs incurred in Independent School District No. 78 was approximately $680,000, and Independent School District No. 78's share of cooperative instruction costs incurred in the District was approximately $637,000. At June 30, 1989, the District had a receivable from Independent School District No. 78 in an amount of $17,480 relative to the cooperation agreement.

SWEETWATER COUNTY SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 11. Related Party Transactions

During the year ended June 30, 1989, the District entered into material business transactions, in the ordinary course of District business, with a member of the School Board. The total dollar amount of the transactions for the year was $58,169, and all transactions were completed in accordance with District policy and applicable State statutes. Additionally, $8,240 was accrued as owed to this Board member at June 30, 1989.

UNION COUNTY SCHOOL DISTRICT NO. 1, LA GRANDE, OREGON

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 16. Related Party Transactions:

During 1988-89, the meat contract for the schools lunch program was awarded to Rocking K Meats, who was the low bidder on the contract. Rocking K Meats is owned and operated by Board member Connie Knoles and her husband. The total amount of meat purchased during the year totaled $7,830.

HOUSING AUTHORITY OF THE CITY OF OMAHA, OMAHA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note K. Related Parties

OHA is affiliated with two not-for-profit corporations. Housing in Omaha, Inc. (HIO), which operates 56 townhomes for low-income families and the Omaha Housing Authority Foundation, Inc. (OHAF) which provides educational, civic, cultural and social programs to OHA residents.

OHA provides management services to HIO on a fee basis. Management fees paid to OHA for the year ended December 31, 1988 were $42,524.

OHA personnel perform the daily accounting and administrative duties for both HIO and OHAF, to include collection of rents and fees from tenants, processing disbursements and preparing financial statements. Transactions are processed through OHA's accounting system and result in a receivable or payable. The results of this custodial activity was a $80,879 receivable from HIO and a $15,427 payable to OHAF as of December 31, 1988.

CHATTANOOGA HOUSING AUTHORITY, CHATTANOOGA, TENNESSEE

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note M—Related Parties

The Authority's Revolving Fund acts as a common pay master for all the entities associated with the Authority, and periodically receives reimbursement from them. Certain other expenditures are also paid by the Authority's Locally Owned Program and is later reimbursed. At December 31, 1988, receivables and payables between these programs are reflected in Notes C (Accounts Receivable) and G (Accounts Payable).

CLARK COUNTY, WASHINGTON

NOTES TO FINANCIAL STATEMENTS—YEAR ENDED DECEMBER 31, 1988

17. Related Parties

In 1982, Clark County authorized the creation of the Industrial Revenue Bond Public Corporation (IRBPC) of Clark County. This is a public corporation whose purpose is to issue tax-exempt nonrecourse revenue bonds to finance industrial development within the County. Revenue bonds issued by the corporation are payable solely from revenues of the industrial development facility funded by the revenue bonds and are neither a liability nor a contingent liability of Clark County nor a lien on any of its properties or revenues. The Board of County Commissioners comprises the Board of Directors for the Public Corporation.

IRBPC issued bonds totalling $2,800,000 during 1988. The cumulative authorized bonds issued by the Corporation as of December 31, 1988 amounts to $21,100,000. Bonds in the amount of $1,200,000 have been issued so far in 1989.

GREENVILLE COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

(12) Related Party Transactions

The County purchased approximately $800,000 in construction services from a company that is partially owned and operated by one of the County's councilmen. These services were procured under the County's normal competitive bidding process.

COUNTY OF HENRICO, VIRGINIA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

14. Related-Party Transactions

During fiscal year 1989, the County contributed $1,159,600 to the Industrial Development Authority (see Note 1) to foster economic development within the County.

On October 15, 1986, the County entered into a Lease Purchase Agreement with the Industrial Development Authority of the County of Henrico (the "Authority") for a human services building. The Authority has appointed the County as its agent to carry out the construction of the building. The County is required to pay rent in an amount sufficient to pay the principal and interest on $5,610,000 in Lease Participation Certificates issued by the Authority to finance the construction of the building. Principal and interest payments of $440,000 and $267,963, respectively, were made during fiscal year 1989. Title to the building will transfer to the County at the termination of the lease. The County has recorded a capital lease obligation for this transaction.

During fiscal year 1989, the Capital Region Airport Commission paid the County $23,289 for water and sewer services.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—FOR THE YEAR ENDED DECEMBER 31, 1988

(15) Related Party Transactions

Under the terms of agreements dated July 1, 1965 and April 1, 1986, the City of Pittsburgh agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operation and maintenance of the Stadium complex and debt service on the Stadium bonds over the total funds available to the Stadium Authority for those purposes.

The Stadium Authority is required to repay these grants to the extent that its revenues are not required for operation and maintenance of the Stadium complex and debt service on the Stadium bonds.

The City disbursed $20,000,000 to the URA, which is not a component unit of the City, to fund its Business Reinvestment Fund. Under the terms of a cooperation agreement between the two, these funds were then used to make a loan to a private coalition organized to acquire the assets of the Pittsburgh Athletic Company, Inc. (owner of the Pittsburgh Pirates). The URA is obligated to repay the $20,000,000 if funds become available through the occurrence of certain events, principally the sale of the Pittsburgh Pirates major league baseball franchise.

The City has entered into an intergovernmental cooperation agreement with the County of Allegheny, Pennsylvania, setting forth their mutual understandings regarding financial assistance to be provided by the County in connection with the City's efforts to retain the Pittsburgh Pirates major league baseball franchise. In connection with this agreement, the County has agreed to make annual grants through the year 2011 to the Authority for Improvements in Municipalities (AIM) in an amount equal to (a) all County real estate taxes generated by virtue of the taxability of Three Rivers Stadium and (b) $426,000. AIM has agreed to make annual grants equal to the amounts described in (a) above and deferred loans of $426,000 to the City for projects and facilities located within the City (see note 8G). The sale of the Stadium to private owners has not taken place. Accordingly, no amounts were due under (a) above.

The City is responsible for the billings and collections of the Water and Sewer Authority's water charges. At December 31, 1988, the reserve for uncollectible accounts and City water usage is $17,214,000 which includes $8,120,000 recorded prior to the inception of the Authority.

CITY OF MERCED

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 4. Related Party Transactions

The City provides various administrative and internal service functions to the Redevelopment Agency, certain enterprise operations, and several other fund activities. The charges for these functions have been included in the respective statements of revenues and expenditures/expenses.

SELF-INSURANCE

Many of the surveyed governments self-insured certain risks. The areas of self-insurance varied and included risks for workers compensation, property liabilities, medical claims, and, in some cases, general liability. In several instances, governments provided self-insurance up to a specified maximum; in other instances deductible-type insurance programs were used. Examples of notes related to some of the reported self-insurance programs appear as follows.

CITY OF LINCOLN, NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS—AUGUST 31, 1988

(20) Self-Insurance and Insurance Revolving Fund Deficit

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City has self-insured its workers' compensation for over 25 years and began self-insuring its general liability and public transportation liability in October, 1985, and February, 1986, respectively. The auto liability risk continues to be insured on a guaranteed cost basis through an A+ rated insurance company. The self-insurance programs are administered through the Risk Management Division. The City is self-insured for workers' compensation risks up to $300,000 per individual, $500,000 per occurrence, other property risks up to $125,000 per occurrence, and employee long-term disability under the Insurance Revolving Fund, which is included in the internal service funds. Workers' compensation is covered by a policy which provides $2,000,000 limits above the City's retention of $300,000 per individual and $500,000 per occurrence. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to $1,000,000 per individual and $5,000,000 for all individuals per occurrence. The governmental and proprietary funds pay budgeted premium amounts to the Insurance Revolving Funds.

The City retained the services of an actuary during 1988 to prepare an analysis of the self-insured workers' compensation, general liability, and public transportation liability risks. The analysis will be used to assist the City with its financial planning and management of the self-insurance program. Included in the specific objectives of the study were to:

- Estimate the outstanding liabilities for the fiscal year ended August 31, 1988.
- Forecast ultimate incurred losses and incurred but not reported (IBNR) losses for fiscal years ended August 31, 1989 through August 31, 1991.
- Estimate the required funding level for the City's self-insured liabilities.

The City funds its self-insurance program on a "pay as you go" basis. Annual premiums charged to the funds are based on estimates of the amount to be paid in the fiscal year. Claims liabilities of $2,974,420 were recorded at August 31, 1988. This is the actuarially estimated amount of both workers' compensation and liability claims based on an estimate of ultimate incurred losses as of that date. The Insurance Revolving Fund included with the internal service funds has a deficit of $771,785 in retained earnings at August 31, 1988, which the City anticipates to begin funding in the fiscal year ending August 31, 1990.

CITY OF LUBBOCK, TEXAS

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

(U) Risk Management

On July 10, 1976, the City joined the Texas Municipal League's self-insurance pool program for Worker's Compensation. This program is administered by a servicing contractor, which furnishes claims review and processing. The City is on a cash flow basis which means that the Texas Municipal League adjusts claims and bills the City monthly for payments made for Worker's Compensation.

The City administers the Workers' Compensation program in the Insurance Fund (an Internal Service Fund) by charging various fund types premiums based upon losses, administrative fees and reserve requirements. The City then reimburses the Texas Municipal League from the Insurance Fund as billings are received.

From November 15, 1982 until December 2, 1986, the City was a part of the Texas Municipal League's liability insurance pool program for all liability coverages except the airport, which was retained under a separate policy. Because of significant increases in premium, the City canceled its coverage with the Texas Municipal League on December 2, 1986 and became totally self-insured except for the airport. The City retained a contract with the Texas Municipal League to provide claims adjusting services.

In order to provide funding for its self-insurance program, the City passed a resolution establishing a liability self-insurance program within the Insurance Fund. The resolution called for an initial funding of $500,000 with additional funding to be provided by charges to various fund types. The basis for additional charges is determined by periodic actuarial studies. Incurred but not reported claims have been accrued as a liability based primarily upon an actuary's estimate. The Texas Municipal League bills the City monthly for loss payments made which the City pays from the funding accumulating in the Insurance Fund for loss payments.

The City also accounts for property and boiler coverage in the Insurance Fund. The property insurance policy has a $250,000 deductible per occurrence and the boiler deductible is $2,500 to $100,000 depending upon the type of unit. Premiums are charged to the various fund types based upon policy premiums and amounts to build a reserve for deductible payments.

Other small insurance policies, such as surety bond coverage, Airport liability and miscellaneous floaters, are accounted for in the Insurance Fund. The various fund types are charged premiums based on the policy premium amounts and any applicable administrative charges.

The fund balance of the Insurance Fund is the reserve for payment of unexpected losses for the coverages provided in the Insurance Fund.

PENINSULA TRANSPORTATION DISTRICT COMMISSION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 13—Commitments

Self Insurance—As a member of the Virginia Transit Liability Pool, the Commission has made a commitment for annual premiums in the amount of $229,507 for fiscal year 1990. Under the plan, the Commission is self-insured for the first $250,000 of each occurrence. The pool covers the next $5,000,000 per occurrence.

Employee Medical Benefit—Under this plan, the Commission covers the first $25,000 per occurrence with third party insurance covering claims exceeding those amounts up to $1,000,000.

BUENA VISTA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 9—Self Insurance

Beginning with the 1987-88 school year, the District has participated in a self insurance program through the Middle Cities Association. This program provides substantially all the insurance needs of the District, including property, general liability, automobile and umbrella. Payments made for the year ended June 30, 1989 were $54,792. The contributions made by the District fund the program at 2 times the expected claims. The possibility of additional claims exist but the amount of liability to the District would be immaterial by the time the aggregate stop-loss coverages are triggered.

There is also a possibility of a refund due the District. Therefore, no contingent liabilities nor assets have been recognized on the District's financial statements for the year ended June 30, 1989.

GREEN BAY AREA PUBLIC SCHOOL DISTRICT, WISCONSIN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

Note 12—Self-Funded Insurance Program

On July 1, 1984, the District established a self-funded health and dental benefit plan for its employees. The Plan administrators, Wisconsin Physicians Service and Employers Health Insurance, are responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ended June 30.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. The Plan is accounted for in an expendable trust fund of the District. Wisconsin Statute 120.13(2)(f) requires a separate audit of the Plan which must be made available to the Wisconsin Department of Public Instruction.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage which pays claims in excess of 125% of the annual estimated claims. For the year ended June 30, 1989 the aggregate claim limit was $5,172,203. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 1989, the District has reported a liability of $940,082 which represents reported and unreported claims which were incurred on or before June 30, 1989, but were not paid by the District as of that date. The amounts not reported to the District were estimated using historical cost data by the District.

The District must also comply with restrictions on the accumulation of excess assets. The Wisconsin Department of Public Instruction requires that any "excess net assets" which arise at the end of the contract date must be used to reduce the premium equivalency charges for the new contract period. "Excess net assets" are defined as the amount which exceeds the lesser of 25 percent of the estimated annual costs for the succeeding contract year or the estimated incurred but not reported (IBNR) claims unless an IBNR claim liability greater than 25 percent of estimated annual costs for the succeeding contract year has been established by audit.

TOWN OF STRATFORD, CONNECTICUT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—FOR THE YEAR ENDED MARCH 31, 1989

5. Self-Insurance

The Town is self-insuring workmen's compensation, automobile, and personal liability risks. The Finance and Claims Committee of the Town Council meets monthly to hear and approve claims. The Town has not established any reserve for self-insurance and funds the claims through the Contingency Account in the General Fund budget. Total claims expenditures for the fiscal year ended March 31, 1989 were approximately $860,000 for workers compensation and $130,000 for automobile and personal liability.

TOWN OF FARMINGTON

NOTES TO FINANCIAL STATEMENTS—FOR THE YEAR ENDED JUNE 30, 1989

16. Self-Insurance

The Town's self-insurance program, which commenced July 1, 1983, is used to account for accident and health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis. Retired employees are also covered by the program provided that they pay a yearly premium to the Town. Under the program, the Town is obligated for claim payments. A stop loss insurance contract executed with an insurance carrier covers claims in excess of 120% of expected claim payments. During 1989, total claims expense of $1,433,499, which did not exceed 120% of expected claim payments, was incurred which represents claims processed and an estimate for claims incurred but not reported as of June 30, 1989.

Resources to pay claims are derived from the General Fund and are recorded as revenues of the internal service fund and expenditures of the General Fund in accordance with NCGA Interpretation 11, Claims and Judgment Transactions for Governmental Funds.

SUBSEQUENT EVENTS

In some cases, governments reported events, such as incurrence of debt, that occurred subsequent to the close of the fiscal year. Disclosure of such subsequent events is required. Excerpts of notes related to subsequent events are as follows.

TOWN OF MANCHESTER

NOTES TO THE FINANCIAL STATEMENTS—JUNE 30, 1989

Note 12. Subsequent Events

In constructing an addition to the sewage treatment plant on Olcott Street, the Town of Manchester was cited with a wetlands violation by The U.S. Army Corps of Engineers.

A consent decree has been entered into which will hold the Town of Manchester liable for a civil penalty of $300,000.

The project engineers have agreed to settle for a release of any and all claims from the Town of Manchester for the sum of $375,000.

The project contractor is counterclaiming present damages in the amount of $275,000, and $100,000 for release of any and all future claims that may arise. This results in an amount of $300,000, net, for which the Town of Manchester will be liable, and is payable over a 3 year time period.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

14. Subsequent Event

On September 12, 1989 the Town issued $4,500,000 in General Obligation Public Improvement Bonds, Series of 1989. The bonds bear interest at rates ranging from 6.40% to 6.80% and mature in increasing annual installments through 2010. The proceeds will be used for various capital improvement projects for public buildings, public works, recreational facilities and airport improvements.

GREENVILLE TRANSIT AUTHORITY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989 and 1988

Note 9—Subsequent Event:

In October 1989 the Authority and the City of Anderson, South Carolina agreed in principle for the Authority to assume responsibility for the operations of the Anderson Transit System, effective January 1, 1990. An agreement consummating this arrangement is expected to be finalized prior to January 1, 1990.

GRAYS HARBOR PUBLIC UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS—JANUARY 1, 1988 THROUGH DECEMBER 31, 1988

Note 11. Subsequent Event to the State Audit

On September 6, Judge Browning approved the WPPSS Settlement (MDL 551). The District's share of the settlement amounted to $16,599,573.30 of which the District paid $6,500,000 on December 15, 1988, directly from its Revenue Fund.

On June 14, 1989, the District made an additional payment of $5,000,000 into the WPPSS Escrow Account and again on June 20, 1989, for the final payment of $5,105,699.77 of which $6,126.47 was interest. The two June payments, totaling $10,105,699.77, were directly from the 1989 Revenue Bond proceeds.

Upon approval of the Settlement, the District has received and will receive proceeds from insurance settlements in the following amounts and manner: on September 14, 1989, the District received $3,325,165.61 plus $1,487.09 in interest for interim between date of approval and receipt of funds; and on December 15, 1989, the District will receive $2,241,643.56.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO COMBINED FINANCIAL STATEMENTS—JUNE 30, 1989

Note 10: Subsequent Events

Subsequent to the balance sheet date a settlement in the amount of $50,000 was paid to an employee for the following:

Contract Payoff	$33,560
Legal Fees	16,440
	$50,000

EXETER-WEST GREENWICH REGIONAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note H—Subsequent Event

On November 7, 1989 the voters of the Towns of Exeter and West Greenwich passed a referendum authorizing additional bonds to be issued in the amount of $2,664,000 to be used for completion and equipping of the new junior-senior high school and to provide athletic facilities at said school.

THE CONSOLIDATED SCHOOL DISTRICT OF AIKEN COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

16. Subsequent Events:

The School District has entered into several substantial renovation contracts after June 30, 1989 for various schools in the district. These contracts total $742,151.

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

NOTES TO COMBINED FINANCIAL STATEMENTS—[JUNE 30, 1989]

(13) Subsequent Events

(a) November 7, 1989 Election

Bond Issue

Eighty-seven percent of the City's voters approved a $59.7 million general obligation bond issue for public safety improvements to City-owned buildings, including earthquake safety, asbestos removal and access for the disabled.

Sales Tax For Transportation

A one-half of one percent increase in the local sales tax was authorized by the voters for mass transit and other traffic and transportation purposes to be effective January 1, 1990. The measure also authorizes issue of $742 million limited tax bonds to be payable from these tax revenues.

(b) Earthquake Damage

The City suffered significant damage in an earthquake which occurred October 17, 1989. Identification of all damaged property and infrastructure and estimation of replacement or repair costs is a continuing process expected to take several months to complete. Additionally, the City incurred substantial non-recurring operational expenses/expenditures for fire, police, building inspection and similar services. As of November 22, 1989, the preliminary property damage estimate was $500 million for all City owned property, including assets recorded in the Enterprise Funds and General Fixed Asset Account Group, and infrastructure assets not recorded in the financial statements. This estimate is preliminary and has not been subject to audit by the City's independent auditors.

The City's administration expects some initial decrease in property, business and other local tax revenues, net of available State reimbursements, but does not believe this will have a significant effect on its ability to fund appropriations already authorized for the current fiscal year or to provide an appropriate level of service in future years.

The Federal Emergency Management Agency will reimburse the City for 75% of qualified property damage costs and non-recurring operational expenses/expenditures. The State of California will reimburse 100% of remaining qualified costs and expenses/expenditures. If necessary, the City has several sources available to fund any non-reimbursed portion of costs and expenses/expenditures, including existing resources, increased local taxes, and/or debt financing. The City administration believes that sufficient resources will be available so that there will be no long-term material adverse impact on the City's financial condition.

CITY OF SANTA MONICA, CALIFORNIA

NOTES TO COMBINED FINANCIAL STATEMENTS—JUNE 30, 1989

(22) Subsequent Events

On October 13, 1989, the City acquired, for approximately $17,390,000, 9.5 acres of land as the site for a rail yard which would be required if the proposed Los Angeles-Santa Monica light rail line is constructed. The purchase price was funded by drawing down $10,490,000 maintained in a rail reserve account held by the Los Angeles County Transportation Commission (LACTC) and a long-term loan from the LACTC in the amount of $6,900,000.

Pursuant to the terms of the transaction, the land acquired must be utilized for the proposed rail yard. Should the rail line not be built, the land acquired will be resold with the proceeds repayable to the LACTC to be held in accordance with the Rail Reserve agreement between LACTC and the City.

CITY OF SACO, MAINE

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

15. Subsequent Events

The City guaranteed a $180,000 defaulted promissory note of a private company. The bank which holds such note filed suit against the City and was granted a summary judgment in Cumberland County Superior Court for the amount of the note plus an undetermined amount of interest and costs. The City of Saco appealed the decision of the Law Court, which overruled the earlier decision in July, 1987 and remanded the matter back to the Superior Court for further findings, at which time summary judgment was granted in favor of the City. The bank appealed the decision, and in November, 1989, the Maine Law Court affirmed the judgment in favor of the City. Therefore, this lawsuit no longer presents a risk of loss to the City.

CITY OF MYRTLE BEACH, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note 15. Subsequent Events

On the night of September 21, 1989, Hurricane Hugo struck the coast of South Carolina. The Class 4 storm had an impact on the City. Some beachfront sewer lift stations, portions of the sanitary sewer collection system, and most of the City's rights-of-way sustained extensive damage due to wind and wave action. There was also considerable damage suffered by oceanfront property owners and considerable erosion to City beaches. A majority of the damage to City-owned assets have been repaired as of the time of issuance of these statements. The City has also embarked on a $2.6 million federal and state funded beach renourishment project involving damaged beach areas. The City is fully insured for replacement cost with a retention of $100 per loss. Claims have been filed with the City's property insurance carrier where appropriate and full recovery is anticipated. Uninsured losses (water distribution and sewer collection systems) have been reported to the Federal Emergency Management Agency (FEMA). Full recovery is anticipated for these losses. The full impact on future revenue sources as a result of Hurricane Hugo cannot be identified at this time.

The City plans to issue $19.2 million of water revenue bonds in the spring of 1990 to finance construction of major capital facilities necessary in conjunction with an agreement to provide water to the City of North Myrtle Beach. Although the system expansion will be owned and maintained by the City, a minimum water capacity will be guaranteed to the City of North Myrtle Beach, on a long-term basis for which the City will receive monthly payments, based on capacity and usage, over the life of the agreement.

COUNTY OF SAN JOAQUIN, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

Note S—Subsequent Events

Subsequent to June 30, 1989, the County issued $40,000,000 of Tax and Revenue Anticipation Notes (TRANS) to finance seasonal cash flow requirements of the County for fiscal year 1989-90. The principal of the notes and the interest thereon are paid from pledged property taxes and revenues the County expects to receive during the fiscal year 1989-90. The 1989-90 TRANS will be due on July 2, 1990.

Additionally, the County entered into a 20 year trust-lease agreement evidenced by Certificates of Participation in the amount of $40,899,100 issued by San Joaquin Public Facilities Financing Corporation for the financing of the Jail and Sheriff's Operating Center Project. The certificates are dated September 26, 1989 and are due on November 15, 2019.

Effective July 1, 1989, the San Joaquin Local Health District merged with the County as a department within the general fund. The new department is designated Public Health Services and has annual revenues and expenditures in excess of $10 million.

MARION COUNTY, OREGON

NOTES TO THE COMBINED FINANCIAL STATEMENTS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

Note 18—Subsequent Events:

On July 31, 1989, the County negotiated a short-term tax anticipation note with the United States National Bank of Oregon in the amount of $4,950,000. The note matures on June 29, 1990 and bears interest at the rate of 5.9% per annum.

On September 7, 1989, the County entered into a lease purchase agreement with the State of Oregon, Department of Energy, Small Scale Energy Loan Program to acquire and construct a Release Center/Sheriff Substation at 3950 Aumsville Highway, Salem, Oregon. The lease commitment is for $2,700,000 bearing interest at the rate of 7.9% per annum. Interest payments on the aggregate total amount of construction funds are payable the first of every month from October 1, 1989 and ending January 1, 1991. Thereafter, the county will pay $26,647 per month for 180 months.

KING COUNTY, WASHINGTON

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 18—Subsequent Events

Incorporations and Annexations

Voters approved incorporation of the City of Sea-Tac and the City of Federal Way in elections held March 4, 1989. The City of Tukwila completed four annexations early in 1989. These incorporations and annexations involved a population of approximately 87,000, about 15% of the population of unincorporated King County.

King County must continue to provide services with a diminished revenue base. The County Executive and County Council are working jointly to evaluate the impact of the incorporations and annexations on major regional and municipal services provided by the County. County agencies providing municipal services are examining potential revenue loss and commensurate reductions in service.

The Office of New Cities has been established to assist in the transition of the newly incorporated cities.

Section 3: Balance Sheet

BALANCE SHEET FUND TYPES AND ACCOUNT GROUPS

As stated in section GASB cod. sec. 2200.108 [in part]... "Balance sheets show financial position—the assets, liabilities, and fund balance or other equity—of an individual fund, several funds, or all funds and account groups of a governmental unit at a specified date. Combined balance sheets show the data for each fund type and account group... The Combined Balance Sheet—All Fund Types and Account Groups may contain a total, with or without interfund and similar eliminations.... Any interfund and similar eliminations made in the combined or combining balance sheets should be apparent from the headings or disclosed in the notes to the financial statements."

Table 3-1 summarizes the fund types and account groups reported by governmental units in the combined balance sheets sampled.

TABLE 3-1. FUND TYPES AND ACCOUNT GROUPS REPORTED BY GOVERNMENTAL UNITS IN THE COMBINED BALANCE SHEET

	Instances Observed			
Fund Types Reported*	**1989**	**1988**	**1987**	**1986**
Governmental funds:				
General fund	457	461	452	411
Special revenue funds	441	447	427	380
Capital projects funds	384	390	367	220
Debt service funds	348	355	328	280
Special assessment funds*	11	47	119	117
Proprietary funds:				
Enterprise funds	400	393	378	364
Internal service funds	212	226	178	82
Fiduciary funds:				
Trust and agency funds	400	415	398	296
Expendable Trust	10	13	14	24
Non-Expendable Trust	1	2	0	5
Account groups:				
General fixed assets account group	392	414	379	306
Long-term debt account group	441	442	418	337

*As required by GASB Statement No. 6, for periods beginning after June 15, 1987, the special assessment fund type is eliminated for financial reporting purposes.

ASSETS

CASH AND INVESTMENTS

A variety of accounts are used by governmental units to report on unrestricted cash, investments, and cash and cash equivalents. Table 3-2 shows that fewer than half the surveyed governmental units presented cash as a single item in their balance sheets. Many units elected to combine cash with investments or other cash equivalents. Below are excerpts relating to the presentation of cash and investments from the combined balance sheets of several governmental units.

TABLE 3-2. CASH-BALANCE SHEET CAPTIONS

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Cash	191	179	200	285
Cash and investments	121	129	177	110
Cash and cash equivalents[1]	79	75	63	48
Cash with fiscal agent	58	61	57	NC[3]
Cash with additional wording[2]	44	69	63	109
Cash and temporary investments	31	27	NC	NC
Certificates of deposit	9	12	18	NC

[1]Includes cash and equivalents, cash and cash investments, certificates of deposit or other time deposits.
[2]Includes cash on hand, cash in bank, cash in checking, or petty cash.
[3]Not compiled.

CITY OF MEMPHIS, TENNESSEE

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

3. Cash and Cash Equivalents and Investments

The City uses a central cash and investment pool for virtually all funds other than the City Retirement System Fund. The City's component units do not participate in the City's cash and investment pool. The individual fund pool balances are based upon actual cash receipts and disbursements with investment earnings allocated monthly to each fund on a pro-rata basis.

Following is a description of the City and component unit deposits and investment information. Investments are classified into three categories of credit risk based upon the following criteria:

Category	Description
A	The investment is insured or registered or securities[1] are held by the City/component unit or its agent in the City's/component unit's name.
B	The investment is uninsured and unregistered with securities[1] held by the counterparty's trust department or agent in the City's/component unit's name.
C	The investment is uninsured and unregistered with securities[1] held by the counterparty or by its trust department or agent but not in the City's/component unit's name.

[1]includes securities collateralizing repurchase agreements.

Deposits are classified into three categories of credit risk based upon the following:

Category	Description
1	The deposits are insured or collateralized by securities held by the City/component unit or its agent in the City's/component unit's name.
2	The deposits are collateralized by securities held by the pledging financial institution's trust department or agent in the City's/component unit's name.
3	The deposits are uncollateralized which includes deposits collateralized by securities held by the pledging financial institution or by its trust department or agent but not in the City's/component unit's name.

As shown below, certain investments are classified as Category C and certain deposits as Category 3. The Category C amounts are principally investments managed by the City/component unit where securities are maintained by the counterparty's safekeeping department in the City/component unit's name rather than with the counterparty's trust department or its agent. The Category 3 amounts are principally deposits in excess of insurance or collateral pledged or where collateral is held by the pledging financial institution but not in the City/component unit's name. Management evaluates the reputation, credibility and past performance of broker/dealers and financial institutions prior to conducting business to determine the level of credit risk involved. In managements' opinion, the investment safekeeping arrangements provide minimal credit risk.

Due to large property tax collections in the months of July, August and September, the amounts in the City Pool are typically at their highest level during this period of the year. Thus, investments in commercial paper and banker's acceptances (which are both primarily Category C investments) are typically higher during this period.

City Pool

Funds included in the City pool as of June 30, 1989, are as follows:

Fund	Cash	Investments
General	$1,756,236	22,547,015
Federal Revenue Sharing	122,169	2,240,804
Community Development	5,162	—
Job Training Partnership Act	490,888	—
Debt Service	228,780	4,181,966
Capital Projects	2,585,580	8,319,779
Sewer Collection and Treatment	1,675,959	30,733,875
Port Commission	273,447	5,000,932
Other Enterprise	32,046	587,792
Printing and Supply	31,674	580,962
Information Systems	100	—
Health Insurance	4,931	90,428
Unemployment Compensation	869	15,933
Ramesses	16,640	305,205
The Memphis International Cultural Series	22,850	419,119
Community Services	73,815	207,602
	$7,321,146	75,231,412

The City's investment policy with respect to the cash and investment pool is to maximize investment earnings while maintaining an acceptable level of risk. Since investments in the pool must provide for the future cash needs of the City, flexibility and liquidity of investments is generally maintained at all times. Cash and investments in the pool include:

- Certificates of deposit and repurchase agreements with maturities of up to two years. Certificates of deposit are limited to $100,000 with any local, regional or national bank but may be up to $2,000,000 with any of the top 25 (in terms of total assets) U.S. banks. Investments in repurchase agreements must be collateralized by obligations of the U.S. Government or its agencies whose market values must equal 100% of the investment carrying value.
- Obligations of the U.S. Government or its agencies generally with maturities of less than one year.
- Bonds and commercial paper rated "A1" by Standard and Poor's or "P1" by Moody's Investor Services and banker's acceptances with the top 50 (in terms of total assets) world banks. Amounts are also invested in institutional mutual funds with portfolios in U.S. Government obligations.

The City has contractual agreements with outside professional money managers who manage approximately 40% of the pool's investment portfolio. Investments in the pool at June 30, 1989, were as follows:

Description	Carrying Amount	Category A	Category C
Repurchase agreements	$ 3,000,000	—	3,000,000
Banker's acceptances	2,937,441	—	2,937,441
Obligations of the U.S. Government and its agencies	30,499,701	30,499,701	—
Corporate bonds	12,711,394	12,711,394	—
Commercial paper	25,316,376	2,500,000	22,816,376
	74,464,912	45,711,095	28,753,817
Mutual funds	766,500		
	$75,231,412		

At June 30, 1989, the carrying amount approximates (within 3%) market values, individually and in the aggregate, for the above investments.

Cash deposits consisted of the following at June 30, 1989:

Description	Carrying Amount	Bank Balance— Category 1	Bank Balance— Category 3
Demand deposits with banks	$ 763,136	400,000	5,278,485
Certificates of deposit	7,000,000	700,000	6,300,000
	7,763,136	1,100,000	11,578,485
Cash on hand	105,185		
Overdraft accounts	(547,175)		
	$7,321,146		

Library

Investments (carrying amount equal to market value) at June 30, 1989, were as follows:

Description	Carrying Amount	Category C
Other	$19,941	19,941

Capital Projects

The City's Capital Projects Fund owns investments outside of the City Pool. These investments were purchased from the unspent portion of general obligation bond issues which require the City to maintain separate investments for arbitrage purposes. Investments at June 30, 1989, were as follows:

Description	Carrying Amount	Category C
Repurchase agreements	$ 1,392,000	1,392,000
Banker's acceptances	956,339	956,339
Commercial paper	3,006,975	3,006,975
Obligations of the U.S. Government and its agencies	19,237,034	19,237,034
State and local government bonds	22,426,966	22,426,966
	$47,019,314	47,019,314

At June 30, 1989, the City's Capital Projects Fund had on deposit $10,406,888 in the State of Tennessee local government investment pool. At June 30, 1989, the carrying amount of the above investments approximates (within 3%) market values.

Sewer Collection and Treatment

Investments at June 30, 1989, were as follows:

Description	Carrying Amount	Category A	Category C
Commercial paper	$3,990,017	—	3,990,017
Obligations of the U.S. government and its agencies	1,191,474	—	1,191,474
State and local government bonds	882,000	882,000	—
	$6,063,491	882,000	5,181,491

At June 30, 1989, Sewer Collection and Treatment had on deposit $289,474 in the State of Tennessee local government investment pool. At June 30, 1989, the carrying amount of the above investments, individually and in the aggregate, approximates (within 3%) market values.

The state and local government bonds of $882,000 are legally restricted with an escrow agent for revenue bond purposes.

Other Enterprise

Investments (carrying amount equal to market value) at June 30, 1989, were as follows:

Description	Carrying Amount	Category A
Commercial paper	$10,000	10,000

City Retirement System

The type of investments in the City Retirement System Fund are principally the same as those in the City pool but also include investments in common and preferred stocks. Similar to the City pool, the City utilizes outside professional money managers who manage approximately 96% of the City Retirement System Fund investment portfolio. Investments at June 30, 1989, were as follows:

Description	Carrying Amount	Category A	Category C
Repurchase agreements	$ 3,850,000	—	3,850,000
Banker's acceptances	6,458,743	—	6,458,743
Obligations of the U.S. Government and its agencies	182,950,204	182,407,581	542,623
Common and preferred stocks	288,889,952	288,889,952	—
Corporate bonds	60,418,617	56,961,517	3,457,100
Commercial paper	15,012,127	6,985,650	8,026,477
	557,579,643	535,244,700	22,334,943
Other	88,075		
Mutual funds (money market)	57,905,243		
	$615,572,961		

At June 30, 1989, the market value for common and preferred stocks was $332,165,046 while the market value approximates (within 3%) the carrying amount, individually and in the aggregate, for the other above investments.

Cash deposits consisted of the following at June 30, 1989:

Description	Carrying Amount	Bank Balance—Category 1
Demand deposits with banks	$ 1,455,341	1,601,989
Certificates of deposit	4,712,660	4,712,660
	6,168,001	6,314,649
Overdraft accounts	(12,403,975)	
	$ (6,235,974)	

The bank overdraft at June 30, 1989, equals the carrying amount of the overdraft accounts. Such overdrafts represent securities purchased in excess of demand deposits with banks. The overdrafts were satisfied subsequent to June 30, 1989, by redeeming amounts in mutual funds.

MATA

MATA invests available funds primarily in short-term certificates of deposit, long-term U.S. Government obligations, repurchase agreements with maturities varying from 1 to 30 days and commercial paper with maturities varying from 30 to 90 days.

Investments (carrying amounts equal to market value) at June 30, 1989, were as follows:

Description	Carrying Amount	Category A	Category C
Obligations of the U.S. Government and its agencies	$ 207,250	207,250	—
Banker's acceptances	5,273,376	—	5,273,376
Commercial paper	2,654,876	—	2,654,876
	8,135,502	207,250	7,928,252
Mutual funds	57,000		
Total	$8,192,502		

U.S. Treasury Notes of $197,250 are pledged to the State of Tennessee under a performance bond for MATA's workers' compensation self-insurance.

Cash deposits consisted of the following at June 30, 1989:

Description	Carrying Amount	Bank Balance—Category 1	3
Demand deposits with banks.	$ 818,156	711,416	1,961,832
Certificates of deposit	3,160,017	2,040,245	1,119,772
	3,978,173	2,751,661	3,081,604
Cash on hand	1,050		
	$3,979,223		

Mid-South Coliseum

Investments (carrying amount equal to market value) at June 30, 1989, were as follows:

Description	Carrying Amount	Category C
Repurchase agreements	$600,000	600,000

Cash deposits consisted of the following at June 30, 1989:

Description	Carrying Amount	Bank Balance—Category 1	3
Demand deposits with banks ...	$ (173,412)	100,000	29,689
Certificates of deposit	1,240,174	300,000	940,174
	1,066,762	400,000	969,863
Cash on hand	7,675		
	$ 1,074,437		

Convention Center

Cash deposits consisted of the following at June 30, 1989:

Description	Carrying Amount	Bank Balance—Category 1
Demand deposits with banks	$(203,600)	47,421

Library Retirement System

The type of investments in the Library Retirement System are principally the same as those in the City Retirement System. Similar to the City Retirement System, the Library utilizes outside professional money managers who manage 100% of the Library Retirement System investment portfolio. Investments at June 30, 1989, were as follows:

Description	Carrying Amount	Category A	C
Obligations of the U.S. Government and its agencies	$ 5,003,665	4,780,852	222,813
Common and preferred stocks	6,579,416	—	6,579,416
Corporate bonds	1,608,565	1,608,565	—
	13,191,646	6,389,417	6,802,229
Mutual funds	905,000		
	$14,096,646		

At June 30, 1989, the market value of common and preferred stocks exceeds the carrying amount by approximately 13.8% in the aggregate. Market approximates (within 3%) carrying amount, individually and in the aggregate, for the other above investments.

Cash deposits consisted of the following at June 30, 1989:

Description	Carrying Amount	Bank Balance—Category 1
Demand deposits with banks	$ 29,045	40,847
Certificates of deposit	275,000	275,000
	304,045	315,847
Overdraft accounts	(1,209)	
	$302,836	

Deferred Compensation

At June 30, 1989, amounts invested in mutual funds, primarily stock funds, at market totaled $20,038,153.

Component Units

Cash and investment information for the Board of Education is in Note 15 and for MLG&W is in Note 16.

CITY OF PHOENIX, ARIZONA

NOTES TO THE FINANCIAL STATEMENTS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

4. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds except the Pension Trust Fund and the Deferred Compensation Fund. Each fund type's portion of this pool is displayed on the combined balance sheets as "Equity in Pooled Cash and Investments." In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust fund and the deferred compensation fund are held separately from those of other City funds.

The Pooled Cash and Investments Account was comprised of the following:

Account	June 30 1989	1988
Cash in Bank	$ 9,008,611	$ 5,253,558
Imprest Funds	2,534,922	1,351,113
Investments	314,413,350	236,708,754
Interest Receivable	2,969,820	693,753
Interest Purchased	463,636	2,117
	$329,390,339	$244,009,295

A summary of the equity in the Pooled Cash and Investments Account by fund at June 30, 1989 follows:

General Fund	$ 57,597,439
Special Revenue Funds	
Library	536,082
Highway User Revenue	10,592,770
Parks and Recreation	777,469
Cable Communications	112,533
Development Services	54,215
Local Transportation Assistance	27,918
Grants	576,543
Public Housing	6,061,591
Court Awards	1,013,550
Debt Service Funds	
General Obligation	8,717,079
Public Housing	1,175,304
City Improvement	48,575
Special Assessment	4,552,342
Capital Projects Funds	
Street Improvements	36,101,806
Police and Fire Protection	12,407,771
Storm Sewers	16,057,065
Parks, Recreation and Libraries	1,839,805
Public Housing	4,932,320
Transit	1,365,334
Fiduciary Funds	
Expendable Trust	459,283
Agency	15,644,700
Enterprise Funds—Unrestricted	
Aviation	20,272,109
Phoenix Civic Plaza	7,644,206
Water System	17,644,747
Wastewater	7,963,237
Refuse	15,500,212
Golf Courses	907,424
Enterprise Funds—Restricted	
Aviation	32,295,976
Phoenix Civic Plaza	785,536
Water System	34,087,280
Wastewater	8,871,025
Refuse	2,767,093
	$329,390,339

Deposits

At year end, the carrying amount of the City's deposits was $11,331,897 and the bank balance was $11,699,950. Of the bank balance $11,249,309 was covered by federal depository insurance or by collateral held by the City's agent in the City's name, and $450,641 was uninsured and uncollateralized. The uninsured and uncollateralized amount is the uninsured portion of funds held by Chase Manhattan Bank—New York for the City of Phoenix Insured Employee Health Benefit Plan. These are advance deposits held by the bank for employee health benefit payments.

Cash and securities with fiscal agents and trustees totalling $275,978,874 on June 30, 1989 were covered by collateral held in the fiscal agents' and trustees' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds.

Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, interest earning money market accounts, certificates of deposit and the State Treasurer's investment pool. The investments are carried at cost net of amortized premium or discount. It is the City's policy generally to hold investments until maturity.

The General Employees' Retirement Plan is also authorized to invest in common stocks, corporate bonds rated AA or better by Standard and Poor's Corporation or Aa or better by Moody's Bond Ratings, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City Charter allows up to a 60% investment in common stocks. The Pension Board's present policy has resulted In approximately 23% of the Plan's investments being placed in common stocks.

The Deferred Compensation Plan is also authorized to invest in common stocks and high quality corporate bonds rated "A" or better by Standard and Poor's.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the City of Phoenix at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the brokers' or dealers trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

All of the City's investments at June 30, 1989 are included in Category 1, except for the ICMA Deferred Compensation Plan investments which, as part of a separate investment pool, are not categorized. Investments are summarized as follows:

	Book Value	Market Value
Repurchase Agreements	$ 57,360,000	$ 57,360,000
U.S. Government Securities	510,588,790	520,128,775
Money Market Accounts	1,437,055	1,437,055
Commercial Paper	10,394,000	10,394,000
Corporate Bonds	47,676,354	47,599,784
Improvement District Bonds	132,000	132,000
Common Stock	81,281,587	91,609,924
ICMA Deferred Compensation Plan	8,663,111	8,663,111
	$717,532,897	$737,324,649

The Pension Trust Fund owns approximately 49% of the investments and the Deferred Compensation Plan approximately 7% of the investments.

Investments in the General Employees' Retirement Plan at June 30, 1989 were as follows:

	Book Value	Market Value
U.S. Government Bonds	$213,889,892	$221,518,977
Corporate Bonds	47,676,354	47,599,784
Common Stocks	81,281,587	91,609,924
Commercial Paper	9,292,000	9,292,000
	$352,139,833	$370,020,685

Investments of the Deferred Compensation Plans at June 30, 1989 were as follows:

	Amortized Cost	Market Value
U.S. Government Bonds	$39,530,431	$40,125,356
Commercial Paper	1,102,000	1,102,000
Certificates of Deposit	700,000	700,000
	$41,332,431	41,927,356
Investments in ICMA Plan		8,663,111
		$50,590,467

All investments made during the year were authorized and in accordance with the provisions of the City Code. There were no situations that occurred during the year which posed greater credit risk than at June 30, 1989. As of June 30, 1989 there were no commitments to resell securities under yield maintenance repurchase agreements.

City policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement. The market value of the securities underlying repurchase agreements were at or above the required level during the year.

The Phoenix City Code does not permit the City to enter into reverse purchase agreements.

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO FINANCIAL STATEMENTS—SEPTEMBER 30, 1988

(5) Cash, Equity in Pooled Investments and Investments

The City maintains a common cash and investment pool for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Equity or Deficit in Pooled Investments. In addition, cash and investments are separately held by the City's capital projects, enterprise and trust funds.

Cash

At year end the cash balances in the trust funds were held by fiscal agents for the trusts. The cash portion of Equity in Pooled Investments was under the control of City officials. The carrying amounts of cash in the trust funds and Equity in Pooled Investments were $(55,668) and $(1,577,156) respectively.

Florida Statutes require that all depositories holding public funds collateralize deposits in excess of F.D.I.C. insurance with the State Treasurer. Since the City uses only authorized public depositories, all funds with financial institutions are fully collateralized. The year-end cash balances are secured as follows:

	Bank Balance
Trust Funds:	
Insured by F.D.I.C.	$ 75,629
Equity in Pooled Investments:	
Insured by F.D.I.C.	$ 432,165
Collateralized with State Treasurer	964,315
	$1,396,480

Equity in Pooled Investments and Investments

Florida Statutes and City Ordinance authorize City officials to invest pooled funds in United States bonds and obligations, guaranteed United States agency issues, Florida county, municipal and district general, excise and revenue obligations, Florida State Investment Pool, Florida bank certificates of deposit, bankers acceptances, reverse repurchase agreements and prime commercial paper issues. In addition, the trust funds are authorized to invest in corporate bonds and stocks, money market funds, and mortgages and notes.

The City's investments are categorized by type to give an indication of the level of credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the City's custodian in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the City's custodian but not in the City's name.

At September 30, 1988 the amortized cost, market value and category of credit risk of the City's investments are as follows:

	Amortized Cost	Market Value	Category
Equity in Pooled Investments:			
Cash	$ (1,577,156)	(1,577,156)	—
Interest Receivable	1,099,733	1,099,733	—
Total	(477,423)	(477,423)	
U.S. Treasury Securities	55,380,067	56,232,505	1
U.S. Government Agency Securities	2,001,939	2,010,000	1
Florida State Investment Pool	48,530,517	48,530,517	—
Bank Repurchase Agreement	5,868,723	5,868,723	3
Total	111,781,246	112,641,745	
Total Equity in Pooled Investments	$ 111,303,823	112,164,322	

	Amortized Cost	Market Value	Category
Investments:			
Capital Projects Funds			
U.S. Treasury Securities	9,933,595	9,968,751	1
Commercial Paper..	5,000,000	5,000,000	1
Florida State Investment Pool.........	27,732,803	27,732,803	—
Bank Repurchase Agreement	847,276	847,276	3
Total	43,513,674	43,548,830	
Enterprise Funds			
U.S. Treasury Securities	3,947,100	3,947,100	1
Trust Funds			
U.S. Treasury Securities	47,049,183	46,829,761	3
U.S. Government Agency Securities	21,853,986	21,796,166	3
Money Market Funds..............	19,490,574	19,490,574	—
Corporate Obligations	10,492,865	10,258,491	3
Mortgages and Notes	237,375	235,000	3
Common Stock	84,178,045	80,303,710	3
Total	183,302,028	178,913,702	
Total Investments	$ 230,762,802	226,409,632	

The City's bank repurchase agreement was collateralized at the bank's holding company trust department with securities pledged to the City having a market value of $11,646,875 at year end. Due to fluctuating cash flows throughout the year, the City's investment in overnight bank repurchase agreements for which the underlying securities were held by the bank's holding company trust department varies significantly. As a result, the amounts that were in category 3 at times were substantially higher than at year end.

COUNTY OF DAUPHIN, PENNSYLVANIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—DECEMBER 31, 1988

(3) Cash and Investments

(a) Cash and Temporary Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the County adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposits, or repurchase agreements. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the County.

The following is a summary of the County's cash deposits which are insured by the Federal Depository Insurance Company (Category 1). The balance was not insured or collateralized in the County's name, but was collateralized in accordance with Act 72 which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name (Category 3).

	Category 1	Category 3	Total Bank Balance	Total Carrying Value
Petty cash	$ —	$ —	$ —	$ 13,510
Checking and savings accounts	1,987,102	4,485,002	6,472,104	4,318,220
Certificates of deposit........................	3,300,000	15,825,451	19,125,451	19,125,451
	$5,287,102	$20,310,453	$25,597,555	23,457,181
Uncategorized:				
Pennsylvania Local Government Investment Trust				529,121
				$23,986,302

(b) Investments

The investments of the County at December 31, 1988 have been categorized to indicate the level of risk assumed by the reporting entity. Category 1 includes investments that are insured, registered, or are held by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments, held by the counterparty, or by its Trust Department or agency but not in the County's name.

The carrying value, market value, and category at December 31, 1988 of the investments of the County were as follows:

	Category 1	Category 3	Total Carrying Value	Total Market Value
Money market	$106,727	$ 6,202,600	$ 6,309,327	$ 6,309,327
Certificate of deposit	59,050	—	59,050	59,050
U.S. Government securities	—	24,613,681	24,613,681	23,581,047
Corporate bonds		86,647	86,647	89,130
Common stock	291,423	10,382,701	10,674,124	11,464,970
	$457,200	$41,285,629	41,742,829	41,503,524
Deferred compensation plan mutual fund investments			956,806	956,806
			$42,699,635	$42,460,330

COUNTY OF VENTURA, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1989

3. Cash and Investments

California Government Code 53635 authorizes the County Treasurer to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase and reverse repurchase agreements, corporate notes, negotiable certificates of deposit, obligations of the State of California, and obligations of any local agency within California. As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pool are included in the accompanying combined balance sheet under the caption "Cash and investments with County Treasurer." These investments are stated at cost or amortized cost, which approximates market value. Interest earned on these investments is allocated to certain participating funds based on their average daily cash-in-treasury balances.

The Pension Trust Fund is authorized to invest in any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board of Retirement.

Investments of the Pension Trust Fund are held separately from those of other County funds and include equity securities stated at cost and debt securities stated at amortized cost. Both equity and debt securities are subject to adjustment for declines in market value deemed to be permanent. Real estate Investments are stated at cost.

Other investments include the Deferred Compensation Investment Agency Fund, Debt Service Funds, Capital Projects Fund, and Restricted Assets—Investments included in the governmental and proprietary fund types. Investments of the Deferred Compensation Investment Agency Fund (Note 6), are stated at market value. Other investments of the Public Facilities Corporation and Other Public Authorities Debt Service Funds, and the Public Facilities Corporation Capital Projects Fund are carried at cost, which approximates market value. Restricted Assets—Investments in the Radio Communications Internal Service Fund and Medical Center Enterprise Fund are allocated from the Public Facilities Corporation and are carried at cost, which approximates market value.

Carrying value of Cash and Investments with the County Treasurer, Pension Trust Fund Investments, and Other Investments and Restricted Assets at June 30, 1989 are summarized as follows (in thousands):

	Cash and Investments With County Treasurer	Other Investments & Restricted Assets: Pension Trust	Other	Total
Deposits	$ 36,851	$ 38,707	$ 330	$ 75,888
Investments	379,894	464,670	124,682	969,246
Total	$416,745	$503,377	$125,012	$1,045,134

Deposits

Deposits in Cash and Investments with County Treasurer include demand deposits and time certificates of deposit. Deposits in the Pension Trust Fund include demand deposits and pooled short-term temporary investments. Other deposits primarily consist of interest bearing demand accounts.

At June 30, 1989, the carrying amount of the County's deposits was $75,888,000 and the bank balance per various financial institutions was $72,438,000. Of the bank balance in financial institutions, $1,731,000 was covered by Federal depository insurance and $70,707,000 was uninsured. Of the uninsured deposits, $32,000,000 is held by financial institutions which are legally required by the California Government Code to collateralize the County's deposits by pledging government securities or first trust deed mortgage notes. The market value of the pledged securities and first trust deed mortgage notes must be at least 110% and 150% of the County's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the County's name. The remaining $38,707,000 are short-term investment funds in the Pension Trust Fund which are uncollateralized.

Investments

In accordance with the GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," the County's investments have been categorized below to indicate the level of credit risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the agent's nominee name, with subsidiary records listing the County as the legal owner. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. The GASB 3 categories do not apply to certain types of investments, such as loaned securities, annuity contracts, and mutual funds, due to their nature.

The carrying amount and market value of securities and other investments, exclusive of the Pension Trust Fund at June 30, 1989, are summarized below (in thousands):

	Category 1		Total	
	County Treasurer	Other	Carrying Amount	Market Value
Negotiable certificates of deposit	$ 90,045	$15,328	$105,373	$105,605
Commercial paper	22,887	—	22,887	22,887
Bankers' acceptances	94,402	—	94,402	94,485
Repurchase agreements	20,000	—	20,000	20,000
Corporate notes	5,000	—	5,000	5,000
U.S. Treasury obligations	51,312	41,879	93,191	93,542
U.S. Agency obligations	91,248	24,723	115,971	116,214
	$374,894	$81,930	$456,824	$457,733
Investment in State Treasurer's Investment Pool			5,000	5,000
Deferred compensation plan investments held by trustee			42,752	42,752
Total investments			$504,576	$505,485

The carrying amount and market value of the Pension Trust Fund investments at June 30, 1989 are summarized below (in thousands):

	Category 1	Mutual Funds	Loaned Securities	Total Carrying Amount	Market Value
Corporate bonds	$ 79,683	$ —	$ 1,540	$ 81,223	$ 81,835
U.S. Treasury obligations	11,777	—	84,517	96,294	99,444
U.S. Agency obligations	42,682	—	—	42,682	44,131
Common and preferred stock	114,107	—	3,874	117,981	146,618
Real estate	15,035	—	—	15,035	15,035
Investments held in Mutual Fund	—	111,455	—	111,455	112,523
Total	$263,284	$111,455	$89,931	$464,670	$499,586

Pursuant to an agreement with a financial institution, the Pension Trust Fund lends specific stocks, bonds, and government securities that are being held in trust at the financial institution to various brokers in return for a service charge. The financial institution is authorized to handle all the Retirement Association loan activity and has agreed to indemnify the Retirement Association for any losses of securities or income due to borrower failure or default. Accordingly, the securities on loan at June 30, 1989 are not shown separately on the Pension Trust Fund balance sheet but are included in their respective accounts on that statement.

Loaned securities are collateralized by cash, government securities, or irrevocable letters of credit equal to at least 102% of the market value of loaned securities. However, collateral is held by and in the name of the lending financial institution.

KATY INDEPENDENT SCHOOL DISTRICT, TEXAS

NOTES TO FINANCIAL STATEMENTS—AUGUST 31, 1988

2. Cash and Temporary Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The District's cash deposits at August 31, 1988 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were deemed collateralized under state law, and the Texas Education Agency maintained copies of all safekeeping receipts in the name of the District. Deposits were properly secured at all times. In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Bank	Combined Deposit	Securities Pledged	FDIC Coverage	Month
Katy National Bank	$19,082,221	$19,511,000	$ 300,000	February, 1988
First City National Bank	2,500,000	-0-	2,500,000	August, 1988
Texas Capital Bank—Ft. Bend	4,000,870	4,975,229	100,000	April, 1988
River Oaks Bank	3,323,341	3,619,414	100,000	June, 1988
Union Bank of Houston	2,070,193	1,985,236	100,000	September, 1987
First Interstate Bank	1,325,000	-0-	1,325,000	October 1987
Texas Capital Bank—Westwood	1,030,743	998,461	100,000	September, 1987
Citizen's Bank Rusk	100,000	-0-	100,000	February, 1988
Lone Star National Bank	100,000	-0-	100,000	February, 1988
Community Bank	100,000	-0-	100,000	February, 1988

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Investment Act of 1987.

The District's temporary investments at August 31, 1988 are shown below. All certificates of deposit and money market savings accounts were entirely covered by FDIC insurance or by collateral held at the District's agent bank or the Federal Reserve Bank in the District's name. All of the U.S. Treasury securities held by the District's agent bank were in the District's name. The Common Trust Fund consists of short-term U.S. Treasury securities and are held in the Trust Department of the District's agent bank in the District's name.

	Carrying Amount	Market Value
Money market savings accounts	$ 3,020,118	$ 3,020,118
Certificates of deposit	14,410,626	14,410,626
U.S. Treasury securities	7,698,631	7,820,176
Common Trust Fund	13,254,883	13,254,883
Total	$38,384,258	$38,505,803

ACCOUNTS, NOTES, TAXES, AND SPECIAL ASSESSMENTS RECEIVABLE

Generally, receivables are amounts due to the entity—on open account or from notes, loans, or the provision of materials and services. Receivables also may be special amounts due from private citizens and organizations, taxes due, and the current portion of special assessments due.

Table 3-3 summarizes the balance sheet titles used by governmental units to report receivables due. Excerpts from several combined balance sheets showing how some governmental units accounted for and reported various types of receivables are shown as follows.

TABLE 3-3. CURRENT RECEIVABLE

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Taxes receivable[1]	361	352	340	288
Accounts receivable[2]	336	327	315	305
Interest receivable[3]	203	239	200	153
Other receivables	138	136	135	109
Special Assessments	127	142	132	NC[4]
Notes receivable	84	89	75	54
Grants receivable	43	43	43	36
Receivables	30	48	32	26

[1] Includes all taxes receivable.
[2] Includes net and allowances.
[3] Includes accrued interest.
[4] Not compiled.

HENNEPIN COUNTY, MINNESOTA—EXHIBIT 1

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General (County Revenue)	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	1988	1987
ASSETS											
Cash and Investments (note 3):											
Cash $ 14,090,780											
Investments 289,925,108											
$304,015,888	$155,081,799	40,127,215	7,510,808	48,663,230	3,271,597	11,050,568	38,310,671	—	—	$ 304,015,888	$ 271,510,230
Taxes Receivable (note 4A):											
Current taxes	111,200,000	181,500,000	10,700,000	2,250,000	23,018,000	—	—	—	—	328,668,000	282,840,000
Delinquent taxes	5,942,122	4,207,102	175,212	36,355	476,429	—	39,408,188	—	—	50,245,408	46,919,858
Installment agreements	527,631	296,526	786,452	4,829	31,118	—	5,207,343	—	—	6,853,899	6,966,345
	6,469,753	4,503,628	961,664	41,184	507,547	—	44,615,531	—	—	57,099,307	53,886,203
Less allowance for uncollectible delinquent taxes	1,782,638	1,262,150	52,560	10,910	142,820	—	11,822,437	—	—	15,073,515	14,011,735
	4,687,115	3,241,478	909,104	30,274	364,727	—	32,793,094	—	—	42,025,792	39,874,468
Other Receivables:											
Due from other governmental agencies	2,609,068	14,967,501	—	919,120	—	574,323	—	—	—	19,070,012	15,412,892
Patient services, less allowances for contractual adjustments, uncollectible accounts, and free care of $15,999,721 in 1988 and $17,475,405 in 1987 (note 4B)	—	—	—	—	49,875,716	—	—	—	—	49,875,716	37,623,176
Due from third party payors	—	—	—	—	1,191,165	—	—	—	—	1,191,165	3,149,443
Accrued investment interest	2,353,590	—	—	149,738	—	—	—	—	—	2,503,328	2,251,668
Interfund receivable	93,400	—	—	—	—	—	—	—	—	93,400	—
Miscellaneous	1,089,300	642,826	—	3,237,123	2,224,797	—	—	—	—	7,194,046	5,205,831
	6,145,358	15,610,327	—	4,305,981	53,291,678	574,323	—	—	—	79,927,667	63,643,010

HENNEPIN COUNTY, MINNESOTA

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Receivables

A. Taxes

Property taxes attach as a lien on property as of January 2 in the year levied. Taxes are levied on October 10 and are payable in two equal installments the following year. The due dates for taxes on real property are one-half on or before May 15 and the remaining one-half on or before October 15. The due dates for payment of taxes on personal property are one-half on or before February 28 and one-half on or before June 30.

The County is subject to levy limitation under State law. The levy limit base for 1988 is the actual levy for taxes payable in 1987 increased by 3%, plus an adjustment of the greater of the growth in population or number of households. In addition, a special one-time-only increase in the levy limitation was granted by the Minnesota Commissioner of Revenue pursuant to guidelines established by the 1987 Minnesota Legislature.

The levy limit base applies to only a portion of the total County levy. For taxes payable in 1988, only 53% of the total levy was subject to the limitation and the County utilized 91% of its levy limit. The major elements of the property tax levy which were exempt from the 3% levy limitation included indigent health care, general assistance payments, and general obligation long-term debt. Other elements which were also exempt but limited to an 18% maximum increase over the previous year's actual levy include families with dependent children and medical assistance payments and the County's share of social service programs. For 1988, the County levied 95% of the maximum amount allowable under the 18% category.

The levy limitation has been changed for taxes payable in 1989. The levy limit base increase is limited to 4% over the actual levy for 1988, plus the adjustment of the greater of the growth in population or the growth in households over the 1988 level. In addition, another special one-time-only increase in the levy limitation was granted by the Commissioner of Revenue pursuant to guidelines established by the 1988 Minnesota Legislature. Most of the special levies applicable to 1988 are included in the levy limitation for 1989. In addition, a special levy for library property taxes was created. The 18% and unlimited categories remain.

The amount of the allowance for uncollectible delinquent taxes is an estimate based on historical collection experience.

B. Medical Center

Patient services revenue for the years ended December 31, 1988 and 1987 includes approximately $94,500,000 and $82,300,000, respectively, for patient billings under reimbursement agreements with third-party payors (Medicare, Medical Assistance and General Assistance Medical Care). The payment rates vary according to patient clinical diagnosis and various reimbursement formulas. The supporting documentation for patient classifications, appropriateness of admissions, and costs upon which the formula rates are determined are subject to audit by the third-party payors. Provisions for retroactive adjustments under the various reimbursement programs have been made in the financial statements. The difference between full charges for patient services and interim reimbursement rates under the third-party agreements are reflected as allowances for contractual adjustments in patient accounts receivable. In addition, an allowance is made for estimated uncollectible accounts. Allowances for patient receivables as of December 31 are:

	1988	1987
Contractual adjustments	$ 3,430,883	$ 4,991,252
Uncollectible accounts	12,568,838	12,484,153
	$15,999,721	$17,475,405

C. Miscellaneous Receivables

Hennepin Faculty Associates (HFA), a multispecialty group practice plan which is organized as a separate Minnesota nonprofit organization, has entered into a contractual arrangement with the County to provide certain administrative, supervisory, teaching, and patient care services to the Medical Center or its patients. As part of this agreement, the County will provide advance payments up to $5,000,000 for HFA's services to the Medical Center through December 31, 1989. In addition, HFA contributes a portion of its annual net income to the County and has leased space from the County. At December 31, 1988 and 1987, no advances were outstanding and other receivables from HFA resulting from this agreement totaled approximately $1,331,000 and $2,551,000, respectively.

MUNICIPALITY OF PENN HILLS, PENNSYLVANIA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	Total (Memorandum) (Only)
ASSETS AND OTHER DEBITS									
Cash held in escrow ...	$ 20,759	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 20,579
Cash and investments (Note 2)	763,298	271,542	15	1,687,192	(3,590)	9,168,836	—	—	11,887,293
Investments held in escrow (Notes 2 and 6)	—	—	1,486,141	—	1,501,412	—	—	—	2,987,553
Receivables (net, where applicable, of allowance for uncollectibles) (Notes 3 and 4):									
Taxes	181,585	—	—	—	—	—	—	—	181,585
Sewer usage charges	—	—	—	—	741,749	—	—	—	741,749
Community Development loans	—	418,299	—	—	—	—	—	—	418,299
Interest	558	463	—	21,865	—	120,042	—	—	142,928
Other	12,347	—	—	33,849	88,000	—	—	—	134,196

NOTES TO FINANCIAL STATEMENTS

3. Property Taxes

The Municipality is permitted by the Home Rule Charter law of the State of Pennsylvania to levy property taxes as considered necessary for general government services or payment of principal and interest on long-term debt. The tax rate to finance general government services for the year ended December 31, 1988 was $13.25 per $1,000 of assessed valuation.

Property liens on delinquent taxpayers do not attach on a specified schedule. The lien date and the period to which it applies are determined by the Municipal Manager and must be approved by the Municipal Council. At December 31, 1988, total delinquent taxes receivable was $518,468, of which $336,883 has been provided as uncollectible. Taxes receivable and deferred revenues reflected on the balance sheet have been reduced by the reserve for uncollectible property taxes.

The property tax calendar for 1988 was as follows:

1988 Millage rate adopted	December 16, 1987
1988 Bills dated	February 1, 1988
1985 Delinquent property tax bills liened	November 24, 1987
1988 Two percent discount period ended	April 1, 1988
1988 Penalty period begun	June 1, 1988
1987 Property taxes not paid declared delinquent	December 31, 1988
1986 Delinquent property tax bills liened	July 29, 1988

4. Provision for Uncollectible Sewer Usage Fees and Community Development Loans

The Municipality provides reserves for potentially uncollectible sewer fees and community development loans. These reserve balances at December 31, 1988 were $300,000 and $159,390, respectively.

CITY OF BEAUMONT, TEXAS—EXHIBIT A-1

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—SEPTEMBER 30, 1988—WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1987

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
ASSETS AND OTHER DEBITS											
Assets:											
Cash and investments	$4,618,441	$1,834,378	$2,395,097	$11,331,948	$6,653,892	$4,355,610	$508,233	$—	$—	$31,697,599	$32,289,840
Receivables, net of allowance for uncollectibles:											
Property taxes, delinquent	2,300,663	—	1,210,315	5,864	—	16,284	—	—	—	3,533,126	3,875,112
Notes	—	—	—	—	—	—	—	—	—	—	1,235,629
Utilities	—	—	—	—	1,278,678	—	—	—	—	1,278,678	1,441,862
Other	2,679,432	1,475,546	8,799	92,600	29,990	101,734	—	—	—	4,388,101	1,115,460

NOTES TO FINANCIAL STATEMENTS

4. Property Taxes

Property appraisal within the City is the responsibility of the Jefferson County Central Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and legal action. Under the Property Tax Code legislation, the City establishes tax rates for property within the City's corporate limits. However, if the effective tax rate, after certain adjustments, exceeds the rate for the previous year by more than eight percent, qualified voters of the city may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective tax rate.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year.

Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City has contracted with the Jefferson County Tax Assessor-Collector to bill and collect its taxes.

Property taxes which are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes which are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

The balance of delinquent property taxes receivable at September 30, 1988, consists of the following:

	General Fund	Debt Service Fund	Insurance Fund	Drainage Improvements Fund	Total
Property taxes receivable	$2,441,363	$1,284,315	$17,284	$6,264	$3,749,226
Less: Allowance for uncollectibles	140,700	74,000	1,000	400	216,100
Net property taxes receivable	$2,300,663	$1,210,315	$16,284	$5,864	$3,533,126

Property tax assessments included in deferred revenues at September 30, 1988, are as follows:

General Fund	$2,238,120
Debt Service Fund	1,177,198
Drainage Improvements Fund	4,502
	$3,419,820

OREGON CITY SCHOOL DISTRICT NO. 62, CLACKAMAS COUNTY, OREGON

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt	June 30, 1989	June 30, 1988
ASSETS AND OTHER DEBITS									
Assets:									
Cash on hand and in banks....	$ —	$ —	$ —	$ 50	$62,095	$—	$—	$ 62,145	$ 605,548
Cash with County Treasurer....	—	—	41,857	—	—	—	—	41,857	165,130
Investments, at cost	6,551,844	374,102	—	—	71,742	—	—	6,997,688	3,008,315
Receivables:									
Accounts receivable	61,388	—	—	581	—	—	—	61,969	129,096
Accrued interest..............	36,214	—	107	—	—	—	—	36,321	19,323
Federal grants	—	50,423	—	54,933	—	—	—	105,356	88,572
Undistributed tax collections	405,875	—	18,976	—	—	—	—	424,851	352,544
Property taxes................	2,179,815	—	98,942	—	—	—	—	2,278,757	2,477,245
Other...........................	—	652	—	—	—	—	—	652	—

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies [In Part]

E. Receivables:

(1) Accounts receivable—Represents the amount due from other L.E.A.'s for 1988-1989 programs and services provided and other miscellaneous sources.

(2) Federal Grants—Consists of funds due from federal agencies from 1988-1989 programs.

(3) Undistributed tax collections—Consists of taxes collected by the County tax collector before July 1, 1989, but not made available to the District until after June 30, 1989.

(4) Property taxes—Consists of Ad Valorem property taxes uncollected at June 30, 1989.

(5) Other—Consists of miscellaneous accounts receivable.

RECEIVABLES DUE FROM OTHER FUNDS, GOVERNMENTS, AND EMPLOYEES

Another category of receivables uses a title common in the public sector to report amounts due from another fund or from another level of government. Those receivable accounts contain the preface, "due from. . . ." Generally, the "due from. . ." receivables represent amounts owed by the governmental units within its family of funds, amounts anticipated from other levels of government, or amounts due from employees resulting from loans or advances to those individuals.

Intergovernmental receivables in the form "due from. . ." are identified in Table 3-4. Below are excerpts from several governmental combined balance sheets on the manner of reporting these assets.

TABLE 3-4. "DUE FROM..." RECEIVABLES

	Instances Observed			
Account Title	1989	1988	1987	1986
Due from other funds[1]	404	387	348	282
Due from other governments[2]	279	275	252	221
Advance to other funds	66	73	50	26
Due from federal government.........	23	17	17	33

[1]Includes general fund or any other fund.

[2]Includes state, county or other governmental unit or agency; excludes federal government and federal agencies.

CITY OF AUSTIN, TEXAS—EXHIBIT A-1

ALL FUND TYPES AND ACCOUNT GROUPS COMBINED BALANCE SHEET—SEPTEMBER 30, 1988—WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1987

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
ASSETS AND OTHER DEBITS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
Cash and working capital advances	$ 56,760	—	658,136	—	2,951,157	7,600	67,357	—	—	3,741,010	3,301,492
Equity in investment pool (Note 5)	23,249,577	10,161,826	—	72,588,887	21,930,605	8,111,342	38,484,737	—	—	174,526,974	212,924,447
Investments, at cost (Note 6)	645,882	—	5,175,575	—	—	—	766,087,835	—	—	771,909,292	795,438,124
Cash and investments held by trustee	2,766,860	—	—	—	—	—	38,562,044	—	—	41,328,904	47,235,644
Receivables, net of allowances:											
Property taxes, net of allowance of $5,860,808 in 1988 and $4,630,591 in 1987 (Note 7)	827,223	—	637,978	—	—	—	—	—	—	1,465,201	1,157,648
Accounts and other taxes receivable, net of allowance of $57,334,103 in 1988 and $50,593,939 in 1987	5,316,160	—	35,858	27,989,374	98,196,814	203,124	295,124	—	—	132,036,454	99,275,819
Receivable from escrow	—	—	—	—	—	—	—	—	—	—	9,074,184
Receivables from other governments	—	2,002,765	—	—	119,577	—	—	—	—	2,122,342	1,184,713
Due from debt service	—	—	—	—	9,578,335	—	—	—	—	9,578,335	8,375,745
Due from other funds	—	—	—	—	1,912,317	—	—	—	—	1,912,317	2,771,117

LIABILITIES AND FUND EQUITY											
Liabilities											
Cash overdraft	$ —	—	—	—	—	—	6,244,429	—	—	4,429	2,455,679
Accounts payable	2,355,881	269,405	—	1,735,999	18,360,354	1,131,199	5,513,764	—	—	29,366,602	31,503,941
Advance from investment pool (Note 5)	—	1,810,801	—	125	34,893,400	—	936,276	—	—	37,640,602	37,534,462
Revenue bonds payable	—	—	—	—	32,779,999	—	—	—	—	32,779,999	23,560,000
Notes payable (Note 12)	—	—	—	—	150,000,000	—	—	—	—	150,000,000	—
Construction contracts payable (Note 12)	—	—	—	—	1,365,837	—	—	—	—	1,365,837	1,646,180
Water improvement district bonds payable	—	—	—	—	173,000	—	—	—	—	173,000	224,000
Municipal utility district contracts payable	—	—	—	—	2,279,999	—	—	—	—	2,279,999	625,000
Interest payable on other debt	—	—	—	—	3,597,066	—	—	—	—	3,597,066	2,125,066
Capital lease obligations (Note 21)	—	—	—	—	3,497,996	30,011	4,856,322	—	—	8,384,329	3,768,367
Certificates of obligation	—	—	—	—	500,000	—	—	—	—	500,000	500,000
Claims payable (Note 20)	718,924	—	—	—	4,455,914	—	2,259,410	—	—	7,434,248	35,837,780
Accrued payroll and compensated absences	4,598,141	—	—	—	12,911,746	994,000	—	—	—	18,503,887	20,823,034
Deferred revenue	843,423	—	420,567	—	2,063,619	—	—	—	—	3,327,609	15,784,107
Other liabilities	—	550,163	—	153,531	3,500,900	—	39,456,451	—	—	43,661,045	36,667,263
Due to other governments	—	—	—	—	—	—	790,028	—	—	790,028	538,453
Due to other funds	—	—	—	—	—	—	1,912,317	—	—	1,912,317	2,886,334
Investment by other funds (Note 5)	—	—	—	—	—	—	390,900,742	—	—	390,900,742	479,502,481
Total current liabilities	8,516,369	2,630,369	420,567	1,889,655	270,379,830	2,155,210	452,869,739	—	—	738,861,739	695,982,147
Payable from restricted assets:											
Accrued interest payable	—	—	—	—	74,457,046	—	—	—	—	74,457,046	73,935,389
Due to working capital	—	—	—	—	9,578,335	—	—	—	—	9,578,335	8,375,745

NOTES TO COMBINED FINANCIAL STATEMENTS

15—Interfund Receivables and Payables

Interfund receivables and payables at September 30, 1988 are as follows:

	Due from Other Funds	Due to Other Funds
Enterprise Funds		
Current:		
Utility Funds:		
Due from debt service[1]	$ 9,240,584	—
Trust and Agency Funds:		
Expendable Trusts	1,912,317	—
Sanitation Fund:		
Due from debt service[1]	337,751	—
Restricted:		
Utility Funds Revenue Bonds		
Debt Service:		
Due to working capital[1]	—	9,240,584
Sanitation Fund Debt Service:		
Due to working capital[1]		337,751
Total Enterprise Funds	$11,490,652	9,578,335
Trust and Agency Funds		
Expendable Trusts:		
Utility Funds	—	1,912,317
	$11,490,652	11,490,652

[1]The due to and due from amounts related to enterprise fund debt service and operating funds have not been eliminated for legal reasons. Under bond covenants, the City is required to deposit a portion of the next debt principal payment into the appropriate debt service fund. The related liability for bonds payable is shown in the operating funds, thus creating a due to/from situation between restricted and nonrestricted portions of the fund.

CITY OF WAUSAU, WISCONSIN

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service (Note 5)	Capital Projects	Enterprise (Note 8)	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
Assets											
Cash and investments (Note 1)	$12,752,758	$172,940	$1,219,225	$1,396,652	$488,309	$230,267	$1,609,779	$—	$ —	$17,869,930	$16,571,110
Taxes receivable	4,595,689	—	2,284,698	—	—	—	—	—	—	6,880,387	6,420,116
Accounts receivable	214,672	443,089	21,908	—	620,318	—	10,931	—	—	1,310,918	1,432,533
Special assessments receivable	2,389,377	—	—	—	—	—	—	—	—	2,389,377	2,365,756
Due from other governments	24,078	—	—	—	426,211	—	—	—	—	450,289	385,184
Due from other funds (Note 2)	929,276	—	—	—	198,084	—	—	—	—	1,127,360	1,436,141
Advance to other funds	350,544	—	—	—	—	—	—	—	—	350,544	581,838
Liabilities											
Accounts payable	$ 497,888	$ 75,006	$ —	$ 12,605	$323,280	$ 16,919	$ 993,290	$—	$ —	$ 1,918,988	$ 1,542,872
Contracts payable	31,291	—	—	45,127	—	—	—	—	—	76,418	274,481
Unused vacation and sick leave credits (Note 7)	395,340	—	—	—	86,628	—	—	—	137,733	619,701	462,077
Employee compensation and benefits	589,595	—	—	—	—	—	—	—	—	589,595	555,810
Other current liabilities	50,563	—	—	—	6,443	—	—	—	—	57,006	63,588
Due to other governments	6,761,755	—	—	—	—	—	—	—	—	6,761,755	6,473,391
Due to other funds (Note 2)	141,340	—	—	—	986,020	—	—	—	—	1,127,360	1,436,141

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 2

Interfund receivables and payables at December 31, 1988, were as follows:

	Receivable	Payable
General Fund		
Wausau Area Transit System	$ 504,401	$ 102,969
Water Utility Fund	277,695	38,371
Sewerage Utility Fund	147,180	—
Water Utility Fund		
General Fund	38,371	277,695
Sewerage Utility Fund	56,744	—
Sewerage Utility Fund		
General Fund	—	147,180
Water Utility Fund	—	56,744
Wausau Area Transit System Fund		
General Fund	102,969	504,401
	$1,127,360	$1,127,360

LA CROSSE COUNTY, WISCONSIN

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988—WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1987

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise (Note 7)	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
Assets											
Cash and investments (Note 1)	$ —	$ 491,534	$2,000	$5,928,690	$ 342,007	$ 186,529	$2,229,013	$—		$ 9,179,773	$ 3,830,521
Taxes receivable (Note 2)	7,494,450	2,373,598	—	—	262,859	1,761,644	—	—	—	11,892,551	10,466,242
Accounts receivable	818,215	355,058	—	144,745	1,483,583	—	—	—	—	2,801,601	2,277,800
Due from other governments	—	—	—	—	—	221,153	—	—	—	221,153	262,709
Due from other funds (Note 3)	392,297	—	—	—	—	758,115	—	—	—	1,150,412	2,564,985
Liabilities											
Accounts payable	$ 193,454	$ 664,904	$ —	$ 259,914	$ 478,278	$ 187,961	$1,879,381	$—	$—	$ 3,663,892	$ 3,207,949
Accrued expenses	360,683	56,148	—	—	248,639	30,746	—	—	—	696,216	346,439
Accrued interest	—	—	—	—	54,450	—	—	—	—	54,450	33,275
Special deposits	10,544	—	—	—	47,271	—	—	—	—	57,815	52,924
Due to other governments	147,133	—	—	—	—	—	—	—	—	147,133	136,039
Due to other funds (Note 3)	758,115	17,930	—	844	373,523	—	—	—	—	1,150,412	2,564,985

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 3

Interfund receivables and payables at December 31, 1988, were as follows:

	Receivable From	Payable To
General Fund		
Courthouse Renovation Fund	$ 844	$ —
Special Jail Assessment Fund	11,170	—
Hillview Health Care Fund	33,751	—
Lakeview Health Center Fund	77,834	—
Library Fund	6,760	—
Sanitary Landfill Fund	261,938	—
Highway Fund	—	758,115
Special Jail Assessment Fund		
General Fund	—	11,170
Library Fund		
General Fund	—	6,760
Courthouse Renovation Project Fund		
General Fund	—	844
Highway Fund		
General Fund	758,115	—
Hillview Health Care Fund		
General Fund	—	33,751
Lakeview Health Center Fund		
General Fund	—	77,834
Sanitary Landfill Fund		
General Fund	—	261,938
	$1,150,412	$1,150,412

TOWN OF MACHIAS, MAINE—EXHIBIT 1

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals Memorandum Only	
ASSETS	General	School Dept.	Special Revenues	Capital Projects	Enterprise	Trusts	General Fixed Assets	General Long-Term Debts	6/30/89	6/30/88
Cash Accounts	$ -0-	$	$ 7,759	$	$78,108	$	$	$	$ 85,867	$146,646
Investments	347,615		284,489	19,975		34,269			686,350	819,375
Receivables (Net of Allowance For Doubtful Accounts):										
Taxes	101,636								101,636	83,753
Accounts Other (Note 11)			22,455		36,825				59,280	64,228
Due from Other Funds (Note 5)	25,080	32,712	36,647	41,322	33,160				168,923	380,652
LIABILITIES										
Vouchers Payable	$ 3,759	$	$ 3,420	$	$ 599	$	$	$	$ 7,779	$ 13,458
Due to Other Funds: (Note 5)	143,843		4,163	8,103	12,814				168,923	380,652

NOTES TO THE FINANCIAL STATEMENTS

Note 5: Interfund Receivable and Payable

	Receivable	Payable
General Fund:		
Due to School Department		$ 32,712.57
Due To/From Special Revenues:		
Education	$ 2,440.04	
State/Local Road Assistance		30,896.48
Industrial Park Program		3,850.00
Animal Control		1,155.50
Restoration Early Records		75.00
Personnel Study		671.00
Downtown Maintenance	1,723.02	
Totals	4,163.06	36,647.98
Due to Capital Projects:		
Solid Waste Reserve		5,000.00
Town Office Renovations		10,000.00
Police Cruiser		6,000.00
Softball Field		8,103.11
Highway Equipment		
Rescue Tool		709.69
Fire Dept.-Pumper		3,356.40
Tree Replacement		1,900.00
School Boiler		3,661.30
School Carpeting		2,592.00
Totals		41,332.50

	Receivable	Payable
Due to Proprietary Accounts:		
Sewer Receipts		4,404.38
Ambulance Account		31,755.63
Totals		33,160.01
Due from Capital Projects:		
Softball Field	8,103.11	
Due from Proprietary Accounts:		
Sewer Expenditures	12,814.54	
General Fund Totals	$ 25,080.71	$143,843.06
School Department Fund		
Due from General Fund	32,712.57	
Special Revenue Funds		
Due from General Fund	36,647.98	
Due to General Fund		4,163.06
Capital Projects Funds		
Due from General Fund	41,322.50	
Due to General Fund		8,103.11
Proprietary/Enterprise Funds		
Due from General Fund	33,160.01	
Due to General Fund		12,814.54
Total All Funds	$168,923.77	$168,923.77

FLORENCE SCHOOL DISTRICT ONE, NORTH CAROLINA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise Fund	Agency Fund	General Long-Term Debt	1989	1988
Cash and investments—(Note E)	$3,539,772	$530,428	$ —	$458,339	$ —	$295,270	$	$4,823,809	$3,983,578
Receivables									
Property taxes, less allowance for doubtful accounts—$374,155	352,626	—	115,004	—	—	—	—	467,630	373,380
Other	160,487	474	—	—	128	—	—	161,089	132,524
Due from other funds—(Note D)	863,617	—	—	—	—	—	—	863,617	785,724
Due from other governments	651,900	586,166	—	—	184,690	—	—	1,422,756	1,544,127
LIABILITIES									
Accounts payable	184,398	26,712	—	30,124	—	—	—	241,234	592,595
Contracts and retainage payable	—	—	—	—	—	—	—	—	576,866
Employee compensation	1,829,249	1,152	—	4,203	558	—	—	1,835,162	1,654,569
Due to other funds—(Note D)	—	444,253	—	—	330,118	—	—	774,371	630,946
Due to general fund & student groups	—	—	—	—	—	295,270	—	295,270	275,694
Due to State government	—	9,236	—	—	—	—	—	9,236	137,632

NOTES TO FINANCIAL STATEMENTS

Note D—Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 1989, are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	$863,617	$ —
Special Revenue Fund	—	444,253
Enterprise Fund	—	330,118
Agency Fund	—	89,246
	$863,617	$863,617

RESTRICTED ASSETS

Generally, governmental units clearly identified as a separate grouping of assets those assets whose use is restricted for some specific purpose. A variety of accounts were used by the surveyed units to account for those limited purpose assets. The combined balance sheet often also provided detailed accounting for liabilities that were to be paid from the restricted funds or from revenues derived from their employment.

Table 3-5 is a list of the account titles used to report restricted assets.

TABLE 3-5. RESTRICTED ASSETS

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Cash and investments	81	77	77	56
Receivables[1]	69	77	61	45
Cash	66	57	72	81
Investments[3]	53	29	40	45
Restricted assets	32	33	NC[2]	NC
Due from other funds	13	24	NC	NC

[1] Includes net and allowances, accounts receivable, interest and accrued interest, special assessments receivable, notes receivable, other receivables, and all taxes receivable.

[2] Not compiled.

[3] Includes investments at cost.

Examples from combined balance sheets showing the manner in which some governmental units accounted for restricted assets and examples of liabilities that could be paid only from the above-defined restricted funds follow.

METROPOLITAN DADE COUNTY, FLORIDA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—SEPTEMBER 30, 1988

(in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Proprietary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Enterprise	General Fixed Assets	General Long-Term Obligations	September 30, 1988	1987
ASSETS:										
Cash and cash equivalents	$27,449	$49,498	$40,483	$208,598	$187,940	$199,061			$713,029	$669,081
Accounts receivable, net	3,699	5,078	1,089		4,718	140,926			155,510	139,730
Delinquent taxes receivable	22,121	4,195	3,618		38,075				68,009	64,146
Allowance for uncollected delinquent taxes	(22,121)	(4,195)	(3,618)		(38,075)				(68,009)	(64,146)
Mortgages receivable, net		49,169							49,169	39,873
Due from other funds	47,548	284		2,746	2,533	16,157			69,268	79,008
Due from other governments	3,268	15,119		677	383				19,447	22,432
Inventories	8,713					35,768			44,481	45,604
Land inventory, net .		12,637							12,637	11,452
Performance bonds .					15,246				15,246	4,773
Other current assets		1,945		441	1,149	6,678			10,213	7,086
Restricted assets:										
Cash and cash equivalents						495,042			495,042	522,586
Other restricted assets						41,941			41,941	29,407
LIABILITIES AND FUND EQUITY										
LIABILITIES:										
Accounts payable, accrued expenses and deferred revenues...............	$24,524	$21,564		$ 3,252	$ 10,286	$132,404			$192,030	$163,124
Retainage payable ...		68		7,403					7,471	4,790
Current portion of bonds and notes payable.............						8,979			8,979	9,136
Due to other funds..	12,424	8,272		5,998	2,863	39,711			69,268	79,008
Due to other governments		262		2,156	17,718				20,136	14,229
Due to employees for deferred compensation					67,513				67,513	57,970
Estimated liability for insurance claims.............					22,821	7,531			30,352	26,355
Assets held in trust .		19,681	$ 1,065	84	69,262				90,092	64,904
Current liabilities payable from restricted assets......						117,402			117,402	113,406

NOTES TO FINANCIAL STATEMENTS

Note 1—General [In Part]

Restricted Assets and Reserves

Specific Enterprise Fund assets are required to be segregated as to use and are therefore identified as restricted assets. Assets are restricted pursuant to donor specifications and restrictions arising from various bond indenture agreements. The indenture agreements further require that for certain restricted assets offsetting reserves be established by charges to retained earnings (see Note 10).

CITY OF WEST PALM BEACH, FLORIDA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—SEPTEMBER 30, 1988

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long-Term Debt	Total (Memorandum Only)
ASSETS										
Equity in pooled cash and investments—Notes A and C	$16,949,449	$8,468,035	$ 65,890	$4,139,964	$ 4,792,963	$5,113,742	$ 3,718,562	$ —	$ —	$43,248,605
Cash—Note C	—	31,303	—	—	575	—	1,630,684	—	—	1,662,562
Investments—Notes A and C	—	—	—	—	—	—	80,883,285	—	—	80,883,285
Deposits with insurance company—Note H	—	—	—	—	—	—	1,931,351	—	—	1,931,351
Interest receivable	262,300	115,786	767	61,039	461,659	75,577	732,896	—	—	1,710,024
Delinquent taxes receivable—Note A	1,302,940	—	129,062	—	—	—	—	—	—	1,432,002
Allowance for estimated uncollectible taxes—Note A	(1,302,940)	—	(129,062)	—	—	—	—	—	—	(1,432,002)
Accounts receivable	1,497,101	101,192	—	—	3,311,433	37,374	9,497	—	—	4,956,597
Notes receivable—Note K	—	400,000	—	—	—	—	—	—	—	400,000
Liens receivable										
Current	57,657	—	—	—	—	—	—	—	—	57,657
Deferred	3,560	2,129,936	—	—	—	—	—	—	—	2,133,496
Delinquent	154,286	—	—	—	389,983	—	—	—	—	544,269
Allowance for estimated uncollectible receivables	(217,141)	—	—	—	(73,409)	—	—	—	—	(290,550)
Due from other funds—Note L	191,057	—	—	—	866,520	240,868	193,404	—	—	1,491,849
Due from other governments—Note D	121,952	427,161	—	—	446,855	—	913,597	—	—	1,909,565
Due from participants	—	—	—	—	—	—	595,512	—	—	595,512
Cemetery lots available for sale, at cost	—	—	—	—	—	—	202,374	—	—	202,374
Inventory of supplies—Note A	126,484	—	—	—	243,487	198,898	—	—	—	568,869
Prepaid expenses—Note A	15,644	576	—	—	10,959	11,039	213,223	—	—	251,441
Restricted assets—Notes C and E	—	—	—	—	29,116,189	—	—	—	—	29,116,189

(continued)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long-Term Debt	Total (Memorandum Only)
LIABILITIES AND FUND EQUITY										
Liabilities										
Deficit in pooled cash and investments—Note C	$ —	$ —	$ —	$ —	$ —	$ 30,654	$ 774,073	$ —	$ —	$ 804,727
Cash overdraft	64,481	—	—	—	—	—	111,084	—	—	175,565
Accounts payable and accrued expenses	1,496,068	634,866	900	—	1,531,953	516,682	48,086	—	—	4,228,555
Trust deposits	203,881	33,750	—	—	—	—	1,714,676	—	—	1,952,307
Due to other funds—Note A	240,868	650,871	—	—	—	—	600,110	—	—	1,491,849
Due to other governments	23,903	—	—	—	19,753	—	—	—	—	43,656
Funds held for participants	—	—	—	—	—	—	6,702,941	—	—	6,702,941
Advance billings on consumer accounts	—	—	—	—	170,095	—	—	—	—	170,095
Liabilities payable from restricted assets	—	—	—	—	5,439,457	—	—	—	—	5,439,457

NOTES TO FINANCIAL STATEMENTS

Note E—Restricted Assets

Restricted assets at September 30, 1988 are summarized as follows:

	Restricted for			
	Construction	Reserves as Required by Revenue Bonds	Customer Deposits	Total
Waterworks and Sewage Disposal Systems Fund				
Equity in pooled cash and investments	$14,781,282	$7,871,420	$2,664,612	$25,317,314
Cash	655,536	—	—	655,536
	15,436,818	7,871,420	2,664,612	25,972,850
Parking Facilities Fund				
Equity in pooled cash and investments	2,056,869	1,086,470	—	3,143,339
TOTAL RESTRICTED ASSETS	$17,493,687	$8,957,890	$2,664,612	$29,116,189

The amounts restricted for construction were received from debt proceeds and contributions in aid of construction and are not included in retained earnings. Retained earnings are reserved for debt service to the extent that restricted assets required by revenue bonds exceed the liabilities payable from restricted assets. Assets restricted for customer deposits are offset by related liabilities payable from restricted assets.

KANSAS CITY AREA TRANSPORTATION AUTHORITY, KANSAS CITY, MISSOURI

BALANCE SHEETS—DECEMBER 31, 1988 AND 1987

Assets	1988	1987
Current assets:		
Cash and cash equivalents (note 2)	$2,683,234	1,510,816
Accounts receivable	359,526	254,903
Due from other governments:		
Local governments	1,756,909	706,605
Federal government (note 4)	1,070,445	739,366
Materials and supplies	1,984,234	2,061,420
Prepaid expenses	79,764	346,632
Total current assets	7,934,112	5,619,742
Restricted assets (notes 2 and 3)	10,717,804	8,691,981
Liabilities and Fund Equity		
Current liabilities:		
Accounts payable	$ 861,033	627,113
Payroll, payroll taxes and withholdings	1,102,170	1,027,445
Accrued vacation	1,252,451	1,160,889
Other accrued liabilities	2,375,974	780,828
Total current liabilities	5,591,628	3,596,275
Liabilities payable from restricted assets:		
Due to Kansas City, Missouri (note 3)	2,200,000	2,000,000
Accrued public liability and property damage	4,569,003	3,505,330
	6,769,003	5,505,330
Total liabilities	12,360,631	9,101,605

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(3) Restricted Assets

Restricted assets include investments, consisting primarily of U.S. government and its agencies' securities and repurchase agreements, aggregating $10,717,804 and $8,691,981 at December 31, 1988 and 1987, respectively. Approximately $3,500,000 and $3,300,000, respectively, are restricted for capital purposes and represent capital contributions by local governments at December 31, 1988 and 1987, respectively.

At December 31, 1988 and 1987, restricted assets, including the $2,000,000 received from the City of Kansas City, Missouri, of approximately $7,200,000 and $5,400,000, respectively, are held in a trust fund by a commercial bank to provide coverage for public liability and property damage claims.

The Authority had received $2,000,000 from the City of Kansas City, Missouri to provide initial funding for public liability and property damage claims. This amount is to be repaid to the City of Kansas City, Missouri at such time that the trust fund balance, less the $2,000,000, is adequate to cover the Authority's potential losses. Accordingly, these funds are recorded as restricted assets and a liability payable from restricted assets in the accompanying balance sheets.

INVESTMENTS

Permanent or long-term investments should be recorded at cost or, if there has been a permanent impairment of the asset value involved, at the lower market value. The difference between the par value of an investment security and its cost is a premium or a discount that must be amortized.

Table 3-6 illustrates several titles of accounts used by governmental units to report investments.

TABLE 3-6. INVESTMENTS

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Investments	156	129	147	156
Investments at cost	43	46	57	53
Investments at cost or amortized costs	5	12	3	3

CITY OF AUSTIN, TEXAS—EXHIBIT A-1

ALL FUND TYPES AND ACCOUNT GROUPS COMBINED BALANCE SHEET—SEPTEMBER 30, 1988—WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1987

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
ASSETS AND OTHER DEBITS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
Cash and working capital advances	$ 56,760	—	658,136	—	2,951,157	7,600	67,357	—	—	3,741,010	3,301,492
Equity in investment pool (Note 5)	23,249,577	10,161,826	—	72,588,887	21,930,605	8,111,342	38,484,737	—	—	174,526,974	212,924,447
Investments, at cost (Note 6)	645,882	—	5,175,575	—	—	—	766,087,835	—	—	771,909,292	795,438,124

NOTES TO COMBINED FINANCIAL STATEMENTS

6—Investments

Investments owned by the various funds of the City at September 30, 1988 are as follows:

Description	Interest Rates	Par Value	Cost	Market Value	Unrealized Gain (Loss)
General Fund:					
U.S. Treasury Obligations	4.25%-10.88%	495,000	488,080	504,747	16,667
U.S. Agency Obligations	12.10%	105,000	102,802	108,479	5,677
Certificates of Deposit	6.80%	55,000	55,000	55,000	—
		655,000	645,882	668,226	22,344
Debt Service Fund:					
Repurchase Agreements	8.20%	4,281,000	4,281,000	4,281,000	—
U.S. Treasury Obligations	7.25%	200,000	197,063	192,562	(4,501)
U.S. Agency Obligations	7.85%- 8.10%	710,000	697,512	701,164	3,652
		5,191,000	5,175,575	5,174,726	(849)
Enterprise Funds:					
Utility Funds					
Revenue bond debt service:					
Repurchase Agreements	7.05%- 8.15%	78,064,000	78,064,000	78,064,000	—
U.S. Agency Obligations	6.40%- 8.15%	4,315,000	4,211,878	4,262,589	50,711
		82,379,000	82,275,878	82,326,589	50,711
Revenue bond retirement reserve:					
Repurchase Agreements	8.15%	3,090,000	3,090,000	3,090,000	—
U.S. Treasury Obligations	6.50%-14.30%	90,470,000	90,320,273	91,232,276	912,003
U.S. Agency Obligations	7.00%-11.30%	77,765,000	77,845,290	75,752,387	(2,092,903)
Certificates of Deposit	6.85%- 7.15%	489,000	489,000	489,000	—
		171,814,000	171,744,563	170,563,663	(1,180,900)
Other Enterprise Funds:					
Sanitation revenue bond debt service fund:					
U.S. Agency Obligations	7.83%	215,000	211,072	212,277	1,205
Certificates of Deposit	7.15%	174,000	174,000	174,000	—
		389,000	385,072	386,277	1,205
Trust and Agency Funds:					
Housing Assistance Fund:					
Repurchase Agreements	7.85%	1,151,000	1,151,000	1,151,000	—
U.S. Treasury Obligations	6.50%	2,000,000	1,978,750	1,949,380	(29,370)
U.S. Agency Obligations	6.90%- 7.00%	4,000,000	4,001,172	3,978,440	(22,732)
		7,151,000	7,130,922	7,078,820	(52,102)
Investment Pool:					
Repurchase Agreements	7.85%- 8.35%	113,202,000	113,202,000	113,202,000	—
U.S. Treasury Obligations	6.25%-10.75%	133,560,000	133,307,220	132,261,956	(1,045,264)
U.S. Agency Obligations	6.35%- 9.55%	147,330,000	145,649,038	146,045,615	396,577
Certificates of Deposit	6.85%- 7.70%	3,260,000	3,260,000	3,260,000	—
		397,352,000	395,418,258	394,769,571	(648,687)
Pension Funds:*					
U.S. Treasury Obligations		122,265,000	122,124,707	127,665,866	5,541,159
U.S. Agency Obligations		23,887,141	23,354,261	23,567,270	213,009
Corporate Bonds		51,638,705	49,281,093	49,987,528	(293,565)
Corporate Stocks		132,524,353	132,524,353	161,106,325	28,581,972
Commercial Paper		33,758,832	33,758,832	33,758,832	—
FHA and VA insured real estate mortgages		2,623,775	2,495,409	2,398,409	(97,000)
		366,697,806	363,538,655	397,484,230	33,945,575
Total—all funds		1,031,628,806	1,026,314,805	1,058,452,102	32,137,297

Description	Interest Rates	Par Value	Cost	Market Value	Unrealized Gain (Loss)
Unrestricted and Trust and Agency investments		398,007,000	396,064,140	395,437,797	(626,343)
Restricted investments:					
Debt Service Fund		5,191,000	5,175,575	5,174,726	(849)
Utility Funds:					
Revenue bond debt service		82,379,000	82,275,878	82,326,589	50,711
Revenue bond retirement reserve		171,814,000	171,744,563	170,563,663	(1,180,900)
Other Enterprise Funds:					
Revenue bond debt service		389,000	385,072	386,277	1,205
Housing Assistance Fund		7,151,000	7,130,922	7,078,820	(52,102)
Pension Funds		366,697,806	363,538,655	397,484,230	33,945,575
Total restricted		633,621,806	630,250,665	663,014,305	32,763,640
Total—all funds		$1,031,628,806	1,026,314,805	1,058,452,102	32,137,297

*Represents investments held by the Pension Trust funds at December 31, 1987.

The City of Austin maintains an investment pool that is available for use by all funds, except the debt service funds, revenue bond retirement reserve fund, revenue note fund, housing assistance fund and pension trust funds. Each fund type's portion of this pool is reported on the combined balance sheet as "Equity in investment pool." The cash and investments of all funds not participating in the investment pool are held separately from those of other City funds because they are legally restricted.

Unrestricted bank deposits are reported as a portion of "Cash and working capital advances," and totaled $658,136. The remainder of the assets reported with this line item represent petty cash funds and a working capital advance to the Fayette Power Project. Restricted bank deposits related to enterprise fund activities are reported as "Cash" and totaled $23,718. Certificates of deposit which totaled $3,978,000 are classified as "Investments" due to State law and the City's investment policy which include certificates of deposit as investments. The entire bank balance including certificates of deposit was covered by federal depository insurance or collateralized with securities held by the City's agent in the City's name. No part of the balance was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Investments

Texas statutes authorize the City to invest in (1) obligations of the U.S. Treasury or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, or cities rated A or better by a national investment rating firm; (5) certificates of deposit that are insured by the Federal Deposit Insurance Corporation or secured by obligations having a market value of at least the principal amount of the certificates; and (6) fully collateralized direct repurchase agreements.

In addition to the aforementioned, the pension trust funds are authorized to invest in stocks, corporate bonds rated A or better by Standard & Poors Corporation or A or better by Moody's Bond Ratings, and commercial paper rated P1 by Standard & Poors Corporation and A1 by Moody's Bond Ratings.

The City's investments excluding certificates of deposit are categorized below to give an indication of the level of risk (Category 1—lowest level of risk to Category 3—highest level of risk), assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City's agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by City's trust department or agent but not in the City's name.

	Cagtegory			Carrying	Market
	1	2	3	Amount	Value
Repurchase Agreements	$ 199,788,000	—	—	199,788,000	199,788,000
U.S. Treasury Obligations	348,416,093	—	—	348,416,093	353,806,787
U.S. Agency Obligations	256,073,025	—	—	256,073,025	254,628,221
Corporate Bonds	49,281,093	—	—	49,281,093	48,987,528
Corporate Stocks	132,524,353	—	—	132,524,353	161,106,325
Commercial Paper	33,758,832	—	—	33,758,832	33,758,832
FHA and VA Insured Real Estate Mortgages	2,495,409	—	—	2,495,409	2,398,409
Total[1]	$1,022,336,805	—	—	1,022,336,805	1,054,474,102

[1]Excludes certificates of deposit.

State statutes require that securities underlying repurchase agreements must have a market value of at least 100% of the repurchase agreement's cost.

Reverse Repurchase Agreements

It is management's opinion that State statutes permit the City to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. As of September 30, 1988, the City has not entered into any reverse repurchase agreements.

TETON COUNTY, WYOMING—EXHIBIT 1

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types			Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	1989	1988
ASSETS								
Cash	$ 446,951	$310,663	$793,247	$112,928	$—	$—	$1,663,789	$2,339,807
Investments, at cost	5,001,000	157,389	—	—	—	—	5,158,389	3,291,488

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

(c) Investments

Investments are carried at cost which approximates market and consists primarily of money market accounts and certificates of deposit.

Wyoming State Statutes allow the County to invest in U.S. and state and local government securities and accounts of any bank and savings associations which are federally insured. Stocks and bonds of private corporations as well as repurchase and reverse repurchase agreements are a prohibited investment means for the County. All investments made during the year were made within these statutory limits.

Investments (and cash deposits) at June 30, 1989 were fully collateralized by government securities and FDIC insurance as required by Wyoming State Statutes and were recorded in the County's name.

Depository balances which include certificates of deposits and money market accounts because they are subject to FDIC insurance, and their insured or collateralized status at June 30, 1989 were as follows:

	Bank Balances	Carrying Amount
Insured or collateralized by securities held by the County or its agent in the County's name	$ 300,000	$ 300,000
Collateralized with security held by pledging institution's trust department or correspondent bank under a joint custody receipt in the name of the County and the financial institution	6,593,781	6,522,178
Total	$6,893,781	$6,822,178

Earnings on investments during the year, by fund, are as follows:

General fund	$339,220
Special Revenue funds:	
Federal Revenue Sharing	6,135
Weed and Pest Control	777
County Fair	8,234
County Library	11,510
Capital Projects funds	20,994
Total earnings	$386,870

TOWN OF ORONO, MAINE—EXHIBIT A

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
ASSETS	General	Special Revenue	Capital Projects	Reserve	Food Service	General Trust Funds	Long-Term Debt	1989	1988
Cash	$535,772	$40,402	$436,438	$135,798	$1,761	$ 1,362	$—	$1,151,533	$1,101,227
Investments	—	—	—	—	—	189,919	—	189,919	180,896

NOTES TO FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies [In Part]

E. Investments

Investments are stated and recorded at cost and consist of government and corporate securities and certificates of deposit. As of June 30, 1989 the cost of such investments was $189,919 and their estimated market value was $206,722.

With the purchase method of inventory accounting, a contra amount should be provided as a reservation of fund balance, indicating that this portion of fund balance is not available for appropriation and expenditure.

Table 3-7 illustrates several kinds of accounts used to report inventories.

INVENTORY

An alternative accounting method of recording expenditures is permitted by the GASB for certain relatively minor items. One of the permissible alternatives relates to inventory. In discussing inventories, GASB Cod. Sec. 1600.122a provides that:

> Inventory items (for example, materials and supplies) may be considered expenditures either when purchased (purchases method) or when used (consumption method), but significant amounts of inventory should be reported in the balance sheet.

TABLE 3-7. INVENTORY

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Inventory	252	243	228	151
Inventory at cost	47	53	48	40
Inventory of materials and supplies	20	29	24	17
Inventory of supplies	20	27	25	15
Inventory of supplies at cost	6	8	8	8

REGIONAL HIGH SCHOOL DISTRICT NO. 5, CONNECTICUT—EXHIBIT 1

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Funds			Fiduciary Funds	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Capital Project	Trust and Agency	General Fixed Assets	General Long-Term Obligations	June 30, 1989	June 30, 1988
ASSETS								
Cash	$12,555	$32,958		$ 107,773			$ 153,286	$131,957
Investments				1,181,343			1,181,343	953,685
Receivables	21,978	10,844		10,378			43,200	57,944
Inventory of Food and Supplies		18,267					18,267	17,052

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

E. Inventory

Inventory is valued at cost, on the first-in, first-out method, or at fair value for donated commodities.

TIOGA CENTRAL SCHOOL DISTRICT—SCHEDULE #1

COMBINED BALANCE SHEET—FOR FISCAL YEAR ENDED JUNE 30, 1989—SCHOOL DISTRICT FUNDS

	Governmental Fund Types				Fiduciary	Account Groups	
Assets	General	Special Revenue	Debt Service	Capital Projects	Trust & Agency	General Fixed Assets	Long-term Debt
Unrestricted Cash	$888,527	$217,597	N/A	$310,165	$(5)	$	$
Restricted Cash	34,448						
Due From Other Funds	21,494						
Other Receivables (Net of Allowance for Receivables of $-0-)	11,811	39,219					
Inventories		16,090					

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies [In Part]

F. Inventory

Inventories of food and/or supplies in the school lunch fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY, TOLEDO, OHIO

BALANCE SHEETS—DECEMBER 31, 1988 and 1987

ASSETS	1988	1987
CURRENT ASSETS:		
Cash and short-term investments (Note 2)	$1,128,546	$ 531,590
Receivables:		
Estimated property taxes (Note 3)	8,384,388	2,483,070
State of Ohio operating assistance	581,610	867,287
Trade and other	77,215	259,256
Materials and supplies	448,844	406,080

TOLEDO AREA REGIONAL TRANSIT AUTHORITY, TOLEDO, OHIO

NOTES TO FINANCIAL STATEMENTS—FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

1. Organization and Significant Accounting Policies [in Part]

Materials and Supplies—Materials and supplies are stated at average cost which is not in excess of market.

REGIONAL TRANSIT AUTHORITY BALANCE SHEET

	December 31, 1988	1987
ASSETS		
Current assets:		
Cash and investments (Note 2)	$ 837,232	$1,697,297
Accounts receivable, net (Note 3)	9,682,357	7,982,174
Inventory	2,562,949	2,891,029

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies [In Part]

Inventories

Inventories, principally repair parts and supplies, are stated at the lower of cost or market. Cost is determined by the average cost method except for gasoline, diesel fuel and oil, for which cost is determined by the first-in, first-out method.

MONTGOMERY COUNTY, MARYLAND—EXHIBIT A-1

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989—WITH COMPARATIVE TOTALS FOR JUNE 30, 1988

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Higher Education	June 30 1989	June 30 1988
ASSETS												
Equity in pooled cash and investments	$71,215,951	$20,913,780	$ 573,482	$25,649,700	$51,773,234	$37,353,303	$56,235,514	$ —	$ —	$12,897,355	$276,612,319	$269,963,679
Cash	134,133	4,198,311	121,031	1,472,129	3,067,319	500	2,210,875	—	—	—	11,204,298	8,249,486
Investments	—	—	—	—	3,322,040	3,526,072	792,666,576	—	—	—	799,514,688	687,738,260
Deferred compensation invested with fiscal agents	—	—	—	—	—	—	27,171,283	—	—	—	27,171,283	21,852,191
Receivables (net of allowances for uncollectibles):												
Income taxes	37,563,283	—	—	—	—	—	—	—	—	—	37,563,283	27,549,295
Property taxes	16,548,656	6,146,405	31,027	—	990,785	—	2,889,527	—	—	—	26,606,400	18,939,328
Accounts	2,266,848	2,756,499	24,436	671,600	1,916,878	441,197	1,061,621	—	—	—	9,139,079	11,824,229
Special assessments	—	—	1,574,990	—	—	—	—	—	—	—	1,574,990	1,837,094
Notes	—	276,531	—	20,893	—	—	—	—	—	1,206,331	1,503,755	2,512,693
Parking violations	567,566	—	—	—	1,053,516	—	—	—	—	—	1,621,082	1,628,766
Mortgages	5,873,249	7,115,855	—	—	—	—	—	—	—	—	12,989,104	8,982,464
Other	—	9,672,715	—	—	—	—	880,260	—	—	1,228,434	11,781,409	11,543,560
Due from other funds	37,312,431	13,650,423	12,659	3,165,357	63,076	2,776,960	11,988,077	—	—	6,080,281	75,049,264	82,633,398
Due from other governmental units	18,089,157	10,066,580	1,411,630	16,522,249	1,044,521	1,042,812	105,751	—	—	3,708,385	51,991,085	49,464,102
Property Liens acquired at tax sale	88,906	—	—	—	—	—	—	—	—	—	88,906	90,057
Inventory, at cost	1,195,011	3,191,792	—	1,486,199	11,853,484	989,273	231,934	—	—	615,519	19,563,212	19,704,258

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

Inventories

Montgomery County Government—Inventories are valued at lower of cost (principally first-in, first-out) or market in the Enterprise Fund (Liquor) and consist of goods held for resale. Inventories valued at cost (principally moving-average) are carried in the Internal Service Fund (Motor Pool) and the governmental type funds. All inventories are maintained by perpetual records and adjusted by an annual physical count. Inventories in the governmental funds and motor pool fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual items are withdrawn for use. In governmental funds, the reserve for inventory is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

Montgomery County Public Schools—Inventories are valued at the lower of cost or market. For maintenance supplies, textbooks, and instructional materials, the average cost method is used; for transportation supplies, cost is determined by the first-in, first-out method. The cost of inventories is recorded as an expenditure at the time the individual items are consumed. A minimum level of textbooks and instructional supply inventories is maintained to meet current demands. The reserve for inventory in the MCPS Special Revenue Fund is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

Maryland—National Capital Park and Planning Commission—Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds are offset by corresponding reservations of fund balance. Inventories are reflected as an expenditure at the time of sale or use.

Montgomery Community College—Inventories are valued at the lower of cost (first-in, first-out) or market, and consist of supplies and bookstore items.

Montgomery County Revenue Authority—The Montgomery County Revenue Authority does not maintain significant inventories of supplies. Fertilizers, grass seed, and similar maintenance materials are expensed when purchased and are consumed on a current basis.

PENNINGTON COUNTY

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Groups	
	General Fund	Special Revenue Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt
Assets:						
Current Assets:						
Cash	$5,982,793	$7,113,059	$3,313,476	$1,644,499	$	$
Restricted Cash in Banks			910,812			
Taxes Receivable—Current	8,407,833	1,443,135				
Taxes Receivable—Delinquent	999,050	80,799				
Accounts Receivable	30,971					
Notes Receivable	14,141					
Inventory of Stores Purchased for Resale	360,075					

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is average cost.

Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF NORTH LAS VEGAS, NEVADA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989—WITH COMPARATIVE TOTALS AT JUNE 30, 1988

	Governmental				Proprietary		Fiduciary	Account groups		Totals (Memorandum only)	
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt	1989	1988
Cash and investments (Note 2)	$1,998,526	$1,981,894	$ 624,683	$219,115	$1,017,276	$3,814,112	$517,209	$	$	$10,172,815	$7,862,719
Receivables:											
Property taxes	65,638		67,543							133,181	90,895
Water and sewer customers, net of allowance for doubtful accounts of $83,989 in 1989, and $159,510 in 1988						888,527				888,527	865,999
Notes	4,490	146,010				5,922				156,422	160,774
Grants	52,643	294,708		765,423						1,112,774	774,695
Special assessments			3,533,724							3,533,724	3,668,024
Interest and other	134,687	10,077	5,507	7,665	18,180	35,913	193,061			405,090	363,290
Due from other funds (Note 8)	1,359,242	972	68,186		278	1,056,875	309			2,485,862	2,710,437
Due from other governments	1,076,025		3,500	755	4,970					1,085,250	914,594
Prepayments						25,101				25,101	
Inventories	18,846				116,897	154,496				290,239	263,496

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

e. Inventories:

Inventories are valued at the lower of cost (first-in, first-out) or market and consist of expendable supplies held for consumption. Inventory in the General Fund is accounted for under the consumption method. The cost is recorded as an expenditure at the time individual inventory items are used.

PREPAID AND DEFERRED EXPENSES

There is no requirement that governmental units record or account for advances, prepayments, or deferrals of certain expenditures that can be allocated to the benefited periods. However, the GASB in GASB Cod. Sec. 1600.122 recognizes that accounting for prepaid expenditures might be an alternative recognition method in governmental fund accounting. See the preceding discussion of inventory.

Expenditures for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition.

Many governmental units reported prepaid expenses as assets in the combined balance sheet. Prepaid amounts were reflected as assets in both governmental funds and proprietary funds.

Table 3-8 lists additional details on these prepaid and deferred items. Below are examples from governmental financial statements related to the reporting of prepaid expenses.

TABLE 3-8. PREPAID ITEMS AND DEFERRED CHARGES

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Prepaid expenses	193	184	163	133
Other assets	121	103	104	37
Deferred charges	46	39	41	73
Unamortized debt discount	21	24	NC[1]	NC
Deposits	17	27	13	11

[1]Not calculated.

COUNTY OF STRAFFORD, NEW HAMPSHIRE

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General Fund Type	Special Revenue	Capital Projects	Enterprise (Nursing Home)	Trust and Agency	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
ASSETS								
Cash	$389,045	$ 0	$ 0	$ 400	$120,034	$0	$0	$509,479
Temporary investments	119,361	0	0	478,706	0	0	0	598,067
Accounts receivable	0	1,727	192,644	0	0	0	0	194,371
Due from other funds	0							
Due from other governments	0	0	0	0	0	0	0	0
Inventories	0	0	0	68,863	0	0	0	68,863
Prepaid expenses	169,602	0	0	321	0	0	0	169,923

1. Summary of Significant Accounting Policies [In Part]

F. Prepaid Expenses

Prepaid expenses of the Enterprise Fund (Riverside Nursing Home) represent prepayment of subsequent year's expenses. They will be written off as actual expenses when they are incurred in 1989.

Prepaid expenses of the General Fund represents service contracts and prepaid insurance. Reported prepaid expenses are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net assets.

CITY OF VERO BEACH, FLORIDA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—SEPTEMBER 30, 1988

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
ASSETS	General	Debt Service	Capital Projects	Enterprise	Trust & Agency	General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
Equity in Pooled Cash and Investments	$3,339,488	$1,179,394	$7,343,841	$19,655,969	$17,929,112	$—	$—	$49,447,804
Receivables—Net:								
Accounts	10,767	—	—	4,546,431	—	—	—	4,557,198
Special assessments	—	—	272,983	288,443	—	—	—	561,426
Accrued interest	59,475	—	154,743	181,896	94,555	—	—	490,669
Miscellaneous	—	—	670	—	—	—	—	670
Due From Other Funds	114,077	—	—	436,818	—	—	—	550,895
Due From Other Governments	11,875	—	—	58,800	—	—	—	70,675
Inventories	220,522	—	—	2,931,144	—	—	—	3,151,666
Prepaid Expenses	73,723	—	—	54,650	—	—	—	128,373

1. Summary of Significant Accounting Policies [In Part]

I. Prepaid Expenses—Prepaid expenses consist of insurance costs that have been prepaid for the next fiscal year. These costs will be recognized as expenditures in the subsequent year as opposed to when the costs are paid. Prepaid expenses in the governmental fund types are equally offset by a fund balance reserve account which indicates that they do not constitute "available, spendable resources."

CITY OF EMPORIA, KANSAS

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust	General Fixed Assets	General Long-Term Debt	1988	1987
Cash and investments (Note A-4,C)	$ 372,176	$291,819	$ 95,435	$186,299	$2,235,518	$ 108,958	$0	$0	$3,290,205	$3,769,011
Cash with fiscal agent (Note C)	0	0	7,569	0	0	0	0	0	7,569	32,062
Receivables (net of allowance for uncollectibles)										
Taxes (Note A-5)	2,420,500	355,607	493,344	0	0	0	0	0	3,269,451	3,122,082
Special assessments (Note A-12)	0	0	1,854,682	0	0	0	0	0	1,854,682	2,415,659
Accounts (Notes A-6, A-7)	96,575	5,492	0	0	223,031	0	0	0	325,098	267,701
Unbilled (Note A-9)	0	0	0	0	192,795	0	0	0	192,795	173,256
Interest	0	0	0	0	48,308	49,895	0	0	98,203	69,391
Notes (Note S)	0	0	0	0	0	1,237,980	0	0	1,237,980	971,725
Other	0	0	0	20,371	0	0	0	0	20,371	17,676
Due from other funds (Note A-8)	0	0	0	0	0	0	0	0	0	21,440
Inventories (Note A-10)	0	0	0	0	205,974	0	0	0	205,974	211,436
Prepaid expenses (Note A-10)	0	1,311	0	0	0	0	0	0	1,311	1,521

Note A—Summary of Accounting Policies [In Part]

10. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods, other than those recorded in the enterprise funds, are recorded as an expenditure during the year of purchase as required by state statutes. Enterprise funds' inventories are stated at average cost, cost being determined on the first-in, first-out method. Inventories of the enterprise funds were adjusted to the physical count at December 31, 1988.

CHATTANOOGA HOUSING AUTHORITY, CHATTANOOGA, TENNESSEE

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Type	Account Groups		
	Special Revenue	General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
ASSETS				
Cash	$ 559,525	—	—	$ 559,525
Investments	2,211,998	—	—	2,211,998
Accounts receivable	731,203	—	—	731,203
Due from other governments and programs	722,262	—	—	722,262
Debt amortization funds	116,077	—	—	116,077
Prepaid expenses	1,052,765	—	—	1,052,765

Note E—Prepaid Expenses

Prepaid expenses at December 31, 1988, consist of the following:

	Special Revenue
Insurance	$ 168,837.80
Inventories of materials and equipment	342,510.06
Deferred compensation	541,417.29
	$1,052,765.15

FIXED ASSETS

GASB Cod. Sec. 1400 prescribes generally accepted accounting principles for fixed assets:

> A clear distinction should be made between fund fixed assets and general fixed assets. Fixed assets related to specific proprietary funds or trust funds should be accounted for through those funds. All other fixed assets of a governmental unit should be accounted for through the General Fixed Assets Account Group.

In addition, GASB Cod. Sec. 1400.103-106 provides the following guidance with respect to fixed assets:

> Enterprise fund fixed assets are capitalized in the fund accounts to facilitate reporting of all costs of providing the goods or services that require the use of the fixed assets and to include among the assets of the enterprise funds all fixed assets that may have been used to secure fund debt.
>
> Similarly, internal service fund fixed assets are recorded in internal service fund accounts.
>
> Fixed assets associated with trust funds are accounted for through the appropriate trust fund: fixed assets of nonexpendable trusts are accounted for in the same manner as the fixed assets of proprietary funds. Expendable trust funds account for fixed assets in the same way as do the government funds for their general fixed assets.
>
> Fixed assets other than those accounted for in the proprietary funds or trust funds are general fixed assets, that are accounted for in the general fixed asset account group rather than in the governmental funds.

Table 3-9 lists the more frequently observed account titles used to identify the fund and general fixed assets of the surveyed governments.

TABLE 3-9. FUND AND GENERAL FIXED ASSETS

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Construction in progress	108	113	106	75
Land	108	104	102	107
Fixed assets	73	95	82	58
Buildings	62	70	61	79
Improvements other than building	41	45	41	34
Machinery and equipment	41	39	43	45
Equipment	40	48	42	40
Buildings and improvements	34	27	20	25
Property, plant and equipment	21	37	54	31
Land, structures and equipment	16	14	23	57
Property and equipment	10	21	NC[1]	NC
Furniture, fixtures and equipment	9	16	NC	NC

[1]Not calculated.

> Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at the time received.

Cost has been defined in GASB Cod. Sec. 1400.111 as consideration given or received, whichever is more objectively determinable. Cost includes not only the purchase price or construction cost, but also ancillary charges to put the asset in its intended location and condition for use. Ancillary charges include such items as freight, transportation, site preparation, professional fees, and legal claims directly attributable to asset acquisition. If there is capitalization of the interest cost incurred during construction, it should be disclosed and consistently applied.

DEPRECIATION OF FIXED ASSETS

GASB Cod. Sec. 1400.113 contains the following guidance on the depreciation of fixed assets:

> Depreciation of general fixed assets should not be recorded in the accounts of governmental funds. Depreciation of general fixed assets may be recorded in cost accounting systems or calculated for cost finding analyses, and accumulated depreciation may be recorded in the general fixed assets account group.
>
> Depreciation of fixed assets accounted for in a proprietary fund should be recorded in the accounts of that fund. Depreciation is also recognized in those trust funds where expenses, net income, and/or capital maintenance are measured.

GASB Cod. Sec. 1400.114 states that depreciation expense is determined by allocating in a systematic manner the net asset cost (original cost less estimated salvage value) or assigned value over the estimated service life of the asset. Depreciation expense is recognized in proprietary funds and those trust funds where expense, net income, or capital maintenance are measured.

For general fixed assets, the recording of depreciation is optional, but the accounting should not be done in the accounts of the governmental funds. Rather, the depreciation entry is recorded in the general fixed assets account group through an increase in accumulated depreciation and a decrease to the investment in general fixed assets accounts.

Table 3-10 lists several of the more frequent descriptors used in the financial statements examined for reporting accumulated depreciation.

Examples from governmental financial statements relating to fixed asset accounting and depreciation follow.

TABLE 3-10. FIXED ASSETS—ACCUMULATED DEPRECIATION

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Accumulated depreciation	124	127	135	126
Fixed assets, net of accumulated depreciation	103	102	91	75
Property, plant and equipment, net	67	59	48	35
Property and equipment, net	27	18	10	13

BOULDER VALLEY SCHOOL DISTRICT
RE-2—EXHIBIT 1

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988—(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1987)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Combined Special Revenue	Debt Service	Capital Projects	Food Service	Trust and Agency	General Fixed Assets	General Long-term Debt	1988	1987
ASSETS										
Equity in pooled cash and investments	$ 7,723,853	$ 9,552,155	$ 551,536	$(12,610)	$52,893	$619,167	$ 0	$ 0	$ 18,486,994	$ 17,306,537
Cash held by County Treasurer	1,159,420	112,388	106,855	0	0	0	0	0	1,378,663	966,882
Accounts receivable (net of allowances)	275,075	215,093	0	0	0	2,062	0	0	492,230	818,246
Due from other governments	0	0	0	23,840	73,105	0	0	0	96,945	738,799
Accrued interest receivable	129,143	0	0	0	0	35	0	0	129,178	59,877
Inventories	676,329	0	0	0	0	0	0	0	676,329	954,445
Equity in workers' compensation pool	0	280,754	0	0	241,801	0	0	0	522,555	116,130
Prepaid expenses	2,824	460,845	0	0	0	0	0	0	463,669	394,340
Deferred issuance expense	0	0	182,883	0	0	0	0	0	182,883	244,729
Unamortized discount on bonds	0	0	279,905	0	0	0	0	0	279,905	376,982
Amounts available for retirement of bonds	0	0	0	0	0	0	0	0	0	282,201
Amounts to be provided for retirement of bonds	0	0	0	0	0	0	0	23,315,000	23,315,000	25,482,799
Amounts to be provided for early retirement	0	0	0	0	0	0	0	1,763,134	1,763,134	1,854,582
Amounts to be provided for future compensated absences	0	0	0	0	0	0	0	9,686,539	9,686,539	9,836,112
Land	0	0	0	0	0	0	2,942,434	0	2,942,434	2,942,557
Buildings	0	0	0	0	0	0	70,280,012	0	70,280,012	70,697,061
Equipment	0	0	0	0	836,254	0	22,594,493	0	23,430,747	22,113,161
Accumulated depreciation	0	0	0	0	(595,484)	0	0	0	(595,484)	(562,033)
Construction in progress	0	0	0	0	0	0	0	0	0	2,775,461
Property taxes receivable	55,657,615	0	8,912,045	0	0	0	0	0	64,569,660	63,860,209
TOTAL ASSETS	$65,624,259	$10,621,235	$10,033,224	$ 11,230	$608,569	$621,264	$95,816,939	$34,764,673	$218,101,393	$221,259,077

NOTES TO THE FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies [In Part]

Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Fixed assets used in governmental fund type operations are accounted for in the general fixed asset group of accounts rather than governmental funds. No depreciation has been provided for general fixed assets in the general fixed asset group of accounts.

All fixed assets of the District are valued at historical cost or at an estimate of their historical cost if actual historical cost is not available. Donated assets are recorded at estimated fair market value on the date of receipt. The District generally capitalizes all fixed assets whose cost exceeds $250 and whose estimated life exceeds one year.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are, instead, reported as liabilities in the General Long-Term Debt Account Group.

The Proprietary (Enterprise) Fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets and food preparation equipment used by the Proprietary (Enterprise) Fund is charged as an expense against operations. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The lives range from 3 to 12 years.

Note 2—Detail Notes On All Funds and Account Groups [In Part]

G. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are recorded as expenditures in governmental funds, and are capitalized at cost or estimated historical cost if the original cost is not available, in the general fixed asset group of accounts. Gifts or contributions are recorded in the general fixed assets group at fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of assets in the Food Service Fund (Proprietary Fund type) is computed on a twelve-year composite life, straight-line basis, as recommended in the United States Department of Agriculture School Food Service Financial Management Handbook for Uniform Accounting.

Changes in general fixed assets

The changes in general fixed assets for the year ended December 31, 1988 are as follows:

Changes in general fixed assets

	Balance January 1, 1988	Additions	Deletions	Balance December 31, 1988
Land	$ 2,942,557	$ —	$ 1,392	$ 2,941,165
Buildings	70,697,061	186,104	111,676	70,771,489
Construction In-Progress				
—Building	129,188	—	129,188	—
—Capital	2,646,273	—	2,646,273	—
Equipment	21,280,827	1,266,048	442,590	22,104,285
Total	$97,695,906	$1,452,152	$3,331,119	$95,816,939

CHARTER TOWNSHIP OF DELTA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental fund type			Proprietary fund type	Fiduciary fund type	Account groups		Totals (Memorandum only)	
ASSETS	General	Special revenue	Debt service	Enterprise	Trust and agency	General fixed assets	General long-term debt	1988	1987
Cash....................	$ 850	$	$	$ 50	$ 2,021,541	$	$	$ 2,022,441	$ 4,788,828
Investments...........					22,864,897			22,864,897	17,850,591
Receivables:									
Taxes................	2,878,679	550,081	84,871					3,513,631	3,121,355
Accounts	19,807			649,480				669,287	661,276
Special assessments—deferred					392,954			392,954	40,788
Interest					171,935			171,935	127,778
Other................				10,649				10,649	46,231
Deposits with treasurer's common cash fund	3,958,644	3,226,595	24,872	2,353,098	8,473,160			18,036,369	17,497,736
Due from other funds................	209,162			467,699	341,091			1,017,952	1,502,140
Prepaid expenses	154,712							154,712	152,485
Deferred charges.....				589,684				589,684	530,290
Restricted assets:									
Deposits with treasurer's common cash fund				6,841,611				6,841,611	5,135,137
Receivables:									
Special assessments —current.....				266,176				266,176	275,328
—deferred....				1,664,854				1,664,854	2,204,790
Accrued interest				66,439				66,439	77,223
Deferred charges..				24,833				24,833	29,362
Due from state and federal government..........				858,270				858,270	423,102
Fixed assets, net of accumulated depreciation...........				46,306,602		5,069,746		51,376,348	49,859,098

NOTES TO FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies [In Part]

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed asset account group.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed over the estimated useful lives using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project.

Note 5—Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance January 1, 1988	Additions	Deletions	Balance December 31, 1988
Land	$ 551,323	$ 30,806	$	$ 582,129
Buildings	1,648,266	1,742		1,650,008
Improvements other than buildings	327,122	33,043		360,165
Equipment	2,394,025	170,670	87,251	2,477,444
Total	$4,920,736	$236,261	$87,251	$5,069,746

The following is a summary of proprietary fund-type fixed assets at December 31, 1988:

	Sewer Fund	Water Fund	Total
Land and improvements	$ 323,979	$ 213,870	$ 537,849
Buildings	2,760,671		2,760,671
Sewer and water mains	20,187,702	5,836,423	26,024,125
Furniture and equipment	361,293	304,551	665,844
Construction in progress	21,606,701	419,615	22,026,316
	45,240,346	6,774,459	52,014,805
Less accumulated depreciation	(4,092,273)	(1,615,930)	(5,708,203)
Net fixed assets	$41,148,073	$5,158,529	$46,306,602

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	10-50 years
Improvements	10-50 years
Equipment	4-10 years

Interest expenditures of $328,211 in 1988 were capitalized as part of the costs of assets constructed within the sewer fund.

THE HOUSING AND REDEVELOPMENT AUTHORITY OF SOUTH ST. PAUL, SOUTH ST. PAUL, MINNESOTA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988—WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1987

	Governmental Fund Types		Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
				General	General	December 31	
ASSETS AND OTHER DEBITS	General	Special Revenue	Housing Programs	Fixed Assets (Unaudited)	Long-Term Debt	1988	1987
Assets:							
Cash and Cash Equivalents	$ 9,356	$210,716	$ 185,183	$ —	$—	$ 405,255	$ 273,379
Investments	4,062	330,767	350,000	—	—	684,829	687,129
Restricted Cash	—	—	—	—	—	—	31,603
Accounts Receivable	1,352	11,615	632	—	—	13,599	9,974
Interest Receivable	2,467	159,732	—	—	—	162,199	146,443
Taxes Receivable—							
Deferred	21,880	—	—	—	—	21,880	23,322
Delinquent	1,569	—	—	—	—	1,569	1,438
Due from Other Funds	22,000	30,572	47,494	—	—	100,066	81,087
Due from Other Governmental Units	4,041	58,620	419,178	—	—	481,839	471,629
Prepaid Expenses	—	2,800	21,460	—	—	24,260	13,789
Business Assistance Loans Outstanding	—	85,213	—	—	—	85,213	35,971
Rehabilitation Loans Outstanding	—	790,754	—	—	—	790,754	793,432
Fixed Assets	—	—	5,756,558	1,823,918	—	7,580,476	6,255,753

Note 1—Summary of Significant Accounting Policies [In Part]

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All fixed assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities, since they do not affect net current assets. Such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

The proprietary funds are accounted for on a cost-of-services or "capital-maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with the funds' activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

6. Fixed Assets

The following is a summary of the changes in general fixed assets (Unaudited):

	Balance 1-1-88	Purchases	Disposals	Balance 12-31-88
Land	$492,136	$1,294,647	$—	$1,786,783
Furniture and Equipment	37,135	—	—	37,135
	$529,271	$1,294,647	$—	$1,823,918

The following is a summary of the enterprise funds fixed assets:

	Public Housing	Section 8 Housing	Total
Land	$ 199,800	$ —	$ 199,800
Buildings	5,402,107	—	5,402,107
Furniture and Equipment	151,035	3,616	154,651
	$5,752,942	$3,616	$5,756,558

CITY OF ENGLEWOOD, COLORADO

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988—WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 1987

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
										December 31,	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	1988	1987
Cash and investments (Note 2)	$2,354,236	$336,196	$ 409,572	$904,846	$15,514,220	$1,928,657	$19,107,316	$ —	$—	$40,555,043	$38,677,717
Receivables, net:											
Property taxes	1,555,686	166,938	1,050,265	—	—	—	—	—	—	2,772,889	2,734,781
Assessments	—	—	781,996	—	—	—	4,534	—	—	786,530	845,958
Accounts	—	—	—	—	560,567	—	84,733	—	—	645,300	428,463
Other	57,738	147,266	25,700	8,043	196,152	—	229,474	—	—	664,373	593,752
Due from other governments	146,172	1,144	2,704	17,616	96,480	—	—	—	—	264,116	397,370
Due from other funds	146,172	1,144	2,704	17,616	96,480	—	—	—	—	—	71,967
Other assets	4,944	—	58,283	—	135,857	347,928	—	—	—	547,012	555,364
Equity in joint venture (Note 3)	—	—	—	—	14,178,126	—	—	—	—	14,178,126	14,379,876
Restricted cash and investments (Note 2)	—	—	2,735,038	30	4,282,001	—	—	—	—	7,017,069	6,673,283
Property held for redevelopment	—	—	—	—	—	—	—	—	—	—	3,833,496
Property, plant and equipment, net (Note 4)	—	—	—	—	35,328,641	1,451,454	21,657,049	—	—	58,437,144	58,499,471

Note 1—Summary of Significant Accounting Policies [In Part]

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund are determined by the measurement focus of the fund type.

Governmental funds focus on spending. Accordingly, fixed assets currently purchased or constructed for general governmental purposes are recorded as expenditures in the governmental fund types and recorded as assets in the General Fixed Assets Account Group. Certain fixed assets, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized as such assets are immovable and of value only to the City. Long-term liabilities expected to be financed by governmental fund types are recorded in the General Long-term Debt Account Group.

Account groups are used to establish control and accountability; they do not measure the results of operations.

Proprietary fund types focus on capital maintenance. Accordingly, property, plant and equipment are recorded in the fund which acquires such assets and long-term liabilities are recorded in the fund which expects to finance such liabilities.

All fixed assets are stated at cost or at estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value at the time received. The cost of maintenance and repairs are charged to operations as incurred and improvements are capitalized.

No depreciation is provided on general fixed assets. Depreciation of property, plant and equipment owned by the proprietary fund types is computed using the straight-line method over the estimated useful lives of the assets which are as follows:

Buildings	50 years
Water distribution and sewage collection systems	50 years
Water and sewage treatment plants	50 years
Raw water service and treated water storage facilities	15-50 years
Vehicles, machinery and equipment	2-25 years

Upon retirement or other disposition of general fixed assets, the cost is removed from the General Fixed Assets Account Group. Upon retirement or other disposition of fixed assets owned by the proprietary fund types, the cost and related accumulated depreciation are removed from the respective fund's accounts and any gains or losses are included in the respective fund's current operations.

Note 4—Property, Plant and Equipment:

A summary of changes in general fixed assets follows:

	Balance January 1, 1988	Additions	Deletions	Balance December 31, 1988
Land	$ 9,235,253	$ 42,779	—	$ 9,278,032
Buildings	5,220,890	6,522	—	5,227,412
Improvements other than buildings	812,496	33,879	—	846,375
Equipment	5,783,526	521,704	—	6,305,230
	$21,052,165	$604,884	—	$21,657,049

A summary of property, plant and equipment for the Enterprise Funds and the Internal Service Funds at December 31, 1988 follows:

	Enterprise Funds	Internal Service Funds
Distribution and collections systems	$14,008,801	$ —
Plant and buildings	13,380,587	633,672
Raw water and treated water service facilities	6,079,039	—
Raw water storage facilities	3,294,742	—
Equipment and other	1,816,013	3,518,788
	38,579,182	4,152,460
Less: accumulated depreciation	(8,567,878)	(2,701,006)
	30,011,304	1,451,454
Land	5,317,337	—
Total property, plant & equipment	$35,328,641	$1,451,454

COBB COUNTY, GEORGIA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—SEPTEMBER 30, 1988—WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1987

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Term Debt	1988	1987
Assets and Other Debits											
Assets:											
Cash	$ 2,019,010	$ 1,106,923	$ 409,965	$ 5,147,661	$ 1,530,133	$1,115,340	$ 8,369,952	$ —	$—	$ 19,698,984	$ 11,520,122
Unremitted cash in county offices	3,886,915	1,003,425	352,034	—	—	—	—	—	—	5,242,374	3,023,420
Cash with fiscal agent	—	—	17,035	—	—	—	—	—	—	17,035	15,055
Investments	200,000	—	—	79,607,594	—	—	156,793,286	—	—	236,600,880	144,128,747
Receivables, net (Note 4)	44,115,610	13,846,762	5,507,964	1,928,656	2,730,975	102,627	89,622,128	—	—	157,854,722	142,670,691
Due from other funds (Note 13)	3,406,640	1,629,458	1,259	36,932,473	10,323,563	401,996	262,837	—	—	52,958,231	25,749,011
Due from restricted assets	—	—	—	—	1,863,070	—	—	—	—	1,863,070	2,484,911
Due from other governments and agencies	113,920	791,329	—	11,582,326	—	—	—	—	—	12,487,575	9,673,713
Inventories	307,530	116,113	—	—	1,054,909	—	—	—	—	1,478,552	1,560,331
Prepaid expenditures and other assets	22,658	—	—	—	60,686	—	—	—	—	83,344	23,994
Restricted assets (Note 5)	—	—	—	—	159,770,493	—	—	—	—	159,770,493	109,253,599
Property, plant and equipment, net (Note 6)	—	—	—	—	361,047,403	10,073	—	204,178,445	—	565,235,921	488,743,544

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies [In Part]

J. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized along with other general fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

In 1981, the Water and Sewer Enterprise Fund adopted Financial Accounting Standards Board Statement No. 34 and capitalized interest on major construction projects in progress. The amount of interest capitalized through December 1982 totaled $3,017,293. Subsequently, the Financial Accounting Standards Board has issued Statement No. 62 on interest capitalized on tax-exempt borrowings which supersedes Statement No. 34, and requires that capitalized interest must first be offset by interest income derived from the tax-exempt bonds prior to the reduction of interest expense for capitalization purposes. Under these new guidelines, the interest capitalized for the year ended September 30, 1988 totaled $-0-. As permitted by FASB No. 62, the County has elected not to make a retroactive adjustment to Retained Earnings for the prior years' effect of FASB No. 62.

Note 6. Property, Plant and Equipment

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance September 30, 1987	Additions	Deletions	Balance September 30, 1988
Land	$ 40,193,144	$19,932,860	$ —	$ 60,126,004
Buildings and structural improvements	42,670,571	1,660,315	—	44,330,886
Improvements other than buildings	32,568,272	12,891,218	—	45,459,490
Furniture, machinery and equipment	32,679,566	5,248,677	496,927	37,431,316
Construction in progress	14,433,888	2,396,861	—	16,830,749
	$162,545,441	$42,129,931	$496,927	$204,178,445

A summary of proprietary fund-type property, plant and equipment at September 30, 1988 follows:

	Water and Sewer	Solid Waste	Public Transit System
Land and improvements	$ 11,141,653	$1,231,454	$ —
Buildings and structures	1,277,732	1,316,609	—
Sewerage plants	119,022,320	—	—
Sewer lines	180,287,698	—	—
Water lines and meters	95,048,045	—	—
Machinery and equipment	5,933,539	3,373,670	15,386
Construction in progress	17,726,856	309,586	—
Total	430,437,843	6,231,319	15,386
Less accumulated depreciation	(72,633,703)	(3,001,903)	(1,539)
Net	$357,804,140	$3,229,416	$13,847

Construction in progress is composed of the following:

	Project Authorization	Expended to 9/30/88	Committed	Required Future Financing
Solid waste disposal facilities	$127,655,883	$34,867,191	$92,788,692	User Fees
Health department facility	309,492	117,102	192,390	None
Various road improvement projects	25,241,648	8,897,710	16,343,938	Sales Tax Revenues
Parks and library facilities	12,803,844	7,305,394	5,498,450	None
Public facilities	3,845,411	510,543	3,334,868	None
Various water and sewer projects	$ 84,869,309	$17,726,856	$67,142,453	None
Total	$127,655,883	$34,867,191	$92,788,692	

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Buildings and structures	10-25 years
Sewerage Plants	10-50 years
Sewer Lines	50 years
Water Lines and Meters	10-50 years
Machinery and Equipment	4-10 years

NONCANCELLABLE OR CAPITALIZED LEASES

GASB Cod. Sec. 1400.108 provides that the fixed assets classification should include assets that are, in substance, acquired under noncancellable leases. The related lease obligation should be recorded as a long-term debt. It requires also that significant non-capitalized lease commitments should be disclosed in the notes to the financial statements.

With respect to these leases for general fixed assets, the asset is recorded in the general fixed asset account group, the related lease (debt) in the general long-term debt account group. Proprietary-fund-type leased fixed assets and the related lease (debt) are recorded within the appropriate proprietary fund.

The following are excerpts from notes to financial statements relating to capitalized leases.

TOWN OF DERRY

NOTES TO THE FINANCIAL STATEMENTS—JUNE 30, 1989

Note 7—Capital Lease Agreements For Equipment

During the 1988-89 fiscal year, the Town entered into lease-purchase agreements for the purchase of highway equipment, which provide for annual principal and interest payments as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
1990	$ 31,082	$11,295	$ 42,377
1991	33,584	8,793	42,377
1992	36,291	6,086	42,377
1993	39,215	3,162	42,377
Totals	$140,172	$29,336	$169,508

Principal payments of $42,377 were made during the year. The lease-purchase agreements contain non-appropriation funding clauses whereby, in the event no funds or insufficient funds are appropriated by the Town, the lease shall terminate without penalty or expense to the Town.

HOUSING AUTHORITY OF THE CITY OF CHARLOTTE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS—MARCH 31, 1989

Note 14—Non-Cancellable Lease Agreements:

The Authority leases a Copier under a sixty (60) month non-cancellable Lease Agreement dated April 1, 1985. The Authority has an option to purchase this unit at the expiration of the lease for $1 or, for a pre-determined scheduled amount on the annual lease anniversary dates.

A Wang Computer System is also being leased under an Equipment Lease/Purchase Agreement dated July 23, 1986 and financed by a local bank. The term of the lease is sixty (60) months with monthly payments of $4,677.25 based upon a financed purchase price of $215,788.79.

Several vehicles used by administrative and maintenance personnel are also being leased from various local dealers. The term of such leases is generally for 48 month periods and generally transfer title at the end of the lease for a nominal purchase price.

The Authority has chosen to capitalize lease payments as made under the cash method of accounting. Under generally accepted accounting principles, the present value of all capital leases obligations would have been capitalized (i.e. recorded as fixed assets and as contractual liabilities) under provisions of FASB Statement 13, Accounting for Leases. All of the above agreements meet one or more of the capital lease criteria specified in that statement which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule providing the necessary disclosure required for capital leases under FASB Statement 13 as of March 31, 1989:

	Computer & Office Equipment	Vehicles	Total
Purchase Price	$273,584.00	$150,594.00	$424,178.00
Year Ending March 31,			
1990	74,535.00	43,250.00	117,785.00
1991	68,651.00	43,250.00	111,901.00
1992	39,991.00	43,250.00	83,241.00
1993	510.00	19,670.00	20,180.00
1994	—	—	—
Total minimum lease payments.	$183,687.00	$149,420.00	$333,107.00
Less: amount of interest	22,445.00	17,682.00	40,127.00
Present value of net minimum lease payments.	$161,242.00	$131,738.00	$292,980.00

CITY OF XENIA, OHIO

NOTES TO COMBINED FINANCIAL STATEMENTS—YEAR ENDED DECEMBER 31, 1988

M—Lease and Other Commitments

The City entered into a five-year municipal capital lease and option agreement commencing June, 1987, for landfill compacting equipment.

During 1988, the City entered into capital lease agreements for 2 fire pumpers and an aerial ladder fire truck for the fire department and a rear end loader for the sanitation department.

The following is an analysis of equipment leased under capital leases as of December 31, 1988:

	General Fixed Assets	Enterprise Fund
Machinery and equipment	$687,375	$169,865
Less accumulated depreciation	6,301	33,973
Carrying Value	$681,074	$135,892

Future minimum lease payments under the lease along with the present value of the minimum lease payments as of December 31, 1988 are:

Year	General Long-Term Obligations	Enterprise Fund
1989	$189,861	$ 40,476
1990	189,861	40,476
1991	189,861	40,476
1992	45,363	19,667
1993	45,363	
1994-1995	36,118	
Total minimum lease payments	696,427	141,095
Less amount representing interest	104,385	18,211
Present value of lease payments	$592,042	$122,884

The City leases office equipment and parking lots under operating agreements which expire at various dates through 1991. Payments on operating leases were $18,593 during 1988.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS—YEAR ENDED AUGUST 31, 1988

Q. Capital Leases

The Gainesville Independent School District entered into the following leases which were determined to be financing leases. In accordance with generally accepted accounting principles, the expenditures have been capitalized and the liabilities reflected in loans and leases payable.

Item	Purchase Price	Interest Rate	Term	Monthly Payment
IBM Software & Computer	$53,100	12.75%	60 mos	$1,201.00
AT&T Telephone System	$11,104	10.90%	60 mos	$ 240.83
Computer Equipment	$ 4,185	11.03%	52 mos	$ 102.00
AT&T Telephone System	$ 1,649	14.50%	60 mos	$ 38.79

BOULDER COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS—YEAR ENDED DECEMBER 31, 1988

D. Capitalized Lease Obligations:

Following is an analysis of the leased property under capital leases, as included in the General Fixed Asset Group of Accounts, by major classes:

Classes and Property	Asset Balances
Computer and office equipment	$ 2,454,905
Jail complex	14,518,017
	$16,972,922

Following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 1988:

Year Ended December 31,	Computer Equipment	Jail Complex
1989	$308,441	$2,343,967
1990	4,628	2,345,318
1991	—	2,347,737
1992	—	2,346,738
1993	—	2,345,800
Thereafter	—	7,128,960
Net minimum lease payments	313,069	18,858,520
Less amount representing interest	21,551	4,423,520
Present value of net minimum lease payments	$291,518	$14,435,000

INFRASTRUCTURE FIXED ASSETS

Certain governmental fixed assets are referred to as *public domain* or *infrastructure* fixed assets. These assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets. Such assets are generally immovable and of value only to a governmental unit. GASB Cod. Sec. 1400.109 states that reporting of such assets is optional. Typically, depreciation is not recorded for these types of assets. However, the GASB provides that the accounting policy should be consistently applied and be disclosed in the summary of significant accounting policies.

The following are selected examples of note disclosures related to infrastructure assets that the governmental unit has elected to record.

TOWN OF DARIEN, CONNECTICUT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—JUNE 30, 1989

1. Summary of Significant Accounting Policies [In Part]

B. Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized. No depreciation has been provided on general fixed assets.

Acquisitions of general fixed assets are accounted for as expenditures in the various funds. The expenditures are capitalized in the General Fixed Assets account group as follows: land, buildings and equipment acquired prior to July 1, 1982 at cost or estimated historical cost and land, buildings and equipment acquired subsequent to June 30, 1982 at cost.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt account group, not in the governmental funds.

HENNEPIN COUNTY, MINNESOTA

NOTES TO COMBINED FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 1. Significant Accounting Policies [In Part]

G. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized as these assets are immovable and of value only to the County.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary fund types is computed using the straight-line method over the estimated useful lives. Estimated lives are 10 to 50 years for buildings and 2 to 20 years for equipment.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

1. Summary of Significant Accounting Policies [In Part]

G. Fixed Assets [In Part]

General Fixed Assets—

General fixed assets are recorded as expenditures in the General, Special Revenue or Capital Projects Funds when acquired. Such assets are capitalized at cost, including interest during the construction period, in the General Fixed Assets Account Group. Significant gifts or contributions of assets are recorded in the General Fixed Asset Account Group at the fair market value at the date of acquisition. Public domain (infrastructure) general fixed assets consisting of streets, curbs, sidewalks, gutters and drainage systems are not capitalized. No depreciation is provided on general fixed assets.

LIABILITIES

SHORT-TERM LIABILITIES

While not required to do so, some governments in their combined balance sheets distinguish between current liabilities and other types of obligations. Generally, those current liabilities are those debts owed for which payment must be made by the government in the relatively near term, i.e., within the year.

As noted in Table 3-11, although some of the accounts used to signify current governmental liabilities are unique, most of the accounts are the same as those used by corporate organizations and other institutions. Below are examples that illustrate excerpts from the combined balance sheet of several governmental units showing the presentation of current liabilities.

TABLE 3-11. SHORT-TERM LIABILITIES

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Accounts payable	352	345	362	380
Other liabilities	81	74	41	27
Contracts payable	76	77	85	65
Accounts payable and accrued liabilities	58	48	42	21
Retainage payable	57	56	44	21
Payroll taxes withheld[1]	53	50	61	71
Notes payable	52	51	39	59
Interest payable	31	31	42	28
Cash overdraft	28	36	41	28
Vouchers payable	28	31	26	16
Warrants payable	27	25	NC[2]	NC
Wages payable	22	17	27	18
Bank overdraft	15	18	21	21
Deposits payable	13	21	35	15

[1]Includes payroll taxes and amounts withheld.
[2]Not compiled.

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—SEPTEMBER 30, 1988

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
LIABILITIES AND FUND EQUITY	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
Liabilities											
Cash overdraft	$ —	—	—	—	—	—	6,244,429	—	—	4,429	2,455,679
Accounts payable	2,355,881	269,405	—	1,735,999	18,360,354	1,131,199	5,513,764	—	—	29,366,602	31,503,941
Advance from investment pool (Note 5)	—	1,810,801	—	125	34,893,400	—	936,276	—	—	37,640,602	37,534,462
Revenue bonds payable	—	—	—	—	32,779,999	—	—	—	—	32,779,999	23,560,000
Notes payable (Note 12)	—	—	—	—	150,000,000	—	—	—	—	150,000,000	—
Construction contracts payable (Note 12)	—	—	—	—	1,365,837	—	—	—	—	1,365,837	1,646,180
Water improvement district bonds payable	—	—	—		173,000	—	—	—	—	173,000	224,000
Municipal utility district contracts payable	—	—	—	—	2,279,999	—	—	—	—	2,279,999	625,000
Interest payable on other debt	—	—	—	—	3,597,066	—	—	—	—	3,597,066	2,125,066
Capital lease obligations (Note 21)	—	—	—	—	3,497,996	30,011	4,856,322	—	—	8,384,329	3,768,367
Certificates of obligation	—	—	—	—	500,000	—	—	—	—	500,000	500,000
Claims payable (Note 20)	718,924	—	—	—	4,455,914	—	2,259,410	—	—	7,434,248	35,837,780
Accrued payroll and compensated absences	4,598,141	—	—	—	12,911,746	994,000	—	—	—	18,503,887	20,823,034
Deferred revenue	843,423	—	420,567	—	2,063,619	—	—	—	—	3,327,609	15,784,107
Other liabilities	—	550,163	—	153,531	3,500,900	—	39,456,451	—	—	43,661,045	36,667,263
Due to other governments	—	—	—	—	—	—	790,028	—	—	790,028	538,453
Due to other funds	—	—	—	—	—	—	1,912,317	—	—	1,912,317	2,886,334
Investment by other funds (Note 5)	—	—	—	—	—	—	390,900,742	—	—	390,900,742	479,502,481
Total current liabilities	8,516,369	2,630,369	420,567	1,889,655	270,379,830	2,155,210	452,869,739	—	—	738,861,739	695,982,147

CITY OF WASHINGTON, MISSOURI

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP—SEPTEMBER 30, 1988

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	
LIABILITIES AND FUND BALANCES	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Long-Term Debt	Total (Memorandum Only)
CURRENT LIABILITIES								
Payable from current assets:								
Due to lessee	$ —	—	—	—	—	521	—	521
Notes payable	—	—	—	—	42,000	—	—	42,000
Vouchers payable	99,626	23,055	—	—	54,542	310	—	177,533
Accrued wages	18,970	3,531	—	—	5,174	—	—	27,675
Accrued and withheld items	19	161	—	—	—	—	—	180
Prepaid licenses	6,645	—	—	—	—	—	—	6,645
Deposits	89,745	3,675	—	—	—	30,000	—	123,420
Due to other funds	—	—	—	—	30,000	—	—	30,000
Deferred revenue	20,927	8,406	—	—	—	—	—	29,333
	235,932	38,828	—	—	131,716	30,831	—	437,307
Payable from restricted assets:								
Bonds payable—current instalments (Note D)	—	—	—	—	50,000	—	—	50,000
Accrued interest	—	—	3,000	—	20,909	—	—	23,909
Deferred revenue	—	—	—	—	2,870	—	—	2,870
	—	—	3,000	—	73,779	—	—	76,779
TOTAL CURRENT LIABILITIES	235,932	38,828	3,000	—	205,495	30,831	—	514,086

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA

BALANCE SHEET—MARCH 31, 1989

	Conventional	Section 8	Other
LIABILITIES AND FUND EQUITY			
Current Liabilities			
Modernization costs payable	$ 885,579	$	$ —
Accounts payable—other	389,730	62,894	7,354
Due to other funds (Note 3)	—	529,814	15,926
Interest payable	381,608	—	—
Accrued liabilities	227,589	—	—
Deferred credits	2,933	—	—
Notes payable	—	—	77,568
Total current liabilities	1,887,439	592,708	100,848

LIABILITIES DUE TO OTHER FUNDS, GOVERNMENTS, AND EMPLOYEES

Another category of current liabilities uses a title common to the public sector to report amounts owed between one fund and another or to another level of government. These liability accounts usually contain the prefix "due to..." In most instances, the "due to" liability account represents amounts owed by the governmental unit within its family of funds, to another level of government, or to governmental employees.

Account titles used by governments to report interfund payables are illustrated in Table 3-12. See pages 3-16 through 3-21 for excerpts from several governmental combined balance sheets on the type of reporting made for these liabilities.

TABLE 3-12. "DUE TO..." PAYABLES

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Due to other funds[1]	408	390	358	287
Due to other governments[2]	197	205	195	132
Due to student organizations	34	43	40	NC[3]
Due to other taxing authorities	25	18	13	24
Due to others	16	20	17	NC[3]
Due to federal government	6	5	7	4

[1]Includes general fund or any other fund.
[2]Includes state, county or other governmental unit or agency; excludes federal government, federal agencies and other taxing authorities.
[3]Not compiled.

ACCRUED LIABILITIES

Governmental units practice two types of accrual accounting: (1) the modified accrual method of accounting, used for governmental-type funds, and (2) full accrual (corporate-type) accounting, used for proprietary-type funds and nonexpendable trust funds. Under the modified accrual basis of accounting, expenditures are recognized in the accounting period in which the fund liability is incurred, if such liability is measurable. There are certain exceptions to this general rule. These exceptions include the following:

> As indicated in GASB Cod. Sec. S40.115, "when interest expenditures on special assessments indebtedness are approximately offset by interest earnings or special assessment levies, both the interest expenditure and the interest earnings may be recorded when due rather than be accrued."
>
> GASB Cod. Sec. 1600.121 states, "as a general rule, expenditures related to the unmatured principle and interest on general long-term debt are not accrued. The financial statements do not reflect such interest expenditures until the year of payment."
>
> GASB Cod. Sec. 1600.125 states, "Revenues earned and expenses incurred are recognized in a government's proprietary funds in essentially the same manner as in commercial accounting."

The accounts used to reflect several accrued- or accrual-type liabilities in governmental balance sheets are listed in Table 3-13. See below for illustrations of the manner in which some governmental units presented accrued liabilities in their combined balance sheets.

TABLE 3-13. ACCRUED LIABILITIES

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Accrued liabilities	123	123	92	98
Accrued interest payable[1]	89	85	96	79
Accrued expenses	63	51	53	50
Accrued vacation	41	52	43	25
Accrued vacation and sick leave payable	38	39	40	18
Accrued payroll	36	44	40	39
Accrued wages payable	19	18	23	15

[1]Includes accrued interest.

CITY OF MANCHESTER, NEW HAMPSHIRE

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP—DECEMBER 31, 1988

	Governmental fund types			Proprietary fund type	Fiduciary fund type	Account group	Total (memorandum only)	
LIABILITIES AND FUND EQUITY	General	Special revenue	Capital projects	Enterprise	Trusts	General long-term debt	1988	1987
Liabilities:								
Accounts and warrants payable	$ 1,979,977	$287,044	$ 770,949	$ 2,021,258	$529,852		$ 5,589,080	$ 6,535,014
Retainage payable	69,767			664,933			734,700	755,810
Accrued liabilities	1,029,130	12,526		511,482			1,553,138	1,401,770
Insurance claims payable (Note 11)	711,180					$ 3,620,359	4,331,539	2,304,590
Due to other funds	657,569	409,739	2,733,498	48,656			3,849,462	7,679,445
Deferred revenue (Note 6)	5,048,877						5,048,877	2,984,898
Bonds and notes payable (Note 8)				16,417,000		52,257,006	68,674,006	74,240,000
Accrual for compensated absences	1,912,046	55,541		587,019		4,364,965	6,919,571	5,815,642
Accrual for supplemental benefits payable at retirement (Note 4)	84,000					1,116,000	1,200,000	1,050,000
Other	121,605			179,013		—	300,618	221,735
Total liabilities	11,614,151	764,850	3,504,447	20,429,361	529,852	61,358,330	98,200,991	102,988,904

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

Compensated Absences

The current portion of the liability for compensated absences, which represents amounts payable within one year, is reported in the general fund. The noncurrent portion of the liability for compensated absences, which represents the City's commitment to fund such costs from future operations, is reported in the general long-term debt group of accounts.

4. Retirement Benefits and Compensated Absences [In Part]

Supplemental Benefits Payable at Retirement

Based on an agreement, effective in 1985, between the City and the Manchester Education Association, the teachers who retire with twenty years of service in the Manchester School District are entitled, at the time of separation, to a payment of $6,000. In 1988, the City accrued $1,200,000 ($84,000 in the general fund and $1,116,000 in the long-term debt account group) which represents the amount payable to the 200 teachers who have reached 20 years of service at December 31, 1988. An actuarial valuation has not been performed to determine the amount which should be accrued for teachers who have not reached 20 years of service, and no amount has been accrued for these employees. GAAP requires that supplemental benefits be accrued over the period of the employees' services and that the City's accrued obligation at each balance sheet date be disclosed. No amount has been accrued or disclosed for unvested benefits as the amount has not been determined.

The Total (memorandum only) column for 1987 of the combined balance sheet—all fund types and account group has been changed to reflect $1,050,000 of supplemental benefits payable at retirement under this agreement. The change was to the general long-term debt account group and, accordingly, does not affect the 1987 combined statement of revenues, expenditures, and changes in fund balances—all governmental fund types.

Compensated Absences

The City provides for vacation and sick pay as described in Note 1. The total (memorandum only) column for 1987 of the combined balance sheet—all fund types and account group has been changed to reflect additional compensated absences accruals of $2,120,988 in the long-term debt account group.

NEW CASTLE COUNTY, DELAWARE

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989—WITH COMPARATIVE TOTALS FOR JUNE 30, 1988

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Pension Trust	General Fixed Assets	General Long-Term Debt	1989	1988
LIABILITIES AND FUND EQUITY									
Liabilities:									
Vouchers payable and accrued expenses	$ 3,578,049	$ 250,293	$211,024	$1,334,908	$195,080	$—	$ —	$ 5,569,354	$ 5,953,871
Due to other funds (Note 5)	18,427,434	88,015	18,377	—	—	—	—	18,533,826	4,832,506
Other liabilities	2,283,538	—	—	55,715	—	—	—	2,339,253	2,070,474
Escrowed amounts	2,308,342	—	—	—	—	—	—	2,308,342	5,648,807
Deferred revenues	3,340,489	769,896	—	—	—	—	—	4,110,385	4,132,957
Unfunded pension costs (Notes 8 and 9)	—	—	—	2,500,919	—	—	13,426,996	15,927,915	15,399,479

(continued)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Pension Trust	General Fixed Assets	General Long-Term Debt	1989	1988
Claims and judgements payable........	—	—	—	140,000	—	—	—	140,000	—
General obligation bonds payable (Note 9)..............	—	—	—	38,059,968	—	—	70,755,032	108,815,000	99,410,000
Accrued sick and vacation leave (Notes 9 and 10)........	—	—	—	—	—	—	3,636,849	3,636,849	3,660,550
Total Liabilities..	29,937,852	1,108,204	229,401	42,091,510	195,080	—	87,818,877	161,380,924	141,108,644

NOTES TO COMBINED FINANCIAL STATEMENTS

(9) Long-Term Obligations [In Part]

Long-term obligations include outstanding bonds payable ($108,815,000), claims and judgements payable ($140,000), unfunded pension liability ($15,927,915), and sick and vacation leave attributable to the governmental funds ($3,636,849).

The changes in the long-term obligations during the fiscal year were:

Fund/Debt Type	Balance July 1, 1988	Increase	Decrease	Balance June 30, 1989
General Governmental:				
Bonds	$62,524,433	$13,000,000	$4,769,401	$70,755,032
Unfunded Pension	12,955,314	471,682	—	13,426,996
Sick and Vacation	3,660,550	—	23,701	3,636,849
TOTAL	$79,140,297	$13,471,682	$4,793,102	$87,818,877
Enterprise Funds:				
Bonds	$36,885,567	$2,000,000	$825,599	$38,059,968
Claims and Judgements	—	140,000	—	140,000
Unfunded Pension	2,444,165	56,754	—	2,500,919
TOTAL	$39,329,732	$2,196,754	$825,599	$40,700,887
Summary:				
Bonds	$99,410,000	$15,000,000	$5,595,000	$108,815,000
Claims and Judgements	—	140,000	—	140,000
Unfunded Pension	15,399,479	528,436	—	15,927,915
Sick and Vacation	3,660,550	—	23,701	3,636,849
TOTAL	$118,470,029	$15,668,436	$5,618,701	$128,519,764

(10) Accrued Sick and Vacation Leave:

County employees earn sick and vacation leave depending on their length of service. Sick leave for employees hired prior to July 1, 1977 is 1½ days per month (one day is earned for employees hired thereafter). Sick leave accumulates on a monthly basis. Only employees hired before July 1, 1977 have vested rights for payment of accumulated unused sick leave. Generally, this severance payment is for a maximum of 20 days for voluntary termination and a maximum of 100 days for retirement, layoffs and death. Vacation leave, depending on years of service, accumulates on a monthly basis and is fully vested when earned. Accumulated vacation leave cannot exceed 30 days at the end of any calendar year. All unused vacation leave is paid upon leaving County service. At June 30, 1989, noncurrent accumulated vacation leave for governmental fund types approximated $2.4 million and noncurrent vested sick leave approximated $1.2 million. These amounts are reported in the General Long-Term Debt Account Group. At June 30, 1989, accumulated vacation and sick leave for Proprietary Funds in the amount of $401,014 has been included in accrued expenses.

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF MENDOCINO, CALIFORNIA

COMBINED BALANCE SHEETS—SEPTEMBER 30, 1988

	Assisted Owned Housing	Rental Assistance Housing	Block Grant Programs	General Fund and Other Programs	Total (Memorandum Only)
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued expenses	$ 4,046	$ 2,490	$	$10,250	$ 16,786
Payable to HUD		16,850			16,850
Payable to other programs	88,528	45,067	8,169	16,546	158,310
Tenants' security deposits	9,707			13,468	23,175
Accrued payment in lieu of taxes (Note 4)	9,666				9,666
Retirement fund (Note 8)				48,609	48,609
Accrued vacation pay (Note 9)				28,404	28,404
Accrued interest payable (Note 5)	685,055				685,055

NOTES TO FINANCIAL STATEMENTS

4. Accrued Payments in Lieu of Taxes:

The Commission in connection with the Assisted Owned Housing Program subject to annual contribution contract with HUD, is obligated to make annual payments in lieu of property taxes based on the lesser of assessable value times the current tax rate or 10% of the dwelling rents net of utilities expense. At September 30, 1988 and March 31, 1987, $9,666 and $6,193, respectively, has been accrued.

5. Accrued Interest Payable:

It is the practice of the Commission to accrue interest on project notes payable to HUD. At September 30, 1988 and March 31, 1987, notes payable to HUD were $2,742,559 and $2,723,403, respectively. HUD has received budgetary authority to pay off or cancel these notes and the Commission has agreed to the modification of the annual contribution contract. HUD has not provided funds for payment of interest on these notes as would be required under the contract. The effect of this accrual of interest payable is to reflect expenses during the 1987-1988 fiscal year but not reflect the receivable that would have been accrued in accordance with the annual contribution contract. At September 30, 1988 and March 31, 1987, $685,055 and $387,250, respectively, has been accrued as interest payable. The forgiveness or cancellation of this accrued interest payable and the notes payable has been deferred until it becomes effective.

9. Prior Period Adjustments:

In years prior to March 31, 1987 it was not the practice of the Commission to record the liability for unused vacation pay and other compensated absences. A prior period adjustment of $28,819 was required to reflect the March 31, 1986 liability.

REGIONAL HIGH SCHOOL DISTRICT NO. 5

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Funds			Fiduciary Funds	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Capital Project	Trust and Agency	General Fixed Assets	General Long-Term Obligations	June 30, 1989	June 30, 1988
LIABILITIES								
Accounts payable and accrued liabilities	$224,063	$38,615		$ 13,014			$ 275,692	$ 191,710
Bonds payable						$1,060,000	1,060,000	1,240,000
Other liabilities				142,185			142,185	118,981
Early retirement incentive benefits								135,683
Accrued sick leave						2,231,239	2,231,239	1,778,388
Due to other funds	20,445		$214,461	813			235,719	134,098

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

8. Accrued Sick Leave

Transactions for the year ended June 30, 1989 are summarized as follows:

Balance, July 1, 1988	$1,778,388
Additional accrual	452,851
Payment	—
Balance, June 30, 1989	$2,231,239

BOULDER VALLEY SCHOOL DISTRICT RE-2, COLORADO

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988—(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1987)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Combined Special Revenue	Debt Service	Capital Projects	Food Service	Trust and Agency	General Fixed Assets	General Long-term Debt	1988	1987
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable...	$1,662,558	$602,959	$0	$7,516	$28,693	$14,302	$0	$ 0	$2,316,028	$4,157,443
Refund due Colorado Department of Education......	0	0	0	0	0	0	0	0	0	596,083
Deferred revenue...	1,090,713	249,919	0	0	0	0	0	0	1,340,632	1,312,362
Accrued salaries....	5,065,580	27,702	0	0	390	0	0	0	5,093,672	4,458,445
Accrued PERA and payroll withholding.................	608,691	0	0	0	0	0	0	0	608,691	176,946
Employee benefits payable............	938,777	0	0	0	0	0	0	0	938,777	205,072
Due to student groups............	0	0	0	0	0	373,167	0	0	373,167	378,686
Accrued early retirement...........	0	0	0	0	0	0	0	1,763,134	1,763,134	1,854,582
Accrued compensated absences..	0	0	0	0	19,113	0	0	9,686,539	9,705,652	9,854,077

NOTES TO THE FINANCIAL STATEMENTS

Note 2—Detail Notes on All Funds and Account Groups [In Part]

F. Amounts to be Provided for Early Retirement and Future Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

H. Long-Term Obligations [In Part]

Changes in Long-Term Obligations

	Balance January 1, 1988	Additions	Retirements	Balance December 31, 1988
General obligation bonds...	$25,765,000	$—	$2,450,000	$23,315,000
Accrued Early Retirement...	1,854,582	—	91,448	1,763,134
Compensated absences.....	9,836,112	—	149,573	9,686,539
Total..........	$37,455,694	$—	$2,691,021	$34,764,673

Note 5—Accrued Salaries

Certain employees of the District are employed under a contract period of less than one year, but are paid over a twelve-month period. The accrual represents salaries earned prior to January 1, but not paid until June, July and August of the following year. The District has consistently followed a practice of budgeting and appropriating these expenditures in the ensuing year.

DEPOSITS, ADVANCES, AND DEFERRED ITEMS

Many governmental units require deposits for certain types of utility services; further, they can withhold amounts due contractors performing services for the government (contract retention), they may collect revenues in advance, and they may be holding amounts due to fiscal agents. All these funds of others are liabilities that must be reflected in the financial statements of the governmental unit.

Table 3-14 identifies several of these types of liabilities reported by governmental units. The illustrations below show how some governmental units reported in their combined balance sheet the liability for these types of funds due to others.

TABLE 3-14. DEPOSITS, ADVANCES, AND DEFERRALS

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Deferred revenue[1]	369	374	344	239
Deferred compensation payable	116	111	79	16
Deposits	58	63	56	40
Deferred credit	23	23	19	50
Deferred property taxes[2]	45	38	52	22
Customer deposits	36	38	36	50
Advances from other funds[3]	—	60	34	16

[1] Includes deferred income; excludes deferred property tax revenues.
[2] Includes deferred revenue from property taxes.
[3] Includes all funds.

CITY OF EMPORIA, KANSAS

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
LIABILITIES AND FUND EQUITY	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust	General Fixed Assets	General Long-Term Debt	1988	1987
Liabilities										
Deficit cash position (Note C)	$ 0	$ 0	$ 0	$140,005	$ 0	$0	$0	$ 0	$ 140,005	$ 13,747
Accounts payable	159,985	36,857	0	4,663	173,816	0	0	0	375,321	330,099
Accrued liabilities	123,591	0	0	0	23,061	0	0	0	146,652	66,511
Accrued compensated absences (Note N)	184,248	0	0	0	84,564				268,812	242,267
Current portion of obligations payable (Note E)	0	0	0	0	130,000	0	0	1,024,854	1,154,854	1,257,820
Payable from restricted assets accrued interest	0	0	0	0	24,517	0	0	0	24,517	27,069
Matured bond and interest payable	0	0	7,569	0	0	0	0	0	7,569	32,062
Due to other funds (Note A-8)	0	0	0	0	0	0	0	0	0	21,440
Revenue bonds payable (Note E)	0	0	0	0	1,687,300	0	0	0	1,687,300	1,803,813
Temporary notes payable (Note F)	0	0	0	0	0	0	0	0	0	637,000
General obligations payable (Note E)	0	0	0	0	0	0	0	4,185,000	4,185,000	4,160,000
Installment notes payable (Note E)	0	0	0	0	0	0	0	43,057	43,057	37,830
Deferred revenue (Note A-5, A-12)	2,420,500	355,607	2,348,026	0	0	0	0	0	5,124,133	5,537,741

NOTES TO FINANCIAL STATEMENTS

Note A—Summary of Accounting Policies [In Part]

5. Property Taxes Receivable

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and therefore are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 1988. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

12. Special Assessments

As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the bond and interest fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the bond and interest fund. The special assessments receivable are not recorded as revenue when levied against the respective property owners as such amounts are not available to finance current year operations.

JEFFERSON COUNTY, COLORADO

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNTS GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) Total
Liabilities:								
Accounts payable..............	$ 922,631	$ 1,673,122	$ —	$ 2,781,650	$ —	$—	$—	$ 5,377,403
Accrued salaries payable.....	1,143,344	869,563	—	—	—	—	—	2,012,907
Matured bonds and interest payable.......................	—	—	39,983	—	—	—	—	39,983
Due to the State of Colorado	—	389,308	—	—	176,735	—	—	566,043
Due to Federal government—Food Stamps.......	—	2,135,628	—	—	—	—	—	2,135,628
Due to other taxing authorities...........................	—	—	—	—	3,642,951	—	—	3,642,951
Due to other funds—Note 5.	—	38,526	—	381,626	—	—	—	420,152
Due to others..................	—	—	—	—	638,964	—	—	638,964
Funds held in trust............	—	19,098	—	—	2,614,799	—	—	2,633,897
Deferred compensation benefits payable—Notes 8 and 11	—	—	—	—	538,025	—	—	538,025
Deferred revenues—Note 2..	28,080,674	34,018,270	2,306,923	10,802,767	—	—	—	75,208,634

NOTES TO FINANCIAL STATEMENTS

Note 2: Property Taxes

Property owners within the County have been assessed $69,244,755 in property taxes for 1988. The taxing districts mentioned in Note 1 that benefit a segment of the County have assessed $4,185,526 in property taxes for 1988. The combined balance sheet shows this amount as a deferred revenue since the County will not collect the taxes until 1989. Property taxes are levied by November 15 based on the assessed valuation of the property as of January 1. Property taxes are due on the following January 1. However, property taxes are collected on April 30, if paid in full, or February 28 and July 31, if paid in installments. Taxes become delinquent after those dates and are subject to interest charges. Taxes not paid by November 15 are sold at the annual tax sale for delinquent taxes, interest and other costs.

Note 8: Deferred Compensation Plan

The County offers its permanent full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plan), subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the County's legal counsel that the County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The assets and liabilities of the deferred compensation plan have been presented in the Deferred Compensation Agency Fund.

SALT LAKE CITY SCHOOL DISTRICT, UTAH

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	Maintenance & Operation (General)	Special Revenue	Capital Projects	School Food Services (Enterprise)	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1989	1988
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable.	$1,287,179	$ 1,539	$ 502,928	$ 13,531	$ 5,049	$ —	$—	$—	$1,810,226	$1,680,073
Due to State of Utah	—	—	—	—	—	—	—	—	—	1,448,261
Due to other funds (Note 8).	195,479	—	—	193,201	63,144	—	—	—	451,824	426,557
Accrued payroll	9,784,280	—	—	—	—	—	—	—	9,784,280	10,193,090
Accrued vacation payable (Note 9)	501,148	—	—	—	—	—	—	—	501,148	443,570
Accrued sick leave payable (Note 9)	1,974,254	—	—	—	—	—	—	—	1,974,254	1,815,312
Accrued insurance payable (Note 11)	644,528	—	—	—	—	—	—	—	644,528	886,621
Early retirement compensation payable (Notes 10, 11)	151,589	—	—	—	—	—	—	—	151,589	178,663
Workers compensation payable	5,072	—	—	—	—	—	—	—	5,072	7,955
Due to student organizations	—	—	—	—	—	410,569	—	—	410,569	380,294
Deferred Revenue (Notes 4, 5)										
Property tax revenue advances	5,177,440	170,905	1,009,453	—	—	—	—	—	6,357,798	6,233,848
Property tax revenue of delinquent receivables	3,670,122	112,715	821,074	—	—	—	—	—	4,603,911	5,446,482
Contracts receivable	—	—	1,050,515	—	—	—	—	—	1,050,515	1,418,186
State programs	915,446	—	—	—	—	—	—	—	915,446	615,203
Federal programs	89,313	—	—	—	—	—	—	—	89,313	125,818
Tuitions and other	193,740	—	1,000,000	43,142	—	—	—	—	1,236,882	141,497
Deferred compensation due to employees (Note 13)	—	—	—	—	—	4,747,783	—	—	4,747,783	4,379,385

NOTES TO FINANCIAL STATEMENTS

(4) Delinquent Property Taxes

The budgeting and accounting for property taxes is handled on a modified accrual basis, with appropriate recognition of taxes delinquent at June 30, 1989, and 1988. Net delinquent tax receivable amounts of the various funds for the year ended June 30, 1989 are summarized as follows:

	Receivable	Less Estimated Uncollectible Delinquent Taxes	Net Delinquent Taxes Receivable
Maintenance and Operation	$5,995,826	$2,199,801	$3,796,025
Capital Projects..............	1,358,011	509,442	848,569
Recreation.....................	178,672	61,955	116,717
Total	$7,532,509	$2,771,198	$4,761,311

The property tax revenue of Salt Lake City School District is collected and distributed by the Salt Lake County Treasurer as an agent for the School District.

Utah statutes establish the process by which taxes are levied and collected. Property taxes are assessed as of January 1 of the year in which they are due. September 1 is the levy date with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a $10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate; the interest period is from January 1 until date paid. If in May of the fifth year, the taxes remain delinquent, the County advertises and sells the property at a tax sale.

As of June 30, 1989, all property taxes receivable to the District are delinquent.

Deferred property tax revenue as of June 30, 1989 consists of motor vehicle and personal property taxes levied for fiscal year 1989-90 and collected in advance. Deferred property tax revenue also includes the portion of the accrued delinquent property taxes that is not expected to be collected within 60 days of the end of the fiscal year and therefore is not considered available.

Utah law allows for a property tax levy for combined capital outlay and debt service needs. Taxes collected are first assigned to the Debt Service Fund in an amount necessary to cover the annual debt service expenditures of the fund; All remaining tax transactions are recorded in the Capital Outlay Fund.

(5) Contracts Receivable

Contracts receivable, reflecting sales of real property, are secured by notes or mortgage agreements. The following summarizes the status of contracts receivable at June 30, 1989:

	Annual	Receivable		
Property Sold	Interest Rate	Principal	Accrued Interest	Total
Roosevelt..............	10.00	$1,058,745	$4,411	$1,063,156

Of the principal amount receivable, $1,050,515 has been recorded as deferred revenue on June 30, 1989, to reflect funds not available for appropriation during fiscal year 1989-90. Only that portion of the principal amount receivable that is to be collected in the twelve months following the balance sheet date is reported as current year revenue.

(13) Deferred Compensation Plan

The District offers a deferred compensation plan to all its employees under a plan administered by the Utah State Retirement Office, and established in accordance with Internal Revenue Code Section 457. Employees are permitted to defer a portion of their salary until future years. Only upon termination, retirement, death, or an unforeseen emergency is the deferred compensation available to an employee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) solely the property of the District, subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred amount for each participant.

The District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors.

THE HOUSING AUTHORITY OF THE CITY OF TUPELO, MISSISSIPPI

BALANCE SHEETS AT DECEMBER 31, 1988

ANNUAL CONTRIBUTIONS CONTRACT	A-2492	A-2817
LIABILITIES AND SURPLUS		
Accounts Payable.....................................	$103,154	$13,823
Accrued Liabilities	408,898	-0-
Deferred Credits.......................................	2,507	-0-

NOTES TO FINANCIAL STATEMENTS

Note 2—Summary of Significant Accounting Policies [In Part]

Deferred Revenue—Hud Annual Contributions and operating subsidy are recognized in the applicable program year. Tenants' rents are recorded as revenue in the period received.

Note 12—Deferred Credits

Deferred Credits consisted of the following at December 31, 1988:

	PHA-Owned	Section 8
Prepaid Rent	$2,507.61	$-0-

WELLTON-MOHAWK IRRIGATION AND DRAINAGE DISTRICT

BALANCE SHEET—DECEMBER 31, 1988

LIABILITIES AND OTHER CREDITS			
EQUITIES AND MARGINS			
See Page 5			$43,820,914
LONG-TERM DEBTS			
Rural Electrification Administration—Note 5		$ 117,479	
Less: Cushion of Credit Payments—Unapplied		1,321	
Total Unmatured Debt		116,158	
Less: Current Maturities		57,474	
Long Term Portion—REA Mortgage Note			58,683
United States Bureau of Reclamation General Repayment Contract		44,148,174	
Less: Contract Payments Applied			
Repayments—WMIDD	$18,823,575		
Repayments—Other Sources	2,105,828	20,929,403	
Total Unmatured Debt—USBR—Note 6		23,218,771	
Less: Current Maturities		1,356,440	
Long Term Portion—USBR			21,862,331
Incremental Value Prepayment Funds Collected			3,093
Total Long Term Debts			21,924,108
CURRENT AND ACCRUED LIABILITIES			
Current Maturities—Long Term Debt—			
Rural Electrification Administration		57,474	
United States Bureau of Reclamation		1,356,440	1,413,914
Accounts Payable			186,514
Refundable Supplemental Water Credits			41,097
Customers' Guarantee Deposits			281,518
Accrued Interest Payable—REA			549
Sundry			124,064
Total Current and Accrued Liabilities			2,047,659
DEFERRED CREDITS—Note 7			
Undelivered Water Commitments—CY 1989			2,748,720
Contract Repayment Assessments—1988-89 Year			372,353
Customer Advances for Construction—Power			226,495
Total Deferred Credits			3,347,569
Total Liabilities and Other Credits			$71,140,252

NOTES TO FINANCIAL STATEMENTS

Note 7—Deferred Credits

This account represents funds as of December 31, 1988, which will, in future periods, be cleared to a revenue account.

Deferred credits in the amount of $2,748,720.12 for undelivered water commitments represent assessments of $42.45 per acre on 64,751.95 acres of irrigable land for the calendar year 1989. This deferred credit will be cleared to irrigation revenues during the calendar year 1989.

The total net unapplied contract repayment assessments amounted to $372,353.70 as of December 31, 1988. This assessment was made to the individual water user in order to provide funds to pay the United States Government on the general repayment contract.

The customers' advances for construction—power, in the amount of $226,495.75, represents the unapplied portion of individual consumers' construction advances. These advances will be refunded to the individual customer in accordance with the terms of the specific construction contract.

LONG-TERM OBLIGATIONS—CURRENT PORTION

The reporting of long-term obligations for public sector organizations must be reflected in two parts: the current portion of the long-term obligation and related interest, and the unmatured portion of the long-term obligation. The AICPA in its Audit and Accounting Guide, *Audits of State and Local Gov-*

ernmental Units, states that one of the unique aspects of governmental fund accounting is that interest cost generally is recognized as an expenditure in the accounting period in which it is due rather than when it is accrued.

GASB Cod. Sec. 1500 requires that bonds, notes, and other long-term liabilities (such as capital leases, obligations related to pensions, and judgments) and interest directly related to and expected to be paid from proprietary funds, special assessment funds, and trust funds should be included in the accounts of those funds. Thus, those debts are specific liabilities of those funds. The other unmatured long-term debts of the government are general long-term debts and must be accounted for in the general long-term debt account group. This long-term debt may comprise the unmatured principal of several types of obligations: bonds, capital leases, notes, and other forms of noncurrent or long-term obligations that are not a specific liability of any proprietary fund or any special assessment or trust fund.

Several accounts used for reporting the current portion of long-term obligations were observed. These have been identified in Table 3-15.

TABLE 3-15. LONG-TERM OBLIGATIONS—CURRENT PORTION

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Current portion of long-term debt[2]...	46	43	48	33
Matured bonds and bond interest payable................................	39	64	NC[1]	NC
Obligations under capital lease[3].......	27	16	13	11
Current maturity of long-term debt...	16	13	7	44
Revenue bonds payable...............	7	8	8	11

[1]Not compiled.
[2]Includes current portion of general obligation bonds.
[3]Includes capital lease obligations—current.

LONG-TERM LIABILITIES

GASB Cod. Sec. 1500 prescribes the generally accepted accounting principles related to long-term liabilities:

> A clear distinction should be made between... fund long-term liabilities and general long-term debt. Long-term liabilities of proprietary funds, special assessment funds, and trust funds should be accounted for through those funds. All other unmatured general long-term liabilities of the governmental unit should be accounted for through the General Long-Term Debt Account Group.

GASB Cod. Sec. 1500 provides the following additional guidance concerning long-term liabilities:

Fund Long-Term Liabilities.

Bonds, notes, and other long-term liabilities (e.g., for capital leases, pensions, judgments, and similar commitments) directly related to and expected to be paid from proprietary funds, special assessment funds, and trust funds should be included in the accounts of such funds.

> General long-term debt. All other unmatured long-term debt of the government is general long-term debt and should be accounted for in the general long-term debt account group.
>
> General long-term debt is the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness.
>
> General long-term debt is not limited to liabilities related to debt issuances, but may also include noncurrent liabilities on lease-purchase agreements and other commitments that are not current liabilities properly recorded in governmental funds.

Table 3-16 lists the accounts used by the surveyed governments to report general long-term debt.

TABLE 3-16. LONG-TERM LIABILITIES AND GENERAL LONG-TERM DEBT

	Instances Observed			
Account Title	**1989**	**1988**	**1987**	**1986**
Obligations under capital leases[1].....	165	147	124	81
General obligation bonds payable[2]...	136	138	143	131
Bonds payable..........................	128	129	144	121
Revenue bonds payable...............	103	96	89	101
Notes payable............................	89	103	96	94
Long-term debt..........................	68	66	56	50
Special assessment bonds payable...	24	42	33	29

[1]Includes lease obligations payable, capitalized lease obligations, leases payable.
[2]Includes general obligation bonds.

See below for selected excerpts from governmental financial statements relating to the accounting and reporting of fund long-term liabilities and general debt.

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Long-Term Debt	1988	1987
Liabilities:									
Cash overdraft	$ —	—	—	—	—	779,579	—	779,579	—
Accounts payable	5,341,375	1,084,547	—	6,165,382	503,878	—	—	13,095,182	8,995,068
Retainage payable	—	—	—	328,699	—	—	—	328,699	430,602
Accrued interest payable	—	—	128,781	—	—	—	—	128,781	104,918
Accrued liabilities	7,853,977	678,923	60,984	217,098	—	6,522,885	—	15,333,867	15,716,197
Deferred compensation payable	—	—	—	—	—	9,370,787	—	9,370,787	6,955,837
Due to other funds (note 10)	3,936,656	5,124,386	—	19,365	—	3,089,243	—	12,169,650	9,869,824
Grants from the City of Pittsburgh	—	—	—	—	345,525	—	—	345,525	—
Due to other governments	385,388	—	—	—	—	—	—	385,388	486,137
Deposits held in trust	—	—	—	—	—	469,494	—	469,494	476,997
Liabilities payable from trusteed and restricted funds	—	—	—	—	7,106,972	—	—	7,106,972	5,292,183
Bonds payable, net (note 8)	—	—	—	—	304,542,000	—	376,097,500	680,639,500	692,172,500
Capital lease obligations (note 8E)	—	—	—	—	—	—	4,500,080	4,500,080	4,069,927
Deferred loan (note 8G)	—	—	—	—	—	—	1,278,000	1,278,000	852,000
Accrued pension costs (notes 7 and 8F)	—	—	—	—	—	—	202,093,000	202,093,000	206,163,000
Accrued workers' compensation (note 8F)	10,500,000	—	—	—	—	—	55,800,000	66,300,000	66,800,000
Accrued compensated absences (note 8F)	11,382,000	—	—	—	—	—	1,510,000	12,892,000	11,655,000
Deferred revenue	5,147,513	—	—	—	—	—	—	5,147,513	5,645,443
Total liabilities	44,546,909	6,887,856	189,765	6,730,544	312,498,375	20,231,988	641,278,580	1,032,364,017	1,035,685,633

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(8) Long-term Debt

The maximum amount payable for future maturities of bond principal and interest on general long-term debt at December 31, 1988 and changes in bond principal for the year then ended are summarized below:

	Principal				
	Outstanding at December 31, 1987	Bonds paid or defeased during 1988	Bonds issued during 1988	Outstanding at December 31, 1988	Interest
Council and Public Election General Obligation Bonds:					
Nineteen general obligation bond issues with rates ranging from 4.25% to 8.40%. The bonds are payable from general revenues:					
1988	$ 9,740,000	9,740,000	—	—	—
1989	9,875,000	—	—	9,875,000	22,219,742
1990	11,660,000	—	—	11,660,000	21,569,901
1991	12,940,000	—	—	12,940,000	21,596,914
1992	13,230,000	—	—	13,230,000	20,741,844
1993	13,545,000	—	—	13,545,000	19,845,164
1994-1998	67,845,000	—	—	67,845,000	84,725,837
1999-2003	76,600,000	—	—	76,600,000	59,699,575
2004-2008	83,410,000	—	—	83,410,000	29,213,200
2009-2013	45,130,000	—	—	45,130,000	10,323,600
2014	10,765,000	—	—	10,765,000	322,950
Totals	354,740,000	9,740,000	—	345,000,000	290,258,727
Equipment Leasing Authority Revenue Bonds:					
One revenue bond issue with interest rates ranging from 5.5% to 6.5%, one bond issue with interest rates ranging from 5.4% to 6.6% and two bond issues with an interest ceiling of 9.5%. The bonds are payable from general resources transferred from the General Fund:					
1988	6,930,000	6,930,000	—	—	—
1989	1,770,000	—	1,485,000	3,255,000	1,648,213
1990	8,205,000	—	1,670,000	9,875,000	1,430,793
1991	2,050,000	—	1,565,000	3,615,000	592,711
1992	2,215,000	—	1,450,000	3,665,000	339,230
1993-1994	—	—	1,795,000	1,795,000	117,330
Totals	21,170,000	6,930,000	7,965,000	22,205,000	4,128,277
Public Auditorium Authority Revenue Bonds:					
Two bond issues with fixed interest rates ranging from 5.875% to 11.00%. The City's share of debt service on these bonds is payable from general revenues:					
1988	305,000	305,000	—	—	—
1989	330,000	—	—	330,000	812,155
1990	355,000	—	—	355,000	786,649
1991	382,500	—	—	382,500	758,281
1992	412,500	—	—	412,500	726,687
1993	450,000	—	—	450,000	691,555
1994-1998	2,922,500	—	—	2,922,500	2,758,924
1999-2003	2,385,000	—	—	2,385,000	1,345,625
2004-2006	1,655,000	—	—	1,655,000	306,900
Totals	9,197,500	305,000	—	8,892,500	8,186,776
General Long-term Debt Account Group	$385,107,500	16,975,000	7,965,000	376,097,500	302,573,780

Future maturities of bond principal on Stadium Authority indebtedness at March 31, 1988 is as follows:

	Principal: Outstanding at beginning of year	Bonds paid or defeased during the year	Bonds issued during the year	Outstanding at end of year
Stadium Authority Revenue Bonds and Note:				
One revenue bond issue and one note issue with interest rates ranging from 5.50% to 9.00%. The bonds and note are payable from revenues from Stadium operations:				
1988	$ 910,000	910,000	—	—
1989	1,600,000	—	—	1,600,000
1990	1,695,000	—	—	1,695,000
1991	1,430,000	—	—	1,430,000
1992	1,515,000	—	—	1,515,000
1993	820,000	—	—	820,000
1994-1998	12,125,000	—	—	12,125,000
1999-2003	13,715,000	—	—	13,715,000
2004-2008	15,690,000	—	—	15,690,000
2009-2011	4,645,000	—	—	4,645,000
Totals	$54,145,000	910,000	—	53,235,000

Future maturities of bond principal on Water and Sewer Authority indebtedness at December 31, 1988, is as follows:

	Principal: Outstanding at beginning of year	Bonds paid and discount amortized during the year	Bonds issued and deposits made to escrow funds during the year	Outstanding at end of year
Water and Sewer Authority Revenue Bonds:				
Three revenue bond issues due on demand; one revenue bond issue with a fixed rate of 5.125% through September 1, 1991; one with a fixed interest rate of 5.1% until June 1, 1988 increasing then to 6.3% until June 1, 1989; and one with fixed interest rates ranging from 5.9% to 7.625%:				
1988	$ 700,000	700,000	—	—
1989	800,000	—	—	800,000
1990	900,000	—	—	900,000
1991	5,400,000	—	—	5,400,000
1992	7,145,000	—	—	7,145,000
1993	7,600,000	—	—	7,600,000
1994-1998	47,445,000	—	—	47,445,000
1999-2003	69,705,000	—	—	69,705,000
2004-2008	103,550,000	—	—	103,550,000
2009-2013	153,530,000	—	—	153,530,000
2014-2016	101,415,000	—	—	101,415,000
Subtotals	498,190,000	700,000	—	497,490,000
Less escrow funds	229,133,000	—	973,000	230,106,000
Less discount	15,227,000	750,000	—	14,477,000
Totals	$253,830,000	(50,000)	(973,000)	252,907,000

A. Council and Public Election General Obligation Bonds

In 1983, 1985 and 1986, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. At December 31, 1988, bonds outstanding of $14,720,000, $177,620,000 and $160,605,000 refunded by the 1983, 1985 and 1986 issues, respectively, are considered defeased.

B. Auditorium Authority

In 1981, Civic Arena Corporation (CAC), a wholly owned subsidiary of The Edward J. DeBartolo Corporation, assumed operation of the Civic Arena under a sublease (the Sublease). In 1985, under an amendment to the Sublease, CAC was given a reduction of $212,500 in each of its semi-annual rental payments. Under the Supporting Agreement between the City, the Auditorium Authority and the County, the City and County are obligated to make up this reduction in the debt service requirements on the Auditorium Authority's Auditorium Bonds, Series C, presently outstanding in the amount of $13,950,000. The Auditorium Bonds are not included in the City's general long-term debt account group. In event of default, the bonds are guaranteed by the City and Allegheny County. The initial term of the Sublease is for 50 years, with five consecutive renewal periods of 10 years each. However, upon the occurrence of certain events, CAC has the option to terminate the Sublease upon six months' written notice to the Auditorium Authority, including certain events relating to the feasibility of the economic operation of the Civic Arena.

C. Stadium Authority

In April 1986, the Stadium Authority issued $21,000,000 of Guaranteed Funding Bonds, Series 1986. The bonds bear interest at varying fixed rates increasing with the length of maturity from 5.6% to 7.625%.

The proceeds of the bond issue were used to repay the City for grants owed and for expected future grants and for additional operating capital.

The City has guaranteed full payment of the principal, interest and call premiums, if any, of the issue and has pledged its full faith, credit and taxing power for the payment of the obligation under a Guarantee Agreement with the Stadium Authority.

On December 18, 1985, an irrevocable trust was established to defease the 1971 Series A and 1982 Series B Bonds. Neither the trust, which has sufficient amount on deposit to retire the Series A and B Bonds, nor the obligation is included on the Stadium Authority's balance sheet.

At March 31, 1988, defeased bonds outstanding of $35,685,000 refunded by the Guaranteed Stadium Refunding Bonds, Series 1985 are considered defeased.

Under the new indenture, the Stadium Authority has pledged as collateral for the Series 1985 Bonds all rental receipts and certain other receipts along with grants received from the City. All previous indentures were voided.

The notes payable represent bank borrowings made to finance the construction of 22 new lounge boxes and the remodeling of 15 previously constructed. Medallion revenue amounting to $500,000 and all amounts receivable from purchases and remodeling of the lounge boxes have been assigned to the bank for payment of the notes. Interest on the notes payable ranges from 7.75% to 8.75% per annum; principal and interest payments are due annually through 1989.

D. Water and Sewer Authority

In April 1985, the Water and Sewer Authority issued $100,000,000 face value Adjustable Rate Tender Revenue Bonds, Series of 1985 (1985 Bonds). Upon issuance of the 1985 Bonds, net proceeds of $88,604,000 were deposited in an escrow account and together with the interest earnings of the escrow account were used to redeem the outstanding 1984 Bonds on April 1, 1987 and to pay the interest due on the 1985 Bonds during the escrow period. As of April 1, 1987, the Water and Sewer Authority elected a multi-annual mode for interest, fixing the rate on these bonds at 5.125% through the next tender date, September 1, 1991.

In June 1986, the Water and Sewer Authority issued $134,700,000 face value Adjustable Rate Tender Revenue Bonds, Series of 1986 (June 1986 Bonds) and in July 1986, $264,090,000 face value Revenue Refunding Bonds, Series of 1986 (July 1986 Bonds).

The June 1986 Bonds were issued in order to implement the second phase of the Water and Sewer Authority's capital improvements program. The bonds may bear interest at various modes including daily, weekly, semiannual, annual, multiannual or fixed rate. Effective June 1, 1987, an annual mode was elected providing for interest at a fixed rate of 5.1%. As of June 1, 1988, a multiannual mode was elected providing for 6.3% interest through September 1, 1991. This resulted in an average effective interest rate of 5.8% for the year ended December 31, 1988.

The July 1986 Bonds were issued by the Water and Sewer Authority with the intention to redeem the 1985 and June 1986 Bonds at a date not prior to September 1, 1991. Proceeds of $241,411,000 from the issuance of the July 1986 Bonds were deposited in an escrow fund to provide for the redemption of the 1985 and June 1986 Bonds.

Payments on the 1985 Bonds, the June 1986 Bonds and the July 1986 Bonds are insured under Municipal Bond New Issue Insurance Policies issued by Financial Guaranty Insurance Company.

Interest cost for 1988 on bonds payable, exclusive of letter-of-credit fees and the amortization of deferred interest, was as follows:

1985 Bonds	$ 5,083,000
June 1986 Bonds	7,812,000
July 1986 Bonds	18,608,000

Insurance premiums have been recorded as deferred interest. Amortization of the deferred interest plus letter-of-credit fees paid on the 1984, 1985 and June 1986 Bonds amounted to $1,066,000 in 1988 and is included in interest cost.

Interest earned, net of related interest expense on funds restricted for the purpose of capital improvements, is deferred and allocated to the cost of capital assets. In 1988, the Water and Sewer Authority deferred interest earnings of $26,166,000 less interest expense of $25,232,000.

In accordance with the provisions of the trust indentures for the bonds payable, the Water and Sewer Authority has established both trusteed and nontrusteed funds with assets, principally short-term investments, which are restricted for specific purposes. A summary of the balances in these funds at December 31, 1988 is as follows:

Trusteed funds:

Constructions funds	$113,572,000
Debt service funds	2,686,000
Renewal and replacement funds	2,040,000
Debt service reserve funds	20,272,000
Operating reserve account	2,852,000
	141,422,000
Self-insured Escrow Fund	435,000
Total trusteed and restricted funds	$141,857,000

Under the trust indentures, the Water and Sewer Authority has made certain covenants which essentially provide for rates to be set at levels sufficient to provide annually:

(a) Funds to pay all of its current expenses;

(b) An amount equal to 100% (120% prior to December 1, 1987), of the debt service requirements with respect to its bonds during the then current fiscal year; and

(c) Funds to pay indirect expenses billed by the City and the "additional payment."

E. Capital Lease Obligations

During 1986, the City of Pittsburgh entered into various agreements for the lease purchase of data processing equipment. During 1988 and 1987, the City entered into agreements for the lease purchase of street lighting fixtures and equipment. The latter transaction has been reflected in public works expenditures and other financing sources. Current lease payments for both are recorded in the City's General Fund. The future minimum lease payments under these lease agreements are as follows:

	General Fund
1989	$1,688,120
1990	1,688,120
1991	1,323,271
1992	220,774
1993	183,979
Total minimum lease payments	5,104,264
Less amount representing interest	604,184
Present value of net minimum lease payments	$4,500,080

F. Other Long-term Obligations

The following is a summary of transactions affecting all other long-term obligations of the City during 1988:

	Accrued pension costs	Accrued workers' compensation	Accrued compensated absences
Balance at January 1, 1988	$206,163,000	66,800,000	11,655,000
Additions	—	15,865,868	12,892,000
Reductions	4,501,000	16,365,868	11,655,000
Balance at December 31, 1988	201,662,000	66,300,000	12,892,000
Less amounts funded currently in the General Fund	—	10,500,000	11,382,000
Long-term portion at December 31, 1988.	$201,662,000	55,800,000	1,510,000

G. Deferred Loan

The terms of repayment to the Authority for Improvements in Municipalities for the deferred loan are not fixed and determinable. The loan plus 8% simple interest becomes payable in the event that the major league baseball franchise owned by Pittsburgh Associates is sold or if Pittsburgh Associates uses any profits generated from the operation of the major league baseball franchise to repay its economic development loan from the URA (see note 14).

CITY OF BILOXI, MISSISSIPPI

COMBINED BALANCE SHEET—ALL FUND TYPES AND GENERAL LONG-TERM DEBT ACCOUNT GROUP— SEPTEMBER 30, 1988

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
							General	September 30,	
LIABILITIES	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust & Agency	Long-Term Debt	1988	1987
Accounts payable and accrued expenses	$1,203,423	$ 2,602	$ 134,193	$ 302,761	$ 410,605	$ 3,739	$	$ 2,057,323	$ 1,731,316
Escrow funds payable		11,437						11,437	22,560
Property tax refunds payable									146,935
Notes payable	419,297							419,297	417,461
Due to other City Funds	3,529,519	70,092	929,633	7,324,357	1,816,160	564,114		14,233,875	10,715,449
Deferred program income		356,231						356,231	421,738
Customer meter deposits					335,517			335,517	296,293
General obligation bonds and notes payable							22,513,096	22,513,096	22,965,000
Limited obligation bonds payable							1,345,000	1,345,000	350,000
Revenue and general obligation bonds payable					9,560,000		590,000	10,150,000	11,120,000
Other general long-term debt					491,625		2,880,940	3,372,565	3,326,016
	$5,152,239	$440,362	$1,063,826	$7,627,118	$12,613,907	$567,853	$27,329,036	$54,794,341	$51,512,768

NOTES TO COMBINED FINANCIAL STATEMENTS

3) Long-Term Debt:

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 1988 (in thousands of dollars):

	General obligation issues	School issues	Limited obligation issues	Revenue issues	Other general long-term debt	Total
Bonds and notes payable, 10/1/87	$18,465	$4,500	$ 350	$11,120	$3,242	$37,677
New bonds and notes issued	1,994		1,000		3,779	6,773
Bonds and notes paid	(2,271)	(175)	(5)	(970)	(3,648)	(7,069)
Bonds and notes payable, 9/30/88	$18,188	$4,325	$1,345	$10,150	$3,373	$37,381

Bonds payable at September 30, 1988, are comprised of the following individual issues (all bonds are serial bonds):

	Original issue	Range of interest rates	Amount outstanding 9/30/88
General obligation bonds:			
Modernization Bonds of 1964, due in one annual installment of $75,000 on March 1, 1989	$1,465,000	1%	$ 75,000
Public Improvement Bonds of 1974, due in annual installments of $10,000 to $15,000 through 4/1/99	250,000	5.1% to 5.5%	135,000
Public Improvement Bonds of 1974-A, due in annual installments of $35,000 to $40,000 through 10/1/94	600,000	6%	265,000
Public Improvement Bonds of 1975-A, due in annual installments of $55,000 to $85,000 through 3/1/95	900,000	6.5% to 7.0%	485,000
Public Improvement Bonds of 1975-B, due in annual installments of $60,000 to $95,000 through 12/1/95	1,000,000	6.5% to 7.0%	630,000
Public Improvement Bonds of 1977, due in annual installments of $85,000 to $135,000 through 6/1/97	1,650,000	5.0% to 5.4%	1,040,000
Airport Improvement Bonds of 1979, due in annual installments of $45,000 to $80,000 through 3/1/99	1,000,000	5.70% to 5.9%	690,000
Street Improvement Bonds of 1980, due in annual installments of $105,000 to $150,000 through 9/1/95	1,500,000	7.1% to 8.0%	880,000
Public Improvement Bonds of 1982, due in annual installments of $55,000 to $125,000 through 9/1/97	1,000,000	10.2% to 11.2%	775,000
Public Improvement Bonds of 1983-A, due in annual installments of $80,000 to $155,000 through 6/1/98	1,500,000	7.0% to 8.7%	1,175,000
Public Improvement Bonds of 1983-B, due in annual installments of $75,000 to $175,000 through 11/1/98	1,500,000	8.0% to 8.9%	1,305,000
Public Improvement Bonds of 1984-A, due in annual installments of $75,000 to $170,000 through 6/1/99	1,500,000	9.6% to 10.0%	1,270,000
Public Improvement Bonds of 1984-C, due in annual installments of $15,000 to $35,000 through 9/1/99	325,000	9.25% to 10.5%	275,000
Public Improvement Bonds of 1985, due in annual installments of $65,000 to $170,000 through 3/1/2000	1,500,000	8.40% to 10.25%	1,335,000
General Obligation Bonds of 1986, due in annual installments of $70,000 to $341,240 through 4/1/2006	3,500,000	7.0% to 9.0%	3,360,000
Machinery and Equipment Bonds of 1986, due in annual installments of $205,000 to $255,000 through 11/1/91	1,100,000	5.0% to 5.4%	915,000
Machinery and Equipment Note of 1986, due in annual installments of $44,349 to $55,990 through 10/12/91	250,000	6.0%	205,651
General Obligation Bonds of 1987-B, due in annual installments of $35,000 to $45,000 through 3/1/92	200,000	7.513%	165,000
Revenue Shortfall Note of 1987-C, due in annual installments of principal and interest of $284,484 through 7/28/90	750,000	6.75%	516,140
Revenue Shortfall Note of 1987-E, due in annual installments of principal and interest of $499,445 through 8/31/90	1,300,000	7.45%	697,405
General Obligation Bonds of 1987-F, due in annual installments of $80,000 through 11/1/92	400,000	7.0% to 7.25%	400,000
General Obligation Bonds of 1988-A, due in annual installments of $25,000 to $90,000 through 6/1/2008	1,200,000	6.6% to 9.25%	1,200,000
Ad Valorem Tax Shortfall note of 1988-B, due in annual installments of $131,300 through 9/28/91	393,900	8.0%	393,900
Total general obligation bonds			18,188,096
School issue:			
General Obligation School Bonds, Series 1984, due in annual installments of $175,000 to $575,000 through 12/31/99	4,800,000	8.6% to 9.75%	4,325,000
Limited obligation bonds:			
Tax Increment Financing Bonds of 1987, due in annual installments of $5,000 to $35,000 through 6/1/2007	350,000	7.3% to 10.25%	345,000
Tax Increment Financing Bonds of 1988, due in annual installments of $15,000 to $60,000 through 6/1/2008	1,000,000	7.7% to 11.0%	1,000,000
Total limited obligation bonds			$ 1,345,000

	Original issue	Range of interest rates	Amount outstanding 9/30/88
Revenue issues:			
Water and Sewer Bonds of 1971, due in annual installments of $500,000 to $525,000 through 9/01/96	6,900,000	6.5% to 6.6%	4,100,000
Water and Sewer Improvement Bonds of 1983, due in annual installments of $175,000 to $415,000 through 12/1/98 (backed by tax levy)	3,500,000	8% to 9%	3,060,000
Water and Sewer Improvement Bonds of 1986, due in annual installments of $50,000 to $243,760 through 4/1/2006 (backed by tax levy)	2,500,000	7.0% to 9.0%	2,400,000
Natatorium Facility Bonds of 1987, due in annual installments of $10,000 to $55,000 through 5/15/2007	600,000	7.4% to 11%	590,000
Total revenue issues			10,150,000
Other general long-term debt:			
Camille disaster loan, due in annual installments of $49,657 to $62,691 through 9/30/94	722,700	6%	283,104
State of Mississippi disaster loans, due in annual installments of $11,000 to $22,315 through 1997	161,315	9%	151,315
State of Mississippi pollution control loans, due in varying installments through 9/30/2004	1,539,000	None	491,625
Promissory note issued under Section 108 of the Housing and Community Development Act of 1974, dated August 15, 1986, due in annual installments through 1996	2,100,000	8.24%	1,791,900
Small Business Administration loan due in annual installments of $6,362 to $9,143 through 2001	189,200	3%	100,992
Factory Seafood Restaurant note, due in monthly installments of principal and interest of $2,589 beginning 2/1/89 through 1/1/2019	295,000	10.0%	295,000
Kuljis family of Biloxi note assigned to Bank of Mississippi, due in bi-annual installments of principal and interest of $4,705 through 4/15/97	70,000	6.0%	64,712
Jefferson Bank note, due in annual installments of $27,600, due 1/2/92	113,000	9.5%	85,400
Lease-purchase agreements, due in various monthly installments totalling $4,367, due 1993	135,144	N/A	108,517
Total other general long-term debt			3,372,565
Total bonds and notes payable, 9/30/88			$37,380,661

The annual requirements to amortize all debt outstanding as of September 30, 1988, including interest payments of $20,951,408 are as follows (in thousands of dollars):

Year ended September 30,	General obligation issues	School issues	Limited obligation issues	Revenue issues	Other general long-term debt	Total
1989	$ 3,514	$ 596	$ 134	$ 1,499	$ 619	$ 6,362
1990	3,187	601	132	1,474	593	5,987
1991	2,614	602	135	1,436	591	5,378
1992	2,511	602	148	1,434	556	5,251
1993	2,100	601	144	1,416	551	4,812
1994-1998	8,850	3,002	732	5,482	1,342	19,408
1999-2003	3,239	1,209	706	1,988	211	7,353
2004-2008	1,648		626	1,031	155	3,460
2009-2019					321	321
Totals	$27,663	$7,213	$2,757	$15,760	$4,939	$58,332

The City's legal debt limit for general obligation bonds may be shown as follows:

Assessed valuations—1988 (inside):	
Real property	$114,017,945
Personal property, excluding autos	12,817,489
Public utility	12,375,620
Autos, estimated	17,000,000
Total assessed valuations	$156,211,054

Fifteen percent (15%) of total assessed valuation	$ 23,431,658
Less: Outstanding general obligation issues, 9/30/88	18,188,096
Legal debt margin	$ 5,243,562

The City Council annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 1988, was 20.77 mills or $20.77 per $1,000 of assessed value.

The revenue bonds of 1971 recorded in the Utility Enterprise Fund have certain bond covenant requirements. At September 30, 1988, the overall bond covenant requirements of the Enterprise Fund Debt Service, Contingent and Depreciation Funds are as follows:

Bond covenant requirements, Enterprise Debt Service Funds:		
Debt Service Fund balance, September 30, 1988		$662,289
1/12 of $500,000, principal, 1971 Bonds	$41,667	
1/12 of $268,600, interest, 1971 Bonds	22,383	64,050
Cushion requirement, 1971 Bonds		525,000
Total requirements, September 30, 1988		589,050
Fund balance in excess of requirements		73,239
Bond covenant requirements, Depreciation Fund:		
Depreciation Fund balance, September 30, 1988		264,493
Total requirements, 1971 Bonds (158 @ $1,108), September 30, 1988		175,064
Fund balance in excess of requirements		89,429
Bond covenant requirements, Contingent Fund:		
Contingent Fund balance, September 30, 1988		58,568
Total requirements 1971 Bonds (158 months @ $417), September 30, 1988		65,886
Requirements in excess of fund balance		(7,318)
Overall fund balances in excess of requirements		$155,350

The City is in compliance with all significant limitations and restrictions contained in the various bond indentures.

Included in other general long-term debt of the Enterprise Funds are $491,625 of loans from the State of Mississippi in connection with the public utility construction program. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi, is deducting $6,746 each month from the sales tax remittances to the City to apply as note payments on the loans. The liability for repayment of the State loans has been recorded by the Enterprise Funds, which are repaying the General Fund for the amounts being deducted by the State Tax Commission.

The City has entered into certain noncancellable long-term lease-purchase agreements for the purpose of financing the purchase of equipment. Inasmuch as the leases are financing arrangements which transfer the ownership of the assets to the City at the end of the respective lease terms, the City has recorded the lease obligations in the General Long-Term Debt Account Group.

These leases are summarized as follows:

Equipment Description	Issuance Date	Issuance Amount	Term	Monthly Payment	Balance 9/30/88
Telephone system	3/18/87	$ 23,012	58 mos.	$ 397	$ 15,866
Liquid chlorine production system	8/8/88	58,972	60 mos.	983	57,989
Computer equipment	2/22/88	33,636	18 mos.	1,869	20,555
Computer equipment	2/8/88	7,686	18 mos.	427	5,124
Computer equipment	2/22/88	12,438	18 mos.	691	8,983
Totals		$135,744			$108,517

In connection with the City's urban renewal and economic development program, the City has authorized the issuance of approximately $62,804,413 of urban renewal and hospital revenue bonds and notes. The bonds do not constitute a liability of the City and are not a charge against its general credit or taxing powers.

The following bonds and notes were issued during the fiscal year ended September 30, 1988:

General Obligation Bonds and Notes:

Issue: General Obligation Bonds, Series 1987-F
Issuance date: November 1, 1987
Face: $400,000
Purpose: To raise money for the purchase of fire fighting equipment, equipment for the Public Safety Department, equipment for municipal buildings and the repairing of municipal buildings.

Issue: General Obligation Bonds, Series 1988-A
Issuance date: June 1, 1988
Face: $1,200,000
Purpose: To raise money for the purpose of constructing, improving, or paving streets, sidewalks, driveways, parkways, walkways or other public facilities and purchasing any land therefor.

Issue: Ad Valorem Tax Shortfall Note, Series 1988-B
Issuance date: September 28, 1988

Face: $393,900
Purpose: To offset the anticipated shortfall in the 1987-1988 budgeted revenue of the municipality from local sources. The proceeds were deposited into the tax collector's fund.

Limited Obligation Bonds:

Issue: Tax Increment Financing Bonds, Series 1988-A
Issuance date: June 1, 1988
Face: $1,000,000
Purpose: To provide funds for the purposes of constructing an east-west road from Edgewater Drive to Debuys Road and for the City's participation in the widening and resurfacing of Debuys Road.

Other General Long-Term Debt:

Issue: Tax Anticipation Note, Series 1987-G
Issuance date: October 27, 1987
Face: $3,200,000
Purpose: To raise money for the purpose of paying current expenses of the municipality in anticipation of the ad valorem taxes to be collected for the current year. The note was retired March 15, 1988.

As previously noted in budgetary data, formal budget integration is employed by the City for its Debt Service Funds. Following is a statement of actual revenues, expenditures, and changes in fund balances compared with the amended budget amounts.

	Amended budget (GAAP Basis)	Actual	Over or (under) budget
Revenues:			
Taxes, ad valorem	$ 3,525,368	$ 3,359,337	$(166,031)
Miscellaneous	46,207	58,655	12,448
Total revenues	3,571,575	3,417,992	(153,583)
Expenditures:			
Debt service, principal and interest	4,931,612	4,663,667	(267,945)
Excess (deficiency) of revenues over expenditures	$(1,360,037)	$(1,245,675)	$ 114,362
Other financing sources (uses):			
Proceeds from bonds and notes		114,900	114,900
Transfers from other funds	529,531	518,833	(10,698)
Transfers to other funds	(128,000)	(128,000)	
Total other financing sources	401,531	505,733	104,202
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(958,506)	(739,942)	218,564
Fund balances, beginning of year	999,252	999,252	
Fund balances, end of year	$ 40,746	$ 259,310	$ 218,564

In connection with the City's general obligation debt, the following is presented:

Per capita general obligation debt:	
Population per 1980 Census	49,139
Outstanding general obligation bonds	$18,188,096
Per capita general obligation debt	$ 370

KING COUNTY, WASHINGTON

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

		Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups	
	Total (Memo Only)	Current Expense (General)	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Debt
LIABILITIES, FUND EQUITY AND OTHER CREDITS										
Liabilities										
Current liabilities										
Warrants payable	$ 55,546,357	$	$	$	$	$	$ 3,760	$ 55,542,597	$	$
Accounts payable	19,715,077	4,478,341	6,740,825	65,342	2,675,099	1,282,937	2,629,405	1,843,128		
Estimated claims settlements	12,428,393						12,428,393			
Matured bonds and interest payable	1,094,115			425,527		16,882		651,706		
Due to other funds	5,734,031	1,341,164	2,238,578		1,494,323	123,297	535,318	1,351		
Interfund short-term loans payable	3,973,887		2,071,650		1,850,903			51,334		
Due to other governments	5,836,392	384,080	4,209,976	41,017	1,058,646	1,099	116,375	25,499		
Interest payable	1,241,627	319,854		535,254		386,519				
Wages payable	9,296,179	5,012,267	2,984,686			606,816	318,991	373,419		
Taxes payable	99,542	29,007	474		1,555	66,592	1,914			
Deferred revenues	79,452,962	4,286,735	15,428,899	4,743,356	960,231	35,372	3,271	53,995,098		
General obligation bonds payable	1,739,275					1,739,275				
Anticipation notes payable	17,514,560	8,000,000			1,595,000			7,919,560		
Other long-term debt—current portion	1,063,281					774,293	288,988			
Advances from other funds	3,509,009		500,000	3,009,009						
Custodial accounts	40,370,913	35,011	648,094		230,250	502,720		38,954,838		
Due to special districts/other governments	923,003,212							923,003,212		
Total current liabilities	1,181,618,812	23,886,459	34,823,182	8,819,505	9,865,707	5,535,802	16,326,415	1,082,361,742	-0-	-0-
Liabilities payable from restricted assets										
Accounts payable	3,300,144					3,300,144				
Matured interest payable	2,819					2,819				
Due to other funds	3,367					3,367				
Advances from other funds	144,247					144,247				
Revenue bonds payable	240,500					240,500				
Total liabilities payable from restricted assets	3,691,077	-0-	-0-	-0-	-0-	3,691,077	-0-	-0-	-0-	-0-

		Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups	
	Total (Memo Only)	Current Expense (General)	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Debt
Long-term liabilities										
General obligation bonds payable..	495,880,725					61,682,952				434,197,773
Special assessment bonds with governmental commitment payable..................................	3,086,000									3,086,000
Other long-term debt	4,697,892					180,829	291,264			4,225,799
Compensated absences/unemployment compensation payable.....	13,976,648					895,920	577,479			12,503,249
Estimated claims settlements.......	713,294						713,294			
Assessments payable	19,409					19,409				
Customer deposits	905,061					905,061				
Total long-term liabilities...............	519,279,029	-0-	-0-	-0-	-0-	63,684,171	1,582,037	-0-	-0-	454,012,821
Total liabilities	1,704,588,918	23,886,459	34,823,182	8,819,505	9,865,707	72,911,050	17,908,452	1,082,742	-0-	454,012,821

NOTES TO FINANCIAL STATEMENTS

Note 13—Long-Term Debt

King County's long-term debt consists of general long-term debt and proprietary type long-term debt. General long-term debt consists of general obligation bonds, other general obligation debt, and special assessment bonds with governmental commitment. Special assessment bonds are guaranteed for payment from resources of the Road Improvement Guaranty Fund if the road improvement district fails to pay.

In order to ensure compliance with applicable Washington State debt limitation statutes (RCW 39.36.020) and bond indenture agreements, in 1987 King County's general long-term debt was accounted for in six account groups:

(1) Limited General Obligation Long-term Debt

(2) Stadium Limited General Obligation Bond Long-term Debt

(3) Unlimited General Obligation Bond Long-term Debt

(4) Stadium General Obligation Bond Long-term Debt

(5) Compensated Absences and Accrued Unemployment Compensation Liabilities

(6) Road Improvement District Special Assessment Bond Long-term Debt

Proprietary type long-term debt is accounted for in Enterprise Funds and Internal Service Funds. Proprietary type long-term debt consists of: limited general obligation bonds accounted for in the King County International Airport and Solid Waste Enterprises; limited general obligation debt for capital leases accounted for in the Enterprise and Internal Service Funds; and revenue bonds accounted for in the Sewer Utility Enterprises.

SCHEDULE OF LONG-TERM DEBT

	Issue Date	Interest Rates	Original Amount	Outstanding
I. GENERAL LONG-TERM DEBT				
IA. GENERAL LONG-TERM DEBT—GENERAL OBLIGATIONS				
LIMITED GENERAL OBLIGATION DEBT				
Limited general obligation bonds				
Payable from Limited G.O. Bond Redemption Fund				
1971 Building Modernization	10/01/71	4.00% to 6.00%	$ 800,000	$ 190,000
1973 Refunding Series "B"	10/01/73	4.75% to 6.50%	8,825,000	1,175,000
1976 Public Works (Partial)	9/01/76	5.00% to 7.00%	4,000,000	2,287,425
1985 Various Purpose	05/01/85	7.20% to 10.20%	21,650,000	18,990,000
1985 Refunding	11/01/85	6.95% to 9.10%	1,465,000	1,300,000
1986 Various Purpose Series "A"	08/01/86	5.75% to 8.75%	6,050,000	5,625,000
1986 Refunding Series "C"	08/01/86	5.75% to 7.13%	15,159,611	15,159,611
1986 Stadium Taxable Series "D"	09/01/86	5.80% to 7.55%	7,900,000	3,505,000
1987 Various Purpose	07/01/87	6.00% to 9.00%	9,076,735	8,325,737
Total Payable from Limited G.O. Bond Redemption Fund			74,926,346	56,557,773
Payable from Stadium Limited G.O. Bond Redemption Fund				
1977 K.C. Stadium Limited	03/01/77	4.50% to 6.50%	13,400,000	4,845,000
Total limited general obligation bonds			88,326,346	61,402,773
Limited general obligation other debt				
Limited G.O. capital leases/installment purchase contracts				
Payable from Current Expense Fund	Various	Various	507,396	295,478
Payable from County Road Fund	Various	Various	28,283	15,980
Payable from Surface Water Management Fund	Various	Various	214,535	184,757
Payable from Building and Land Development Fund	Various	Various	579,564	492,388
Payable from Public Health Pooling Fund	Various	Various	8,928	953
Payable from Limited G.O. Bond Redemption Fund	Various	Various	7,211,987	2,759,847
Total limited G.O. capital leases/installment purchase contracts			8,550,693	3,749,403
Limited G.O. Advance from Other Government				
State of Washington advance, payable from Surface Water Management Fund			476,396	476,396
Total limited G.O. other debt			9,027,089	4,225,799
TOTAL LIMITED GENERAL OBLIGATION DEBT			$ 97,353,435	65,628,572
UNLIMITED GENERAL OBLIGATION BONDS				
Payable from Unlimited G.O. Bond Redemption Fund				
1977 K.C. Harborview Hospital	02/01/77	4.60% to 6.60%	$ 19,500,000	$ 11,570,000
1978 Refunding Series "A"	08/01/78	5.30% to 7.00%	80,590,000	65,255,000
1978 Refunding Series "B"	08/01/78	5.30% to 7.00%	82,270,000	66,405,000

	Issue Date	Interest Rates	Original Amount	Outstanding
1979 Various Purpose	06/01/79	6.00% to 8.00%	38,831,000	36,550,000
1982 King County Jail	05/01/82	10.50% to 13.00%	3,165,000	1,815,000
1985 Farmland	08/01/85	7.25% to 9.25%	35,000,000	29,975,000
1985 Farmland Refunding	11/01/85	7.00% to 9.00%	14,755,000	12,710,000
1986 Woodland Park Zoo	07/01/86	6.00% to 9.00%	22,965,000	20,755,000
1986 Refunding Series "B"	08/01/86	4.30% to 6.70%	4,855,000	4,580,000
1988 RHC—Health Dept. Clinic	10/01/88	7.00% to 7.25%	15,020,000	15,020,000
1988 RHC—Harborview Hospital	10/01/88	6.40% to 7.40%	75,465,000	75,465,000
Total payable from Unlimited General Obligation Bond Redemption Fund			392,416,000	340,100,000
Payable from Stadium G.O. Bond Redemption Fund				
1968 Multipurpose Stadium	12/01/68	5.00% to 6.00%	5,000,000	3,615,000
1969 Multipurpose Stadium	07/01/69	5.50% to 7.50%	5,000,000	3,890,000
1972 Multipurpose Stadium	06/01/72	5.00% to 7.00%	30,000,000	25,190,000
Total payable from Stadium G.O. Bond Redemption Fund			40,000,000	32,695,000
TOTAL UNLIMITED GENERAL OBLIGATION BONDS			$432,416,000	372,795,000
GENERAL OBLIGATION LIABILITIES				
Compensated absence				12,253,172
Accrued unemployment compensation				250,077
TOTAL GENERAL OBLIGATION LIABILITIES				12,503,249
TOTAL GENERAL LONG-TERM DEBT—GENERAL OBLIGATIONS				450,926,821
IB. SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT				
Special assessment bonds with governmental commitment—bonds payable from Road Improvement Districts S.A. Bond Redemption Fund				
RID 19	05/01/75	-0-	$ 1,000	1,000
RID 20	05/01/75	-0-	3,000	1,000
RID 71	05/01/77	6.65%	23,838	1,000
RID 46	10/01/77	6.25%	81,031	3,000
RID 64	04/01/78	6.20%	200,672	20,000
RID 1 Consolidated	03/01/85	9.50% to 10.50%	1,044,271	560,000
RID 2 Consolidated	07/01/86	7.88% to 8.25%	286,192	255,000
RID 3 Consolidated	07/01/87	7.00% to 8.00%	2,576,845	2,245,000
TOTAL SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT			$ 4,216,849	3,086,000
TOTAL GENERAL LONG-TERM DEBT				454,012,821
II. PROPRIETARY TYPE LONG-TERM DEBT				
Proprietary type limited general obligation bonds				
Payable From Enterprise Funds				
1971 Airport Improvement	10/01/71	4.50% to 6.00%	$ 3,000,000	720,000
1976 King County Airport Improvement	12/01/76	4.50% to 5.50%	4,080,000	2,275,000
1976 Public Works (Partial)	09/01/76	5.00% to 7.00%	4,350,000	2,487,575
1986 Refunding Series "C"	08/01/86	5.75% to 7.13%	18,595,389	18,595,389
1987 Various Purpose	07/01/87	6.00% to 9.00%	40,313,265	39,344,263
Total proprietary type limited G.O. bonds payable from Enterprise Funds			70,338,654	63,422,227
Proprietary type capital leases				
Payable from Solid Waste Operating Fund	Various	Various	1,662,911	955,122
Payable from Systems Services Fund	Various	Various	890,634	580,252
Total proprietary type capital leases			2,553,545	1,535,374
Proprietary type revenue bonds from Sewer Utility Enterprises				
1979 ULID Sewer Revenue	03/01/79	6.40%	350,000	25,000
1981 Duwamish Sewer Revenue	10/01/81	13.25% to 14.38%	600,000	215,000
Sewer and Drainage Bond Issue 472 Special	05/01/75	-0-	500	500
Total proprietary type revenue bonds payable from Sewer Utility Enterprises			950,500	240,500
TOTAL PROPRIETARY TYPE LONG-TERM DEBT			$ 73,842,699	65,198,101
TOTAL LONG-TERM DEBT				$519,210,922

$ 4,161,959	Payable from King County International Airport Enterprise Fund
59,260,268	Payable from Solid Waste Enterprise Fund
$63,422,227	Total Enterprise Funds Limited G.O. Bonds

DEBT SERVICE REQUIREMENT TO MATURITY AS OF DECEMBER 31, 1988—GENERAL OBLIGATION BONDS

	General Obligation Bonds				Total General Obligation Bonds	
	General Long-Term		Proprietary Type			
Year	Principal	Interest	Principal	Interest	Principal	Interest
1989	$ 19,700,724	$ 30,164,023	$ 1,739,276	$ 4,147,183	$ 21,440,000	$ 34,311,206
1990	21,671,858	27,689,345	1,858,142	4,012,647	23,530,000	31,701,992
1991	20,316,110	26,167,988	3,203,890	3,869,226	23,520,000	30,037,214
1992	21,620,372	24,787,418	3,119,628	3,651,491	24,740,000	28,438,909
1993	21,208,604	23,355,544	3,336,396	3,457,345	24,545,000	26,812,889
1994	22,017,612	21,913,826	3,552,388	3,274,038	25,570,000	25,187,864
1995	23,556,128	20,392,598	3,788,872	3,075,199	27,345,000	23,467,797
1996	25,248,078	18,762,757	4,041,922	2,860,269	29,290,000	21,623,026
1997	17,692,678	17,040,275	3,532,322	2,627,211	21,225,000	19,667,486
1998	15,773,532	15,936,201	3,781,468	2,403,508	19,555,000	18,339,709
1999	16,450,041	14,874,653	4,054,959	2,175,251	20,505,000	17,049,904
2000	17,566,723	13,746,740	4,338,277	1,929,553	21,905,000	15,676,293
2001	15,950,812	12,549,079	4,659,188	1,664,345	20,610,000	14,213,424
2002	15,479,501	11,430,835	2,530,499	1,377,063	18,010,000	12,807,898
2003	16,110,000	10,382,719	2,725,000	1,190,055	18,835,000	11,572,774
2004	16,495,000	9,282,754	2,935,000	991,130	19,430,000	10,273,884
2005	17,630,000	8,148,002	3,160,000	773,940	20,790,000	8,921,942
2006	19,925,000	6,933,038	3,400,000	536,940	23,325,000	7,469,978
2007	18,825,000	5,565,360	3,665,000	278,540	22,490,000	5,843,900
2008	11,275,000	4,278,110			11,275,000	4,278,110
2009	9,810,000	3,584,367			9,810,000	3,584,367
2010	8,615,000	2,972,238			8,615,000	2,972,238
2011	8,330,000	2,433,372			8,330,000	2,433,372
2012	8,185,000	1,920,018			8,185,000	1,920,018
2013	5,620,000	1,474,470			5,620,000	1,474,470
2014	4,305,000	1,129,878			4,305,000	1,129,878
2015	4,340,000	849,597			4,340,000	849,597
2016	3,010,000	574,812			3,010,000	574,812
2017	2,330,000	403,520			2,330,000	403,520
2018	2,485,000	249,440			2,485,000	249,440
2019	2,655,000	84,960			2,655,000	84,960
TOTAL	$434,197,773	$339,077,937	$63,422,227	$44,294,934	$497,620,000	$383,372,871

DEBT SERVICE REQUIREMENT TO MATURITY AS OF DECEMBER 31, 1988—GENERAL OBLIGATION DEBT

	General Obligation Bonds		Other G.O. Long-Term Debt				Total G.O. Long-Term Debt	
			General Long-Term		Proprietary Type			
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1989	$ 21,440,000	$ 34,311,206	$ 848,295	$239,611	$1,063,281	$ 89,960	$ 23,351,576	$ 34,640,778
1990	23,530,000	31,701,992	1,106,202	175,181	253,206	30,172	24,889,408	31,907,345
1991	23,520,000	30,037,214	830,250	107,842	218,887	9,331	24,569,137	30,154,386
1992	24,740,000	28,438,909	225,602	81,031			24,965,602	28,519,940
1993	24,545,000	26,812,889	122,135	69,276			24,667,135	26,882,165
1994	25,570,000	25,187,864	114,261	62,490			25,684,261	25,250,354
1995	27,345,000	23,467,797	121,307	55,443			27,466,307	23,523,240
1996	29,290,000	21,623,026	128,790	47,960			29,418,790	21,670,986
1997	21,225,000	19,667,486	136,733	40,017			21,361,733	19,707,503
1998	19,555,000	18,339,709	145,166	31,585			19,700,166	18,371,294
1999	20,505,000	17,049,904	154,121	22,629			20,659,121	17,072,533
2000	21,905,000	15,676,293	163,630	13,120			22,068,630	15,689,413

	General Obligation Bonds		Other G.O. Long-Term Debt				Total G.O. Long-Term Debt	
			General Long-Term		Proprietary Type			
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2001	20,610,000	14,213,424	129,307	3,256			20,739,307	14,216,680
2002	18,010,000	12,807,898					18,010,000	12,807,898
2003	18,835,000	11,572,774					18,835,000	11,572,774
2004	19,430,000	10,273,884					19,430,000	10,273,884
2005	20,790,000	8,921,942					20,790,000	8,921,942
2006	23,325,000	7,469,978					23,325,000	7,469,978
2007	22,490,000	5,843,900					22,490,000	5,843,900
2008	11,275,000	4,278,110					11,275,000	4,278,110
2009	9,810,000	3,584,367					9,810,000	3,584,367
2010	8,615,000	2,972,238					8,615,000	2,972,238
2011	8,330,000	2,433,372					8,330,000	2,433,372
2012	8,185,000	1,920,018					8,185,000	1,920,018
2013	5,620,000	1,474,470					5,620,000	1,474,470
2014	4,305,000	1,129,878					4,305,000	1,129,878
2015	4,340,000	849,597					4,340,000	849,597
2016	3,010,000	574,812					3,010,000	574,812
2017	2,330,000	403,520					2,330,000	403,520
2018	2,485,000	249,440					2,485,000	249,440
2019	2,655,000	84,960					2,655,000	84,960
TOTAL	$497,620,000	$383,372,871	$4,225,799	$949,441	$1,535,374	$129,463	$503,381,173	$384,451,775

DEBT SERVICE REQUIREMENT TO MATURITY AS OF DECEMBER 31, 1988—LONG-TERM DEBT SUMMARY

	Total G.O. Long-Term Debt		General Long-Term Debt Special Assessment Bonds (With Governmental Commitment)		Revenue Bonds—Proprietary Type		Total Long-Term Debt (Excluding Compensated Absences & Unemployment Compensation Liabilities)	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1989	$ 23,351,576	$ 34,640,778	$ 33,000	$ 289,431	$110,500	$ 30,637	$ 23,495,076	$ 34,960,846
1990	24,889,408	31,907,345	30,000	286,505	25,000	18,125	24,944,408	32,211,975
1991	24,569,137	30,154,386	30,000	283,581	25,000	14,813	24,624,137	30,452,780
1992	24,965,602	28,519,940	30,000	280,656		11,500	24,995,602	28,812,096
1993	24,667,135	26,882,165	30,000	277,654		11,500	24,697,135	27,171,319
1994	25,684,261	25,250,354	34,000	274,654		11,500	25,718,261	25,536,508
1995	27,466,307	23,523,240	30,000	270,958		11,500	27,496,307	23,805,698
1996	29,418,790	21,670,986	30,000	267,958	80,000	11,500	29,528,790	21,950,444
1997	21,361,733	19,707,503	30,000	264,883			21,391,733	19,972,386
1998	19,700,166	18,371,294	30,000	261,809			19,730,166	18,633,103
1999	20,659,121	17,072,533	30,000	257,283			20,689,121	17,329,816
2000	22,068,630	15,689,413	49,000	254,133			22,117,630	15,943,546
2001	20,739,307	14,216,680	30,000	249,743			20,769,307	14,466,423
2002	18,010,000	12,807,898	30,000	246,594			18,040,000	13,054,492
2003	18,835,000	11,572,774	140,000	243,443			18,975,000	11,816,217
2004	19,430,000	10,273,884		215,703			19,430,000	10,489,587
2005	20,790,000	8,921,942		215,703			20,790,000	9,137,645
2006	23,325,000	7,469,978		215,703			23,325,000	7,685,681
2007	22,490,000	5,843,900		215,703			22,490,000	6,059,603
2008	11,275,000	4,278,110	255,000	215,703			11,530,000	4,493,813
2009	9,810,000	3,584,367	2,245,000	192,639			12,055,000	3,777,006
2010	8,615,000	2,972,238					8,615,000	2,972,238
2011	8,330,000	2,433,372					8,330,000	2,433,372
2012 thru 2019	32,930,000	6,686,695					32,930,000	6,686,695
TOTAL	$503,381,173	$384,451,775	$3,086,000	$5,280,439	$240,500	$121,075	$506,707,673	$389,853,289

GENERAL LONG-TERM DEBT—BALANCE SHEET— DECEMBER 31, 1988

	Total	Limited G.O. Long-Term Debt	Stadium Limited G.O. Bond Long-Term Debt	Unlimited G.O. Bond Long-Term Debt	Stadium G.O. Bond Long-Term Debt	Compensated Absences & Unemployment Compensation Liabilities	Road Improvement Districts S. A. Bond Long-Term Debt
ASSETS							
Amount available in debt service funds	$ 7,218,719	$ (1,905,005)	$4,532,833	$ 1,798,131	$ 927,293	$ -0-	$1,865,467[a]
Amounts to be provided for retirement of:							
Bonds	430,065,054	58,462,778	312,167	338,301,869	31,767,707		1,220,533
Other general long-term debt	4,225,799	4,225,799					
Compensated absences and unemployment compensation payable	12,503,249					12,503,249	
Total amounts to be provided	446,794,102	62,688,577	312,167	338,301,869	31,767,707	12,503,249	1,220,533
TOTAL ASSETS	$454,012,821	$ 60,783,572	$4,845,000	$340,100,000	$32,695,000	$12,503,249	$3,086,000
LIABILITIES							
General obligation bonds payable	$434,197,773	$ 56,557,773	$4,845,000	$340,100,000	$32,695,000	$	$
Special assessment bonds with governmental commitment	3,086,000						3,086,000
Other general long-term debt	4,225,799	4,225,799					
Compensated absences payable	12,253,172					12,253,172	
Unemployment compensation payable	250,077					250,077	
TOTAL LIABILITIES	$454,012,821	$ 60,783,572	$4,845,000	$340,100,000	$32,695,000	$12,503,249	$3,086,000

[a]Includes funds available in Road Improvement Guaranty Fund of $1,000,084.

CHANGES IN GENERAL LONG-TERM DEBT FOR THE YEAR ENDED DECEMBER 31, 1988

	Balance 1/1/88	Increase	Decrease	Balance 12/31/88
Limited G.O. bonds	$ 61,434,550		$ 4,876,777	$ 56,557,773
Other limited G.O. debt	4,733,591	1,532,289	2,040,081[a]	4,225,799
Stadium limited G.O. bonds	5,910,000		1,065,000	4,845,000
Unlimited G.O. bonds	260,245,000	90,485,000	10,630,000	340,100,000
Stadium G.O. bonds	33,360,000		665,000	32,695,000
Compensated absences liability	11,124,712	1,128,460		12,253,172
Unemployment compensation liability	208,185	41,892		250,077
Special assessment bonds with governmental commitment	3,672,037		586,037	3,086,000
TOTALS	$380,688,075	$93,187,641[b]	$19,862,895	$454,012,821

[a]Includes $35,744 for capital leases transferred to proprietary type—Systems Services Fund.
[b]Reconciliation of increase in general long-term debt with proceeds of general long-term debt per Combined Statement of Revenues, Expenditures and Changes in Fund Balances:

Increase in general long-term debt		$93,187,641
Less: Increase in compensated absences liability	$1,128,460	
Increase in unemployment compensation liability	41,892	
Total increase not included in proceeds of general long-term debt		(1,170,352)
Add: Premium on bonds sold included in proceeds of general long-term debt—bonds (Debt Service Funds—revenue)		10,031
Proceeds of general long-term debt		$92,027,320
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances:		
Proceeds of general long-term debt—bonds		$90,495,031
Proceeds of general long-term debt—capital leases		1,532,289
Proceeds of general long-term debt		$92,027,320

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½% of the value of all taxable property within the County. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people, and any election to validate such general obligation debt must have a voter turnout of at least 40% of those who voted in the last state general election and of those voting 60% must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to ¾% of the valuation within the County without a vote of the people. No combination of limited or unlimited tax debt may exceed 2½% of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the $1.80 per $1,000 of assessed value County operating levy.

COMPUTATION OF LEGAL DEBT MARGIN—FOR THE YEAR ENDED DECEMBER 31, 1988

ASSESSED VALUE		$70,629,629,628
Debt limit of limited tax general obligations (¾% of assessed value)		$ 529,722,222
Amount of debt applicable to limit:		
Limited general obligation bonds	$ 56,557,773	
Limited general obligation other long-term debt	4,225,799	
Limited stadium general obligation bonds	4,845,000	
Limited proprietary type G.O. bonds	63,422,227	
Limited proprietary type capital leases	1,535,374	
Total limited tax general obligation debt	130,586,173	
Less: Amount legally available for payment of this debt	2,613,227	
Net limited tax general obligation debt		127,972,946
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN		$ 401,749,276
Debt limit of total general obligation debt (2½% of assessed value)		$ 1,765,740,741
Amount of debt applicable to limit:		
Unlimited general obligation bonds	$340,100,000	
Stadium general obligation bonds	32,695,000	
Total unlimited general obligation bonds	372,795,000	
Less: Amount legally available for payment of this debt	2,405,886	
Net unlimited tax general obligation bonds		370,389,114
Net limited tax general obligation debt		127,972,946
Net total general obligation debt		498,362,060
TOTAL GENERAL OBLIGATION DEBT MARGIN		$ 1,267,378,681

Refunded Bonds

Pursuant to the Governmental Accounting Standards Board Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," King County does not report defeased/refunded bond funds on its balance sheet or in the Long-term Debt Account Group.

As of December 31, 1988, King County has a total of 13 outstanding refunded bond issues of limited and unlimited general obligation bonds which were originally reported in the General Long-term Debt Account Group and proprietary type funds. The payment of principal and interest on these bond issues is the responsibility of two escrow agents: SeaFirst Bank and U.S. Bank of Washington. Following is the schedule of refunded bonds outstanding as of December 31, 1988.

	Date of Issue	Refunded Bond Nos.	Amount Outstanding	Refunding Issue
LIMITED G.O. REFUNDED BONDS				
1981 Various Purpose	11/01/81	552 to 5600	$ 24,475,000[a]	1986 Refunding "C"
1982 Farmland	12/01/82	234 to 309	13,455,000	1985 Farmland Refunding
TOTAL LIMITED G.O. REFUNDED BONDS			37,930,000	
UNLIMITED G.O. REFUNDED BONDS				
1968 Youth Service G.O.	10/01/68	561 to 1220	$ 3,065,000	1978 Refunding
1968 Various Purpose G.O.	10/01/68	1685 to 6600	23,875,000	1978 Refunding
1969 Various Purpose G.O.	07/01/69	933 to 4600	17,905,000	1978 Refunding
1970 Various Purpose G.O.	09/01/70	332 to 2200	9,170,000	1978 Refunding
1972 Various Purpose G.O.	05/01/72	548 to 3457	14,265,000	1978 Refunding
1973 Various Purpose G.O.	04/01/73	829 to 5570	23,265,000	1978 Refunding
1973 G.O. Refunding "A"	10/01/73	1888 to 4315	10,870,000	1978 Refunding
1974 Arterial Highway Improv.	06/01/74	77 to 680	2,975,000	1978 Refunding
1975 Various Purpose G.O.	05/01/75	411 to 4562	20,490,000	1978 Refunding
1976 Various Purpose G.O.	07/01/76	200 to 2409	10,910,000	1978 Refunding
1982 K.C. Unlimited G.O. Jail	05/01/82	634 to 1400	3,835,000	1986 Refunding "B"
TOTAL UNLIMITED G.O. REFUNDED BONDS			140,625,000	
TOTAL REFUNDED BONDS PAYABLE BY ESCROW AGENTS			$178,555,000	

[a]Includes $13,907,274 proprietary type funds refunded bonds.

Future Borrowing Plans

Authorized for issuance:

As of December 31, 1988, the County has authorized but not issued the following unlimited tax general obligation bonds:

$8.5 million for the Woodland Park Zoo project, expected to be issued in 1990.

$9.315 million for regional health care expected to be issued in 1989.

$14.238 million for youth detention/treatment facilities expected to be issued in the summer of 1989.

The County Council has authorized $8.8 million in limited tax general obligation bonds for the reimbursement of construction costs of a pool for the Goodwill Games to be held in the Seattle area in 1990. The County may also consider issuing $3 million in limited tax general obligation bonds for the next phase of the West Seattle Bridge construction.

Probable Issues:

Subject to voter approval, the County Council is planning to issue approximately $85 million of multipurpose unlimited tax bonds for parks, trails, and open space projects.

The County is also considering the issuance of $28.5 million in limited tax general obligation bonds for Solid Waste capital improvements in 1990.

The County Council is considering issuing special assessment bonds as follows:

$.502 million special assessment bonds, for RID 95, in 1989.

$1.6 million special assessment bonds, for RID 102, in 1990.

COUNTY OF ERIE, NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETE PRESENTATION—DECEMBER 31, 1988

(000s omitted)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Community College	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	August 31, 1988	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	$ 8,081	$ 2,945	$	$ 679	$ 5,705	$	$	$	$ 1,494	$ 18,904
Accrued expenses	41,716	6,960	40	121	10,419				5,005	64,261
Estimated malpractice loss liability					1,900					1,900
Due to other funds	17,204	26		4,165	31	15,277			1,136	37,839
Due to other governments	149,735					11,676			155	161,566
Retained percentages				766						766
Amounts held in custody for others					521	24,472				24,993
Deferred revenue	184,318	14,212	676		169				4,172	203,547
Short-term debt	65,500			1,398	4,500					71,398
Bonds payable					74,963			249,837		324,800
Other long-term obligations					14,706			54,112		68,818
Total liabilities	466,554	24,143	716	7,129	112,914	51,425	0	303,949	11,962	978,792

NOTES TO THE FINANCIAL STATEMENTS

XII—LONG-TERM DEBT

A. Bonded Indebtedness

Bonded indebtedness is recorded in the General Long-Term Debt Account Group or in the Enterprise Funds. The following is a summary of bond transactions of the County for the year ended December 31, 1988:

(000s omitted)

Description	Issue	Maturity	Interest Rate	Balance 1/1/88	Addition	Payments	Balance 12/31/88
Serial Bonds	1971	1988	4.50	$ 350	$	$ 350	$ -0-
"	1972	1988	4.50	950		950	-0-
"	1973	2001	5.00	13,575		900	12,675
"	1976	2001	7.00-7.10	15,000		2,125	12,875
"	1977	2003	6.60-7.00	15,690		1,850	13,840
"	1977	2001	6.50-7.50	19,800		1,800	18,000
"	1977	2001	6.10	19,000		1,700	17,300

(continued)

(000s omitted)

Description	Issue	Maturity	Interest Rate	Balance 1/1/88	Addition	Payments	Balance 12/31/88
Serial Bonds	1978	2003	6.125	20,665		1,595	19,070
"	1978	2001	6.50-7.00	8,600		600	8,000
"	1980	2000	6.25-7.75	9,240		1,130	8,110
"	1982	2001	8.75-9.00	20,700		3,100	17,600
"	1984	2008	9.60	33,825		2,500	31,325
"	1984	2003	10.00	800		50	750
"	1985	1994	6.30-8.20	49,850		7,100	42,750
"	1985	2000	7.00-9.50	42,300		4,800	37,500
"	1985	2000	7.00-9.50	27,500		3,200	24,300
"	1986	2006	6.50-11.0	40,360		3,195	37,165
"	1987	2007	6.00-10.5	10,500		960	9,540
"	1988	2008	11.00		14,000	-0-	14,000
				$348,705	$14,000	$37,905	$324,800

The following is a summary of bonded indebtedness by fund or account group:

(000s omitted)

	Balance 1/1/88	Additions	Payments	Balance 12/31/88
Enterprise Funds	$ 78,424	$ 3,761	$ 7,222	$ 74,963
General Long-Term Debt Account Group	270,281	10,239	30,683	249,837
	$348,705	$14,000	$37,905	$324,800

B. Other Long-Term Debt Obligations

In addition to bonded indebtedness, the County of Erie incurs a variety of other long-term debt obligations. Descriptions of these obligations follow:

1. Contractual Debt

Represents the County's share of debt relating to construction costs of the Erie Community College City Campus. Such amounts are recorded in the General Long-Term Debt Account Group and can be summarized as follows:

(000s omitted)

Description	Issue	Maturity	Interest Rate	Balance 1-1-88	Additions	Payments	Balance 12-31-88
Contractual Debt Due New York State Dormitory Authority	1978	2008	6.75-7.10	$5,942	$-0-	$242	$5,700

2. Installment Purchase Debt

During 1986, the County elected to finance the acquisition and installation of a telephone system. The County has entered into the following finance agreement which is recorded in the General Long-Term Debt Account Group:

(000s omitted)

Description	Issue	Maturity	Interest Rate	Balance 1-1-88	Additions	Payments	Balance 12-31-88
Contel Credit Corporation	1986	1993	8%	$2,519	$ -0-	$384	$2,135
"	1987	1993	8%	157	-0-	24	133
"	1988	1993	8%	-0-	50	6	44
Totals				$2,676	$ 50	$414	$2,312

Remaining annual requirements to amortize related debt:

(000s omitted)

Year	Minimum Payment
1989	$ 619
1990	619
1991	619
1992	619
1993	281
Total Minimum Payments	$1,757
Less: Amounts Representing Interest	445
Present Value of Payments	$2,312

3. Capitalized Lease Obligations

Through its governmental funds, the County leases portions of a building from the city of Buffalo for court facilities, as well as various computer equipment. Under the court facilities lease, the County is separately invoiced annually for its share of operating and maintenance costs. In addition, the Erie County Medical Center (an enterprise fund of the County) leases certain major movable equipment. These lease agreements have been determined to be capital leases for accounting purposes, per the criteria established in SFAS No. 13 (Accounting for Leases, as amended). Accordingly, the leases have been recorded as assets at an amount equal to the present value of the minimum lease payments at the inception of the lease. Assets acquired by governmental funds under capital leases are recorded in the General Fixed Assets Account Group, while those acquired by enterprise funds are recorded in the fund. The related liabilities for governmental and enterprise funds, which represent the present value of net minimum lease payments payable in future years, are recorded in the General Long-Term Debt Account Group and as a fund liability, respectively. The following is an analysis of the leased property under capital leases as of December 31, 1988:

(000s omitted)

	Enterprise Funds	General Fixed Assets
Buildings	$	$1,639
Machinery and Equipment		7,595
Movable Equipment	6,229	
	6,229	9,234
Less: Accumulated Amortization	4,361	-0-
	$1,868	$9,234

The following is a schedule of future minimum payments under these capital leases and the present value of the net minimum lease payments at December 31, 1988:

(000s omitted)

Year	Enterprise Funds	General Long-Term Debt Account Group
1989	$ 341	$1,731
1990	347	1,746
1991	381	1,498
1992	393	1,498
1993	301	1,498
1994	90	1,250
Total Net Minimum Lease Payments	1,853	9,221
Less: Amounts Representing Interest	-0-	1,854
Present Value of Net Minimum Lease Payments	$1,853	$7,367

4. Due to New York State Retirement System

As discussed in Note IX, the governmental fund type portion of the County's retirement liability does not represent an outflow of expendable financial resources and, accordingly, has been recorded in the General Long-Term Debt Account Group. The Enterprise Funds have recorded their applicable liabilities. The following is a summary of the retirement liability recorded in the General Long-Term Debt Account Group and the Enterprise Funds:

(000s omitted)

	Enterprise Funds	General Long-Term Debt Account Group
Retirement Liability Outstanding at December 31, 1988	$10,065	$20,716
Less: Current Maturities	1,016	N/A
	$ 9,049	$20,716

The Enterprise Funds have recorded current portions as accrued expenses.

5. Compensated Absences

As explained in Note I, the County records the value of governmental fund type compensated absences (primarily accrued vacation benefits) in the General Long-Term Debt Account Group. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded at December 31, 1988 is $11,218,366.

Compensated absences totaling $4,470,414 and $500,000 for the Enterprise Funds and Community College, respectively, have been recorded as accrued expenses.

6. Judgments and Claims

As further explained in Note XVIII, the County is self-insured. Liabilities are established for workers' compensation, general and malpractice claims in accordance with SFAS No. 5 (Accounting for Contingencies) and FASB Interpretation-14 (Reasonable Estimation of the Amount of a Loss). Estimated long-term contingent loss liabilities of governmental fund types total $4,565,376 and have been recorded in the General Long-Term Debt Account Group. Proprietary Fund type loss contingency liabilities are recorded in total as estimated accrued liabilities of the Enterprise Funds. The long-term portion amounts to $3,804,375.

7. Bond Anticipation Notes

During the year ended December 31, 1988, the County issued bond anticipation notes in the amount of $3,632,800. The County intends to consummate refinancing for $2,234,455 on a long-term basis. It has demonstrated its intention and its ability to consummate by a post-balance-sheet date renewal. The renewal totaling $2,234,455 is for an uninterrupted period extending beyond one year from December 31, 1988. Accordingly, that portion of the obligation will not require the use of available financial resources and has been classified as long-term.

C. Summary of Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 1988:

1. Enterprise Funds

(000s omitted)

	Balance 1-1-88	Additions and Reclassifications	Payments and Reclassifications	Balance 12-31-88
Bonds Payable	$78,424	$3,761	$7,222	$74,963
Other Long-Term Obligations:				
Capitalized Leases	$ 1,418	$ 848	$ 413	$ 1,853
Due to New York State and Local Employees' Retirement System	6,039	4,026	1,016	9,049
Judgments and Claims	4,164	250	610	3,804
	$11,621	$5,124	$2,039	$14,706

2. General Long-Term Debt Account Group

(000s omitted)

	Balance 1-1-88	Additions and Reclassifications	Payments and Reclassifications	Balance 12-31-88
Bonds Payable	$270,281	$10,239	$30,683	$249,837
Other Long-Term Obligations:				
Contractual Debt	$ 5,942	$	$ 242	$ 5,700
Installment Purchase Debt	2,676	50	414	2,312
Capitalized Leases	677	7,315	625	7,367
Due to New York State and Local Employees' Retirement System	24,175	9,091	12,550	20,716
Compensated Absences	10,134	1,084		11,218
Judgments and Claims	2,888	1,677		4,565
Bond Anticipation Notes	3,633	2,234	3,633	2,234
	$ 50,125	$21,451	$17,464	$54,112

D. Maturity Schedules

1. Remaining Annual Maturities of Long-Term Debt (by Debt Type)

(000s omitted)

Year	Serial Bonds	Contractual Debt	Installment Purchase Debt	Capitalized Leases	Retirement	Compensated Absences	Judgments and Claims	Bond Anticipation Notes	Total
1989	$ 36,180	$ 285	$ 450	$1,523	$ 1,219	$	$	$	$39,657
1990	33,820	285	488	1,627	1,785			2,234	40,239
1991	31,915	285	528	1,514	1,785				36,027
1992	30,235	285	572	1,624	1,785				34,591
1993	29,820	285	274	1,638	1,785				33,802
1994-98	104,480	1,425		1,294	8,925				116,124
1999-03	53,410	1,425			8,925				63,760
2004-08	4,850	1,425			3,556				9,831
Various*						11,218	8,370		19,588
	$324,800	$5,700	$2,312	$9,220	$29,765	$11,218	$8,370	$2,234	$393,619

*Payment of compensated absences and judgments and claims are dependent upon many factors; therefore, timing of future payments is not readily determinable.

2. Remaining Annual Maturities of Long-Term Debt (by Fund or Account Group)

(000s omitted)

Year	Enterprise Funds	General Long-Term Debt Account Group	Total
1989	$ 6,897	$ 32,760	$39,657
1990	7,214	33,025	40,239
1991	7,339	28,688	36,027
1992	7,087	27,504	34,591
1993	6,994	26,808	33,802
1994-98	29,635	86,489	116,124
1999-03	18,734	45,026	63,760
2004-08	1,965	7,866	9,831
Various*	3,805	15,783	19,588
	$89,670	$303,949	$393,619

*Payment of compensated absences of $11,218,366 and judgments and claims totaling $8,369,751 are dependent upon many factors; therefore, timing of future payments is not readily determinable.

The Enterprise Funds record current portions of retirement liability, compensated absences and judgments and claims as accrued expenses.

3. Annual Interest Payments Due on Serial Bonds

(000s omitted)

Year	Amount
1989	$ 24,123
1990	21,556
1991	19,024
1992	16,607
1993	14,335
1994-98	42,483
1999-03	10,227
2004-08	900
	$149,255

E. Permanent Financing Requirements

Under New York State statutes, permanent bonding of general County improvements must take place within five years of the date of initial financing. Specially assessed improvements (Sewer) have no limitation as to their period of temporary financing. The County has permanently financed all significant indebtedness subject to this permanent financing statute.

F. Constitutional Debt Limit

The County constitutional debt limit at December 31, 1988 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (1984-88)	$15,000,948
Debt Limit @ 7%	$ 1,050,066
Net Indebtedness (After Statutory Exclusions)	(284,647)
Net Debt Contracting Margin	$ 765,419
Percentage of Debt Contracting Power Exhausted	27.11%

G. Operating Leases

Operating lease obligations are primarily for rental of office space. The future minimum rental payments required for those operating leases tabulated by the County are:

	(000s omitted)
1989	$1,501
1990	1,537
1991	1,372
1992	469
1993	33
	$4,912

TOWN OF POUGHKEEPSIE, NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Fiduciary Funds	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Fixed Assets	Long-Term Debt	Total (Memorandum Only)
LIABILITIES AND EQUITY								
LIABILITIES								
Accounts payable	$183,584	$366,376	$—	$ 123,479	$ —	$—	$ —	$ 673,439
Retained percentages	—	—	—	21,565	—	—	—	21,565
Notes payable (Note 2B.1)	—	—	—	2,071,850	—	—	—	2,071,850
Accrued interest payable	—	—	—	81,220	—	—	—	81,220
Due to other funds (Note 2C)	—	—	—	583,864	129	—	—	583,993
Agency liabilities	—	—	—	—	159,659	—	—	159,659
Bonds and long-term liabilities (Note 2B.4)	—	—	—	—	—	—	28,798,750	28,798,750
Deferred revenues	—	66,876	—	—	—	—	—	66,876
Total liabilities	183,584	433,252	—	2,881,978	159,788	—	28,798,750	32,457,352

NOTES TO FINANCIAL STATEMENTS

2. Detail Notes on All Funds and Account Groups [In Part]

B. Liabilities [In Part]

4. Bonds and Long-term Liabilities

The following is a summary of changes in bonds and long-term liabilities for the period ended December 31, 1988:

	Bonds	Unbilled Retirement	Totals
Payable at January 1, 1988	$29,350,803	$ 951,500	$30,302,303
Net Increase (Decrease)	(1,720,803)	217,250	(1,503,553)
Payable at December 31, 1988	$27,630,000	$1,168,750	$28,798,750

Long-term debt outstanding as of December 31, 1988, consisted of the following:

Purpose	Issue Date	Interest Rate	Original Amount Of Issue	Amount Outstanding At 12/31/88	Maturity Schedule
Sewer	03/01/63	3.0	$1,815,000	$ 165,000	$55,000/yr. 1989-1991
Water	11/15/63	3.4	1,491,000	365,000	45,000/yr. 1989-1995
					50,000/yr. 1996
Water and Sewer	06/01/68	4.6	3,679,900	990,000	150,000/yr. 1989-1994
					90,000/yr. 1995
Storm Drains	06/01/68	4.6	248,000	50,000	10,000/yr. 1989-1993
Water and Sewer	09/01/69	7.5	2,369,000	1,245,000	70,000/yr. 1989-1990
					75,000/yr. 1991-1995
					60,000/yr. 1996-1998
					50,000/yr. 1999-2009
Water	08/01/70	6.4	4,600,000	1,950,000	150,000/yr. 1989-2001
Water	06/15/72	5.5	742,000	350,000	25,000/yr. 1989-2002
Storm Drains	09/15/73	5.1	615,000	100,000	25,000/yr. 1989-1992
Water	03/15/77	5.875	3,814,800	2,500,000	125,000/yr. 1989-2008
Water	07/01/78	6.0	2,135,000	1,500,000	75,000/yr. 1989-2008
Water and Sewer	08/01/79	5.9	4,048,940	2,800,000	150,000/yr. 1989-1995
					175,000/yr. 1996-2005

Purpose	Issue Date	Interest Rate	Original Amount Of Issue	Amount Outstanding At 12/31/88	Maturity Schedule
Water and Sewer	04/01/83	8.1	1,656,330	1,275,000	75,000/yr. 1989-1997
					100,000/yr. 1998-2003
Water and Sewer	08/15/77	5.1	13,150,000	8,040,000	485,000/yr. 1989
		5.2			480,000/yr. 1990
		5.3			465,000/yr. 1991
		5.4			495,000/yr. 1992
		5.4			480,000/yr. 1993
		5.5			485,000/yr. 1994
		5.5			470,000/yr. 1995-1996
		5.6			485,000/yr. 1997
		5.6			480,000/yr. 1998
		5.7			465,000/yr. 1999-2000
		5.75			460,000/yr. 2001
		5.75			445,000/yr. 2002
		5.75			360,000/yr. 2003
		5.75			355,000/yr. 2004
		5.75			350,000/yr. 2005
		5.75			345,000/yr. 2006
Water and Sewer	12/15/86	6.0	1,859,450	1,675,000	100,000/yr. 1989-1994
					125,000/yr. 1995-2001
					100,000/yr. 2002-2003
Sewer and Drainage	06/15/87	6.75	4,800,803	4,625,000	200,000/yr. 1989-1990
					225,000/yr. 1991
					250,000/yr. 1992-2007
Total Outstanding				$27,630,000	

TOWN OF BOONE, NORTH CAROLINA

COMBINED STATEMENT OF FINANCIAL POSITION—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types				Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Water and Sewer Enterprise	General Fixed Assets	General Long-Term Debt	1989	1988
Liabilities and Fund Equity									
Current liabilities:									
Accounts payable and accrued liabilities	$188,008	$ —	$—	$—	$ 69,567	$—	$ —	$ 257,575	$ 530,529
Due to other funds	—	—	—	—	14,770	—	—	14,770	—
Current portion of long-term debt (Note 2)	—	—	—	—	177,300	—	152,778	330,078	427,974
Total current liabilities					261,637				
Liabilities to be paid from restricted assets (Note 2)	—	—	—	—	—	—	—	—	2,969
Noncurrent liabilities:									
Deposits	—	—	—	—	22,178			22,178	20,428
Noncurrent portion of long-term debt (Note 2)	—	—	—	—	4,461,482	—	99,737	4,561,219	8,677,304
Deferred revenues (Note 2)	52,394	2,268	—	—	—	—	—	54,662	486,531
Total liabilities	240,402	—	—	—	4,745,297		252,515	5,240,482	10,145,735

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

(2) Detail Notes on all Funds and Account Groups [In Part]

(b) Liabilities [In Part]

Long-Term Debt

The note payable financed by the governmental funds is accounted for in the general long-term debt group. The general obligation bonds issued to finance the construction of facilities utilized in the operations of water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Long-term indebtedness consists of the following at June 30, 1989:

General:	
Note payable to bank, face amount $500,000, 36 monthly installments of $13,889, plus monthly interest payments at 69% of the bank's prime rate	$ 152,778
Water and sewer:	
Water bonds, dated June 1, 1967, original issue $690,000 at 3¾%, various annual maturities through June 1, 2005	$ 370,000
Sanitary sewer bonds, dated June 1, 1967, original issue $1,110,000 at 3¾%, various annual maturities through June 1, 2004.	577,000
Water bonds, dated July 1, 1986, original issue $1,810,000, various interest rates from 7.2% to 7.6%, various annual maturities through June 1, 2007	1,685,000
Water bonds, dated June 29, 1988, original issue $2,044,200, interest at prime +.5% not to exceed 10.5%, various annual maturities through June 1, 2003.	1,982,300
Total	$4,614,300

The following is a summary of changes in general long-term debt for the year ended June 30, 1989:

	General Long-Term Debt July 1, 1988	Additions	Retirements	General Long-Term Debt June 30, 1989
By type of debt:				
Notes	$364,852	$ —	$212,074	$152,778
Vacation accrual	83,744	15,993	—	99,737
Total	$448,596	$15,993	$212,074	$252,515
By purpose:				
Public service—Equipment and building	364,852	—	212,074	152,778
Vacation accrual	83,744	15,993	—	99,737
Total	$448,596	$15,993	$212,074	$252,515

On April 22, 1988, the Town notified the Farmers Home Administration (FmHA) of its intention to retire FmHA-held water and sewer bonds under a discount purchase program. Under this program, FmHA offered the Town the opportunity to retire outstanding debt at 52.26% of its par value. On June 29, 1988, the Town sold $2,044,200 of general obligation bonds at interest rates ranging from 8.50% to 10.50% to finance the repurchase. At June 30, $2,044,200 was being held by the State Treasurer and $195,300 by FmHA to buy back the FmHA debt. On July 6, these funds were used to retire $3,855,000 in FmHA-held bonds at a cost of $2,024,539, resulting in an extraordinary accounting gain of $1,830,461.

Maturities on all long-term debt are:

	General	Water and Sewer
1989-90	$152,778	$ 177,300
1990-91	—	186,500
1991-92	—	202,500
1992-93	—	217,200
1993-1994	—	232,000
1994-2022	—	3,598,800
Total	152,778	4,614,300
Vacation accrual	99,737	24,482
Total	$252,515	$4,638,782

SCHOOL DISTRICT NO. 1 IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988—WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1987

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum only)	
	General	Special Revenue	Bond Redemption	Capital Reserve	Enterprise	Trust and Agency	General Fixed Assets	General Long-term debt	1988	1987
LIABILITIES AND FUND EQUITY (DEFICIT)										
Liabilities:										
Accounts payable ...	$ 3,940,822	$ 535,726	$ —	$238,768	$511,548	$ 661	$—	$ —	$ 5,227,525	$ 8,046,595
Accrued payroll	19,789,984	1,078,119	—	43,482	260,951	—	—	—	21,172,536	20,545,284
Health insurance claims incurred but not paid	—	—	—	—	—	2,735,745	—	—	2,735,745	2,785,705
Accrued salaries earned but unpaid	15,130,303	944,817	—	10,735	198,709	—	—	—	16,284,564	15,118,239
Liabilities payable from restricted assets	—	—	—	—	—	—	—	—	—	9,476
Matured bonds and interest (payable from restricted assets)	—	—	35,944	—	—	—	—	—	35,944	35,944
Due to other funds..	372,137	247,126	—	243,941	—	494	—	—	863,698	1,867,519
Deferred revenue....	222,724,471	2,432,383	12,830	—	—	—	—	—	225,169,684	214,834,512
Capitalized lease obligation	—	—	—	—	—	—	—	3,082,716	3,082,716	1,943,836
Certificates of participation	—	—	—	—	—	—	—	41,965,000	41,965,000	45,465,000
Sick leave payable ..	—	—	—	—	—	—	—	5,058,091	5,058,091	5,466,074
Due to student groups	—	—	—	—	—	1,313,137	—	—	1,313,137	1,255,494
Total liabilities....	261,957,717	5,238,171	48,774	536,926	971,208	4,050,037	—	50,105,807	322,908,640	317,373,678

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Capital lease obligations	Certificates of participation	Sick leave payable	Total
Payable at December 31, 1987	$1,943,836	$45,465,000	$5,466,074	$52,874,910
Renegotiation of capital lease obligations	1,138,880	—	—	1,138,880
Net decrease in sick leave payable	—	—	(407,983)	(407,983)
Debt retired	—	(3,500,000)	—	(3,500,000)
Payable at December 31, 1988	$3,082,716	$41,965,000	$5,058,091	$50,105,807

Long-term debt at December 31, 1988 is comprised of the following:

Capital lease obligations:	
Capitalized lease on computer equipment, payable in annual payments of $624,836 through July 31, 1994, interest imputed at 8.57%	$ 3,082,716
Certificates of participation:	
1986 and 1985 certificates of participation, progressive interest rates of 5.25% to 8.20% payable in semi-annual installments through 1997, principal due in annual installments of $3,720,000 to $10,515,000 through December 1997	41,965,000
Sick leave payable	5,058,091
	$50,105,807

The annual requirements to amortize all debt outstanding excluding sick leave payable as of December 31, 1988, including interest payments of $18,920,590, are as follows:

Years ending December 31,	Capital lease obligations	Certificates of participation	Total
1989	$ 624,836	$ 6,823,065	$ 7,447,901
1990	624,836	6,822,615	7,447,451
1991	624,836	8,022,990	8,647,826
1992	624,836	5,419,190	6,044,026
1993	624,836	5,427,030	6,051,866
1994-1997	624,836	27,704,400	28,329,236
	$3,749,016	$60,219,290	$63,968,306

The Capital Reserve Fund is to be used to pay the above long-term debt.

There is $1,674 available in the Bond Redemption Fund to service the general obligations of the School District.

Capital Lease Obligation

The School District leases computer equipment under an agreement expiring in 1994; however, the agreement contains a provision whereby the lease shall terminate if the Board of Education does not appropriate funds for lease payments in any succeeding year. In accordance with generally accepted accounting principles, the lease has been capitalized at the present value of future lease payments, and the computer equipment is reflected in the General Fixed Assets Account Group.

Certificates of Participation

During 1984, the School District entered into a school buildings lease purchase agreement with the Northeast Denver School Facilities Leasing Corporation to finance land acquisitions, construction, and equipment costs. Certificates of Participation in the amount of $26,075,000 were issued in connection with the lease purchase agreement.

During 1985, the School District entered into a school buildings lease purchase agreement with Denver School Facilities Leasing Corporation to finance land, acquisitions, construction and equipment costs. Upon execution of the agreement, the School District received $39,600,000 in certificate proceeds, using $21,972,107 to defease the 1984 Certificates of Participation and releasing the School District from direct liability to the Northeast Denver School Facilities Leasing Corporation. Certificate proceeds and investment income earned on the unexpended balance are held in trust pursuant to the Certificate.

During 1986, the School District amended the lease purchase agreement with Denver School Facilities Leasing Corporation to include additional financing for school buses. Certificates of Participation in the amount of $7,965,000 were issued.

Monies used to defease the 1984 Certificates of Participation have been placed in escrow accounts and invested in obligations guaranteed by the U.S. Government. The amounts in escrow and the income earned thereon have been calculated to be sufficient to pay the interest and principal of the Certificates when due.

The 1984 Certificates defeased remain a contingent liability of the Northeast Denver School Facilities Leasing Corporation until retired; however, they have been removed from the General Long-Term Debt Account Group.

A summary of the amounts in escrow and the related refunded Certificates of Participation follows:

Amount available in escrow funds:	
Cash and investments in U.S. Government obligations, including premium or discount	$7,908,245
Amount to be provided from escrow	461,755
	$8,370,000
1984 Certificates of Participation, progressive interest rates of 7.7% to 8.70%, payable in semi-annual installments through 1994, principal due in annual installments of $765,000 to $4,940,000 through January 1994	$8,370,000

Neither the Denver School Facilities Leasing Corporation's Certificates of Participation nor the lease purchase agreement are legally considered long-term debt of the School District as the School District's obligation under the arrangement is limited to one year's rental under the lease purchase agreement. However, the Certificates of Participation are included as long-term debt since, as explained in Note 1, the Denver School Facilities Leasing Corporation is included in the accompanying combined financial statements as being an integral part of the School District.

NONCANCELLABLE OR CAPITALIZED LEASE AGREEMENTS

Noncancellable leases for general fixed assets may, in substance, be contracts for the acquisition of assets that would be properly recordable as general fixed assets of the government. Under these circumstances, the related lease obligations should be recorded as part of the government's general long-term debt as required by GASB Cod. Sec. L20.116. See pages 3-46 and 3-47 which have illustrations from the notes to financial statements resulting from these types of leases.

GOVERNMENTAL EQUITIES

The fund equity section of the combined balance sheet for a governmental unit comprises two separate elements. The equity portion of the balance sheet related to governmental-type funds is referred to as the fund balance. The equity portion of the balance sheet of a governmental unit for its proprietary-type funds is referred to as retained earnings and, where applicable, contributed capital. In both cases these sections are residual balances, the difference between assets and liabilities. Several subordinate accounts or groups of accounts may appear in the fund equity section of governmental units, such as reservations, designations, contributions, or investments in fixed assets, depending on the circumstances of the reporting government.

RESERVES

In governmental fund accounting the term "reserve" identifies that portion of either of the two fund equity balances not appropriable or available for expenditure. For example, the reserve for inventories is an example of resources already expended (but not consumed), so that there is a portion of fund balance that is not available for expenditure in a future fiscal period. The term "reserve" also may refer to that portion of the fund balance legally separated for a specific future use. An example is the reserve for encumbrances. This reserve indicates that portion of the fund balance that has been segregated for expenditure under executory contracts. Thus, this portion of the fund balance is reserved, or set aside, to meet the future obligations of these outstanding encumbrances. A third example is the reserve for debt service. This segregation ensures the maintenance of a liquid condition for debt requirements.

Reservations of fund balances are appropriate in the case of both governmental funds and certain proprietary funds.

DESIGNATIONS

Another group of equity accounts carries the descriptive title "designations." A designated account is one in which the amounts have been designated and labeled by governmental executives to indicate tentative plans or commitments for those resources in a future period.

Designated accounts are allocations of fund balances at the discretion of the government, reflecting a management intent to expend the resources in the designated manner. In contrast, reserves, as discussed in the preceding section, often are statutory requirements or reflect decisions and commitments already made.

REPORTING RESERVES AND DESIGNATIONS

Designated funds are reported as part of the unreserved or free fund balance but are shown as designated for a specific purpose. Reserves, on the other hand, while part of the fund balance section, are segregated from the free or designated portions of the fund balance amount.

According to GASB Cod. Sec. 1800.125, reserves should be reported in the fund balance section of the governmental fund balance sheet and should not be included as liabilities or placed as a group of accounts between liabilities and the fund balance in the financial statements. If the fund balance section of the balance sheet is subdivided into the reserved and unreserved amounts, the designated accounts are included among the unreserved fund balance accounts.

In the case of enterprise funds, the reserve accounts are accounted for and reported in the same manner as in commercial accounting and reporting.

CONTRIBUTED EQUITY

GASB Cod. Sec. G60.110, "Grant, Entitlement, and Shared Revenue Accounting and Reporting by State and Local Governments," sets forth the accounting principles and procedures related to grants, contributions, gifts, and other donations received by a governmental unit. The section indicates that proprietary-type fund grant receipts whose use is restricted to the acquisition or construction of capital assets should be accounted for as additions to contributed equity. (All other receipts of this kind by a proprietary-type fund should be recognized as non-operating revenues in the accounting period when earned and measurable.)

INVESTMENT IN GENERAL FIXED ASSETS

A segregation in the combined fund equity section of a governmental unit relates to the investments in general fixed assets—i.e., fixed assets other than those authorized to be recorded in certain fund accounts (proprietary and designated trust funds). These are fixed assets for which resources were expended by governmental-type funds in past periods and do not represent resources available for current or future uses. However, the value of general fixed assets should be accounted for in the combined financial statements of the governmental unit. This investment in general fixed assets also may be segregated and accounted for as a contra account and equity-type item but separate from the unreserved or free fund balance of a governmental unit.

The fixed asset accounts in the general fixed assets account group and the proprietary funds and trust funds should include the cost of capitalized fixed assets acquired from grants, entitlements, or shared revenues. Accumulated depreciation accounts, optional in the case of general governmental fixed assets, should include the depreciation recognized on the contributed proprietary fixed assets.

Tables 3-17 and 3-18 indicate account titles used by the surveyed governmental units to describe reservations of fund balances and retained earnings. Contributions for capital expenditures, if material, also should be identified and segregated in the fund equity accounts. The most common account titles used to report contributed capital are listed in Table 3-19.

As noted in Table 3-20, investments in general fixed assets are segregated and identified as a separate item in the governmental section of the combined balance sheet, although the presentation varied slightly among the governmental units surveyed.

See excerpts below from the combined balance sheet of several governmental units illustrating the type of reporting made of governmental equities and certain other components of equity balances.

TABLE 3-17. GOVERNMENTAL-TYPE FUND BALANCE RESERVES—"FUND BALANCE RESERVED FOR. . ."

	Instances Observed			
Account Title	1989	1988	1987	1986
Encumbrances	241	233	222	112
Debt service	168	162	154	80
Inventories[1]	152	156	154	80
Reserved (unspecified)	57	50	53	26
Prepaid expenses	51	41	40	7
Capital projects	45	54	39	19
Employee retirement system[2]	41	55	53	37
Endowments	35	31	NC[3]	NC
Employee retirement	34	27	240	NC
Advance to other funds	26	29	21	11
State statute	16	19	18	15
Self-insurance	15	19	14	8

[1]Includes inventory and prepaid expenses, and inventory of supplies.
[2]Includes employee retirement.
[3]Not compiled.

TABLE 3-18. RETAINED EARNINGS RESERVED—"RETAINED EARNINGS RESERVED FOR. . ."

	Instances Observed			
Account Title	1989	1988	1987	1986
Revenue bond retirement[1]	102	101	90	54
Reserved (unspecified)	39	50	51	26
Self-insurance	17	10	8	3
Construction	16	23	13	4

[1]Includes any bond retirement, or debt service.

TABLE 3-19. CAPITAL CONTRIBUTIONS TO FUND EQUITY

	Instances Observed			
Account Title	1989	1988	1987	1986
Contributed capital[1]	298	301	251	207
Contributions	37	27	20	11

[1]Includes contributed capital from any fund or entity.

TABLE 3-20. INVESTMENT IN GENERAL FIXED ASSETS

	Instances Observed			
Account Title	1989	1988	1987	1986
Investment in general fixed assets[1]	351	379	343	284
Invested in fixed assets	34	23	21	17

[1]Includes investments in general fixed assets and capital leases.

CITY OF RICHMOND, VIRGINIA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligation	Total (Memorandum Only)
Fund Equity									
Capital Stock ($1 par value per share; 5 shares authorized and issued)	—	—	—	5	—	—	—	—	5
Contributed Capital	—	—	—	79,508,353	7,580,184	—	—	—	87,088,537
Contributions in Aid of Construction	—	—	—	74,502,526	—	—	—	—	74,502,526
Investment in General Fixed Assets	—	—	—	—	—	—	185,113,082	—	185,113,082
Retained Earnings									
Reserved for Bond Indenture Agreements	—	—	—	19,702,641	—	—	—	—	19,702,641
Unreserved	—	—	—	44,323,579	3,062,109	—	—	—	47,385,688
Fund Balance									
Reserved for Encumbrances	1,934,159	3,902,115	959,584	—	—	—	—	—	6,795,858
Reserved for Working Capital	60,000	—	—	—	—	—	—	—	60,000
Reserved for Advances to Other Funds	19,115	—	—	—	—	—	—	—	19,115
Reserved for Inventory of Material and Supplies	—	18,756	—	—	—	—	—	—	18,756
Reserved for Prepaid Expenses	—	297,252	—	—	—	—	—	—	297,252
Reserved for Trust Corpus	—	—	—	—	—	242,399	—	—	242,399
Reserved for Notes Receivable	4,500,000	—	—	—	—	—	—	—	4,500,000
Reserved for Employee Retirement System and Employee Benefit Payments	—	—	—	—	—	182,202,316	—	—	182,202,316
Unreserved									
Designated for Specific Projects	—	2,663,232	884,988	—	—	2,291,064	—	—	5,839,284
Undesignated	12,647,270	3,367,004	—	—	—	—	—	—	16,014,274
Total Fund Equity	19,160,544	10,248,359	1,844,572	218,037,104	10,642,293	184,735,779	185,113,082	—	629,781,733
Total	$64,602,008	$31,840,201	$5,645,987	$610,365,900	$25,728,557	$192,101,154	$185,113,082	$199,296,369	$1,314,693,258

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Open encumbrances at year end are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities.

K. Restricted Assets and Retained Earnings-Reserved

In accordance with applicable covenants of certain enterprise fund bond issues, cash and other assets have been appropriately restricted (see Note 10). Cash has also been restricted to the extent of customers' deposits and unexpended bond proceeds. Retained earnings have been reserved for the excess of restricted assets over related liablities where appropriate.

L. Reserved and Designated Fund Balance

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designations of portions of the fund balances are established to indicate tentative plans for financial resource utilization in a future period.

9. Property, Plant and Equipment [In Part]

A. General Fixed Assets

A summary of general fixed assets follows:

	Balance July 1, 1988	Additions	Deletions	Balance June 30, 1989
Land	$ 21,166,252	$ 3,189,600	$ 34,385	$ 24,321,467
Buildings and structures	91,769,503	1,142,551	9,418	92,902,636
Equipment	23,444,645	3,749,097	1,104,350	26,089,392
Construction in Progress	34,357,870	8,425,268	983,551	41,799,587
	$170,738,270	$16,506,516	$2,131,704	$185,113,082

11. Fund Equity Balances

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

A. Contributed Capital and Contributions in Aid of Construction

The following are changes for the year ended June 30, 1989 in contributed capital and contributions in aid of construction for the proprietary funds:

	Enterprise Funds		Internal Service Funds
	Contributed Capital	Contributions In Aid of Construction	Contributed Capital
Balance, June 30, 1988	$60,328,207	$72,842,100	$7,816,587
Transfer of Richmond Centre	10,439,500	—	—
Residual equity transfers (net)	854,287	—	(250,000)
Less depreciation on assets acquired with contributed capital	(561,229)	—	—
Capital grants and donated assets (net)	8,447,588	1,660,426	13,597
Balance, June 30, 1989	$79,508,353	$74,502,526	$7,580,184

B. Investment in General Fixed Assets

The City's equity in owned general fixed assets which have been capitalized are reflected as investments in general fixed assets.

C. Retained Earnings

Restricted retained earnings reflects amounts that are restricted for asset acquisition, retirement of debt and operations as required by bond covenants.

Unrestricted retained earnings represents the remainder of the City's equity in the cumulative earnings of the proprietary funds.

Retained Earnings Deficits

The following individual retained earnings deficits existed at June 30, 1989:

Internal Service Funds:	
Warehouse	$ 800,997
Central Postage Service	351,832
Public Works Stores	994,872
Enterprise Funds:	
GRTC	16,394,575
RMA Expressway System	15,484,158
Richmond Centre	5,929,803

The deficit in the Warehouse and Central Postage Service Internal Service Funds arose because in previous years the rates charged to users have been insufficient to recover all costs of operations. It is anticipated that rate adjustments and improved operations will result in reductions in these deficits in future years. The deficit in the Public Works Stores resulted from an inventory adjustment.

The deficits in GRTC, Richmond Centre and RMA Expressway System Enterprise Funds resulted because user fees were not sufficient to cover the costs of their operations, primarily depreciation. The deficits will be reduced in the future through a combination of user fees and General Fund contributions.

D. Fund Balances

Reserved fund balance represents that portion of fund balance not available for appropriation or expenditure.

Designated fund balance represents amounts that are tentatively planned for financial resource utilization in a future period.

Undesignated fund balance represents the remainder of the City's equity in governmental type fund balances.

Fund balances reserved at June 30, 1989 are composed of the following:

	General Fund	Special Revenue	Capital Projects	Fiduciary Fund Type
Encumbrances	$1,934,159	$3,902,115	$959,584	$ —
Working Capital	60,000	—	—	—
Advances to Other Funds	19,115	—	—	—
Inventory of Material and Supplies	—	18,756	—	—
Prepaid Expenses	—	297,252	—	—
Trust Corpus	—	—	—	242,399
Notes Receivable	4,500,000	—	—	—
Employee Retirement System and Employee Benefit Payments	—	—	—	182,202,316
	$6,513,274	$4,218,123	$959,584	$182,444,715

Fund balances designated at June 30, 1989 are composed of the following:

	Special Revenue Funds	Capital Projects Funds	Fiduciary Funds	Total
Schools projects and activities	$ 198,295	$ —	$ —	$ 198,295
Completion of approved or specified projects and activities	2,464,937	884,988	2,291,064	5,640,989
Total Designated for Specific Projects	$2,663,232	$884,988	$2,291,064	$5,839,284

CITY OF WICHITA, KANSAS

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—DECEMBER 31, 1988

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
Fund Equity											
Contributed capital (Note 23)	—	—	—	—	124,759,327	5,307,297	—	—	—	130,066,624	112,587,136
Investment in general fixed assets	—	—	—	—	—	—	—	107,290,825	—	107,290,825	100,914,629
Retained earnings:											
Reserved for revenue bond retirement	—	—	—	—	3,367,750	—	—	—	—	3,367,750	3,760,518
Reserved for employee benefits	—	—	—	—	—	3,654,098	—	—	—	3,654,098	5,516,544
Reserved for other self-insurance claims	—	—	—	—	—	2,484,261	—	—	—	2,484,261	1,226,474
Unreserved	—	—	—	—	91,023,985	5,405,513	—	—	—	96,429,498	86,352,766
Fund balance (deficit):											
Reserved for encumbrances	478,803	1,352,529	—	7,126,097	—	—	—	—	—	8,957,429	6,721,327
Reserved for member employee contributions refundable	—	—	—	—	—	—	27,732,112	—	—	27,732,112	25,545,437
Reserved for employees' retirement systems	—	—	—	—	—	—	212,536,754	—	—	212,536,754	195,441,823
Unreserved:											
Designated (Note 19)	5,151,842	2,381,914	3,354,330	—	—	—	2,206,054	—	—	13,094,140	11,548,350
Undesignated	2,245,878	4,594,260	280,964	6,174,448	—	—	—	—	—	13,295,550	(994,872)
Total retained earnings/fund balance (deficit)	7,876,523	8,328,703	3,635,294	13,300,545	94,391,735	11,543,872	242,474,920	—	—	381,551,592	335,118,367
Total fund equity (deficit)	7,876,523	8,328,703	3,635,294	13,300,545	219,151,062	16,851,169	242,474,920	107,290,825	—	618,909,041	548,620,132
Total liabilities and fund equity	$25,714,766	$20,171,719	$149,404,412	$27,693,907	$341,651,019	$18,076,362	$251,725,631	$107,290,825	$243,910,743	$1,185,639,384	$1,077,325,943

NOTES TO FINANCIAL STATEMENTS

19. Reserves and Designations of Fund Balances and Retained Earnings

The City of Wichita records two general types of reserves. One type is to indicate that a portion of the fund balance is legally segregated for a specific future use. The second type of reserve is to indicate that a portion of the fund balance is not appropriable for expenditures.

A significant portion of the unencumbered cash/fund balance designated for subsequent year appropriation is the amount appropriated as a fund balance reserve. The following reserves of fund balances and retained earnings are used by the City:

Reserved for Encumbrances—

An account used to segregate a portion of fund balance for expenditures upon vendor performance.

Reserved for Revenue Bond Retirement—

An account used to segregate that portion of retained earnings for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.

Reserved for Member Employee Contributions Refundable—

An account used to segregate that portion of the retirement funds which may be refunded to members. Under the provisions of the plans, any member leaving the City's employ prior to becoming eligible for benefit payments may receive a refund of their accumulated contributions to the plans. Such refunds do not bear interest.

Reserved for Employees Retirement System—

An account used to segregate that portion of the retirement funds to be used for administration and payment of retirement benefits.

Reserved for Employee Benefits—

An account used to segregate that portion of health insurance claims, life insurance claims and also the portion to meet the legal requirements of the State for self-insured workers compensation plans.

Reserves for Other Self-Insurance Claims—

An account used to segregate that portion of retained earnings to be used for legal claims.

Designations of fund balances are not legally required segregations but are segregated for a specific purpose. The City has made the following designations:

	Funds				
Designated For	General Fund	Special Revenue	Debt Service	Trust	Total
Federal and State programs	$ —	$1,491,244	$ —	$ —	$ 1,491,244
Special programs	—	—	—	2,206,054	2,206,054
Employee benefits (claims)	—	890,671	—	—	890,671
Debt Service	—	—	3,354,330	—	3,354,330
Subsequent year's appropriation	5,151,842	—	—	—	5,151,842
	$5,151,842	$2,381,915	$3,354,330	$2,206,054	$13,094,141

7. Changes in General Fixed Assets [In Part]

A summary of changes in general fixed assets follows:

	Balance January 1, 1988	Additions	Deletions	Balance December 31, 1988
Land	$ 11,415,535	$1,102,615	$ —	$ 12,518,150
Buildings and improvements	66,655,992	1,201,672	—	67,857,664
Improvements other than buildings	9,742,700	635,587	—	10,378,287
Equipment	12,515,893	2,270,628	244,443	14,542,078
Construction in progress	584,509	1,922,119	511,982	1,994,646
	$100,914,629	$7,132,621	$756,425	$107,290,825

23. Restatement of Prior Year Financial Statements

During 1988, it was determined that $7,605,033 of construction costs incurred in the Capital Project Fund type in 1987 for Airport improvements at Jabarra Airport had not been recorded in the Enterprise Fund type. The previously reported December 31, 1987, Enterprise Fund type (Wichita Airport Authority Fund) fixed assets and contributed capital have been increased to reflect these assets. This restatement had no effect on 1987 Enterprise Fund type net income.

TOWN OF LEESBURG, VIRGINIA

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—JUNE 30, 1989

	Governmental Fund Types		Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Capital Projects	Enterprise	General Long-Term Debt	General Fixed Assets	1989	1988
FUND EQUITY:							
Contributed capital			23,357,658			23,357,658	19,818,133
Investment in general fixed assets					10,961,932	10,961,932	6,139,055
Retained earnings			7,902,604			7,902,604	7,356,160
Fund balances:							
Reserved for encumbrances	225,070					225,070	99,700
Unreserved:							
Designated for future expenditures		10,031,371				10,031,371	13,334,117
Undesignated	1,017,072					1,017,072	717,381
Total fund equity	1,242,142	10,031,371	31,260,262		10,961,932	53,495,707	47,464,546
Total liabilities and fund equity	$2,439,221	$10,809,502	$42,918,366	$10,315,866	$10,961,932	$77,444,887	$69,933,612

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

M. Fund Equity Balances

The fund equity balances have been calculated to reflect the limitations and restrictions placed on the respective funds:

Investment In General Fixed Assets—Represents the investment in Town-owned general fixed assets which have been capitalized.

Contributed Capital—Includes capital contributions to Proprietary Fund Types from the Town, other governments, and utility system users and developers, net of accumulated depreciation on assets purchased with contributions from other governments.

Retained Earnings—Represents the remainder of the Town's equity in Proprietary Fund Types.

Fund Balance—Unreserved—Represents the balance available for management designation.

Fund Balances—Designated—Indicates plans for financial resource utilization in a future period.

Fund Balances—Undesignated—Represents the remainder of the Town's equity in governmental fund types.

6. Fixed Assets [In Part]

A summary of changes in general fixed assets follows:

	Balance July 1, 1988	Additions	Retirements	Balance June 30, 1989
Land	$2,527,170	$ —	$ —	$ 2,527,170
Buildings	377,754	—	—	377,754
Improvements other than buildings	742,952	—	—	742,952
Equipment	1,307,177	211,515	54,979	1,463,713
Construction in progress	1,184,002	4,666,341	—	5,850,343
Total	$6,139,055	$4,877,856	$54,979	$10,961,932

11. Contributed Capital

A summary of changes in contributed capital follows:

	Airport Fund	Utility Fund	Total Enterprise Funds
Balance, July 1, 1988 .	$4,532,466	$ 9,388,517	$13,920,983
Restatement of opening balance (See Note 1D)	—	5,897,150	5,897,150
Balance, as restated, July 1, 1988	4,532,466	15,285,667	19,818,133
EPA Grant Funds (WWTP Project)	—	341,671	341,671
FAA and Commonwealth of Virginia Grant Funds (Airport Improvement Projects)	924,895	—	924,895
Depreciation on assets placed in service funded by grant revenues charged to contributed capital ..	(43,277)	(194,618)	(237,895)
Availability fees	—	697,509	697,509
Developer donated assets	—	1,813,345	1,813,345
Balance, June 30, 1989	$5,414,084	$17,943,574	$23,357,658

COVINA-VALLEY UNIFIED SCHOOL DISTRICT—EXHIBIT "A"

DISTRICT FUNDS—COMBINED BALANCE SHEET—JUNE 30, 1989

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	
	General	Special Revenue	Debt Service	Capital Project	Self Insurance	Student Body	General Long-Term Debt	Total (Memorandum Only)
FUND EQUITY (Notes #1(h) and #2)								
Retained Earnings					225,001			225,001
Fund Balance								
Reserved	224,469	135,487						359,956
Unreserved								
Designated (Note #12)	3,316,426	1,126,915		12,791,191				17,234,532
Undesignated			551,563			313,392		864,955
Total Fund Equity	3,540,895	1,262,402	551,563	12,791,191	225,001	313,392	—	18,684,444
Total Liabilities and Fund Equity	$7,246,988	$1,929,946	$551,563	$12,791,191	$2,162,322	$388,483	$4,039,448	$29,109,941

NOTES TO FINANCIAL STATEMENTS

Note #1—Summary of Significant Accounting Policies [In Part]

H. Fund Balance Reserves and Designations

Reservations of the ending fund equity indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

Designations of the ending fund equity indicate tentative plans for financial resource utilization in a future period.

Note #2—Fund Balance

Fund balances are composed of the following elements:

	General	Special Revenue	Debt Service	Capital Project	Proprietary
Reserved					
Stores Inventory	$ 189,662	$ 132,587			
Revolving Cash Fund	15,000	2,900			
Trust Accounts					$ 50,000
Prepaids	19,807				
Restricted Program—Carryovers					52,322
Total Reserved	224,469	135,487	—	—	102,322
Unreserved					
Designated					
C.O.P. Acquisition	813,589				
Economic Uncertainties	2,502,836	1,126,915		$12,791,191	122,679
General Reserve	1				
Total Designated	3,316,426	1,126,915		12,791,191	122,679
Undesignated					
Total Fund Balance	$3,540,895	$1,262,402	$551,563	$12,791,191	$225,001

Note #12—Prior Period Adjustment

In the prior year, the financial transactions for the Certificates of Participation issued by the Covina-Valley Unified School District had not been included in the District financial statements. The current financial statements reflect the C.O.P. funds held in trust at June 30, 1989, as well as the transactions for the year. The beginning balances in the two funds used for the C.O.P. transactions, (1) the General Fund, and (2) the Debt Service C.O.P. Fund, have been adjusted for beginning balances at July 1, 1988 of $813,589 and $583,844, respectively. The ending fund balance of the Special Reserve Capital Fund has also been designated to provide for future C.O.P. debt repayment. The General Fund is used to account for the acquisition of assets from the C.O.P.

INDEPENDENT SCHOOL DISTRICT NO. 281

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS—AS OF JUNE 30, 1989—(WITH COMPARATIVE TOTALS AS OF JUNE 30, 1988)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Agency Fund	General Fixed Assets (Unaudited)	General Long-Term Debt	1989	1988
Equity and Other Credits:								
Investment in general fixed assets	—	—	—	—	76,915,478	—	76,915,478	73,602,966
Fund balance—								
Reserved	260,510	282,575	—	—	—	—	543,085	901,938
Unreserved	3,539,842	1,708,560	971,243	—	—	—	6,219,645	10,284,749
Total Equity and Other Credits	3,800,352	1,991,135	971,243	—	76,915,478	—	83,678,208	84,789,653
Total Liabilities, Equity, and Other Credits	$38,826,043	$8,558,668	$2,750,642	$1,152,099	$76,915,478	$6,483,860	$134,686,790	$134,346,486

NOTES TO DISTRICT FINANCIAL STATEMENTS

Note 3. Changes in General Fixed Assets (Unaudited)

	June 30, 1988	Additions	Retirements	June 30, 1989
Land and improvements	$ 4,382,672	$ 382,265	$ —	$ 4,764,937
Buildings	58,746,414	1,204,648	—	59,951,062
Equipment	9,930,114	1,443,092	22,338	11,350,868
Eligible pupil transportation vehicles	2,456,841	492,706	—	2,949,547
Accumulated depreciation—				
Eligible pupil transportation vehicles	(1,718,034)	(178,420)	—	(1,896,454)
Food service equipment	(195,041)	(9,441)	—	(204,482)
	$73,602,966	$3,334,850	$22,338	$76,915,478

Note 5. Reserved Fund Balances

General Fund—	
Reserved for unemployment insurance	$ 46,675
Reserved for severance pay	212,266
Reserved for encumbrances	1,569
Total General Fund	260,510
Special Revenue Funds—	
Food Service—	
Reserved for severance pay	5,436
Pupil Transportation—	
Reserved for bus purchases	246,487
Community Service—	
Reserved for encumbrances	2,112
Capital Expenditure—	
Reserved for health and safety	28,335
Reserved for encumbrances	205
Total Special Revenue Funds	282,575
Total Reserved Fund Balances	$543,085

A description of these reserves is as follows:

A. Reserved for Unemployment Insurance

This represents amounts levied for unemployment insurance costs reserved for coverage of future expenditures.

B. Reserved for Severance Pay

Minnesota State Statutes and Uniform Accounting and Reporting Standards (UFARS) have defined the reserve for severance pay to be equal to amounts vested at year-end that are estimated to be paid in the second ensuing year of the current financial statements.

C. Reserved for Encumbrances

This represents amounts reserved for various purchases the District is committed to make during the fiscal year ended June 30, 1989.

D. Reserved for Bus Purchases

State accounting regulations also require the reservation of resources in the Pupil Transportation Special Revenue Fund dedicated exclusively for bus purchases. A summary of activity in this account during 1989 is as follows:

Reserved at 6/30/88	$560,774
Add—Depreciation aid collected for new buses	178,420
Deduct—Expenditures for eligible pupil transportation equipment	(492,707)
Reserved at 6/30/89	$246,487

E. Reserved for Health and Safety

This represents amounts levied specifically to pay for the removal of hazardous substances from District property and other health or safety related capital expenditures reserved for funding of future expenditures.

Section 4: Operating Statements

GOVERNMENTAL FUNDS

GASB Cod. Sec. 1800 provides guidance for the classification and reporting of revenues and expenditures of governmental funds:

> Governmental fund revenues should be classified by fund and source. Expenditures should be classified by fund, function (or program), organization unit, activity, character, and principal classes of objects.

CLASSIFICATION OF REVENUES AND EXPENDITURES

Revenues

Revenues should be classified by fund and source. Classification by source gives recognition to the activity generating the revenues—taxes, licenses and permits, intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous sources.

In the case of intergovernmental revenues—e.g., grants, entitlements, and shared revenue—GASB Cod. Sec. G60.103 states the basis of accounting for such revenues will be determined according to the procedures common to each fund type in which the grant, entitlement, or shared revenues are recorded. For those grants, entitlements, and shared revenues received earlier than the time established by the applicable revenue recognition criteria set forth in GASB Cod. Sec. G60.112, those monies should be reported as deferred revenues. The deferred revenues should remain a liability of the governmental unit until such time as those monies meet the revenue recognition criteria.

Also, resources due from grants and entitlements but not received when the appropriate revenue recognition criteria are met should be reported as a receivable in the financial statement. Before such resources meet the revenue recognition criteria, receipts should not be reported on the financial statements, although a disclosure in a note to the financial statement would be proper.

Expenditures

In addition to the fund classification, GASB Cod. Sec. 1800.116–.119 suggests expenditures be further categorized by function (or program), organization unit, activity, character, and principal classes of objects:

The *function* or *program* classification (e.g., safety, health, or recreation) provides financial data relating to the overall purpose of the expenditure. That is, the functional groupings of cost are related to activities aimed at accomplishing a major governmental or administrative service.

Classification of expenditures by *organization* (e.g., police or fire department) is primarily to account for the varying financial responsibilities of governmental units. This classification corresponds to the organizational structure of the governmental units. Note that the same activity, function, or program is sometimes a part of the work of several organizational units.

Activity classification is particularly significant because it facilitates evaluation of the economy and efficiency of operations by providing data for calculating expenditures per unit of activity. That is, the expenditure requirements of performing a given unit of work can be determined by classifying expenditures by activities and providing for performance measurement where such techniques are practicable. These expenditure data, in turn, can be used to prepare future budgets and set standards against which future expenditure levels can be evaluated. Further, activity expenditure data provide a convenient starting point for calculating total or unit expenses of activities where that is desired, for example, for "make or buy" and "do or contract out" decisions. Current operating expenditures (total expenditures less those for capital outlay and debt service) may be adjusted by depreciation and amortization data derived from the account group records to determine activity expense. Thus, each of the above types of classification—function (or program), organization unit, and activity—provides useful information.

Classification of expenditures by *character* identifies them on the basis of the fiscal period benefited. For example, one character classification is *current expenditures*. This category includes expenditures benefiting the current fiscal period. In contrast, a second classification of the character grouping, *capital outlays*, benefits both the present and future periods. The third grouping of expenditures, *debt service*, benefits prior fiscal periods and the current fiscal period, as well as future fiscal periods. Some governmental units have used a fourth, *intergovernmental*, character classification for situations in which a governmental unit transfers funds to another level of government.

The basic or primary classification of expenditures is by *object class*. This designation of expenditures relates to the types of products or services received. Examples of this category include expenditures for personal services (salaries and wages), supplies, utilities, capital outlays, contractual services, and debt service.

CHANGES IN FUND BALANCES: THE ALL-INCLUSIVE CONCEPT

As discussed in GASB Cod. Sec. 2200.109 the operating statements for governmental units should reflect all revenues, all expenditures, and all other changes in fund balances. That portion of the statement relating to other changes in fund balances should have a format that provides a useful identification of the changes and a reconciliation between the beginning and ending balances. The components of a surplus or deficit should be clearly identified.

Further, the revenues and expenditures statements should adhere to the all-inclusive concept, thus eliminating the need for a separate statement of the changes in fund balances. In this way all changes in fund balances will clearly be set forth. This approach eliminates questions as to whether unusual changes in the individual fund balance accounts should be separately reported in a statement of changes in the fund balance or shown in the operating statements along with uses and transfers and all other revenues, expenditures, and financing sources.

BASIS OF ACCOUNTING

GASB Cod. Sec. 1600 requires the modified accrual or accrual basis of accounting, as appropriate, to be used in measuring financial position and operating results. The specific accounting principles are as follows:

a. Governmental fund revenues and expenditures should be recognized on the modified accrual basis. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which should be recognized when due.

b. Proprietary fund revenues and expenses should be recognized on the accrual basis. Revenues should be recognized in the accounting period in which they are earned and become measurable; expenses should be recognized in the period incurred, if measurable.

c. Fiduciary fund revenues and expenses or expenditures (as appropriate) should be recognized on the basis consistent with the fund's accounting measurement objective. Nonexpendable trust and pension trust funds should be accounted for on the accrual basis; expendable trust funds should be accounted for on the modified accrual basis. Agency fund assets and liabilities should be accounted for on the modified accrual basis.

d. Transfers should be recognized in the accounting period in which the interfund receivable and payable arise.

GASB Cod. Sec. P70.102 provides property taxes collected in advance of the year to which they applied are not to be recognized as revenues until the fiscal period to which they applied. Revenues collected in advance are to be shown as deferred revenues.

GASB Cod. Sec. P70.103 states property tax revenue should be recognized in the fiscal year for which levied, provided that the criteria of availability, defined below, are met.

"Available" means (1) then due, or (2) past due and receivable within the current period, or (3) expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Except under unusual circumstances, the time by which the revenues in (3) may be expected shall not exceed 60 days, and the government should disclose the period being used and the justifying conditions.

Section P70.108 states when property taxes receivable are recognized, or when property taxes are collected in advance of the year for which they are levied, they should be recorded as deferred revenue and recognized as revenue in the year for which they are levied.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

GASB Cod. Sec. 2200.129 states a Combined Statement of Revenues, Expenditures, and Changes in Fund Balance—All Governmental Fund Types is necessary for separately issued General Purpose financial statements to be presented fairly in conformity with generally accepted accounting principles.

Table 4-1 summarizes several characteristics of the reporting observed for revenues, expenditures, and other financing sources as reported on this revenue statement.

TABLE 4-1. FORMAT OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

	Instances Observed			
Format Observations	**1989**	**1988**	**1987**	**1986**
Governmental units whose general-purpose financial statement included a combined statement of revenues, expenditures, and changes in fund balances..	451	455	447	401
Governmental fund types identified:				
General fund	431	439	434	388
Special revenue funds	412	428	422	359
Capital projects funds	346	359	349	256
Debt service funds	318	338	326	243
Expendable trust funds	186	199	194	128
Special assessment funds[1]	6	126	151	131
Memorandum totals:				
Current and prior year	280	307	284	199
Current year only	149	157	160	179
Expenditures, grouped by character (current, capital, debt)	269	263	227	131
program/function	166	173	206	243
organization/department	3	7	2	9
Other financing sources (uses) separately identified	407	409	383	321

[1]For periods beginning after June 15, 1987, GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, requires that special assessment fund types be eliminated for financial reporting purposes.

MARICOPA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES—YEAR ENDED JUNE 30, 1989

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 1989
REVENUES					
Taxes	$136,215,835	$57,291,305	$23,828,728	$	$217,335,868
Licenses and permits	2,149,457	8,539,102	—	—	10,688,559
Intergovernmental	215,982,135	73,496,708	—	1,589,561	291,068,404
Charges for services	13,247,349	16,591,106	1,066,900	128,029	31,033,384
Fines and forfeits	5,600,619	29,144	—	—	5,629,763
Miscellaneous	9,766,730	7,150,693	1,334,548	7,592,789	25,844,760
Total revenues	382,962,125	163,098,058	26,230,176	9,310,379	581,600,738
EXPENDITURES					
Current:					
General government	95,356,359	—	—	—	95,356,359
Public safety	185,450,678	18,584,277	—	—	204,034,955
Highways and streets	—	27,319,741	—	—	27,319,741
Health, welfare and sanitation	13,793,102	40,061,860	—	—	53,854,962
Culture and recreation	3,948,535	4,102,293	—	—	8,050,828
Education	962,214	—	—	—	962,214
Capital outlay	—	—	—	100,110,365	100,110,365
Debt service:					
Principal retirement	—	—	12,325,759	—	12,325,759
Interest charges	—	—	4,995,096	—	4,995,096
Other expenditures	—	—	10,268	—	10,268
Total expenditures	299,510,888	90,068,171	17,331,123	100,110,365	507,020,547
Excess (deficiency) of revenues over expenditures	83,451,237	73,029,887	8,899,053	(90,799,986)	74,580,191
OTHER FINANCING SOURCES (USES)					
Operating transfers in (note 19)	3,300,610	10,793,131	—	98,072,084	112,165,825
Operating transfers out (note 19)	(83,887,456)	(61,302,866)	(59,951)	(38,753,776)	(184,004,049)
Proceeds from sale of bonds	—	—	—	75,074,733	75,074,733
Total other financing sources (uses)	(80,586,846)	(50,509,735)	(59,951)	134,393,041	3,236,509
Excess of revenues and other sources over expenditures and other uses	2,864,391	22,520,152	8,839,102	43,593,055	77,816,700
Fund balances at beginning of year	14,760,294	45,381,160	9,055,336	71,310,119	140,506,909
Increase (decrease) in reserve for inventory of supplies	41,060	(10,205)	—	—	30,855
Fund balances at end of year	$ 17,665,745	$ 67,891,107	$17,894,438	$114,903,174	$218,354,464

The accompanying notes to the financial statements are an integral part of this statement.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS—FOR THE YEAR ENDED JUNE 30, 1989

	Governmental Fund Types				Fiduciary Fund Types	
	General	Special Revenue	Capital Projects	Debt Service	Expendable Trust	Total (Memorandum Only)
Revenues:						
Licenses and Permits	$71,963,564	$ —	$ —	$ —	$ —	$71,963,564
Taxes	17,207,391					17,207,391
Insurance Premiums					6,191,121	6,191,121
Charges for Services	9,035,265			902,443		9,937,708
Fines and Forfeitures	294,672					294,672
Intergovernmental	467,308	22,286,629				22,753,937
Grant Match		8,375,734				8,375,734
Property Sales	221,933					221,933
Investment Income	643,962	90,455	50,717	10,714	859,674	1,655,522
Other	924,464	227,275			1,131,437	2,283,176
Total Revenues	100,758,559	30,980,093	50,717	913,157	8,182,232	140,884,758
Expenditures:						
Current:						
General Government	13,572,328	28,461			8,129,035	21,729,824
Finance	2,263,479					2,263,479
Public Works	16,662,900	3,858,149				20,521,049
Public Safety	34,518,931					34,518,931
Social Services	2,783,887					2,783,887
General Services	12,707,619					12,707,619
Housing	672,075					672,075
Law	609,318					609,318
Outside Agencies	11,162,810					11,162,810
Special Projects		27,571,905				27,571,905
Capital Outlay			449,858		4,319,682	4,769,540
Debt Service	5,088,459			963,934	647,413	6,699,806
Total Expenditures	100,041,806	31,458,515	449,858	963,934	13,096,130	146,010,243
Excess (Deficiency) Revenues over Expenditures	716,753	(478,422)	(399,141)	(50,777)	(4,913,898)	(5,125,485)
Transfers	(2,013,535)	1,379,810				(633,725)
Distributions to Property Owners			(171,256)			(171,256)
Fund Balances, July 1	7,913,323	1,732,465	864,188	191,613	7,001,467	17,703,056
Fund Balances, June 30	$ 6,616,541	$ 2,633,853	$293,791	$140,836	$ 2,087,569	$ 11,772,590

See the accompanying notes.

CALDWELL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES—FOR THE YEAR ENDED JUNE 30, 1989—WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1988

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	June 30, 1989	June 30, 1988
REVENUES:					
Ad valorem taxes	$10,352,423	$595,366		$10,947,789	$11,390,815
Other taxes and licenses	6,461,058			6,461,058	6,106,470
Unrestricted intergovernmental revenues	1,642,509	76,230		1,718,739	334,434
Restricted intergovernmental revenues	3,939,993		$ 168,750	4,108,743	3,328,168
Permits and fees	309,035			309,035	298,236
Sales and services	1,412,630			1,412,630	1,197,102
Investment earnings	375,125	13,282	686,450	1,074,857	993,150
Miscellaneous	320,910	0	3,000	323,910	369,807
Total revenues	24,813,683	684,878	858,200	26,356,761	24,018,182
EXPENDITURES:					
General government	1,606,128	87,613		1,693,741	1,753,518
Public safety	3,358,933	672,750		4,031,683	3,527,155
Human services	8,376,930			8,376,930	7,292,860
Education	7,899,284			7,899,284	7,579,911
Environmental protection	1,052,373			1,052,373	1,063,830
Economic and physical development	139,259			139,259	155,934
Cultural and recreational	582,255			582,255	482,348
Capital projects			7,669,868	7,669,868	3,605,795
Debt service:					
Principal retirement	685,000			685,000	385,000
Interest and fees	1,023,994			1,023,994	656,859
Total expenditures	24,724,156	760,363	7,669,868	33,154,387	26,503,210
REVENUES OVER (UNDER) EXPENDITURES	89,527	(75,485)	(6,811,668)	(6,797,626)	(2,485,028)
OTHER FINANCING SOURCES (USES):					
Operating transfers in (out) (Note 10)	(94,555)	40,000	(89,595)	(144,150)	(138,083)
Proceeds from bonds			0	0	6,270,000
Proceeds of installment purchase contracts (Note 5)	160,622			160,622	109,518
Total other financing sources (uses)	66,067	40,000	(89,595)	16,472	6,241,435
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	155,594	(35,485)	(6,901,263)	(6,781,154)	3,756,407
FUND BALANCES:					
Beginning of year, July 1	4,175,061	92,853	11,711,532	15,979,446	12,223,039
End of year, June 30	$ 4,330,655	$ 57,368	$ 4,810,269	$ 9,198,292	$15,979,446

The accompanying notes are an integral part of the financial statements.

CITY OF MIDWEST CITY, OKLAHOMA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS—FOR THE YEAR ENDED JUNE 30, 1989

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
REVENUES						
Sales tax	$ 8,452,529	0	0	0	0	8,452,529
Ad valorem tax	0	0	2,434,519	0	0	2,434,519
Franchise tax	1,880,901	0	0	0	0	1,880,901
Gasoline excise tax	104,738	0	0	0	0	104,738
Alcoholic beverage tax	56,157	0	0	0	0	56,157
Use tax	63,815	0	0	0	0	63,815
911 tax	7,010	0	0	0	0	7,010
Hotel/motel tax	0	0	0	0	105,676	105,676
Licenses, permits and fees	421,793	0	0	61,283	0	483,076
Fines and forfeitures	670,358	0	0	0	0	670,358
Federal and state grants	32,311	358,799	0	0	19,300	410,410
Interest	250,926	0	121,926	175,668	58,836	607,356
Community Center	28,434	0	0	0	0	28,434
Swimming pool	37,711	0	0	0	0	37,711
Rent from trustee	0	0	24,167	0	0	24,167
Fees and services	0	0	0	0	96,059	96,059
Premiums from City of Midwest City	0	0	0	0	1,163,201	1,163,201
Reimbursements for capital improvements	0	0	0	220,000	0	220,000
Other	27,896	0	198	0	28,616	56,710
Judgements	0	0	0	85,000	0	85,000
Total Revenues	12,034,579	358,799	2,580,810	541,951	1,471,688	16,987,827
EXPENDITURES						
Departmental—						
Managerial	218,229	0	0	0	0	218,229
City clerk	767,769	0	0	0	0	767,769
Personnel	107,483	0	0	0	0	107,483
City Attorney	81,358	0	0	0	0	81,358
Police	4,356,254	0	0	0	0	4,356,254
Fire	3,357,423	0	0	0	0	3,357,423
Street	1,455,358	0	0	0	0	1,455,358
Development services	1,138,880	0	0	0	0	1,138,880
Animal welfare	179,295	0	0	0	0	179,295

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
General Government	519,312	0	0	0	0	519,312
Swimming pool	53,838	0	0	0	0	53,838
Civil defense	189,284	0	0	0	0	189,284
Community activities	0	0	0	0	105,455	105,455
Housing rehabilitation	0	293,425	0	0	0	293,425
Payments on insurance claims	0	0	0	0	1,420,470	1,420,470
Administrative	0	100,358	0	0	230,131	330,489
Construction and acquisition	0	35,301	0	2,070,690	0	2,105,991
Other	0	0	0	0	25,981	25,981
Remittances to Economic Development Commission	0	0	0	0	85,041	85,041
Debt service—						
Bond principal retirement	0	0	1,695,000	0	0	1,695,000
Bond interest	0	0	708,411	0	0	708,411
Fiscal agents' fees	0	0	5,300	0	0	5,300
Total Expenditures	12,424,483	429,084	2,408,711	2,070,690	1,867,078	19,200,046
Excess (Deficiency) of Revenues Over Expenditures	(389,904)	(70,285)	172,099	(1,528,739)	(395,390)	(2,212,219)
Other Financing Sources (Uses)—						
Transfers from (to) Other Funds	828,212	0	187,347	(187,346)	625,949	1,454,162
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	438,308	(70,285)	359,446	(1,716,085)	230,559	(758,057)
FUND BALANCE—Beginning, as previously stated	1,531,694	296,208	2,034,046	3,183,731	680,625	7,726,304
Adjustment to record income into proper period	0	(201,542)	0	0	0	(201,542)
FUND BALANCE—Beginning, as restated	1,531,694	94,666	2,034,046	3,183,731	680,625	7,524,762
FUND BALANCE—Ending	$1,970,002	24,381	2,393,492	1,467,646	911,184	6,766,705

The accompanying independent auditors' report and notes are an integral part of this statement.

CITY OF RICHMOND, VIRGINIA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	Governmental Fund Types			Fiduciary Fund Type	
	General	Special Revenue	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues					
City Taxes	$218,751,576	$ —	$ —	$ —	$218,751,576
Licenses, Permits and Privilege Fees	29,712,939	—	—	—	29,712,939
Intergovernmental	51,317,366	77,748,554	—	—	129,065,920
Service Charges	19,589,982	805,558	—	—	20,395,540
Fines and Forfeitures	4,399,144	—	—	—	4,399,144
Gain on Sale of Investments	—	—	—	471,147	471,147
Sales of Property	—	—	11,900	—	11,900
Payment in Lieu of Taxes	11,120,644	—	—	—	11,120,644
Investment Income	4,843,438	—	363,265	227,280	5,433,983
Miscellaneous	5,328,422	4,219,457	397,114	—	9,944,993
Total Revenues	345,063,511	82,773,569	772,279	698,427	429,307,786
Expenditures					
Current					
General Government	28,896,329	3,996,339	—	258,958	33,151,626
Public Safety and Judiciary	78,823,709	710,403	—	—	79,534,112
Highways, Streets, Sanitation and Refuse	28,918,447	97,557	—	—	29,016,004
Human Services	37,361,003	25,377,511	—	—	62,738,514
Culture and Recreation	15,524,601	413,475	—	—	15,938,076
Education	—	144,684,310	—	—	144,684,310
Miscellaneous	5,448,291	—	—	—	5,448,291
Intergovernmental	—	3,580,396	4,489,819	—	8,070,215
Capital Outlay	—	2,538,637	20,438,207	—	22,976,844
Debt Service					
Principal Retirement	18,209,840	1,109,457	—	—	19,319,297
Interest Payments	16,155,993	135,826	—	—	16,291,819
Total Expenditures	229,338,213	182,643,911	24,928,026	258,958	437,169,108
Excess (Deficiency) of Revenues Over (Under) Expenditures	115,725,298	(99,870,342)	(24,155,747)	439,469	(7,861,322)
Other Financing Sources (Uses)					
Proceeds From Sale of General Obligation Bonds	—	—	24,473,425	—	24,473,425
Proceeds of Notes Payable	2,190,000	1,165,000	—	—	3,355,000
Capital Leases	—	480,638	—	—	480,638
Operating Transfers In	623,045	107,958,217	626,417	3,452	109,211,131
Operating Transfers Out	(110,079,236)	(3,989,093)	(626,417)	—	(114,694,746)
Total Other Financing Sources (Uses)	(107,266,191)	105,614,762	24,473,425	3,452	22,825,448
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	8,459,107	5,744,420	317 678	442,921	14,964,126
Fund Equity—July 1, 1988 as previously reported	11,226,437	4,583,226	1,639,369	1,831,439	19,280,471
Prior Period Adjustment	—	—	(112,475)	(164,908)	(277,383)
Fund Equity—July 1, 1988 as restated	11,226,437	4,583,226	1,526,894	1,666,531	19,003,088
Residual Equity Transfers—Net	(525,000)	(79,287)	—	—	(604,287)
Fund Equity—June 30, 1989	$ 19,160,544	$ 10,248,359	$ 1,844,572	$2,109,452	$ 33,362,927

See Accompanying Notes to Combined Financial Statements.

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS—YEAR ENDED DECEMBER 31, 1988

	Governmental Fund Types				Fiduciary Fund	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	$129,794,733	3,485,333	10,765,839	9,294,247	—	153,340,152
Intergovernmental	140,124,224	5,177,934	—	—	—	145,302,158
Interest	2,304,521	250,000	200,000	7,352,068	5,043,634	15,150,223
Other	5,187,289	521,952	3,118	618,433	—	6,330,792
Total Revenues	277,410,767	9,435,219	10,968,957	17,264,748	5,043,634	320,123,325
Expenditures:						
Current:						
Elementary Instruction	80,393,101	2,189,782	—	—	—	82,582,883
Junior High Instruction	33,698,529	153,026	—	—	—	33,851,555
Senior High Instruction	51,520,039	230,500	—	—	—	51,750,539
Other Instructional Programs	6,802,608	—	—	—	—	6,802,608
Area Administration	1,588,323	—	—	—	—	1,588,323
Athletics/Activities	3,282,805	—	—	—	—	3,282,805
Central Instructional Services	6,965,314	1,084,579	—	—	—	8,049,893
Exceptional Student Services	29,612,699	1,549,992	—	—	—	31,162,691
Business Services	3,103,124	159,537	—	—	—	3,262,661
Field Services	39,101,711	—	—	—	—	39,101,711
Planning	1,284,989	—	—	—	—	1,284,989
Personnel Services	1,548,942	—	—	—	—	1,548,942
General Administration	4,630,802	837,028	—	—	822,854	6,290,684
Insurance/self-insurance	—	4,570,038	—	—	11,560,867	16,130,905
Non-departmental	5,396,395	—	—	92,942	9,451,344	14,940,681
Capital outlay	—	—	—	23,217,185	—	23,217,185
Debt Service:						
Principal retirement	—	—	2,490,000	—	—	2,490,000
Capital lease payments	—	—	—	5,018,636	—	5,018,636
Interest and fiscal charges	—	—	9,181,446	—	—	9,181,446
Total Expenditures	268,929,381	10,774,482	11,671,446	28,328,763	21,835,065	341,539,137
Excess of Revenues Over (Under) Expenditures	8,481,386	(1,339,263)	(702,489)	(11,064,015)	(16,791,431)	(21,415,812)
Other Financing Sources (Uses):						
Capital lease—computers	—	—	—	244,905	—	244,905
Operating transfers—net (note 5)	(10,513,551)	—	—	—	10,513,551	—
Excess of Revenues Over (Under) Expenditures and Other Sources (Uses)	(2,032,165)	(1,339,263)	(702,489)	(10,819,110)	(6,277,880)	(21,170,907)
Fund balance (deficit) at January 1, 1988	(12,973,417)	2,564,245	2,766,463	20,764,073	12,493,872	25,615,236
Fund balance (deficit) at December 31, 1988	$(15,005,582)	1,224,982	2,063,974	9,944,963	6,215,992	4,444,329

See accompanying notes to combined financial statements.

BUDGETARY ACCOUNTING

GASB Cod. Sec. 1700 establishes the principles for budgeting, budgetary control, and budgetary reporting by governmental units:

a. An annual budget(s) should be adopted by every governmental unit.

b. The accounting system should provide the basis for appropriate budgetary control.

c. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

GASB Cod. Sec. 1700.116 recommends that the basis upon which the budget is prepared should be consistent with the basis of accounting used.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—GENERAL AND SPECIAL REVENUE FUND TYPES FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED

GASB Cod. Sec. 2200.129 recommends that one of the five combined statements contained in the general purpose financial statement be a comparison of budget data and actual financial results. This financial statement is titled revenues, expenditures, and changes in fund balance—budget and actual; it should include the budgeted and actual data for governmental fund types for which annual budgets have been adopted. Such a statement is recommended for all governmental funds, although in practice budgets typically exist only for a government's general fund and special revenue funds.

When the budget is prepared on a basis consistent with generally accepted accounting principles, the budgetary data are on the same basis as the actual data included in the statement of revenues, expenditures, and changes in fund balance for all governmental fund types. If the legally prescribed budgetary basis differs from generally accepted accounting principles the budgetary data cannot be compared to *actual* financial statements prepared according to GAAP. In such instances, the actual data in the financial statement should be prepared on, or converted by statement adjustments to, the same basis as the budgetary data (e.g., a cash basis, or with all encumbrances recorded as expenditures). Any differences between GAAP and the budgetary basis should be explained in the notes to financial statements.

As noted in Table 4-2, most of the financial statements of the surveyed governments included a statement of revenues, expenditures, and changes in fund balances—budget and actual. Table 4-2 also indicates that usage of the budget-to-actual statement was consistently high among the surveyed governments. Budgets existed most often for the general fund and for special revenue funds.

See the excerpts of the notes to governmental units financial statements related to the reported bases of accounting and budgeting.

TABLE 4-2. OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—FOR GOVERNMENTAL FUNDS

	Instances Observed			
Fund Comparisons—Budget and Actual	**1989**	**1988**	**1987**	**1986**
Governmental units whose general purpose financial statement included a combined statement of revenues, expenditures, and changes in fund balances—budget and actual—for governmental funds	447	448	439	379
Governmental fund types:				
General fund	398	402	386	341
Special revenue funds	358	366	352	315
Debt service funds	186	213	194	134
Capital projects funds	135	156	148	97
Trust funds	4	21	23	27
Special assessment funds[1]	1	72	62	59
Memorandum totals:				
Current and prior year	15	17	32	NC[2]
Current year only	149	177	160	NC
Expenditures, grouped by character (current, capital, debt)	268	228	206	NC
program/function	208	166	193	NC
organization/department	5	19	23	NC
Other financial sources (uses) separately identified	391	383	369	NC

[1]For periods beginning after June 15, 1987, GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments,* requires that special assessment fund types be eliminated for financial reporting purposes.

[2]Not calculated.

TOWN OF DARIEN, CONNECTICUT EXHIBIT C

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE—BUDGET & ACTUAL (BUDGETARY BASIS)—GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 1989

	General Fund			Special Revenue			Total (Memorandum Only) For the Year Ended June 30, 1989		
REVENUES	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Property taxes	$27,997,839	$28,009,416	$ 11,577				$27,997,839	$28,009,416	$ 11,577
Licenses and permits	504,650	548,471	43,821	$ 25,000	$ 33,380	$ 8,380	529,650	581,851	52,201
Intergovernmental Revenue	2,433,914	2,765,745	331,831				2,433,914	2,765,745	331,831
Charges for services	795,200	679,553	(115,647)	960,000	992,807	32,807	1,755,200	1,672,360	(82,840)
Fines and forfeits	85,000	119,343	34,343	28,500	23,467	(5,033)	113,500	142,810	29,310
Board of education	134,700	120,004	(14,696)				134,700	120,004	(14,696)
Investment income	468,000	855,217	387,217	80,000	509,534	429,534	548,000	1,364,751	816,751
Miscellaneous revenue	305,320	410,858	105,538		5,521	5,521	305,320	416,379	111,059
Total revenues	32,724,623	33,508,607	783,984	1,093,500	1,564,709	471,209	33,818,123	35,073,316	1,255,193
EXPENDITURES									
General government	2,928,785	2,820,990	107,795				2,928,785	2,820,990	(107,795)
Public safety	3,354,982	3,309,077	45,905				3,354,982	3,309,077	(45,905)
Health, welfare and social services	1,103,407	1,095,567	7,840				1,103,407	1,095,567	(7,840)
Parks and recreation	454,553	446,736	7,817				454,553	446,736	(7,817)
Public works	2,284,485	2,262,686	21,799				2,284,485	2,262,686	(21,799)
Debt service	2,108,864	2,107,113	1,751				2,108,864	2,107,113	(1,751)
Capital outlays	1,196,745	1,174,841	21,904				1,196,745	1,174,841	(21,904)
Board of education operations	20,041,271	19,927,444	113,827				20,041,271	19,927,444	(113,827)
Board of education revenues	134,700	120,004	14,696				134,700	120,004	(14,696)
Elderly property tax relief	117,000	116,694	306				117,000	116,694	(306)
Project expenditures				3,128,732	2,575,769	552,963	3,128,732	2,575,769	(552,963)
Total expenditures	33,724,792	33,381,152	343,640	3,128,732	2,575,769	552,963	36,853,524	35,956,921	(896,603)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,000,169)	127,455	1,127,624	(2,035,232)	(1,011,060)	1,024,172	(3,035,401)	(883,605)	2,151,796
OTHER FINANCING SOURCES (USES)									
Operating transfers in	913,972	926,533	12,561	1,140,000	1,140,000		2,053,972	2,066,533	12,561
Operating transfers out	(1,213,907)	(1,213,907)		(458,972)	(458,972)		(1,672,879)	(1,672,879)	0
Appropriation of fund balance	1,300,104		(1,300,104)	66,579		(66,579)	1,366,683		(1,366,683)
Net other financing sources (uses)	1,000,169	(287,374)	(1,287,543)	747,607	681,028	(66,579)	1,747,776	393,654	(1,354,122)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ —	(159,919)	$ (159,919)	$(1,287,625)	(330,032)	$ 957,593	$ (1,287,625)	(489,951)	$ 797,674
FUND BALANCE, JULY 1, 1988		4,403,337			4,466,402			8,869,739	
FUND BALANCE, JUNE 30, 1989		$4,243,418			$4,136,370			$8,379,788	

See notes to general purpose financial statements.

UNION COUNTY SCHOOL DISTRICT NO. 1, LA GRANDE, OREGON

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—ALL GOVERNMENTAL FUND TYPES—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance—Favorable (Unfavorable)	Budget	Actual	Variance—Favorable (Unfavorable)
REVENUES:						
Local	$5,006,161	$5,114,046	$107,885	$ 10,000	$ 36,621	$ 26,621
Intermediate	5,000	10,176	5,176	615,304	526,673	(88,631)
State and Federal	4,463,670	4,433,631	(30,039)	357,696	341,739	(15,957)
Total Revenues	$9,474,831	$9,557,853	$ 83,022	$ 983,000	$905,033	$ (77,967)
EXPENDITURES:						
Instruction	$5,685,942	$5,680,381	$ 5,561	$ 790,253	$691,185	$ 99,068
Supporting Services	3,741,389	3,732,034	9,355	255,283	181,462	73,821
Debt Service	56,500	55,538	962	—	—	—
Contingencies	72,000	—	72,000	—	—	—
Total Expenditures	$9,555,831	$9,467,953	$ 87,878	$1,045,536	$872,647	$172,889
Excess of Revenues Over (Under) Expenditures	$ (81,000)	$ 89,900	$170,900	$ (62,536)	$ 32,386	$ 94,922
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	$ —	$ —	$ —	$ 1,000	$ 1,000	$ —
Operating Transfers Out	(19,000)	(16,656)	2,344	—	—	—
Total Other Financing Sources (Uses)	$ (19,000)	$ (16,656)	$ 2,344	$ 1,000	$ 1,000	$ —
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (100,000)	$ 73,244	$173,244	$ (61,536)	$ 33,386	$ 94,922
UNRESERVED FUND BALANCES, JULY 1, 1988 (Note 17)	100,000	113,984	13,984	61,536	43,513	(18,023)
UNRESERVED FUND BALANCES, JUNE 30, 1989	$ —	$ 187,228	$187,228	$ —	$ 76,899	$ 76,899

The accompanying notes are an integral part of these financial statements.

Debt Service Fund			Capital Projects Fund			Totals (Memorandum Only)		
Budget	Actual	Variance— Favorable (Unfavorable)	Budget	Actual	Variance— Favorable (Unfavorable)	Budget	Actual	Variance— Favorable (Unfavorable)
$704,345	$718,276	$13,931	$ —	$ —	$ —	$ 5,720,506	$ 5,868,943	$148,437
—	—	—	—	—	—	620,304	536,849	(83,455)
—	—	—	—	—	—	4,821,366	4,775,370	(45,996)
$704,345	$718,276	$13,931	$ —	$ —	$ —	$11,162,176	$11,181,162	$ 18,986
$ —	$ —	$ —	$ —	$ —	$ —	$ 6,476,195	$ 6,371,566	$104,629
—	—	—	—	—	—	3,996,672	3,913,496	83,176
717,745	717,745	—	—	—	—	774,245	773,283	962
—	—	—	—	—	—	72,000	—	72,000
$717,745	$717,745	$ —	$ —	$ —	$ —	$11,319,112	$11,058,345	$260,767
$ (13,400)	$ 531	$13,931	$ —	$ —	$ —	$ (156,936)	$ 122,817	$279,753
$ —	$ —	$ —	$ —	$ —	$ —	$ 1,000	$ 1,000	$ —
—	—	—	—	—	—	(19,000)	(16,656)	2,344
$ —	$ —	$ —	$ —	$ —	$ —	$ (18,000)	$ (15,656)	$ 2,344
$ (13,400)	$ 531	$13,931	$ —	$ —	$ —	$ (174,936)	$ 107,161	$282,097
101,373	117,179	15,806	1	—	(1)	262,910	274,676	11,766
$ 87,973	$117,710	$29,737	$ 1	$ —	$ (1)	$ 87,974	$ 381,837	$293,863

CITY OF NEW ROCHELLE, NEW YORK

GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS—STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—YEAR ENDED DECEMBER 31, 1988

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Real property taxes	$24,911,704	$24,906,340	$ (5,364)	$ —	$ —	$ —
Other tax items	1,083,000	1,073,619	(9,381)	—	—	—
Non-property taxes	8,640,000	7,642,774	(997,226)	—	—	—
Departmental income	1,487,480	1,433,780	(53,700)	46,000	56,475	10,475
Intergovernmental charges	159,982	185,606	25,624	—	—	—
Use of money and property	1,230,000	1,183,176	(46,824)	31,000	279,751	248,751
Licenses and permits	631,900	610,686	(21,214)	—	—	—
Fines and forfeitures	1,027,000	1,088,732	61,732	—	—	—
Sale of property and compensation for loss	140,500	299,327	158,827	657,000	406,344	(250,656)
Interfund revenues	355,845	460,488	104,643	—	—	—
State aid	7,328,315	9,088,692	1,760,377	12,000	13,948	1,948
Federal aid	262,900	181,452	(81,448)	6,332,549	5,996,537	(336,012)
Miscellaneous	75,000	148,044	73,044	855,283	60,939	(794,344)
Total Revenues	47,333,626	48,302,716	969,090	7,933,832	6,813,994	(1,119,838)
Expenditures:						
Current:						
General government support	7,524,206	6,338,048	1,186,158	1,250,000	1,261,531	(11,531)
Public safety	18,992,498	18,876,319	116,179	—	—	—
Health	597,320	591,204	6,116	—	—	—
Transportation	2,588,578	2,517,224	71,354	—	—	—
Economic assistance and opportunity	801,553	646,606	154,947	—	—	—
Culture and recreation	1,792,287	1,691,562	100,725	1,471,277	1,487,065	(15,788)
Home and community services	3,627,105	3,344,518	282,587	7,761,750	5,995,335	1,766,415
Employee benefits	3,217,871	3,110,963	106,908	4,411,332	3,945,108	466,224
Debt service	—	—	—	—	—	—
Total Expenditures	39,141,418	37,116,444	2,024,974	14,894,359	12,689,039	2,205,320
Excess (Deficiency) of Revenues Over Expenditures	8,192,208	11,186,272	2,994,064	(6,960,527)	(5,875,045)	1,085,482
Other Financing Sources (Uses):						
Proceeds of bond anticipation notes	520,000	400,000	(120,000)	—	—	—
Operating transfers in	113,767	113,767	—	6,956,527	6,632,512	(324,015)
Operating transfers out	(12,194,380)	(12,194,365)	15	—	—	—
Total Other Financing Sources (Uses)	(11,560,613)	(11,680,598)	(199,985)	6,956,527	6,632,512	(324,015)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(3,368,405)	(494,326)	2,874,079	(4,000)	757,467	761,467
Fund Balances—Beginning of Year	3,368,405	6,007,123	2,638,718	4,000	3,195,190	3,191,190
Fund Balances—End of Year	$ -0-	$ 5,512,797	$5,512,797	$ -0-	$ 3,952,657	$3,952,657

The accompanying notes are an integral part of the financial statements.

Debt Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
$ —	$ —	$ —	$24,911,704	$24,906,340	$ (5,364)
—	—	—	1,083,000	1,073,619	(9,381)
—	—	—	8,640,000	7,642,774	(997,226)
—	—	—	1,533,480	1,490,255	(43,225)
—	—	—	159,982	185,606	25,624
—	—	—	1,261,000	1,785,421	524,421
—	322,494	322,494	631,900	610,686	(21,214)
—	—	—	1,027,000	1,088,732	61,732
—	—	—	797,500	705,671	(91,829)
—	—	—	355,845	460,488	104,643
177,000	—	(177,000)	7,517,315	9,102,640	1,585,325
—	—	—	6,595,449	6,177,989	(417,460)
—	—	—	930,283	208,983	(721,300)
177,000	322,494	145,494	55,444,458	55,439,204	(5,254)
—	—	—	8,774,206	7,599,579	1,174,627
—	—	—	18,992,498	18,876,319	116,179
—	—	—	597,320	591,204	6,116
—	—	—	2,588,578	2,517,224	71,354
—	—	—	801,553	646,606	154,947
—	—	—	3,263,564	3,178,627	84,937
—	—	—	11,388,855	9,339,853	2,049,002
—	—	—	7,629,203	7,056,071	373,132
3,605,700	3,394,594	211,106	3,605,700	3,394,594	211,106
3,605,700	3,394,594	211,106	57,641,477	53,200,077	4,441,400
(3,428,700)	(3,072,100)	356,600	(2,197,019)	2,239,127	4,436,146
—	—	—	520,000	400,000	(120,000)
3,255,654	3,199,505	(56,149)	10,325,948	9,945,784	(380,164)
—	—	—	(12,194,380)	(12,194,365)	15
3,255,654	3,199,505	(56,149)	(1,348,432)	(1,848,581)	(500,149)
(173,046)	127,405	300,451	(3,545,451)	390,546	3,935,997
173,046	1,600,860	1,427,814	3,545,451	10,803,173	7,257,722
$ -0-	$1,728,265	$1,728,265	$ -0-	$11,193,719	$11,193,719

GWINNETT COUNTY, GEORGIA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (BUDGET BASIS) (NOTE 2)—ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 1988

	General Fund			Special Revenue Funds		
	Budget	Actual Non-GAAP Budget Basis	Variance—Favorable (Unfavorable)	Budget	Actual Non-GAAP Budget Basis	Variance—Favorable (Unfavorable)
REVENUES:						
Taxes	$58,274,500	$59,200,542	$ 926,042	$24,731,500	$25,419,282	$ 687,782
Permits and licenses	5,629,000	5,477,271	(151,729)	80,000	92,317	12,317
Intergovernmental revenues—grants, entitlements, etc. from federal and state agencies	1,253,631	1,343,330	89,699	150,000	322,412	(27,588)
General government fees and charges	6,707,500	6,540,797	(166,703)	—	—	—
Judicial fees and charges	6,516,000	6,348,271	(167,729)	—	—	—
Investment income	1,040,000	1,093,920	53,920	168,000	316,126	148,126
Miscellaneous	233,500	1,293,456	1,059,956	759,500	726,657	(32,843)
Total revenues	79,654,131	81,297,587	1,643,456	25,889,000	26,676,794	787,794
EXPENDITURES:						
Current operating:						
Public works	17,073,960	15,832,742	1,241,218	—	—	—
Public safety	19,933,289	20,236,982	(303,693)	—	—	—
General government	18,889,385	16,887,498	2,001,887	—	—	—
Fire protection	3,200,000	3,411,329	(211,329)	23,626,894	18,778,048	4,848,846
Judiciary	14,423,865	14,454,794	(30,929)	—	—	—
Recreation	773,794	646,612	127,182	5,906,474	3,364,490	2,541,984
Library	2,759,300	2,431,258	328,042	—	—	—
Health and welfare	2,905,238	2,906,396	(1,158)	—	—	—
Tourism	716,182	216,943	499,239	—	—	—
Miscellaneous	7,036,436	6,782,641	253,395	—	1,562	(1,562)
Capital outlay	—	—	—	—	221,987	(221,987)
Debt service:						
Principal retirement	698,582	622,153	76,429	408,596	399,299	9,297
Interest	763,824	132,694	631,130	1,549,788	1,460,302	89,486
Amortization of bond issue costs	—	—	—	—	17,309	(17,309)
Total expenditures	89,173,855	84,562,042	4,611,813	31,491,752	24,242,997	7,248,755
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	(9,519,724)	(3,264,455)	6,255,269	(5,602,752)	2,433,797	8,036,549
OTHER FINANCING SOURCES (USES):						
Proceeds of revenue bonds	—	—	—	—	3,940,000	3,940,000
Proceeds from sale of general fixed assets	15,000	18,738	3,738	—	16,500	16,500
Operating transfers in	1,190,807	617,207	(573,600)	—	—	—
Operating transfers out	(2,264,000)	(3,922,743)	(1,658,743)	—	(2,204,782)	(2,204,782)
Other financing sources (uses)—net	(1,058,193)	(3,286,798)	(2,228,605)	—	1,751,718	1,751,718
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	(10,577,917)	(6,551,253)	4,026,664	(5,602,752)	4,185,515	9,788,267
FUND BALANCES—JANUARY 1	23,577,839	23,577,839	—	9,285,746	9,285,746	—
EQUITY TRANSFERS	(1,371,050)	(500,000)	871,050	—	(3,940,000)	(3,940,000)
FUND BALANCES—DECEMBER 31	$11,628,872	$16,526,586	$4,897,714	$ 3,682,994	$ 9,531,261	$5,848,267

See notes to financial statements.

Capital Projects Funds			Debt Service Fund		
Budget	Actual Non-GAAP Budget Basis	Variance— Favorable (Unfavorable)	Budget	Actual Non-FAAP Budget Basis	Variance— Favorable (Unfavorable)
$ 30,289,617	$29,004,020	$ (1,285,597)	$7,952,000	$8,324,421	$ 372,421
—	—	—	—	—	—
30,522,321	3,390,058	(27,132,263)	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
7,703,500	8,935,032	1,231,532	—	—	—
167,082	541,448	374,366	—	390,128	390,128
68,682,520	41,870,558	(26,811,962)	7,952,000	8,714,549	762,549
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	3,304	(3,804)
198,796,135	85,518,829	113,277,306	—	—	—
—	—	—	—	—	—
—	—	—	8,227,000	7,816,079	410,921
—	—	—	—	—	—
198,796,135	85,518,829	113,277,306	8,227,000	7,819,883	407,117
(130,113,615)	(43,648,271)	86,465,344	(275,000)	894,666	1,169,666
—	—	—	—	—	—
6,494,881	5,751,492	(743,389)	—	—	—
—	(617,207)	(617,207)	—	—	—
6,494,881	5,134,285	(1,360,596)	—	—	—
(123,618,734)	(38,513,986)	85,104,748	(275,000)	894,666	1,169,666
137,573,734	137,573,734	—	5,175,960	5,175,960	—
—	550,000	550,000	—	—	
$ 13,955,000	$ 99,609,748	$ 85,654,748	$4,900,960	$6,070,626	$1,169,666

CITY OF MOUNT HOLLY, NORTH CAROLINA
EXHIBIT C

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—ANNUAL BUDGET AND ACTUAL—ALL GOVERNMENTAL FUND TYPES—FOR THE YEAR ENDED JUNE 30, 1989

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Ad valorem taxes	$ 482,500	615,675	133,175	—	—	—	482,500	615,675	133,175
Other taxes and licenses	286,600	465,133	178,533	—	—	—	286,600	465,133	178,533
Unrestricted intergovernmental revenues	386,400	435,023	48,623	—	—	—	386,400	435,023	48,623
Restricted intergovernmental revenues	585,400	242,237	(343,163)	—	—	—	585,400	242,237	(343,163)
Permits and fees	35,120	54,716	19,596	—	—	—	35,120	54,716	19,596
Sales and services	15,000	8,296	(6,704)	—	—	—	15,000	8,296	(6,704)
Investment earnings	50,000	115,009	65,009	5,000	64,574	59,574	55,000	179,583	124,583
Other general revenues	2,900	21,065	18,165	—	—	—	2,900	21,065	18,165
Total revenues	1,843,920	1,957,154	113,234	5,000	64,574	59,574	1,848,920	2,021,728	172,808
Expenditures:									
General government	378,620	314,326	64,294	—	—	—	378,620	314,326	64,294
Public safety	816,080	744,094	71,986	—	—	—	816,080	744,094	71,986
Public works	1,311,375	780,349	531,026	—	—	—	1,311,375	780,349	531,026
Recreation	68,510	59,464	9,046	—	—	—	68,510	59,464	9,046
Total expenditures	2,574,585	1,898,233	676,352	5,000	64,574	59,574	2,574,585	1,898,233	676,352
Revenues over (under) expenditures	(730,665)	58,921	789,586	5,000	64,574	59,574	(725,665)	123,495	849,160
Other financing sources (uses):									
Operating transfers in (out)	264,700	135,000	(129,700)	(151,450)	—	151,450	113,250	135,000	21,750
Reserve for underpass project	—	—	—	(15,041)	—	15,041	(15,041)	—	15,041
Reserve for water system improvements	—	—	—	(358,509)	—	358,509	(358,509)	—	358,509
Reserve for annexation	—	—	—	(150,000)	—	150,000	(150,000)	—	150,000
Recreation lighting	—	—	—	(25,000)	—	25,000	(25,000)	—	25,000
Downtown revitalization	—	—	—	(5,000)	—	5,000	(5,000)	—	5,000
Fund balance appropriated	465,965	—	(465,965)	700,000	—	(700,000)	1,165,965	—	(1,165,965)
Total other financing sources (uses)	730,665	135,000	(595,665)	(5,000)	—	5,000	725,665	135,000	(590,665)
Excess of revenues and other sources over (under) expenditures and other uses	$ —	193,921	193,921	—	64,574	64,574	—	258,495	258,495
Fund balances:									
Beginning of year—July 1		1,278,131			717,285			1,995,416	
End of year—June 30		$1,472,052			781,859			2,253,911	

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS AND SIMILAR TRUST FUNDS

REVENUES AND EXPENSES

GASB Cod. Sec. 1800.121 provides guidance for the classification and reporting of revenues and expenses of proprietary funds and trust funds of similar type and states that

> proprietary fund revenues and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.

The choice of revenue and expense account nomenclature in these combined statements appears directly related to the nature of the enterprise or internal service activities operated by the governmental unit. Also, the number and types of trust funds established by the governmental unit caused the revenue and expense account classifications to differ among the units.

CHANGES IN RETAINED EARNINGS

GASB Cod. Sec. 2200.109 states the section of the operations statement concerning changes in retained earnings or equity balances should be in a format that provides a meaningful summary of the changes and a reconciliation between the beginning and ending balances. As for governmental funds, the GASB prescribes the all-inclusive concept of retained earnings reporting for proprietary funds. Adherence to this concept eliminates the need to reflect changes in retained earnings in a separate statement of changes. Thus, the statement of revenues and expenses should contain all revenues, expenses, and transfers and other changes related to the retained earnings of all proprietary funds.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (OR EQUITY)—ALL PROPRIETARY FUND TYPES

The reporting practices of proprietary funds and similar trust funds closely parallel comparable commercial financial reporting. The guidance published for business operations in the private sector applies to similar governmental activity. GASB Cod. Sec. 2200.106 prescribes a combined statement (the statement of revenues, expenses, and changes in fund balances) for use by governments with proprietary-type fund activities. About 84% of the surveyed governmental units utilized such a financial statement. The surveyed governments' financial statements for proprietary funds typically included the following major sections:

operating and nonoperating revenues,

operating and nonoperating expenses,

operating transfers in (out),

net income (loss),

retained earnings or fund balances at the beginning of the year,

reconciling items in retained earnings or fund balances, and

retained earnings or fund balances at the end of the year.

Table 4-3 summarizes several characteristics of the reporting observed for revenues, expenses, and transfers as reported on this revenue statement.

TABLE 4-3. OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (OR EQUITY)—ALL PROPRIETARY FUND TYPES

	Instances Observed		
Observations	**1989**	**1988**	**1987**
Proprietary fund types identified:			
Enterprise fund	300	333	301
Internal service fund	201	212	169
Fiduciary fund types			
Trust fund	106	103	112
Agency fund	0	0	1
Trust and agency fund	3	3	3
Pension trust	130	127	119
Memorandum totals:			
Current and prior year	173	153	157
Current year only	89	11	35

A selection of reported operating revenue and expense accounts is given in Tables 4-4 and 4-5. It should be noted that revenues and expenses were not always uniformly categorized as operating or nonoperating.

TABLE 4-4. OPERATING REVENUES FOR PROPRIETARY FUND TYPES

	Instances Observed			
Revenue	**1989**	**1988**	**1987**	**1986**
Charges for services	227	216	200	169
Interest[1]	154	109	129	117
Other[2]	153	147	132	137
Contributions[3]	126	133	100	51
Miscellaneous	94	88	82	91
Rentals	50	44	52	68
Intergovernmental revenue	32	26	25	17
Gain on investment disposal	24	23	28	8
Taxes	21	20	21	16

[1]Includes interest income, interest earned, interest on investments.
[2]Includes other revenue.
[3]Includes contributions from employees.

TABLE 4-5. OPERATING EXPENSES FOR PROPRIETARY FUND TYPES

	Instances Observed		
Expense	**1989**	**1988**	**1987**
Depreciation	314	317	270
Personnel services	137	137	114
Fringe benefits[1]	136	147	105
Other	123	114	102
Contractual services[2]	97	98	91
Utilities	85	85	85
Materials and supplies	80	86	74
Insurance	68	76	77
Repairs and maintenance	60	52	47
Supplies	55	62	63
Miscellaneous	48	50	47
Salaries and fringes	45	40	28
Interest	45	36	33
Maintenance	44	59	60
Salaries	43	54	61
Rentals[4]	41	35	28
Professional services	40	47	NC[3]
Bad debt	33	36	25
Refunds	30	42	22
Taxes	26	24	23
Heat, light and power	14	19	13
Materials	12	14	12

[1]Includes benefits payments.
[2]Includes any contractual service.
[3]Not calculated.
[4]Includes equipment rentals.

TOWN OF MACHIAS, MAINE

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	Proprietary Fund Type	Fiduciary Fund Type Non-Expend.	Totals Memorandum Only For Year Ended	
	Enterprise	Trusts	6/30/89	6/30/88
Operating Revenues:				
Charges for Services	$172,851	$ —	$172,851	$170,233
Interest Earned	6,591	2,230	8,822	9,369
Miscellaneous	1,334	—	1,334	998
Total Operating Revenues	180,777	2,230	183,008	180,601
Operating Expenses:				
Food and Commodities	39,372	—	39,372	41,989
Personal Services	71,876	—	71,876	65,955
Contractual Services	14,145	—	14,145	13,563
Supplies and Materials	14,901	—	14,901	12,325
Equipment Maintenance	5,449	—	5,449	7,999
Heat/Light/Water/Power	19,190	—	19,190	20,515
Depreciation	35,003	—	35,003	35,011
Vehicle Costs	3,880	—	3,880	3,284
Payroll Taxes	3,170	—	3,170	3,271
Insurance	10,519	—	10,519	9,708
Provisions for Bad Debts	8,157	—	8,157	7,587
Telephone	1,065	—	1,065	888
Building and Grounds	3,172	—	3,172	4,890
Administration	8,252	—	8,252	1,823
Plant Maintenance	17,640	—	17,640	3,222
Other—Indirect	390	—	390	699
Total Operating Expense	256,188	0	256,188	232,734
Operating Income (Loss)	(75,410)	(2,230)	(73,179)	(52,133)
Non-operating Revenues (Expenses)				
Amortization of Grants	25,256	—	25,256	24,393
Interest Expense and Fiscal Charges	(27,085)	—	(27,085)	(25,535)
State Subsidies and Contributions	51,266	—	51,266	57,515
Replacing Ambulance	(6,652)	—	(6,652)	(6,667)
Transfer to Fire Dept.	(5,000)	—	(5,000)	(5,000)
Total Nonoperating Revenues and Expenses	37,784	—	37,784	44,706
Income (Loss) Before Operating Transfers	(37,625)	2,230	(35,395)	(7,426)
Operating Transfer In (Out)	—	(2,230)	(2,230)	(3,244)
Net Income (Loss)	(37,625)	0	(37,625)	(10,670)
Retained Earnings—July 1, 1988	126,716	21,000	147,716	158,387
Retained Earnings—June 30, 1989	$ 89,090	$21,000	$110,090	$147,716

The notes to the financial statements are an integral part of this statement.

TOWN OF ORONO, MAINE

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS—FOR THE YEAR ENDED JUNE 30, 1989

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Food Service Fund	Trust Funds	1989	1988
Revenues				
Intergovernmental subsidies	$ 33,963	$ —	$ 33,963	$ 35,936
Lunch program	37,177	—	37,177	34,435
A la carte program	33,363	—	33,363	31,632
Investment income	289	17,630	17,919	18,750
New funds accepted	—	2,550	2,550	3,200
Donations	—	500	500	500
Other revenues	5,578	145	5,723	915
Total Revenues	110,370	20,825	131,195	125,368
Expenses				
Food purchases	52,897	—	52,897	43,342
Salaries and benefits	56,182	—	56,182	57,285
Supplies and office expense	4,051	—	4,051	3,653
Assistance	—	598	598	560
Professional fees	—	548	548	747
Depreciation	226	—	226	222
Travel	—	—	—	—
Other	2,488	—	2,488	1,996
Total Expenses	115,844	1,146	116,990	107,805
Income (Loss) Before Operating Transfers	(5,474)	19,679	14,205	17,563
Operating Transfers				
Transfers in	3,000	—	3,000	5,000
Transfers out	—	(12,786)	(12,786)	(18,700)
Net Income (Loss)	(2,474)	6,893	4,419	3,863
Retained Earnings/Fund Balance—Beginning of year	1,615	185,588	187,203	183,340
Retained Earnings/Fund Balance—End of Year	$ (859)	$192,481	$191,622	$187,203

The accompanying notes are an integral part of these financial statements.

COUNTY OF ORANGE, NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUNDS—YEAR ENDED DECEMBER 31, 1988 (WITH COMPARATIVE TOTALS FOR 1987)

	Enterprise Revenue Fund	Internal Service Funds	Totals 1988	Totals 1987
Operating Revenues:				
Departmental charges	$15,768,409	$ 1,148,019	$16,916,428	$16,595,519
Interfund revenues	—	6,131,904	6,131,904	5,990,744
Interdepartmental charges	—	628,200	628,200	567,078
Other	162,752	14,205	176,957	90,018
Total Operating Revenues	15,931,161	7,922,328	23,853,489	23,243,359
Operating Expenses:				
Nursing	10,336,631	—	10,336,631	9,321,934
Supplies and other expenses	10,324,390	—	10,324,390	9,360,174
Salaries and contractual expenses	—	511,461	511,461	402,283
Employee benefits	—	7,156,647	7,156,647	6,546,989
Depreciation	694,623	223,614	918,237	813,439
Total Operating Expenses	21,355,644	7,891,722	29,247,366	26,444,819
Income (Loss) from Operations	(5,424,483)	30,606	(5,393,877)	(3,201,460)
Non-Operating Revenue (Expense):				
Tax levy subsidy	3,762,068	—	3,762,068	3,951,114
Operating transfer in from County	367,300	—	367,300	—
Interest income (expense)	(209,335)	307,068	97,733	(16,508)
Sale of property and compensation for loss	—	6,511	6,511	2,466
	3,920,033	313,579	4,233,612	3,937,072
Net Income (Loss)	(1,504,450)	344,185	(1,160,265)	735,612
Retained Earnings—Beginning of Year	2,171,202	3,785,531	5,956,733	5,221,121
Retained Earnings—End of Year	$ 666,752	$ 4,129,716	$ 4,796,468	$ 5,956,733

The accompanying notes are an integral part of the financial statements.

CITY OF EVANSTON, ILLINOIS

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—UNRESERVED/FUND BALANCES—ALL PROPRIETARY AND FIDUCIARY (NONEXPENDABLE TRUST AND PENSION TRUST) FUND TYPES—YEAR ENDED FEBRUARY 28, 1989

	Proprietary Fund Types		Fiduciary Fund Types		Totals
	Enterprise	Internal Service	Nonexpendable Trust	Pension Trust	(Memorandum Only)
OPERATING REVENUES					
Taxes	$ —	$ —	$ —	$ 2,619,031	$ 2,619,031
Charges for services	13,714,641	2,058,108	—	—	15,772,749
Contributions	—	—	—	787,089	787,089
Miscellaneous	46,648	1,849	6,998	2,173,399	2,228,894
Total Revenues	13,761,289	2,059,957	6,998	5,579,519	21,407,763
OPERATING EXPENSES					
Administration	506,497	—	—	—	506,497
Operations	5,323,447	1,302,394	—	—	6,625,841
Depreciation	513,003	869,890	10,850	—	1,393,743
Pension	—	—	—	2,921,061	2,921,061
Total Expenses	6,342,947	2,172,284	10,850	2,921,061	11,447,142
OPERATING INCOME (LOSS)	7,418,342	(112,327)	(3,852)	2,658,458	9,960,621
NONOPERATING REVENUES (EXPENSES)					
Interest income	1,130,032	2,574	—	—	1,132,606
Other revenues	277,115	—	—	—	277,115
Interest expense	(2,021,411)	(2,907)	—	—	(2,024,318)
Bond expenses including amortization of discount	(35,775)	—	—	—	(35,775)
Net book value of equipment disposed	(77,036)	—	—	—	(77,036)
Total Nonoperating Revenues (Expenses)	(727,075)	(333)	—	—	(727,408)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	6,691,267	(112,660)	(3,852)	2,658,458	9,233,213
Operating transfer in	1,886,830	—	—	—	1,886,830
Operating transfer (out)	(3,877,749)	—	—	—	(3,877,749)
NET INCOME (LOSS)	4,700,348	(112,660)	(3,852)	2,658,458	7,242,294
CONTRIBUTED CAPITAL ADJUSTMENT—DEPRECIATION—BREAKWATER	—	—	10,850	—	10,850
OTHER CHANGES IN RETAINED EARNINGS—UNRESERVED/FUND BALANCES					
Increase in reserve for construction	(842,643)	—	—	—	(842,643)
Intrafund transfers (out)—retained earnings—reserved restricted accounts	(24,077)	—	—	—	(24,077)
Total Other Changes in Retained Earnings—Unreserved	(866,720)	—	—	—	(866,720)
INCREASE (DECREASE) IN RETAINED EARNINGS—UNRESERVED/FUND BALANCES	3,833,628	(112,660)	6,998	2,658,458	6,386,424
RETAINED EARNINGS—UNRESERVED/FUND BALANCES					
March 1, 1988	32,901,504	608,217	182,656	25,757,230	59,449,607
February 28, 1989	$36,735,132	$ 495,557	$189,654	$28,415,688	$65,836,031

The accompanying notes are an integral part of this statement.

TOOELE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUND TYPES

Year Ended December 31, 1988	Internal Service	Tooele Valley Regional Medical Center	Sanitary Landfill	Total (Memorandum Only) 1988	1987
Operating Revenues					
Service charge	$ —	$ —	$101,085	$ 101,085	$ —
Interfund lease payments	162,913	—	—	162,913	184,339
Hospital patient services	—	5,366,678	—	5,366,678	2,248,161
Nursing home patient services	—	1,526,615	—	1,526,615	703,780
Ambulance service	—	220,498	—	220,498	221,452
Collection fees	—	24,977	—	24,977	141,774
Interest	14,307	35,965	277	50,549	27,079
Other revenue	11,539	43,281	—	54,820	17,775
Tax revenue	—	110,166	—	110,166	—
Less provision for contractual allowances and doubtful accounts	—	(1,627,561)	—	(1,627,561)	857,937
Total Operating Revenues	188,759	5,700,619	101,362	5,990,740	2,686,423
Operating Expenses					
Salaries and wages	—	2,655,183	64,224	2,719,407	1,135,231
Employee benefits	—	636,922	19,451	656,373	170,551
Supplies	—	707,526	7,216	714,742	335,888
Office expense	—	51,762	—	51,762	39,429
Telephone	—	29,042	—	29,042	20,622
Professional fees and services	—	663,368	—	663,368	264,385
Insurance	—	158,826	—	158,826	55,650
Interest	—	72,034	—	72,034	70,398
Equipment rental	—	102,831	8,030	110,861	51,334
Accounts written off	—	—	—	—	246,562
Depreciation	162,913	419,116	—	582,029	240,923
Amortization of bond expense	—	3,500	—	3,500	3,000
Utilities	—	113,627	—	113,627	37,329
Miscellaneous	—	135,557	—	135,557	24,379
Repairs and maintenance	—	58,385	—	58,385	—
Total Operating Expenses	162,913	5,807,679	98,921	6,069,513	2,695,681
Net Operating Gain (Loss)	25,846	(107,060)	2,441	(78,773)	(9,258)
RETAINED EARNINGS—BEGINNING OF YEAR	275,681	128,051	—	403,732	412,990
RETAINED EARNINGS—END OF YEAR	$301,527	$ 20,991	$ 2,441	$ 324,959	$ 403,732

See notes to financial statements.

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

GASB Cod. Sec. 2500.101 states that Section 2200, paragraph .127, requires the presentation, within the "liftabie" general purpose financial statements, of segment information for certain individual enterprise funds. The term "segment" in Section 2200 refers to an individual enterprise fund of a state or local government.

Enterprise fund segment disclosures are required if (a) material long-term enterprise fund liabilities are outstanding, (b) the disclosures are essential to assure the general purpose financial statements are not misleading, or (c) necessary to assure interperiod comparability.

Segment information is essential for enterprise funds with bonds or other debt securities outstanding. Segment disclosures are required not only in such situations, but also for enterprise funds with any type of material long-term liabilities outstanding.

Segment disclosures are required for all "major nonhomogeneous" enterprise funds. Segment disclosures are also required for any enterprise fund if such disclosures are necessary to make the general purpose financial statements not misleading.

Interperiod comparability should also be considered in determining whether segment information is required for a particular individual enterprise fund.

information To Be Presented

The following information should be the minimum presented for each enterprise fund identified in the manner described in the preceding paragraphs, and in the aggregate for the remainder of the government's enterprise funds.

a. Types of goods or services provided
b. Operating revenues (total revenues from sales of goods or services). Sales to other funds of the government (if material) should be separately disclosed.
c. Depreciation, depletion, and amortization expense
d. Operating income or loss (operating revenues less operating expenses)
e. Operating grants, entitlements, and shared revenues
f. Operating interfund transfers in and out
g. Tax revenues
h. Net income or loss (total revenues less total expenses)
i. Current capital contributions and transfers
j. Property, plant, and equipment additions and deletions
k. Net working capital (current assets less current liabilities)
l. Total assets
m. Bonds and other material long-term liabilities outstanding (Amounts payable solely from operating revenues should be disclosed separately from amounts also potentially payable from other sources.)
n. Total equity
o. Other material facts necessary to make the GPFS not misleading.

Methods of Presentation

The presentation of segment information in the notes to the GPFS usually is preferable. Segment information may also be reported by (a) including individual enterprise fund statements as columns on the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)—All proprietary fund types and the Combined Statement of Cash Flows—All Proprietary Fund Types and Nonexpendable Trust Funds or (b) including the combining enterprise fund statement of revenues, expenses, and changes in retained earnings (or equity) and the combining enterprise fund statement of cash flows as part of the general purpose financial statements. Certain segment information required in the preceding paragraph would not appear in either of these formats, and would need to be disclosed in the notes to financial statements. Segment information is an integral part of the GPFS, and the presentation format utilized must emphasize this.

Examples of the reporting of segment data follow.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO COMBINED FINANCIAL STATEMENTS— JUNE 30, 1989

(9) Segment Information for Enterprise Funds

The City maintains Enterprise Funds that provide water, sewage treatment, airport, public transportation, hospital, parking, and harbor services and facilities which are largely financed by user charges. Segment information for the year ended June 30, 1989 follows (in thousands):

	San Francisco International Airport	Port of San Francisco	Water Dept./ Hetch Hetchy Project	Municipal Railway	Laguna Honda Hospital	General Hospital Medical Center	Clean Water Program	Parking Garages/ Other	Total
Operating revenues	$129,022	$ 30,532	$137,782	$ 79,473	$65,632[1]	$104,761[1]	$ 55,881	$15,703	$ 618,786
Operating expense:									
Depreciation	23,395	4,530	14,376	17,933	1,313	4,056	21,424	585	87,612
Other	77,721	21,729	100,896	237,332	70,090	180,521	45,472	10,742	744,503
Operating income (loss)	27,906	4,273	22,510	(175,792)	(5,771)	(79,816)	(11,015)	4,376	(213,329)
Operating grants	—	—	—	43,574	587	30,019	—	—	74,180
Operating transfers (net)	(10,878)	—	(25,000)	109,630	5,443	50,263	6,323	(3,115)	132,666
Interest and other non-operating revenues	(8,087)	(1,278)	2,862	17,700	31	(850)	(11,272)	(1,338)	(2,232)
Net income (loss)	$ 8,941	$ 2,995	$ 372	$ (4,888)	$ 290	$ (384)	$ (15,964)	$ (77)	$ (8,715)
Current assets	$205,838	$ 32,000	$108,117	$ 53,376	$13,039	$ 90,957	$ 25,400	$17,009	$ 545,736
Current liabilities	68,908	8,677	42,617	54,032	16,301	89,661	31,431	7,867	319,494
Net working capital	$136,930	$ 23,323	$ 65,500	$ (656)	$(3,262)	$ 1,296	$ (6,031)	$ 9,142	$ 226,242
Total assets	$852,358	$247,664	$720,868	$515,095	$27,779	$136,587	$1,203,096	$80,294	$3,783,741
Total liabilities	470,792	91,049	169,232	98,776	21,971	104,803	397,106	47,569	1,401,298
Fund equity	$381,566	$156,615	$551,636	$416,319	$ 5,808	$ 31,784	$ 805,990	$32,725	$2,382,443
Contributed capital—beginning	$105,633	$ 71,271	$ 51,053	$290,134	$ 8,448	$ 55,967	$ 663,025	$ —	$1,245,531
Federal, State and other capital grants	573	585	8	48,573	—	47	15,765	—	65,551
Depreciation on contributed assets	—	—	(1,206)	(14,339)	—	—	(13,823)	—	(29,368)
Contributed capital—ending	$106,206	$ 71,856	$ 49,855	$324,368	$ 8,448	$ 56,014	$ 664,967	$ —	$1,281,714
Retained earnings (deficit)	$275,360	$ 84,759	$501,781	$ 91,951	$ (2,640)	$(24,230)	$ 141,023	$32,725	$1,100,729
Fixed asset additions (net)	$ 20,334	$ 3,021	$ 28,267	$ 53,203	$ 2,664	$ 5,787	$ 30,815	$ 4,190	$ 148,281
Net proceeds from sale of bonds	—	—	—	—	—	3,000	142,100	—	145,100
Total debt outstanding	$410,447	$ 81,736	$120,816	$ 17,091	$ 1,759	$ 71,358	$ 373,030	$37,219	$1,113,456

[1]Net of $9.7 million and $100.3 million in provisions for contractual allowances and uncollectible accounts for Laguna Honda Hospital and General Hospital Medical Center, respectively.

(a) San Francisco International Airport

The Airport has sold $451.5 million in revenue bonds to finance improvements and modernization of airport facilities. That project which began in 1968 was completed in June 1988 at a total cost of $500 million. The Airport plans to issue up to $100 million of revenue bonds in fiscal year (FY) 1989-90 to fund various projects pursuant to its five-year capital projects plan.

Pursuant to an agreement with certain airlines, the Airport makes an annual payment to the City's General Fund equal to 15% of concessionaire revenue, but not less than $5 million per fiscal year. The amount transferred to the General Fund during FY 1988-89 was $10.9 million.

Purchase commitments for construction, materials and services at June 30, 1989 were $18.5 million.

(b) Port of San Francisco

Prior to February 7, 1969 the Port of San Francisco was owned by the State of California. On February 7, 1969, the Port was transferred to the City under terms and conditions of legislation as ratified by the electorate of the City. Accordingly, the City assumed all debt, including State of California general obligation bonds, from the State at the date of transfer; this debt amounted to $8.8 million at June 30, 1989. The State retains the right to amend, modify or revoke the transfer provided that it assumes all related lawful obligations.

The Port is currently planning various development projects which involve a commitment to spend significant capital funds. Purchase commitments for construction, materials and services at June 30, 1989 were $2.0 million.

(c) Water Department/Hetch Hetchy Project

The segment data presented reflects the combined statements of the Water Department/Hetch Hetchy Project (Water/Hetch Hetchy), whose operations are interrelated. The Hetch Hetchy Project is a system of reservoirs and hydroelectric generating stations and the related distribution systems; it provides the Water Department with its water and sells electric power to City departments and to public and private agencies.

The Hetch Hetchy Project has a back-up electric power contract with Pacific Gas & Electric (PG&E) which allows Hetch Hetchy to provide guaranteed power to City departments and third party customers. The contract pricing may be retroactively adjusted by PG&E based on its own costs. Hetch Hetchy has received a retroactive cost adjustment of $16.3 million for the period through March 1988. Of this amount, $6.2 million is the obligation of Hetch Hetchy customers and the remaining $10.1 million has been recorded as a liability in the accompanying combined financial statements.

The property tax levy of the City includes amounts to pay annual bond interest and redemption charges on general obligation bonds of Water/Hetch Hetchy, which are included in the Water/Hetch Hetchy Enterprise Fund. Water/Hetch Hetchy transfers a like amount to the General Fund, as described in note 5.

Income from Water/Hetch Hetchy is available for certain operations of the City. During the year ended June 30, 1989, $25 million was transferred to the General Fund in addition to the amount described above.

Purchase commitments for construction, materials and services at June 30, 1989 were $20.8 million.

(d) Municipal Railway

The segment data reflects the combined operations of the San Francisco Municipal Railway (Muni) and the San Francisco Municipal Railway Improvement Corporation (SFMRIC). SFMRIC is a nonprofit corporation organized for the purpose of acquiring, constructing, improving and financing improvements to the City's public transportation system. The City's Annual Appropriation Ordinance provides funds to subsidize Muni's operating deficits as determined under the City's budgetary accounting procedures, subject to the appropriation process.

Power and maintenance costs valued at $3.9 million for overhead distribution lines used to operate certain Municipal Railway vehicles were provided by the Hetch Hetchy Project at no cost to Muni for FY 1988-89.

The Muni collects fees which are intended to recover the capital and/or operating costs of increased peak period transit service associated with new office construction in downtown San Francisco. Two lawsuits regarding these fees had been under appeal, and as a result, amounts collected had been held in escrow, and income recognition had been deferred through the year ended June 30, 1987. In December 1987, one lawsuit originally decided in favor of the Muni dealing with the legality of the fee was refused appeal review by the U.S. Supreme Court. The second lawsuit, dealing with projects where initial permits had been filed before implementation of the fee, was refused appeal review in October 1988. $51.5 million related to the first lawsuit was originally recognized as income during the year ending June 30, 1988 which included a $44.7 million extraordinary item related to years prior to 1988. The 1988 Muni retained earnings have been restated by $9.0 million to include the results of the second lawsuit as an extraordinary item in that year. A third case has not yet gone to court; the related cash receipts were placed in escrow, and income recognition in the amount of $3.7 million has been deferred at June 30, 1989. An allowance of one percent of fees assessed has been provided for the possibility of paying refunds for non-office use. The amount recognized as income in FY 1988-89, reported as non-operating revenue, was $14.2 million.

As of June 30, 1989, the Municipal Railway had various approved capital grants with unused balances amounting to $131.2 million available to finance various improvements. Contract commitments were $34.9 million at June 30, 1989.

The State Public Utilities Code provides that fare revenues must equal or exceed 33% of operating costs in order to qualify for allocation of sales tax revenues available for public transit. However, state law provides that a portion of the City's subsidy may count toward meeting the 33% requirement. Muni did not meet this specified percentage of fare revenue in FY 1988-89, and has requested inclusion of the subsidy. No response has been received. Muni management believes no liability will result.

(e) Laguna Honda Hospital

The operations of Laguna Honda Hospital, an acute health care facility specializing in serving elderly and disabled residents, were established as an enterprise fund on July 1, 1983. As with other subsidized enterprises, the City's policy is to fund Laguna Honda's operating deficits on a budgetary basis, subject to the appropriation process.

(f) General Hospital Medical Center

The City's policy provides for the General Fund to fund operating deficits of the General Hospital Medical Center, as determined in accordance with the City's budgetary accounting procedures, subject to the appropriation process.

The State provides funding for medically indigent adult patients. Such amounts totaled $24.9 million in FY 1988-89 and are included in operating revenues.

In November 1988, the General Hospital Medical Center obtained a $64.9 million loan from the California Health Facilities Financing Authority. The principal is due January 1, 1990, with interest due monthly. The average interest rate on the loan for the year ended June 30, 1989 was 5.2%. During September 1989, an additional loan was obtained for approximately $62 million, due December, 1990. Additionally, on July 1, 1988, $3 million of the authorized $26 million Mental Health Facility general obligation bonds were sold.

(g) Clean Water Program

The Clean Water Enterprise Fund was established pursuant to bond resolutions to account for the whole of the municipal sewage treatment and disposal system, including a major construction program currently underway.

In 1976, the electorate authorized the issuance of up to $240 million principal amount of revenue bonds to partially finance improvements to the municipal sewage treatment and disposal system. As of June 30, 1989, the entire $240 million principal amount of the available bonding capacity has been utilized which includes $45 million principal sold in FY 1988-89. Additionally, in October 1988 the Clean Water Program sold $100 million General Purpose Sewer Revenue Bonds which did not require voter approval under the California Government Code or the City Charter because they were issued to finance projects required under Federal Cease and Desist Orders, as described below. A substantial part of the cost of the total construction program has been and is expected to be provided from capital grants of the United States Environmental Protection Agency and the California Water Resources Control Board. As of June 30, 1989, the Clean Water Program had outstanding construction contract commitments of $13.5 million.

To provide for possible deferral or discontinuance of Federal and state funds, Clean Water management has developed a schedule consistent with its Master Plan that builds operating core systems on both sides of the City. The Bayside core system is operational, and a substantial portion of the Westside core system was placed in service in December 1986. These systems will be interconnected and enlarged in incremental stages to ensure functioning units while implementing the Master Plan program. The two-core system is expected to cost $984 million. Funding for $840 million is available through existing grants and Enterprise funds. The remaining $144 million will be funded through additional Federal and state grants and Enterprise funds not committed to existing projects.

The City is currently operating under Cease and Desist Orders imposed by the San Francisco Bay Regional Water Quality Control Board which contain project schedules leading to compliance with all provisions of the Federal Clean Water Act of 1966. The Clean Water Program management believes that, given the assumed level of grant and bond funding, the City will comply with the Orders.

During FY 1988-89, an operating transfer of $6.3 million was made from the City's Debt Service Fund to provide for general obligation debt service of the enterprise fund. The City has approved an operating transfer of $6.1 million for FY 1989-90.

(h) Parking Garages/Other

The segment data reflects the operations of five parking garages operated by separate nonprofit corporations organized by the City. This segment data also includes the San Francisco Market Corporation, a nonprofit corporation organized to acquire, construct, finance and operate a produce market; and the Redevelopment Agency's South Beach Harbor Project, an enterprise fund established to commercially develop an area of the Bay waterfront and operate a boat harbor. All of the nonprofit corporations had net income for their most recent fiscal year.

The South Beach Harbor Project had a net loss of $2.2 million for FY 1988-89 since it had been operational for less than two years and facility rentals have not yet reached a break-even point. This has caused the Agency to not meet current year debt service coverage ratios required in conjunction with the $23.9 million Project indebtedness. Agency management expects that compliance with these covenants will be achieved within three years through improvement of the Project's revenue structure. After consideration of cash reserves, management's projections indicate that adequate cash will exist to make debt service payments until compliance is achieved, and management does not believe that the situation will precipitate a formal default.

CITY OF CHICAGO, ILLINOIS

NOTES TO COMBINED FINANCIAL STATEMENTS— FOR THE YEAR ENDED DECEMBER 31, 1988

(7) Segment Information for Enterprise Funds

The City maintains Enterprise Funds which provide airport, water, sewer and tollway services. Segment information for the year ended December 31, 1988 is as follows:

(dollars in thousands)

	O'Hare International Airport Fund	Midway Airport Fund	Total Airport Funds	Water Fund	Sewer Fund	Chicago-Calumet Skyway Fund	Total Enterprise Funds
Operating Revenues	$ 220,368	$ 15,859	$ 236,227	$ 191,111	$ 89,965	$ 13,554	$ 530,857
Operating Expenses	174,932	15,371	190,303	169,599	59,814	8,920	428,636
Operating Income	$ 45,436	$ 488	$ 45,924	$ 21,512	$ 30,151	$ 4,634	$ 102,221
Interest Incurred	(105,408)	—	(105,408)	(13,190)	(4,874)	(3,999)	(127,471)
Less Construction Interest Capitalized	41,510	—	41,510	2,282	—	—	43,792
Net Other Nonoperating Income	12,802	634	13,436	9,611	2,375	600	26,022
Net Income (Loss)	$ (5,660)	$ 1,122	$ (4,538)	$ 20,215	$ 27,652	$ 1,235	$ 44,564
Property, Plant and Equipment:							
Balance, December 31, 1987, Net	$1,042,739	$ 52,235	$1,094,974	$ 524,375	$ 318,094	$ 35,167	$1,972,610
Additions	162,142	16,981	179,123	24,354	24,307	—	227,784
Disposals	—	—	—	(308)	—	—	(308)
Depreciation Expense	(18,908)	(640)	(19,548)	(10,925)	(5,778)	(2,088)	(38,339)
Balance, December 31, 1988, Net	$1,185,973	$ 68,576	$1,254,549	$ 537,496	$ 336,623	$ 33,079	$2,161,747
Current Capital Contributions	$ 10,739	$ 16,961	$ 27,700	$ —	$ 2,789	$ —	$ 30,489
Net Working Capital (Deficiency)	$ 379,305	$ 6,252	$ 385,557	$ 99,987	$ 41,037	$ (104,708)	$ 421,873
Total Assets	$1,766,088	$ 96,378	$1,862,466	$ 744,927	$ 413,129	$ 36,828	$3,057,350
Bonds and Long-Term Obligations	$1,288,836	$ —	$1,288,836	$ 165,535	$ 67,550	$ —	$1,521,921
Total Equity (Deficit)	$ 276,442	$ 74,828	$ 351,270	$ 470,787	$ 310,110	$ (71,629)	$1,060,538

(a) Water Fund

The ordinances authorizing the issuance of $110 million, $65.69 million and $95 million Water Revenue Bonds, Series 1986, 1985 and 1983, respectively, provide for the creation of the following separate accounts into which revenues are to be credited in the following priority:

Matured Water Bond and Interest Reserve—not later than ten days prior to each principal or interest payment date, an amount to pay the amount of principal, premium, if any, and interest becoming due, whether upon maturity, redemption or otherwise.

Debt Service Reserve—the maximum annual debt service requirement of the Series 1986, 1985 and 1983 Bonds is required to be on deposit in the account. The monies in the account are to be used to pay principal and interest on any of the Water Revenue Bonds and obligations of the Water System at any time when there are insufficient funds available to pay such principal and interest.

Rehabilitation and Improvement Reserve—the sum of $2.5 million per year until the account aggregates $10 million.

Construction—the remaining proceeds of bond issues are to be deposited in this account for the purpose of paying for construction costs of projects as defined in the ordinances. Funds remaining after completion of the projects and the payment of all project costs are available for transfer to the Debt Service Reserve or, if such account is fully funded, for general use of the Water Fund.

Rebate—under the Tax Reform Act of 1986 (Act), certain requirements must be met subsequent to the issuance and delivery of the bonds for interest thereon to be and remain exempt from federal income taxation. The Bond Ordinance requires the City to enter into an arbitrage agreement under which the City will comply with certain requirements of the Act with the purpose of maintaining the tax-exempt status of the bonds. The Rebate Account has been established to account for any liability resulting from potential noncompliance with the Act.

(b) Sewer Fund

Effective January 1, 1980, a separate Sewer Fund was established to finance the operations of the Department of Sewers. Revenues for the fund are generated by an add-on charge to certain water billings. Effective May, 1988, the add-on charge was increased from 48 percent to 84 percent.

The ordinance authorizing the issuance of $70.0 million Wastewater Transmission Revenue Bonds, Series of 1986 (the "Ordinance") provides for the creation of separate accounts into which there is to be credited all monies of the Sewer Fund in accordance with the following priority:

Operation and Maintenance—an amount sufficient to pay operation and maintenance costs for the current and next succeeding month.

Debt Service—at least one month prior to the interest payment or principal maturity date, an amount sufficient to pay such obligations.

Debt Service Reserve—the amount of $6,129,163 is to be maintained in this account. Amounts in the account shall be used to pay principal and interest on the bonds when there are insufficient funds available from other sources.

Depreciation, Improvement and Extension—annually, an amount of at least $1.05 million. Funds accumulated in this account are to be used to pay for extraordinary maintenance or repairs for which no other funds are available.

Contingencies and Construction Reserve—all monies remaining after the respective amounts have been credited to the foregoing accounts. Funds accumulated in this account may be used for any lawful purpose related to the system.

Rebate—under the Tax Reform Act of 1986 (Act), certain requirements must be met subsequent to the issuance and delivery of the bonds for interest thereon to be and remain exempt from federal income taxation. The Bond Ordinance requires the City to enter into an arbitrage agreement under which the City will comply with certain requirements of the Act with the purpose of maintaining the tax-exempt status of the bonds. The Rebate Account has been established to account for any liability resulting from potential noncompliance with the Act.

(c) Chicago-O'Hare International Airport

(1) Authorizing Legislation

In 1983, the City Council adopted ordinances authorizing the issuance and sale of Chicago-O'Hare International Airport General Revenue Bonds in unlimited series for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport and to redeem existing outstanding bond obligations of the Airport. The ordinance further permits the issuance of second lien notes, bonds, and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the ordinance.

(2) Application of Operating Revenues

The Revenue Bond Ordinance provides for the creation of the following separate accounts which are to be credited with revenues in the following priority:

Operation and Maintenance—an amount equal to projected operation and maintenance expenses for the year.

Debt Service—an amount equal to principal and interest payments coming due during the year.

Special Capital Projects—an amount specified by the City to make capital project expenditures as approved by a "majority-in-interest" of the airlines.

Debt Service Reserve—an amount equal to the maximum debt service due in any one subsequent year.

Operation and Maintenance Reserve—an amount equal to one-fourth of projected operation and maintenance expenses for the year.

Maintenance Reserve—an amount equal to the lesser of $1.5 million or the amount necessary to bring the account to $3 million.

Emergency Reserve—an amount equal to depreciation and interest in the City's investment in the Airport as defined in the airline use agreements.

Airport Development—an amount from concession and land support area revenues determined in accordance with the airline use agreements.

Rebate—under the Tax Reform Act of 1986 (Act), certain requirements must be met subsequent to the issuance and delivery of the bonds for interest thereon to be and remain exempt from federal income taxation. The Bond Ordinance requires the City to enter into an arbitrage agreement under which the City will comply with certain requirements of the Act with the purpose of maintaining the tax-exempt status of the bonds. The Rebate Account has been established to account for any liability resulting from potential noncompliance with the Act.

At the end of each year, any excess funds over amounts required in accounts other than Special Capital Projects, Emergency Reserve and Airport Development Accounts are to be reallocated with the following year's revenues.

(3) Leasing Arrangements with Tenants

Most of the Airport's land, buildings and terminal space is leased under operating lease agreements to airlines and other tenants.

The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 1988:

Year Ending December 31,	(dollars in thousands)
1989	$ 21,282
1990	22,132
1991	23,457
1992	24,540
1993	25,653
Thereafter	69,240
Total Minimum Future Rental Income	$186,304

Contingent rentals that may be received under certain leases based on the tenant's revenues or fuel flow are not included in minimum future rental income.

Rental income, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to $61.2 million. Contingent rentals included in the totals were approximately $13.2 million.

(d) Chicago-Calumet Skyway Fund

(1) Authorizing Legislation

The Calumet Skyway Toll Bridge ("Chicago Skyway") was created for the purpose of constructing and operating a toll bridge across the Calumet River and construction of approaches thereto. The Chicago Skyway is empowered to issue revenue bonds and such bonds are payable solely from the net revenues to be derived from the operations of such bridge. Under the provisions of the ordinance authorizing the issuance of $101 million Chicago-Calumet Skyway Revenue Bonds (the "Ordinance"), no bond issue of the Chicago Skyway, or any interest thereon, is a general obligation of the City of Chicago.

(2) Application of Operating Revenues

The Ordinance requires that operating revenues be allocated in the following order to the extent that monies are available:

Operations and Maintenance Account—an amount sufficient to pay for repair, operation and maintenance of the bridge.

Interest Account—an amount sufficient to pay any unpaid interest due for such year on all bonds outstanding.

Reserve Maintenance Account—an amount equal to the cumulative amount recommended by the consulting engineers.

Debt Service Reserve—until the balance in this account equals one-fifteenth (1/15) of the par value of all bonds outstanding.

Sinking Fund Payment Account—an amount sufficient to meet the annual sinking fund payments required by the Ordinance.

(3) Bond Default

The Chicago Skyway did not meet the bond interest payment due July 1, 1963 or any payments due thereafter on the dates they became due, but such interest payments through the July 1, 1988 due date were made at later dates. As of December 31, 1988, interest payments through July, 1988 have been made current but no deposit had been made for the payment due January 1, 1989. Under the terms of the Ordinance, a default has occurred because of the delinquent interest payments. A 5 percent per annum penalty accrues on the past-due interest payments. The ultimate effect, if any, of this default is not considered to be material to the financial position or results of operations of the Enterprise Funds. During 1988, all past-due and the additional 5 percent interest amounts were paid and, as such, bond interest payable of $1.8 million at December 31, 1988 represents interest due on January 1, 1989.

The principal portion of the revenue bonds has been classified as current since a default has occurred, in order to comply with Statement of Financial Accounting Standards No. 78, "Classification of Obligations that are Callable by the Creditor."

TOOELE COUNTY

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 10 Enterprise Fund—Tooele Valley Regional Medical Center

Organization and Operations

The Tooele Valley Regional Medical Center, (Medical Center), consists of a 38-bed acute care hospital and an 81-bed nursing home located in Tooele, Utah. Pursuant to an agreement between Tooele County and Westworld Community Healthcare, Inc., (Westworld), the hospital and related medical facilities became an operating unit of Westworld starting September 1, 1985.

During 1986 and continuing in 1987, Westworld experienced a serious and severe deterioration of its financial condition. On June 4, 1987, Tooele County gave Westworld notice of termination of the lease because Westworld was in default under the lease. On June 30, 1987, Westworld filed a voluntary petition under Chapter 11 of the Bankruptcy Act and a trustee was appointed by the U.S. Bankruptcy Court in the Central District of California.

On July 14, 1987, Tooele County and the trustee filed a stipulation For Modification From Automatic Stay, For Conditional Use of Estate Property, and For Adequate Protection of Leasehold permitting Tooele County to assume possession of the hospital and to conduct hospital business and collect accounts receivable accruing after 9:00 a.m. on July 15, 1987.

On October 6, 1987, the Board of County Commissioners established the Tooele County Hospital Special Service District for the purpose of furnishing hospital services within the District. The Board also called for a special election for the purpose of obtaining authority to levy an annual tax at the rate of .0002 of the fair value of taxable property. On November 3, 1987, the qualified electors approved the .0002 annual tax.

On February 16, 1988, the Board of County Commissioners created an Administrative Control Board as the governing authority of the Tooele County Hospital Special Service District. The Board consists of thirteen members, seven appointed by the Board of County Commissioners and six by the municipalities located within the Service District boundaries.

Summary of Significant Accounting Policies

Revenues

Patient service revenue is reported at established rates on the accrual basis when the services are provided. Contracted charitable and other allowances for providing services at less than established rates, as well as a provision for uncollectible accounts, are reported as third-party allowances and bad debt expense. Third-party allowances include differences between established billing rates and amounts estimated by management as due under various third-party payment programs in effect or actually paid by third-party payers.

Final reimbursement under these programs is subject to review and audit by respective third-party payers. Management is of the opinion, that the reserves provided for estimated settlements under contractual programs are sufficient to cover any disallowances that may result from final settlements.

Inventories

Inventories consisting principally of supplies, are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation is computed at the following rates:

Buildings and improvements	10 to 40 years
Equipment	3 to 15 years

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Bond Issue Costs

Bond issue costs incurred in connection with the bond financing have been deferred and are being amortized using the straight-line method over the life of the related bonds.

Cash

The carrying amount at cost of the Medical Center's deposits are as follows:

	1988	1987
Covered by Federal depository insurance	$122,644	$ —
Uninsured and uncollateralized	509,927	—
Held by Tooele County	139,062	369,192
	$771,633	$369,192

Patients Accounts Receivable

Patients accounts receivable consist of the following:

	1988	1987
Hospital patients	$1,376,540	$816,529
Nursing home patients	189,180	110,847
	1,565,720	927,376
Allowance for doubtful accounts	547,441	187,609
Net amount due	$1,018,279	$739,767

Fixed Assets and Depreciation

Fixed assets and the related accumulated depreciation at December 31, 1988, are summarized as follows:

	1988	1987
Land	$ 10,383	$ 10,383
Buildings	1,288,986	1,288,986
Building additions	2,122,102	2,115,828
Equipment	2,655,457	1,696,838
	6,166,928	5,112,035
Accumulated depreciation	2,393,029	1,973,913
Net book value	$3,773,899	$3,138,122

Notes Payable—Tooele County

In 1988, the Medical Center borrowed $258,000 from Tooele County. This loan is to be repaid in quarterly installments of $12,900 over a five-year period. If the Medical Center's cash flow does not equal the Medical Center's expenses plus $12,900, the principal payment for that quarter shall be postponed and the loan term shall be extended for that quarter. Interest will be charged beginning June 1, 1988, on a semi-annual basis calculated upon a cumulative overall average yield that Tooele County would have received on its short-term investments during the immediate preceding six-month period.

Also in 1988, the Medical Center borrowed $122,000 from Tooele County. This loan is to be repaid from the proceeds of the tax being assessed and collected by Tooele County on behalf of the Medical Center. Interest on this loan is to be computed and paid in the same manner as the above loan for $258,000.

Due on Equipment Acquisition

The Medical Center acquired hospital and nursing home equipment from the bankruptcy trustee for $375,000.

Long-Term Debt

In January 1983, $780,000 of Hospital Revenue Bonds, series 1983, were issued. Tooele County was required to establish a bond reserve fund of $100,000 for collateral purposes. The County prepaid fiscal agent fees at the time the bonds were issued of $30,000. The unamortized bond costs, at December 31, 1988, were $15,000. The bond reserve fund totalled $127,010 on December 31, 1988.

The annual requirements to retire the principal amount of the Hospital Revenue bonds, Series 1983, are as follows:

Year Ending December 31,	Principal	Interest Rate
1989	$ 80,000	9.0%
1990	85,000	9.3%
1991	100,000	9.6%
1992	100,000	9.8%
1993	105,000	10.0%
	$470,000	

Litigation

There were no pending or threatened litigation, unasserted claims or assessments or contingencies that have been asserted against the Medical Center, at December 31, 1988.

Pension Plan

The Medical Center established a single employer defined contributions plan under Section 401K of the Internal Revenue Code on July 15, 1987, covering all employees who met eligibility requirements. The plan is classified as a salary reduction plan under which employees can make tax deductible contributions. During the year, the Medical Center changed its contribution to the pension plan from seven percent to five percent of the salary of eligible employees. The contribution made by the Medical Center for the year ended December 31, 1988, was $75,069 and from July 15, 1987 to December 31, 1987 was $42,542. The contributions made by the Medical

Center and the employees are invested in designated funds specified by a commercial pension plan administrator.

Contributed Capital

Contributed capital consists of the following:

	1988	1987
Contributions made by Westworld Community Healthcare, Inc., under terms of the lease agreement to construct building additions	$1,715,828	$1,715,828
Additional value of equipment acquired from the bankruptcy trustee of Westworld Community Healthcare, Inc.	1,003,250	307,440
Proceeds received from Tooele County for the sale of General Obligation Hospital Bonds, Series 88	1,500,000	—
Other contributions from Tooele County	15,769	12,404
	$4,234,847	$2,035,672

THE HOUSING AND REDEVELOPMENT AUTHORITY OF SOUTH ST. PAUL, SOUTH ST. PAUL, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 5—Segment Information for Enterprise Funds

The HRA maintains Public Housing and Section 8 Housing Enterprise Funds which account for activities of providing housing assistance to qualified individuals. Segment information for the year ended December 31, 1988, is:

	Public Housing	Section 8 Existing	Housing Voucher	Total
Operating Revenues	$ 715,981	$694,709	$247,181	$1,657,871
Income (Loss) from Operations	132,556	(1,129)	(2,379)	129,048
Net Income (Loss)	(91,920)	(733)	(2,240)	(94,893)
Property, Buildings and Equipment:				
Additions	30,076	—	—	30,076
Deletions	—	—	—	—
Net Working Capital	779,484	2,166	(1,930)	779,720
Total Equity	1,248,516	5,782	(1,930)	1,252,368

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS—YEAR ENDED JUNE 30, 1989

(14) Segments of Enterprise Activities

The two services provided by the Districts (sewerage and solid waste disposal) are financed totally or partially by user charges. The key financial data for the year ended June 30, 1989 for these services are as follows:

	Sewerage	Solid Waste	Total
		(In thousands)	
Operating revenues	$104,140	113,243	217,383
Operating expenses:			
Depreciation	15,611	4,474	20,085
Amortization	—	205	205
Other expenses	91,942	49,817	141,759
Total operating expenses	107,553	54,496	162,049
Operating income (loss)	(3,413)	58,747	55,334
Taxes	27,036	—	27,036
Other nonoperating revenues	18,333	2,385	20,718
Income before operating transfers	41,956	61,132	103,088
Operating transfers in	150	12,002	12,152
Operating transfers out	(162)	(30,547)	(30,709)
Net income	$ 41,944	42,587	84,531
Total assets	$909,162	219,511	1,128,673
Long-term debt outstanding, including capital lease liabilities	$ 7,995	25,065	33,060
Additions to contributed capital	$ 73,490	—	73,490
Retained earnings	$326,844	180,493	507,337
Total equity	$881,678	180,493	1,062,171
Working capital	$255,411	76,097	331,508
Acquisition of property, plant and equipment	$ 60,094	22,472	82,566

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1

NOTES TO COMBINED FINANCIAL STATEMENTS—DECEMBER 31, 1988

(12) Segments of Enterprise Activities

Key financial data for the District's enterprise funds for the year ended December 31, 1988, are as follows:

	Food Service	Disaster Recovery Site	Total
Operating revenues	$6,590,964	172,703	6,763,667
Operating expenses:			
Depreciation	105,217	14,131	119,348
Other	9,154,592	144,763	9,299,355
Income (Loss) from Operations	(2,668,845)	13,809	(2,655,036)
Non-operating revenues and expenses:			
Operating Grants	2,606,858	—	2,606,858
Net Income (Loss)	$ (61,987)	13,809	(48,178)
Additions to contributed capital	$ 213,513	—	213,513
Additions to fixed assets	$ 270,725	18,871	289,596
Net working capital	$ 368,162	117,486	485,648
Total assets	$2,945,503	166,706	3,112,209
Total fund equity	$1,157,998	166,614	1,324,612

CHARTER TOWNSHIP OF DELTA

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1988

Note 8—Segment Information for Enterprise Funds

The Township maintains two enterprise funds which are intended to be self-supporting through user-fees charged for services to the public. Financial segment information as of and for the year ended December 31, 1988 is presented below.

	Sewer fund	Water fund	Total
Operating revenues	$2,233,449	$ 949,257	$3,182,706
Depreciation and amortization expense	529,821	140,019	669,840
Operating income	616,982	12,075	629,057
Net income	1,188,510	209,039	1,397,549
Current capital contributions	650,916	93,122	744,038
Property, plant and equipment additions	1,304,984	733,096	2,038,080
Total assets	51,675,055	8,424,390	60,099,445
Net working capital	2,229,200	406,348	2,635,548
Bonds and other long-term liabilities	5,190,000	281,500	5,471,500
Total equity	45,146,008	7,448,801	52,594,809

INTERFUND TRANSACTIONS

GASB Cod. Sec. 1800 deals with the appropriate accounting and reporting for interfund transactions, transfers, and bond proceeds. It states:

> Interfund transfers and proceeds of general long-term debt issues should be classified separately from fund revenues and expenditures or expenses.

Potential confusion can arise because interfund transfers constitute elements of revenues and expenditures or expense only for the particular funds, not for the governmental unit as a whole. GASB Cod. Sec. 1800.109 also notes when the proceeds of borrowings are not recorded as liabilities of specific funds, such proceeds normally are reflected as "other financing sources" in the operating statement of the appropriate fund.

QUASI-EXTERNAL TRANSACTIONS

Quasi-external transactions are interfund transactions that would be treated as revenues and expenditures or expenses if these same transactions involved organizations external to the governmental unit. GASB Cod. Sec. 1800.103a provides the following examples of quasi-external transactions:

> payments in lieu of taxes (e.g., from an enterprise fund to the general fund);
>
> billings from an internal service fund to other departments of the government that purchased goods or services from the internal service fund;
>
> routine contributions by the employer government (from the general fund) to a pension trust fund; and
>
> routine service charges for governmental inspections, engineering, utilities, or similar services provided by the fund financing the servicing or selling department to the fund of the receiving or buying department.

In all such cases of quasi-external transactions, it is correct to recognize the interfund transactions as revenues and expenditures or expenses in the affected funds. At the end of the fiscal period, the unpaid or unsettled amounts of those types of interfund transactions are reported as interfund receivables ("due from . . .") and interfund payables ("due to . . .") balances.

REIMBURSEMENT TRANSACTIONS

Reimbursement transactions are repayments to one fund for expenditures or expenses initially made by that fund but that are properly applicable to another fund. GASB Cod. Sec. 1800.103b states that proper accounting is to record the expenditure or expense in the reimbursing fund and reflect a reduction of an expenditure or expense in the fund reimbursed.

INTERFUND TRANSFERS

GASB Cod. Sec. 1800.106 recognizes two categories of interfund transfers: *Residual equity transfers*, or "capital contributions," are the nonrecurring or nonroutine transfers of equity between funds, e.g., contributions of proprietary fund capital by the general fund, subsequent returns of part of the contribution to the general fund, and transfers of residual balances of discontinued funds to the general fund or a debt service fund. *Operating transfers* are ail other interfund transfers, such as the following:

legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended;

transfers of tax revenues from a special revenue fund to a debt service fund;

transfers from the general fund to a special revenue or capital projects fund;

operating subsidy transfers from the general or special revenue fund to an enterprise fund; and

transfers from an enterprise fund other than payments in lieu of taxes to finance general fund expenditures.

Interfund transfers must be segregated from revenues and expenditures or expenses in the governmental unit's financial statements. The following accounting practices apply to transfer transactions:

Residual equity transfers are additions to or deductions from the beginning fund balance of governmental funds.

Residual equity transfers to proprietary funds are additions to contributed capital; such transfers from proprietary funds are reductions of retained earnings or contributed capital, as appropriate in the circumstances.

Operating transfers are "other financing sources (uses)" in the statement of revenues, expenditures, and changes in fund balance (for governmental funds) are "operating transfers in (out)" in the statement of revenues, expenses, and changes in retained earnings (for proprietary funds).

Tables 4-6 and 4-7 illustrate where other financing sources and uses and operating transfers are shown in the income statement.

TABLE 4-6. OTHER FINANCING SOURCES AND USES (INCLUDES OTHER SOURCES AND USES) IN GOVERNMENTAL FUND TYPES

	Instances Observed			
Position in Operating Statement	**1989**	**1988**	**1987**	**1986**
Other financing sources (uses) shown after excess revenues (or expenditures) over expenditures (or revenues)[1]	394	391	373	322
Other financing sources shown after total revenues but before expenditures and other financing uses shown after total expenditures but before excess revenues over expenditures	34	31	35	25
Other financing sources (uses) included with total revenues (expenditures)[2]	0	0	1	4

[1]Includes other sources and other uses.
[2]Includes other sources (uses).

TABLE 4-7. TRANSFERS IN AND OUT (INCLUDES OPERATING TRANSFERS) IN PROPRIETARY FUND TYPES

	Instances Observed			
Position in Operating Statement	**1989**	**1988**	**1987**	**1986**
Transfers in (out) shown after net revenues (or expenses) from operations[1]	286	282	241	169
Other transfers in (out) included with total revenues (expenses)[2]	1	0	0	2
Other transfers in shown after total revenues but before expenses and other transfers out shown after total expenses but before excess revenues over expenses	2	0	0	2

[1]Includes transfers from and (transfers to).
[2]Includes transfers from (to).

CITY OF JACKSONVILLE, FLORIDA

COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (IN THOUSANDS)—FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1988

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum only)	
REVENUE:	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1988	1987
EXPENDITURES:							
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	27,574	15,286	(43,524)	(19,842)	1,464	(19,042)	(6,004)
OTHER FINANCING SOURCES (USES):							
Proceeds from refinancing	—	—	—	—	—	—	11,937
Proceeds of bond issues	—	—	15,467	153,315	—	168,782	17,785
Proceeds of refunding bonds	—	—	28,177	—	—	28,177	37,690
Operating transfers in	2,052	11,297	30,425	1,160	240	45,174	59,629
Operating transfers out	(23,418)	(18,858)	(460)	(1,628)	(445)	(44,809)	(58,708)
Payment to refunded bond escrow agents	—	—	(67,669)	—	—	(67,669)	(37,690)
Loss on sale of securities	—	—	(2,141)	—	—	(2,141)	—
Total Other Financing Sources (Uses)	(21,366)	(7,561)	3,799	152,847	(205)	127,514	30,643
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	6,208	7,725	(39,725)	133,005	1,259	108,472	24,639
FUND BALANCES, BEGINNING OF YEAR	18,648	69,506	96,428	74,684	8,421	267,687	243,048
FUND BALANCES, END OF YEAR	$ 24,856	$ 77,231	$ 56,703	$207,689	$ 9,680	$376,159	$267,687

The notes to financial statements are an integral part of this statement.

GWINNETT COUNTY, GEORGIA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 1988

					Total (Memorandum Only)	
REVENUES:	General	Special Revenue	Capital Projects	Debt Service	1988	1987
EXPENDITURES:						
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	(5,819,219)	2,411,813	(26,919,337)	894,666	(29,432,077)	(5,216,699)
OTHER FINANCING SOURCES (USES):						
Proceeds of revenue bonds		3,940,000	—	—	3,940,000	17,000,000
Proceeds from sale of general fixed assets	18,738	16,500	—	—	35,238	15,728
Capital lease obligations incurred	1,969,490	—	—	—	1,969,490	137,214
Operating transfers in	617,207	376,033	5,751,492	—	6,744,732	18,604,011
Operating transfers out	(3,922,743)	(2,204,782)	(617,207)	—	(6,744,732)	(18,604,011)
Other financing sources (uses)—net	(1,317,308)	2,127,751	5,134,285	—	5,944,728	17,152,942
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	(7,136,527)	4,539,564	(21,785,052)	894,666	(23,487,349)	11,936,243
FUND BALANCES—JANUARY 1	25,430,610	5,032,483	138,316,978	5,175,960	173,956,031	162,701,535
EQUITY TRANSFERS	(500,000)	(3,940,000)	550,000	—	(3,890,000)	(681,747)
FUND BALANCES—DECEMBER 31	$17,794,083	$ 5,632,047	$117,081,926	$6,070,626	$146,578,682	$173,956,031

See notes to financial statements.

CHARTER TOWNSHIP OF FLINT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES—YEAR ENDED DECEMBER 31, 1988

				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	1988	1987
Revenues:					
Expenditures:					
Excess (deficiency) of revenues over expenditures	554,498	(610,412)	(1,293,794)	(1,349,708)	(1,224,294)
Other financing sources (uses):					
Applied county surplus	—	—	9,962	9,962	9,341
Sale of property and equipment	1,390	9,720	—	11,110	7,184
Operating transfers in	—	700,050	1,426,931	2,126,981	4,252,024
Operating transfers out	(700,050)	—	—	(700,050)	(700,050)
Loss on marketable securities	—	—	(10,051)	(10,051)	(35,973)
Total other financing sources (uses)	(698,660)	709,770	1,426,842	1,437,952	3,532,526
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(144,162)	99,358	133,048	88,244	2,308,232
Fund balance at beginning of year	972,718	195,750	2,821,701	3,990,169	1,681,937
Fund balance at end of year	$ 828,556	$ 295,108	$2,954,749	$4,078,413	$3,990,169

See notes to financial statements.

CITY OF CHICAGO, ILLINOIS
EXHIBIT 2

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS—YEAR ENDED DECEMBER 31, 1988—WITH COMPARATIVE TOTALS FOR 1987 (AMOUNTS ARE IN THOUSANDS OF DOLLARS)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1988	1987
Revenues:							
Expenditures:							
Revenues Over (Under) Expenditures	$(191,772)	$ (81,791)	$ 31,802	$(101,393)	$ (2,985)	$(346,139)	$(197,539)
Other Financing Sources (Uses):							
Proceeds of Debt, Net	$ 186,274	$ 88,531	$ 1,472	$ 164,440	$ —	$ 440,717	$ 348,555
Operating Transfers In	—	—	—	2,384	2,850	5,234	2,175
Operating Transfers Out	(2,850)	(2,384)	—	—	—	(5,234)	(2,175)
Total Other Financing Sources (Uses)	$ 183,424	$ 86,147	$ 1,472	$ 166,824	$ 2,850	$ 440,717	$ 348,555
Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (8,348)	$ 4,356	$ 33,274	$ 65,431	$ (135)	$ 94,578	$ 151,016
Fund Balance, Beginning of Year	24,768	67,637	66,510	277,992	6,255	443,162	292,146
Fund Balance, End of Year	$ 16,420	$ 71,993	$ 99,784	$ 343,423	$ 6,120	$ 537,740	$ 443,162

See notes to combined financial statements.

METROPOLITAN DADE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED RETAINED EARNINGS—PROPRIETARY FUND TYPE—ENTERPRISE FUNDS—FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1988 (IN THOUSANDS)

	September 30, 1988	September 30, 1987
Operating revenues:		
Operating expenses:		
Operating Income before depreciation		
Depreciation		
Operating loss		
Non-operating revenues:		
Total non-operating revenues		
Loss before operating transfers and extraordinary item	(55,065)	(76,459)
Operating transfers in	95,201	98,161
Operating transfers out	(2,778)	(2,325)
Income before extraordinary item	37,358	19,377
Loss on advance refunding of bonds	(4,307)	(32,704)
Net income (loss)	33,051	(13,327)
Other changes in unreserved retained earnings:		
Decrease in reserve for restricted assets	13,136	13,036
Depreciation on assets acquired with contributions	55,662	50,998
Total other changes in unreserved retained earnings	68,798	64,034
Unreserved retained earnings at beginning of year	590,692	539,985
Unreserved retained earnings at end of year.	$692,541	$590,692

The notes to the financial statements are an integral part of these statements.

CITY OF DOVER, NEW HAMPSHIRE
EXHIBIT 5

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS—YEAR ENDED JUNE 30, 1989—WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1988

	Proprietary fund types		Fiduciary fund type	Totals (memorandum only)	
	Enterprise	Internal service	Nonexpendable trust	1989	1988
Operating Revenues:					
Operating Expenses:					
Operating Income (Loss)					
Nonoperating Revenues (Expenses)					
Total Nonoperating Revenues (Expenses)					
Income (Loss) Before Operating Transfers					
Additions to trust principal	—	—	20,158	20,158	19,710
Operating transfers—in	—	94,000	—	94,000	—
Operating transfers—out	(395,555)	—	(51,248)	(446,803)	(470,278)
Net income (loss)	480,501	(1,874)	35,896	514,523	104,756
Add depreciation on contributed assets	48,542	—	—	48,542	38,223
Increase (decrease) in retained earnings and fund balances	529,043	(1,874)	35,896	563,065	142,979
Retained earnings/fund balances, July 1, 1988	5,322,933	213,823	682,577	6,219,333	6,076,354
Retained earnings /fund balances, June 30, 1989	$5,851,976		718,473	6,782,398	6,219,333

See accompanying notes to general purpose financial statements.

CITY OF DALLAS, TEXAS
EXHIBIT A-4

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS—YEAR ENDED SEPTEMBER 30, 1988—WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 1987 (IN THOUSANDS)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise Funds	Internal Service Funds	Non-expendable Trust	1988	1987
Operating revenues:					
Operating expenses:					
Operating income excluding depreciation					
Depreciation/amortization					
Operating income (loss)					
Non-operating revenues (expenses):					
Total non-operating revenues (expenses)					
Income before operating transfers	77,797	330	911	79,038	30,828
Operating transfers in	1,258	376	0	1,634	0
Operating transfers out	(12,038)	(5,732)	(836)	(18,606)	(15,260)
Income (loss) from continuing operations	67,017	(5,026)	75	62,066	15,568
Discontinued operations:					
Loss from operations before operating transfers	0	0	0	0	(9,879)
Gain from disposal of Public Transit	3,792	0	0	3,792	0
Operating transfers in	0	0	0	0	2,962
Operating transfers out	0	0	0	0	(569)
Gain (loss) from discontinued operations	3,792	0	0	3,792	(7,486)
Extraordinary loss from bond refunding	(25,065)	0	0	(25,065)	0
Net income (loss)	$ 45,744	$ (5,026)	$ 75	$ 40,793	$ 8,082
Depreciation on property, plant and equipment acquired by contributions	7,283	0	0	7,283	13,900
Loss (gain) on sale of property, plant and equipment acquired by contribution	111	0	0	111	119
Increase (decrease) in retained earnings	53,138	(5,026)	75	48,187	22,101
Retained earnings/fund balance at beginning of year	658,813	40,312	9,005	708,130	686,029
Retained earnings/fund balance at end of year	711,951	35,286	9,080	756,317	708,130
Contributed capital at beginning of year	367,715	34,033	0	401,748	377,896
Net increase in contributed capital	19,189	3,977	0	23,166	40,177
Capital transfer out	(1,344)	0	0	(1,344)	(2,306)
Transfer out to DART	(102,945)	0	0	(102,945)	0
Depreciation transferred from retained earnings	(7,283)	0	0	(7,283)	(13,900)
Gain (loss) on sale of property, plant and equipment acquired by contribution	(111)	0	0	(111)	(119)
Contributed capital at end of year	275,221	38,010	0	313,231	401,748
Fund equity at end of year	$987,172	$73,296	$9,080	$1,069,548	$1,109,878

See accompanying notes to combined financial statements.

BOND PROCEEDS

GASB Cod. Sec. 1800.108 discusses long-term debt proceeds. The liabilities from borrowings of proprietary, special assessment, and trust funds are recorded as fund liabilities of those funds. Liabilities from borrowings of other funds are reflected as liabilities of the general long-term debt account group, and bond proceeds are shown in the operating statement of the recipient fund among the "other financing sources."

Some summary observations of the accounting for borrowings are illustrated in Table 4-8.

TABLE 4-8. ACCOUNTING FOR DEBT PROCEEDS

	Instances Observed		
Proceeds Activity	**1989**	**1988**	**1987**
Bond proceeds activity reported as:			
Other financing sources (uses)	276	242	209
Revenues	7	6	11
Other financing sources	14	2	10
Debt payments reported as:			
Expenditures	401	396	370
Other financing uses	2	1	6

Some reporting observations of the accounting for bond proceeds follow:

PINELLAS COUNTY, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS (DOLLARS IN THOUSANDS)—FOR THE YEAR ENDED SEPTEMBER 30, 1988

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum only)
REVENUES:						
EXPENDITURES:						
Excess (deficiency) of revenues over expenditures	68,093	(60,373)	269	4,559	(40)	12,508
OTHER FINANCING SOURCES (USES)						
Proceeds from bonds	—	—	1,332	8,664	—	9,996
Operating transfers—in	11,434	76,907	699	2,445	—	91,485
Operating transfers—out	(75,305)	(13,076)	(2,467)	(422)	—	(91,270)
Other sources (uses)	(17)	(372)	—	(99)	—	(488)
Total other financing sources (uses)	(63,888)	63,459	(436)	10,588	—	9,723
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,205	3,086	(167)	15,147	(40)	22,231

ADAMS COUNTY, COLORADO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—ALL GOVERNMENTAL FUND TYPES—FOR THE YEAR ENDED DECEMBER 31, 1988

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	1988	1987
Revenues:						
Expenditures:						
Excess (Deficiency) of Revenues over Expenditures	2,191,883	5,229,048	(251,829)	(4,845,422)	2,324,460	5,102,396
Other Financing Sources (Uses):						
Operating Transfers In	2,052,398	578,547	1,052,679	—	3,683,624	3,412,835
Operating Transfers Out	(328,247)	(2,640,183)	—	(799,000)	(3,767,430)	(3,491,335)
Proceeds Debt Defeasance	—	—	—	—	—	7,905,744
Proceeds/Capital Lease	—	—	—	999,200	999,200	—
Bond Issue Proceeds	—	—	—	7,990,000	7,990,000	—
Total Other Financing Sources (Uses)	1,724,151	(2,061,636)	1,052,679	8,190,200	8,905,394	7,827,244
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	3,916,034	3,168,212	800,850	3,344,758	11,229,854	12,929,640

Section 5: Statement of Cash Flows

ACCOUNTING REQUIREMENTS

In September, 1989 the GASB issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." It requires a statement of cash flows (instead of a statement of changes in financial position) as part of a full set of financial statements for all proprietary and nonexpendable trust funds and governmental entities that use proprietary fund accounting. It exempts public employee retirement systems and pension trust funds from the requirement to present either a statement of cash flows or a statement of changes in financial position.

The Statement requires that a statement of cash flows classify cash receipts and payments according to whether they stem from operating, non-capital financing, capital and related financing, or investing activities.

Governmental enterprises are encouraged to report cash flows from operating activities directly by showing major classes of operating cash receipts and payments (the direct method), although the indirect or reconciliation method may be used. If the direct method is used, a reconciliation of operating income to net cash flow from operating activities must be provided.

Information about investing, capital, and financing activities not resulting in cash receipts or payments in the period is required to be provided separately.

This Statement is effective for annual financial statements for fiscal years beginning after December 15, 1989.

This chapter presents examples of statements of cash flows. For the survey period, the statement of cash flows was not yet required, however many entities gave GASB Statement No. 9 earlier application than the effective date. Therefore, Table 5-1 relates to the statement of changes in financial position and Table 5-2 relates to the statement of cash flows.

The combined statement of changes in financial position for proprietary and trust funds was included by the majority of governmental units surveyed. When included as part of the unit's combined financial statements, the statements provided the data shown in the accompanying table.

TABLE 5-1. OBSERVATIONS RELATING TO THE STATEMENT OF CHANGES IN FINANCIAL POSITION

Data in Changes in Financial Position Statement	Instances Observed 1989	1988	1987	1986
Units whose report contained a change in financial position statement	368	404	395	313
Proprietary fund data:				
Enterprise funds	341	306	284	194
Internal service funds	191	210	165	65
Fiduciary fund data:*				
Pension trust funds	114	138	115	62
Nonexpendable trust funds	90	83	71	32
Reports with memo columns:				
Current and past years	240	106	227	57
Current year only	109	175	73	111

*Observations for those units having this statement.

The combined statement of cash flows for reporting cash flows of proprietary and nonexpendable trust funds and governmental entities that use proprietary fund accounting was included by many of the governmental units surveyed. When included as part of the unit's combined financial statements, the statements provided the data shown in the accompanying table.

TABLE 5-2. OBSERVATIONS RELATING TO THE STATEMENT OF CASH FLOWS

Data in Statement of Cash Flows	Instances Observed 1989
Units whose report contained a statement of cash flows	64
Proprietary fund data:	
Enterprise funds	38
Internal service funds	16
Fiduciary fund data:*	
Pension trust funds	6
Nonexpendable trust funds	10
Reports with memo columns:	
Current and past years	20
Current year only	18

*Observations for those units having this statement.

The following are examples of statements of cash flows.

ARLINGTON COUNTY, VIRGINIA
EXHIBIT 5

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS—COMBINED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 1989 (WITH COMPARATIVE TOTALS FOR 1988)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Pension Trust	1989	1988
CASH FLOWS FROM OPERATIONS:					
Cash received from customers	$35,044,185	$15,594,211	$ 64,589,092	$115,227,488	$ 88,435,048
Cash paid to suppliers and employees	(22,284,680)	(11,602,458)	(20,102,822)	(53,989,960)	(76,275,222)
Interest received	2,875,499	71,325	—	2,946,824	2,235,499
Interest paid	(3,748,687)	(334,685)	—	(4,083,372)	(3,507,726)
Cash received (paid) to other Funds	(1,763,881)	(647,391)	—	(2,411,272)	1,632,621
Operating transfers	—	524,104	—	524,104	774,520
	10,122,436	3,605,106	44,486,270	58,213,812	13,294,740
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	(6,669,726)	(6,672,371)	—	(13,342,097)	(13,987,590)
Proceeds from sales of equipment	—	297,470	—	297,470	120,016
	(6,669,726)	(6,374,901)	—	(13,044,627)	(13,867,574)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Principal payments under capital leases	—	(1,371,905)	—	(1,371,905)	(845,986)
Principal payments on G. O. Bonds	(2,802,366)	—	—	(2,802,366)	(2,622,366)
Contributions from Federal Government	45,985	—	—	45,985	31,333
Contributions from developers and other services	1,697,055	306,303	—	2,003,358	1,445,095
Proceeds from debt	12,000,000	—	—	12,000,000	—
Proceeds from capital leases	—	1,767,048	—	1,767,048	3,540,226
	10,940,674	701,446	—	11,642,120	1,548,302
Net increase (decrease) in cash and equivalents	14,393,384	(2,068,349)	44,486,270	56,811,305	975,468
Cash and investments at beginning of year	28,045,544	4,226,879	292,049,536	324,321,959	323,346,694
Cash and investments at end of year	$42,438,928	$ 2,158,530	$336,535,806	$381,133,264	$324,322,162
Reconciliation of net income to net cash provided by operating activities:					
Net income	$ 6,091,995	$ 726,674	$ 45,568,306	$ 52,386,975	$ 6,981,820
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation	3,080,906	3,738,127	—	6,819,033	5,925,433
(Increase) Decrease in inventory	(125,818)	5,564	—	(120,254)	(89,845)
(Increase) Decrease in accounts receivable	2,009,889	(192,907)	(842,465)	974,517	(1,580,764)
Decrease in due from other Funds	(1,227,331)	(135)	—	(1,227,466)	(762,110)
Increase in interest payable	442,516	—	—	442,516	194,233
Increase (Decrease) in vouchers payable	458,295	134,174	(239,571)	352,898	(696,250)
Increase in accrued salaries	60,443	35,291	—	95,734	109,857
Increase in compensated absences	83,379	91,829	—	175,208	164,313
Increase (Decrease) in contracts payable retainage	(206,388)	—	—	(206,338)	68,975
Increase (Decrease) in due to other Funds	(536,550)	(647,258)	—	(1,183,800)	3,096,431
Increase (Decrease) in other accrued liabilities	(8,900)	—	—	(8,900)	2,663
Gain on sale of equipment	—	(286,253)	—	(286,253)	(120,016)
Net cash and investments provided by operating activities	$10,122,436	$ 3,605,106	$ 44,486,270	$ 58,213,812	$ 13,294,740

See accompanying notes to financial statements.

COUNTY OF HENRICO
EXHIBIT 5

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUND TYPES—FOR THE YEAR ENDED JUNE 30, 1989

	Proprietary Fund Types		Total
	Enterprise	Internal Service	(Memorandum Only)
Cash flows from operating Activities:			
Operating income	$ 4,204,543	$ 782,217	$ 4,986,760
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	5,802,984	383,575	6,186,559
Amortization of debt premium, discount, and issuance costs	9,606	—	9,606
(Gain) loss on sale of equipment	(57,246)	77,941	20,695
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(558,373)	29,440	(528,933)
Decrease in due from other governmental units	1,625,059	—	1,625,059
Decrease (increase) in inventory	2,426	(21,834)	(38,267)
(Increase) in restricted assets	(63,111)	—	(63,111)
(Increase) in other assets	(6,984)	—	(6,984)
Increase (decrease) in accounts payable	303,755	(74,638)	229,117
(Decrease) in due to other funds	—	(12,952)	(12,952)
Increase in deposits payable	2,572	—	2,572
Increase (decrease) in accrued expenses and other liabilities	41,729	9,131	50,860
Increase in accrued interest payable	48,495	—	48,495
Increase in matured bonds and interest payable	20,311	—	20,311
Total adjustments	7,171,223	390,663	7,561,886
Net cash provided by operating activities	11,375,766	1,172,880	12,548,646
Cash flows from investing activities:			
Purchase of property, plant, and equipment	(36,453,701)	(804,295)	(37,257,996)
Proceeds from sale of equipment	100,175	79,332	179,507
Net cash used in investing activities	(36,353,526)	(724,963)	(37,078,489)
Cash flows from noncapital financing activities:			
Payment of advance to general fund	(40,000)	—	(40,000)
Net cash used in noncapital financing activities	(40,000)	—	(40,000)
Cash flows from capital and related financing activities:			
Contributed capital	28,169,071	622,760	28,791,831
Principal payments on long-term debt	(1,103,621)	—	(1,103,621)
Net cash provided by capital and related financing activities	27,065,450	622,760	27,688,210
Net increase in cash	2,047,690	1,070,677	3,118,367
Cash at July 1	32,095,590	820,261	32,915,851
Cash at June 30	$34,143,280	$1,890,938	$36,034,218
Supplemental disclosure of cash flow information:			
Interest paid during the year	$ 3,968,714		

Supplemental disclosure of noncash investing and financing activities:

The water and sewer revenue fund received donated assets in the form of water and sewer infrastructure provided by developers of new subdivisions throughout the County. The value of these assets received during the year was $16,790,438.

The Central Automotive Maintenance fund received $622,760 in capital contributed by the General Fund.

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PHOENIX, ARIZONA
EXHIBIT A-5

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUND TYPES—FOR THE FISCAL YEAR ENDED JUNE 30, 1989 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	1989	1988
Cash Flows from Operating Activities		
Cash Received from Customers	$ 251,906,678	$ 226,884,637
Cash Paid to Suppliers and Employees	(158,278,499)	(151,708,807)
Payment of Staff and Administrative Expenses	(11,316,000)	(9,927,000)
Payment in Lieu of Property Taxes	(4,888,757)	(4,371,611)
Net Cash Provided by Operating Activities	77,423,422	60,877,219
Cash Flows from Noncapital Financing Activities		
Borrowings from Other Funds	3,993,791	5,164,952
Operating Transfers In	35,596,882	32,298,954
Operating Transfers Out	(8,263,114)	(4,915,687)
Other Non-Operating Expenses	(914,028)	(977,589)
Net Cash Provided by Noncapital Financing Activities	30,413,531	31,570,630
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sales of Bonds	95,500,000	83,911,000
Principal Paid on Long-Term Debt	(60,537,967)	(38,740,116)
Interest Paid on Long-Term Debt	(55,233,530)	(52,235,146)
Interest Received on Invested Bond Proceeds	5,686,842	9,345,270
Acquisition and Construction of Capital Assets	(126,738,640)	(85,070,398)
Proceeds from Sales of Capital Assets	1,331,429	221,463
Capital Contributions	25,729,285	20,163,677
Issuance Costs of Refunding Bonds	(66,868)	—
Net Cash Used by Capital and Related Financing Activities	(114,329,449)	(62,404,250)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(2,970,993,832)	(2,027,454,258)
Proceeds from Sale and Maturities of Investment Securities	2,951,268,613	1,978,286,297
Interest on Investments	24,566,038	14,693,474
Net Cash Provided (Used) by Investing Activities	4,840,819	(34,474,487)
Net Decrease in Cash and Cash Equivalents	(1,651,677)	(4,430,888)
Cash and Cash Equivalents, July 1	79,121,689	83,552,577
Cash and Cash Equivalents, June 30	$ 77,470,012	$ 79,121,689
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	$ 29,983,188	$ 26,624,403
Adjustments to Reconcile Net Operating Income to Net Cash Provided By Operating Activities		
Depreciation and Amortization	47,158,187	45,067,955
Bad Debt Expense	1,148,705	1,555,489
Change in Assets and Liabilities		
Increase in Cash Deposits	(4,338,690)	(5,203,000)
(Increase) Decrease in Receivables	1,515,313	(3,222,173)
Decrease in Allowance for Doubtful Accounts	(636,169)	(343,806)
Increase in Prepaid Expenses	(12,136)	(40,419)
(Increase) Decrease in Inventories	315,385	137,501
Increase (Decrease) in Accounts Payable	1,275,465	(2,454,444)
Increase (Decrease) in Trust Liabilities and Deposits	276,234	(1,543,403)
Increase in Deferred Revenue	371,429	—
Increase in Accrued Vacation and Compensatory Time	316,511	299,116
Net Cash Provided by Operating Activities	$ 77,423,422	$ 60,877,219
Noncash Transactions Affecting Financial Position		
Contributions of Fixed Assets	$ 18,438,488	$ 22,750,365
Bond Retirement in Excess of Refunding Issuance	1,975,000	—
Total Noncash Transactions	$ 20,413,488	$ 22,750,365

The accompanying notes are an integral part of these financial statements.

CITY OF HARTFORD
EXHIBIT 5

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989—WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1988

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)	
	Enterprise Funds	Pension Trust Funds	Nonexpendable Trust Funds	June 30, 1989	June 30, 1988
Cash Flows from Operating Activities					
Cash Received from Pension Contributions	$ —	$ 4,870,897	$ —	$ 4,870,897	$ 4,452,601
Cash Received from Rentals, Promotions and Other	13,761,898	660,193	—	14,422,091	14,041,610
Cash Paid to Suppliers, Employees and Other	(11,656,554)	(19,065,260)	(64,481)	(30,786,295)	(27,634,039)
Cash Paid Per Trust	—	—	(100,977)	(100,977)	(95,122)
Interest Paid on Employee Contributions	—	(14,990)	—	(14,990)	(12,501)
Net Cash Provided (Used) by Operating Activities	2,105,344	(13,549,160)	(165,458)	(11,609,274)	(9,247,451)
Cash Flows from Noncapital Financing Activities					
Operating Transfers—In from Other Funds	1,100,000	15,733,890	—	16,833,890	15,026,170
Operating Transfers—Out to Other Funds	(3,371,760)	—	—	(3,371,760)	(1,542,608)
Return of Advances to General Fund	—	—	—	—	(2,605,830)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,271,760)	15,733,890	—	13,462,130	10,877,732
Cash Flows from Capital and Related Financing Activities					
Purchase of Fixed Assets	(687,554)	—	—	(687,554)	(721,034)
Trade-in of Fixed Assets	15,270	—	—	15,270	20,000
Receipt of Contributed Capital	190,573	—	—	190,573	1,091,781
Net Cash Provided (Used) by Capital and Related Financing Activities	(481,711)	—	—	(481,711)	390,747
Cash Flows from Investing Activities					
Proceeds from Sales of Investments	32,813,990	684,306,914	26,625,065	743,745,969	640,114,482
Purchase of Investments	(32,521,921)	(719,799,418)	(27,928,902)	(780,250,241)	(674,826,968)
Interest and Investment Earnings	522,583	33,418,441	1,368,882	35,309,906	28,792,217
Net Cash Provided (Used) by Investing Activities	814,652	(2,074,063)	65,045	(1,194,366)	(5,920,269)
Net Increase (Decrease) in Cash	166,525	110,667	(100,413)	176,779	(3,899,241)
Cash July 1, 1988	527,860	141,630	22,060	691,550	4,590,791
Cash June 30, 1989	$ 694,385	$ 252,297	$ (78,353)	$ 868,329	$ 691,550

Noncash financing activities:
Operating transfers out in the amount of $730,000 have been accrued in the Enterprise Funds.

	Enterprise Funds	Pension Trust Funds	Nonexpendable Trust Funds	June 30, 1989	June 30, 1988
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities					
Net Income	$ (630,587)	$ 36,393,214	$ 1,203,424	$ 36,966,051	$ 32,238,700
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	1,585,035	—	—	1,585,035	1,540,478
Loss on Disposal of Equipment	12,952	—	—	12,952	10,087
Gain on Exchange of Assets	—	(107,534)	—	(107,534)	(118,559)
Interest and Investment Earnings	(522,583)	(33,418,441)	(1,368,882)	(35,309,906)	(28,792,217)
Operating Transfers—In from Other Funds	(1,100,000)	(15,733,890)	—	(16,833,890)	(15,026,170)
Operating Transfers—Out to Other Funds	3,371,760	—	—	3,371,760	1,542,608
Decrease in Due from Other Funds (Operations)	25	—	—	25	25,216
(Increase) Decrease in Accrued Interest Earnings	366	(682,509)	—	(682,143)	130,802
Decrease in Other Receivables (Net)	505	—	—	505	48,174

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)	
	Enterprise Funds	Pension Trust Funds	Nonexpendable Trust Funds	June 30, 1989	June 30, 1988
Decrease in Inventories	10,613	—	—	10,613	14,148
Decrease in Prepaid Expenses	4,410	—	—	4,410	8,939
Increase (Decrease) in Accrued Payrolls	3,762	—	—	3,762	(34,570)
Increase in Accounts Payable	106,314	—	—	106,314	168
Increase (Decrease) in Due to Other Funds	(674,129)	—	—	(674,129)	5,112
(Decrease) in Deferred Revenue	(98,769)	—	—	(98,769)	(853,868)
Increase in Accrued Vacation Pay	35,670	—	—	35,670	13,501
Total Adjustments	2,735,931	(49,942,374)	(1,368,882)	(48,575,325)	(41,486,151)
Net Cash Provided (Used) by Operating Activities	$ 2,105,344	$(13,549,160)	$ (165,458)	$(11,609,274)	$ (9,247,451)

See accompanying notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS—FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficit of expenses over revenues	$(3,700,922)	$(3,404,267)
Adjustments to reconcile deficit to net cash provided by operating activities:		
Depreciation and amortization	3,636,855	3,405,096
Amortization of bond issue costs	1,270	1,270
Loss on disposals of fixed assets	64,067	—
Decrease (increase) in assets:		
Accounts receivable:		
Commonwealth of Massachusetts	(189,031)	(482,953)
Other	(1,538)	35,188
Transportation subsidies receivable	—	31,336
Due from Urban Mass Transportation Administration	123,069	(1,157,648)
Prepaid expenses	184,771	3,321
Restricted assets	592,816	1,323,070
Increase (decrease) in liabilities:		
Accounts payable	(71,361)	30,384
Bank overdraft	(564,287)	564,287
Transportation subsidies payable	(100,678)	391
Revenue anticipation notes	500,000	—
Accrual for insurance claims	(2,541)	4,026
Accrued interest	112,223	(25,453)
Accrued payroll and related withholdings	29,786	(19,677)
Restricted liabilities	(330,376)	60,767
Net cash provided by operating activities	284,123	369,138
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,086,650)	(3,995,556)
Proceeds from the sale of property, plant and equipment	46,178	—
Net cash used in investing activities	(1,040,472)	(3,995,556)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital assistance	1,092,717	4,007,269
Repayment of transportation bonds	(235,000)	(235,000)
Other	(18,693)	—
Net cash provided by financing activities	839,024	3,772,269
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,675	145,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,348,670	1,202,819
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,431,345	$ 1,348,670

The accompanying notes are an integral part of these financial statements.

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY

STATEMENT OF CASH FLOW—FOR THE YEAR ENDED DECEMBER 31, 1988

Net Income Before Extraordinary Items		$ 227,479
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Increase in Working Funds	$ (1,000)	
Decrease in Receivables	33,222	

Increase in Plant Materials and Supplies	(26,094)	
Increase in Prepaid Insurance	(11,289)	
Decrease in Interest Receivable	70,166	
Decrease in Special Funds	150,000	
Decrease in Clearing Accounts	126,812	
Decrease in Preliminary Survey & Investigation	15,000	
Bridge & Termination Loan Writeoff	(817,452)	
Increase in Proposed Refunding	(9,221)	
Decrease in Unamortization of Debt Expense	19,551	
Decrease in Amortization of Debt Discount	24,578	
Decrease in WNP 4/5 Termination Loans	817,452	
Increase in Warrants Payable	65,607	
Decrease in Accounts Payable	(193,633)	
Increase in Taxes Payable	60,173	
Decrease in Interest Payable	(8,748)	
Increase in WPPSS Litigation Settlement	6,033,332	
Decrease in Miscellaneous Payable	(280,729)	
Decrease in Miscellaneous Deferred	(190,000)	
Inventory Additions—Salvage	39,086	
Writedown of BPA Conservation Receivable to Actual	(10,000)	
Adjustment of BPA Conservation Deferred Credit	190,000	
Adjustment of Sick Leave Liability	208,035	
Depreciation and Amortization Expense	940,656	
Extraordinary Loss Due to WPPSS Settlement	(9,393,332)	
Total Adjustments		$(2,147,828)
Net Cash Provided by Operating Activities		$(1,920,349)
Cash Flows From Investing Activities:		
Payment for Investments	$ (49,042)	
Sale of Investments	3,079,804	
Capital Expenditures	(1,257,721)	
Inventory Salvage	(39,086)	
Sales of Scrap	17,257	
Surplus Inventory Issues	8,875	
Net Cash Received from Investing Activities		$1,760,087
Cash Flows from Financing Activities:		
Payments to Retire Bonds	$ (375,000)	
Contributions in Aid	3,862	
Net Cash Used by Financing Activities		$ (371,138)
Net Increase (Decrease) in Cash & Cash Equivalents		$ (531,400)
Cash & Cash Equivalents Balance at 1-1-88		$ 578,091

Cash & Cash Equivalents Balance at 12-31-88	$ 46,691
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During Year for:	
Bond Principal Paid	$ 375,000
Bond Interest Paid	1,373,165
Utility Tax Paid	711,293
Privilege Taxes Paid	547,196
Total Cash Paid	$3,006,654

Supplemental Schedule of Non-Cash Investing & Financing Activities:

The District is the custodian of a retirement fund that is currently being litigated between the District and its retirees. The activity in the CNA fund is:

Interest Earned on Investments	$ 44,180

Additional Disclosure of Accounting Policy:

For the purpose of the statement of cash flows, the District considers their revenue fund cash account as the only cash or cash equivalent item.

See accompanying Notes to Financial Statements.

COUNTY OF SARATOGA, NEW YORK

COMBINED STATEMENT OF CASH FLOWS—PROPRIETARY FUND TYPE—YEAR ENDED DECEMBER 31, 1988

CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess of revenues over expense	$ 223,729
Adjustment to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation	260,800
Decrease in patients' accounts receivable	113,239
Increase In accounts receivable, other	(9,067)
Increase in inventories	(22,461)
Increase in prepaid expenses and other current assets	(15,206)
Increase in accounts payable	64,845
Increase in accrued compensation and related liabilities	44,666
Decrease in other accrued expenses	(1,542)
Decrease in due to third party payors	(92,726)
Decrease in due to Saratoga County	(69,122)
Decrease in patient credit balances	(11,301)
Net cash provided by operating activities	485,854
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property, plant and equipment	(40,412)
Net cash used in investing activities	(40,412)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on bonds	(100,000)
Net cash used in financing activities	(100,000)
Net increase in cash	345,442
Cash, beginning of year	707,069
Cash, end of year	$1,052,511
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid during the year	$ 119,600

See Notes to General Purpose Financial Statements.

TOWN OF MANCHESTER, CONNECTICUT

COMBINED STATEMENT OF CASH FLOW—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	Proprietary Fund Types		Fiduciary Fund Types		Totals
	Enterprise	Internal Service	Non-expendable Trusts	Retirement Allowance Fund	(Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received From Customers & Users	$9,467,463	$389,510	$1,433,103	—	$11,290,076
Cash Received From Pension Contributions	—	—	—	$ 2,816,328	2,816,328
Cash Paid To Suppliers & Employees	(5,640,622)	(313,286)	(840,067)	(1,597,805)	(8,391,780)
Interest Received	450,688	28,683	140,454	1,566,389	2,186,214
Interest Paid	(974,955)	—	—	—	(974,955)
Taxes Paid	(35,977)	—	—	—	(35,977)
Other Cash Payments	(72,522)	(22,708)	—	—	(95,230)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,194,075	82,199	733,490	2,784,912	6,794,676
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds From Sales Of Investment	—	—	116,623	6,273,179	6,389,802
Purchase Of Investments	—	—	(143,774)	(10,021,488)	(10,165,262)
Purchase Of Building, Machinery & Equipment	(8,617,840)	—	—	—	(8,617,840)
Net Cash Used in Investment Activities	(8,617,840)	0	(27,151)	(3,748,309)	(12,393,300)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment Of BANS & Bonds	(1,657,000)	—	—	—	(1,657,000)
Capital Contributions And Advances	7,364,844	—	—	—	7,364,844
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES:	5,707,844	0	0	0	5,707,844
NET INCREASE (DECREASE) IN CASH	284,079	82,199	706,339	(963,397)	109,220
CASH, JULY 1, 1988	4,877,865	254,125	545,424	2,305,052	7,982,466
CASH, JUNE 30, 1989	5,161,944	336,324	1,251,763	1,341,655	8,091,686

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	Proprietary Fund Types		Fiduciary Fund Types		Totals
	Enterprise	Internal Service	Non-expendable Trusts	Retirement Allowance Fund	(Memorandum Only)
NET INCOME	$2,533,799	$104,739	$ 86,102	$2,787,184	$5,511,824
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation Expenses	938,226	—	—	—	938,226
(increase) Decrease in Accounts Receivable	(260,304)	—	—	—	(260,304)
(increase) Decrease in inventory	(40,639)	—	—	—	(40,639)
Increase (Decrease) in Accounts Payable & Accrued Expenses	20,398	(2,833)	—	—	17,565
Increase (Decrease) in Other Liabilities	2,595	(19,707)	—	—	(17,112)
(Increase) Decrease in Accrued interest Receivable	—	—	—	61,948	61,948
(Increase) Decrease in Investments	—	—	—	(2,846,529)	(2,846,529)
Increase (Decrease) in Actuarial Deficiency	—	—	—	2,782,309	2,782,309
(Increase) Decrease in Due From Other Funds	—	—	(320)	—	(320)
Increase (Decrease) in Due To Other Funds	—	—	(9,035)	—	(9,035)
Increase (Decrease) in Deposits Payable	—	—	702,639	—	702,639
Gain On Sales of Investments	—	—	(45,896)	—	(45,896)
TOTAL ADJUSTMENTS	660,276	(22,540)	647,388	(2,272)	1,282,852
NET CASH PROVIDED BY OPERATING ACTIVITIES:	3,194,075	82,199	733,490	2,784,912	6,794,676

The accompanying notes are an integral part of this financial statement.

ST. LOUIS COUNTY, MISSOURI

COMBINED STATEMENT OF CASH FLOWS—PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND—YEAR ENDED DECEMBER 31, 1988

	Proprietary Fund Types			
	Internal Service	Enterprise	Fiduciary Fund Type—Pension Trust Fund	Total (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net operating income (loss)	$1,362,298	$ (110,656)	$ 8,094,814	$ 9,346,456
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation		372,838	—	372,838
Changes in assets and liabilities:				
Increase (decrease) in accrued liabilities	(749,268)	333,172	11,510	(404,586)
Decrease (increase) in net receivables	17,591	(11,042)	(355,425)	(348,876)
Decrease (increase) in prepaid expenses and inventories	—	10,720	—	10,720
Net cash provided by operating activities	630,621	595,032	7,750,899	8,976,552
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES:				
Nonoperating—contributed capital	—	120,612	—	120,612
Decrease (increase) in fixed assets, net	—	(343,219)	—	(343,219)
Net increase in cash and cash equivalents	630,621	372,425	7,750,899	8,753,945
CASH AND CASH EQUIVALENTS:				
Beginning of year	5,130,583	1,152,614	84,010,466	90,293,663
End of year	$5,761,204	$1,525,039	$91,761,365	$99,047,608

See notes to combined financial statements.

CITY OF MIDWEST CITY, OKLAHOMA

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUND TYPES—FOR THE YEAR ENDED JUNE 30, 1989

	Enterprise	Internal Service	Total (Memorandum Only)
OPERATING ACTIVITIES			
Net income	$3,992,310	0	3,992,310
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of bond issue expense	33,720	0	33,720
Changes in operating assets and liabilities:			
Increase in accounts receivable	(96,462)	0	(96,462)
Decrease in interest receivable	59,293	0	59,293
Decrease in restricted assets	830,609	0	830,609
Decrease in due from other funds	3,720	16,183	19,903
Increase in inventories	0	(17,653)	(17,653)
Increase in due to other funds	2,626	(20,976)	(18,350)
Increase in accounts payable	34,856	(20,233)	14,623
Decrease in interest payable	(127,158)	0	(127,158)
Net cash provided by operating activities	4,733,514	(42,679)	4,690,835
FINANCING ACTIVITIES			
Revenue bonds redeemed	(4,325,000)	0	(4,325,000)
Certificates of participation redeemed	(1,275,000)	0	(1,275,000)
Note payment made	(208,707)	0	(208,707)
Net cash used by financing activities	(5,808,707)	0	(5,808,707)
Decrease in cash and cash equivalents	(1,075,193)	(42,679)	(1,117,872)
Cash and cash equivalents at beginning of year	15,036,571	(90,885)	14,945,686
Cash and cash equivalents at end of year	$13,961,378	(133,564)	13,827,814

The accompanying independent auditors' report and notes are an integral part of this statement.

Section 6: The Auditor's Reports

AUDITOR OF GOVERNMENTS

The type of auditor varied in the surveyed entities as noted in the following tabulation:

TABLE 6-1. TYPE OF AUDITOR EXAMINING GOVERNMENTAL FINANCIAL STATEMENTS

	Instances Observed			
Type of Auditor	**1989**	**1988**	**1987**	**1986**
Certified public accountants	459	458	467	442
State audit agency	28	29	23	58
Two or more public accounting firms	11	13	8	2
Municipal accountant or auditor	1	0	2	2
Government auditor and CPA firm	1	0	0	0
Total Entities	500	500	500	504

REPORT ON AN AUDIT OF THE GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS OF THE ENTITY AS A WHOLE, OR THE DEPARTMENT, AGENCY OR ESTABLISHMENT COVERED BY THE AUDIT

For the most part, the auditor's opinions on the general purpose financial statements conformed to the standards described in the literature of the American Institute of Certified Public Accountants. That is the opinion stated that the audit was made in accordance with generally accepted auditing standards and that the financial statements presented fairly the financial position of the governmental unit in accordance with generally accepted accounting principles.

As noted in the following table the audit opinion referred to the following accounting principles:

TABLE 6-2. ACCOUNTING PRINCIPLES USED IN FINANCIAL STATEMENT PRESENTATION

	Instances Observed			
Accounting Principles	**1989**	**1988**	**1987**	**1986**
Generally accepted accounting principles (GAAP)*	474	472	460	412
State government principles*	2	10	12	14
State principles and other basis	0	1	1	5
Other basis of presentation*	24	19	34	92

*May include more than one basis.

Table 6-3 summarizes the variances of opinions observed among the surveyed financial statements. Examples relating to the audit of governmental units are shown on the following pages.

TABLE 6-3. FINANCIAL STATEMENTS COVERED BY THE BASIC AUDITOR'S OPINION

	Instances Observed			
Level of Primary Audit Responsibility	**1989**	**1988**	**1987**	**1986**
Combined financial statements (GPFS)	393	379	375	394
GPFS and, where applicable, combining, individual fund, and account group financial statements	105	116	110	100
GPFS and combining financial statements	0	1	9	8
Other	2	2	8	2

NATURE OF THE AUDITOR'S OPINION

Of the opinions observed during this year's analysis, 125 were qualified for departures from GAAP. Table 6-4 lists the more commonly cited reasons for a qualified audit opinion.

The nature of a qualified audit opinion requires the reader to research the reason for the qualification. Qualified audit opinions are not necessarily indicative of a "deficiency." The phrase "except for" is used in qualifications (e.g., "In our opinion, except for the omission of a general fixed asset group of accounts as discussed in the preceding paragraph, . . ."). Table 6-5 summarizes the reasons given by independent auditors for issuing qualifications for departures from generally accepted accounting principles.

TABLE 6-4. NATURE OF THE AUDITOR'S OPINION FOR SURVEYED FINANCIAL STATEMENTS

Nature of Auditor's Opinion for Surveyed Financial Statements That Contain an Audit Report	Instances Observed **1989**	**1988**	**1987**	**1986**
Unqualified	371	350	276	288
Qualified:*				
departure from GAAP	125	100	103	125
scope limitation	21	17	38	40
litigation	1	17	21	16
accounting principles not being consistently applied	2	11	6	13
contingent liabilities, other than litigation	0	7	6	9
disclaimer	1	1	3	4

*Observations for units having qualified auditor's opinions. Reports may have more than one qualification.

TABLE 6-5. ANALYSIS OF QUALIFICATIONS WITH REFERENCE TO DEPARTURES FROM GAAP

	Instances Observed			
Basis of Departures*	1989	1988	1987	1986
Fixed asset accounting or valuation..	91	41	42	31
Incomplete financial statements.......	19	46	65	89
Reporting entity	16	10	8	8
Pension liability..........................	15	14	20	11
Method of accruing revenues and expenditures	13	8	2	9
Inventory valuation accounting........	8	3	4	4
Compensated absences	6	6	8	6
Cash basis of accounting	1	0	5	7
Other reasons............................	8	9	9	12

*Observations for the units with qualified audit opinions for departures from GAAP. Reports may have more than one qualification with reference to departures from GAAP.

Examples of audit reports of surveyed financial statements are as follows:

UNQUALIFIED OPINIONS

Generally Accepted Accounting Principles

Report of Independent Public Accountants

Honorable Mayor and City Council
City of Springfield, Missouri:

We have audited the general purpose financial statements of the CITY OF SPRINGFIELD, MISSOURI, as of and for the year ended June 30, 1989, as identified in the Table of Contents to this Comprehensive Annual Financial Report. The general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of City Utilities of Springfield, Missouri, as of and for the year ended September 30, 1988, which represent 78% and 89%, respectively, of the assets and operating revenues of the Enterprise Funds of the City of Springfield, Missouri. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for City Utilities of Springfield, Missouri, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Springfield, Missouri, as of June 30, 1989, and the results of its operations and the cash flows of its Proprietary and Certain Fiduciary Fund Types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 6 to the general purpose financial statements, the report of the other auditors referred to above indicates that City Utilities of Springfield, Missouri is a defendant in a lawsuit, currently in the appeals process, alleging breach of contract. The ultimate outcome of the lawsuit cannot presently be determined. Accordingly, no provision for loss in excess of the original award, if any, that may result from resolution of this matter has been made in the general purpose financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The data contained in the combining, individual fund and individual account group financial statements and schedules as identified in the Table of Contents to this Comprehensive Annual Financial Report are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Springfield, Missouri. This information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The information included in the Introductory and Statistical sections of this Comprehensive Annual Financial Report has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on such information.

[Signature]

Kansas City, Missouri
September 28, 1989

Independent Auditor's Report

Board of Commissioners of
New Hanover County
Wilmington, North Carolina

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements and schedules of New Hanover County, North Carolina, as of June 30, 1989, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of New Hanover County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of New Hanover County, North Carolina, as of June 30, 1989, and the results of its operations and changes in financial position of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements and schedules referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of New Hanover County, North Carolina, as of June 30, 1989, and the results of operations of such funds and the changes in financial position of individual proprietary funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements and schedules. The introductory and statistical section of the comprehensive annual financial report are presented for purposes of additional analysis and are not a required part of the general purpose financial statements and the combining and individual fund and account group statements and schedules of New Hanover County, North Carolina. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and the combining and individual fund and account group financial statements and schedules and, accordingly, we express no opinion on them.

[Signature]

Wilmington, North Carolina
October 12, 1989

Auditors' Report on the Financial Statements

To the Honorable Supervisor
and Members of the Board of Trustees
Oak Park Township, Illinois

We have audited the financial statements of Oak Park Township, Illinois, and the combining, individual fund, and account group financial statements of the Township as of and for the year ended March 31, 1989, as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oak Park Township, Illinois, at March 31, 1989, and the results of its operations and its cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Oak Park Township, Illinois, at March 31, 1989, and the results of operations of such funds and the cash flows of individual proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

[Signature]

May 24, 1989
Westchester, Illinois

Independent Auditors' Report

The Honorable Boards of Directors
County Sanitation Districts
of Los Angeles County:

We have audited the general purpose financial statements of the County Sanitation Districts of Los Angeles County and the combining and individual fund financial statements as of and for the year ended June 30, 1989, as listed in the accompanying table of contents. These financial statements are the responsibility of the Districts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by mangement as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County Sanitation Districts of Los Angeles County as of June 30, 1989 and the results of their operations and the changes in the financial position of their proprietary and nonexpendable trust fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the County Sanitation Districts of Los

Angeles County as of June 30, 1989 and the results of operations of such funds and the changes in financial position of individual proprietary and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

[Signature]

December 8, 1989

Other Comprehensive Basis of Accounting

When reporting on financial statements prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles, SAS No. 62, Special Reports, requires that the report include an additional paragraph to the standard auditor's report that—

(1) States the basis of presentation and refers to the note to the financial statements that describes the basis.

(2) States that the basis of presentation is a comprehensive basis of accounting other than generally accepted accounting principles.

Cash Basis

Board of Education
Consolidated School District No. 2
Raytown, Missouri

We have audited the accompanying general purpose financial statements, listed in the table of contents, of the Consolidated School District No. 2 for the year ended June 30, 1989. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Governmental Audit Standards* issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities rising from cash transactions of the various funds of the Consolidated School District No. 2 at June 30, 1989, and the revenues collected, expenditures paid, and changes in fund balance of such funds for the year then ended, on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary data presented in Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

August 24, 1989

1. Summary of Significant Accounting Policies [In Part]

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The accounts of the District are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Therefore revenues and expenditures are recognized only when collected or paid, and receivables and accrued liabilities are not reflected in the financial statements.

Independent Auditors' Report

The Honorable Board of Commissioners
County of Montgomery, Pennsylvania:

We have audited the financial statements of the County of Montgomery, Pennsylvania oversight unit (the "County") for the year ended December 31, 1988 listed in the foregoing table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, as described in Note 1, the statement referred to above includes only the financial activity of the oversight unit. Financial activities of other component units that form the reporting entity are not included.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements and changes in cash balances of the various funds of the County of Montgomery, Pennsylvania oversight unit for the year ended December 31, 1988, on the basis of accounting described in Note 1.

[Signature]

July 20, 1989
(except for Note 11.C as to which the date is September 20, 1989)

1. Summary of Significant Accounting Policies [In Part]

Basis of Accounting—The accompanying financial statements are presented on the cash basis of accounting. Under this method of accounting, receipts are recorded when cash is received and disbursements are recorded when payments are made.

[Note: Table of contents listed the following financial statements:

Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investments for the Year Ended December 31, 1988

Statement of Cash Receipts and Cash Disbursements—General Fund—Budget and Actual for the Year Ended December 31, 1988

Notes to Financial Statements for the Year Ended December 31, 1988]

Budgetary Basis

Independent Auditor's Report

To the Honorable Board of Legislators
of the County of Westchester, New York

We have audited the general purpose financial statements of the County of Westchester, New York as of and for the year ended December 31, 1988 as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the County management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Notes 1 and 2, the County's policy is to prepare its financial statements on a prescribed basis of acounting that demonstrates compliance with the budgetary provisions of the County of Westchester, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity of the County of Westchester, New York at December 31, 1988 and the revenues, expenditures and changes in fund equity for the year then ended on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial statements listed as combining and individual fund financial statements and schedules in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Westchester, New York. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

March 29, 1989

Note 1—Summary of Significant Accounting Policies [In Part]

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

It is the policy of the County to record revenue in governmental and expendable trust funds only when received in cash, with the following variations:

a. Revenues applicable to the fiscal year and received prior to the date of the auditor's report but in no case later than seventy-five days after the end of the year, which by inclusion would result in the recognition of four quarters or twelve months of revenue, are generally accrued as of year-end.

b. Revenues arising from contractual agreements for services performed or expenditures made are accrued if receipt is delayed beyond the normal time of receipt, but in no event for a period greater than one year.

c. State and federal aid for expenditures made by the Department of Social Services represents revenue arising from grant funds and, as a result, is recognized in the period in which the expenditure is made.

d. Expenditures estimated to be incurred under existing contracts between the Department of Community Mental Health and the various private agencies funded by the Department are accrued at year-end. State aid based upon these estimates is recognized as revenue in the same period. The accounting for these revenues and expenditures is maintained in the Trust and Agency Fund.

The above treatment of revenues is at variance with generally accepted accounting principles which require that revenues be recognized in the accounting period in which they become objectively measurable and available (See Note 2).

Revenues susceptible to accrual include real property taxes, expenditures reimbursement-type grants, intergovernmental revenues and operating transfers.

Expenditures are recorded when the liability is incurred, with the exception of (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, (2) compensated absences which are charged as an expenditure when paid and (3) unmatured interest on general long-term debt which is recognized as an expenditure when due.

The enterprise fund and the nonexpendable trust funds are accounted for using the accrual basis of accounting.

Note 2—Stewardship, Compliance and Accountability [In Part]

Departures from Generally Accepted Accounting Principles

The accompanying financial statements have been prepared on a basis consistent with the budgetary and accounting policies of the County. However, these policies differ from generally accepted accounting principles as prescribed for state and local governmental units with respect to recognition of certain revenues.

Generally accepted accounting principles require that revenues, with the exception of grant funds, be recognized in the accounting period in which they become objectively measurable and available. With regard to grant funds, if the expenditure of funds is the prime factor for determining eligibility for grant monies, revenues should be recognized at the time the funds are expended. As disclosed in Note 1, the County generally recognizes revenue with the exception of State and Federal reimbursements in the Department of Social Services, on the cash basis, but generally includes four quarters or twelve months of revenue in each category. The following schedule discloses the effects of the conversion to generally accepted accounting principles and the resulting estimated increases (decreases) in revenues and fund equity in the respective funds, had the financial statements been prepared in accordance with generally accepted accounting principles:

WESTCHESTER COUNTY DEC 31, 1988

	Increase in Fund Equity December 31	Increase (Decrease) in Revenue
General fund		
1988	$22,821,107	($6,637,162)
1987	29,458,269	(6,108,731)

June 20, 1989

The Board of Directors
Wet Walnut Creek Watershed
Joint District No. 58
La Crosse, Kansas 67548

We have audited the accompanying financial statements of the Wet Walnut Creek Watershed, Joint District No. 58, for the year ended December 31, 1988. These financial statements are the responsibility of the Watershed's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas *Minimum Standard Audit Program* and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Watershed's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balance of Wet Walnut Creek Watershed, Joint District No. 58 as of December 31, 1988, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1. The schedules and other information listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, such additional information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the use of management, the cognizant federal and state agencies, and other federal audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which upon acceptance by the board of Wet Walnut Creek Watershed, Joint District No. 58, is a matter of public record.

[Signature]

Note 1—Summary of Significant Accounting Polices [In Part]

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Wet Walnut Creek Watershed, Joint District No. 58's policy is to prepare its financial statements on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. This results in a statement of revenues on the cash basis and expenditures on a modified accrual basis further modified by the inclusion of encumbrances. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance, encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the District are not recorded.

REFERENCE TO RELIANCE ON OTHER AUDITOR

When a principal auditor decides to make reference to the audit of another auditor when the principal auditor expresses an opinion on the financial statements, SAS No. 1 requires that the principal auditor's report indicate clearly, in the introductory, scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by the principal auditor's own audit and that covered by the audit of the other auditor. The report should disclose the magnitude of the portion of the financial statements audited by the other auditor. This may be done by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria, whichever most clearly reveals the portion of the financial statements audited by the other auditor. The other auditor may be named but only with his or her express permission and provided his or her report is presented together with that of the principal auditor.

When two or more auditors in addition to the principal auditor participate in the audit, the percentages covered by the other auditors may be stated in the aggregate.

Independent Auditor's Report

Honorable Mayor and City Council
City of Aurora, Colorado

We have audited the accompanying general purpose financial statements of the City of Aurora, Colorado as of December 31, 1988 and for the year ended as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Aurora, Colorado Municipal Building Corporation or the General Employees Pension fund, which represent the following percentages of the assets and revenues of various fund types or account groups.

	Assets	Revenues
Special Revenue	14%	3%
Debt Service	26%	12%
Capital Projects	62%	28%
Trust and Agency	69%	71%
General Fixed Assets	28%	—
General Long-Term Debt	52%	—

Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for the Aurora, Colorado Municipal Building Corporation and the General Employees Pension Fund, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, and the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Aurora, Colorado as of December 31, 1988 and the results of its operations, and the changes in financial position of its proprietary fund types, for the year then ended, all in conformity with generally accepted accounting principles.

As discussed in Note Q to the financial statements, the City changed its method of accounting for deferred compensation plans.

As explained in Note R to the financial statements, the City changed its reporting entity for its new hire fire and policy pension plans.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is presented fairly, in all material respects, in relation to the general purpose financial statements taken as a whole.

[Signature]

Denver, Colorado
May 17, 1989

Report of Independent Public Accountants

To the County Commissioners of
Boone County, Missouri:

We have audited the accompanying general purpose financial statements of Boone County, Missouri, as of December 31, 1988, and for the year then ended, as identified in the Financial section in the table of contents of this Comprehensive Annual Financial Report. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Boone Hospital Center, Boone Retirement Center and Boone County Regional Sewer District, which statements reflect all the assets and revenues of the enterprise funds. We also did not audit the financial statements of Boone County Group Homes, which statements reflect assets and revenues of 12% and 15%, respectively, of the combined special revenue funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Boone County, Missouri, as of December 31, 1988, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules identified in the table of contents of this Comprehensive Annual Financial Report are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Boone County, Missouri. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The information included in the Introduction and Statistical sections of this Comprehensive Annual Financial Report has not been audited by us and, accordingly, we express no opinion on such information.

[Signature]

Kansas City, Missouri
March 27, 1989

Report of Independent Certified Public Accountants

Honorable Mayor and Members
Board of County Commissioners
Metropolitan Dade County, Florida:

We have audited the accompanying general purpose financial statements of Metropolitan Dade County, Florida, as of and for the year ended September 30, 1988. These financial statements are the responsibility of the County's administration. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Dade County Transit Agency, Metropolitan Dade County Seaport Department, Metropolitan Dade County Aviation Department, the Metro-Dade Water and Sewer Utility, and the Miami-Dade Water and Sewer Authority Department, or the Public Health Trust of Dade County, Florida, which statements for fiscal year 1988 reflect total assets and operating revenues constituting 92% and 88%, respectively, of the related combined totals of the Enterprise Funds. We did not audit the financial statements of the Department of Special Housing Programs, which statements reflect total assets and revenues constituting 2% and 16%, respectively, of the related combined totals of the Special Revenue Funds. We also did not audit the financial statements of the Clerk of the Circuit and County Courts, which statements reflect total assets constituting 11% of the related combined totals of the Trust and Agency Funds. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements present fairly the financial position of Metropolitan Dade County, Florida, as of September 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

As explained in Note 3 to the financial statements, the County has given retroactive effect to the change in accounting for its Special Assessment Funds, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 6, "Accounting and Financial Reporting for Special Assessments."

[Signature]

Miami, Florida
December 28, 1988 (except with respect to the matter discussed in Note 14, as to which the date is March 9, 1989).

Independent Auditor's Report

To The City Council of the
City of Chicago, Illinois:

We have audited the accompanying combined financial statements of the City of Chicago, Illinois, as of and for the year ended December 31, 1988, as listed in the table of contents. These combined financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of the City's Pension and Deferred Compensation Plans which, in the aggregate, represent substantially all the assets of the Fiduciary Fund Type. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such Plans, is based solely upon the reports of other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

We were unable to audit the financial data included in the General Fixed Assets Account Group (Note 1).

In our opinion, based upon our audit, the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the General Fixed Assets Account Group, the combined financial statements referred to above present fairly, in all material respects, the financial position of the City of Chicago, Illinois, as of December 31, 1988, and the results of its operations and the changes in the financial position of its proprietary fund type and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

As described in Note 1(p), total equity for Chicago-O'Hare International Airport at January 1, 1988 was restated to account for a revision in a proposed settlement agreement.

The audit referred to above was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining, individual fund and account group statements listed in Part II in the table of contents are presented for purposes of additional analysis rather than to present the financial position and results of operations of individual funds or account groups, or the changes in financial position of individual proprietary funds. This information, except for that related to the General Fixed Assets Account Group, which is unaudited, and for that relating to the Pension Trust Funds and Deferred Compensation Plans, which were derived from financial statements audited by other auditors, has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is stated fairly in all material respects in relation to the combined statements taken as a whole.

The information listed in Part III in the table of contents was not audited by us and, accordingly, we express no opinion thereon.

[Signature]

Chicago, Illinois
June 15, 1989

Independent Auditors' Report

The Honorable Members of the
Board of Supervisors
County of Smyth, Virginia

We have audited the general purpose financial statements of the County of Smyth, Virginia, and the combining financial statements of the County as of and for the year ended June 30, 1989 as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the School Cafeteria Fund, which is included in the financial statements, which statements include assets of $117,642 and total operating revenues of $508,613. These statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the fund, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* (1988 Revision) issued by the Comptroller General of the United States, and *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the general purpose financial statements referred to above do not include a general fixed asset account group, which should be included to conform with generally accepted accounting principles.

In our opinion, except that the omission of the general fixed assets account group described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Smyth, Virgnia, at June 30, 1989, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the County of Smyth, Virginia at June 30, 1989, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining financial statements. The accompanying financial information listed as supporting schedules in the table of contents, including the Schedule of Federal Financial Assistance, is presented for purposes of additional analysis and is not a required part of the financial statements of the County of Smyth, Virginia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose and combining financial statements taken as a whole.

[Signature]

Charlottesville, Virginia
October 19, 1989

OPINIONS BY TWO OR MORE AUDITORS

Independent Auditors' Report

The Honorable Members of the County Council
and the County Executive
Anne Arundel County, Maryland:

We have audited the general purpose financial statements of Anne Arundel County, Maryland as of and for the year ended June 30, 1989, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Board of Education of Anne Arundel County and the Anne Arundel Community College, which account for the following percentages of the related amounts in the general purpose financial statements:

	Percentage of Assets	Percentage of Revenues
Special revenue funds	80	94
Capital project funds	9	51
Fiduciary funds (excluding pension trust funds)	18	100
General fixed assets accounting group	56	—
Higher education funds	100	100

The financial statements of these two entities were audited by other auditors whose reports have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for these two entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Anne Arundel County, Maryland at June 30, 1989, and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Anne Arundel County, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary information included in the Statistical Section, as listed in the accompanying table of contents, has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on them.

[Signature]
County Auditor

[Signature]
Independent Certified
Public Accountants

October 6, 1989

Independent Auditor's Report

To the Chairman and Members
of the Shelby County Board of
Commissioners and Mayor
Shelby County, Tennessee

We have audited the accompanying combined financial statements of Shelby County, Tennessee, and the combining, individual fund and account group financial statements as of and for the year ended June 30, 1989, as listed in the table of contents. These financial statements are the responsibility of Shelby County, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned combined, combining, individual fund and account group financial statements present fairly, in all material respects the financial position of Shelby County, Tennessee as of June 30, 1989, and the results of its operations and changes in financial position of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The financial information listed as supplemental information in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of Shelby County, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the combined, combining, individual fund and account group financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the combined, combining, individual fund and account group financial statements taken as a whole.

[Signature]
Certified Public Accountant

[Signature]
Certified Public Accountant

October 18, 1989, except as to Note 17,
for which the date is November 20, 1989.

Report of Independent Public Accountants

To the Honorable Mayor and City Council,
City of Dallas, Texas:

We have audited the combined financial statements of the City of Dallas, Texas, as of and for the year ended September 30, 1988, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the City of Dallas, Texas, at September 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the City of Dallas, Texas. Such information has been subjected to the auditing procedures applied in our audit of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information included in the statistical section of this report has been summarized from the City's records and was not subjected to the audit procedures that were applied in the audit of the combined financial statements. Accordingly, we express no opinion on such information.

[Signature]
Certified Public Accountant

[Signature]
Certified Public Accountant

[Signature]
Certified Public Accountant

Dallas, Texas
December 16, 1988

Independent Auditors' Report

The Board of Directors of the
Golden Gate Bridge, Highway and
Transportation District:

We have audited the accompanying statements of financial position of the Golden Gate Bridge, Highway and Transportation District (the District) as of June 30, 1989 and 1988 and the related statements of revenues and expenses, equity and changes in financial position for the years then ended.

These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the District for the years ended June 30, 1989 and 1988 and the related statements of revenues and expenses, equity and changes in financial position for the years then ended in conformity with generally accepted accounting principles.

[Signature]
Certified Public Accountant

[Signature]
Certified Public Accountant

September 8, 1989

EXPLANATORY PARAGRAPH—CHANGES IN ACCOUNTING

If there has been a change in accounting principles or in the method of their application that has a material effect on the comparability of the entity's financial statements, SAS No. 58, Reports on Audited Financial Statements, requires the auditor to refer to the change in an explanatory paragraph of the auditor's report. Such explanatory paragraph (following the opinion paragraph) should identify the nature of the change and refer the reader to the note in the financial statements that discusses the change in detail. The auditor's concurrence with a change is implicit unless the auditor takes exception to the change in expressing his opinion as to fair presentation of the financial statements in conformity with generally accepted accounting principles.

The addition of this explanatory paragraph in the auditor's report is required in reports on financial statements of subsequent years as long as the year of the change is presented and reported on. However, if the accounting change is accounted for by retroactive restatement of the financial statements affected, the additional paragraph is required only in the year of the change since, in subsequent years, all periods presented will be comparable.

Report of Independent Public Accountants

To the Board of Mayor and Aldermen
City of Manchester
Manchester, New Hampshire

We have audited the accompanying general purpose financial statements of the funds and account group, as listed in the accompanying index, of the City of Manchester, New Hampshire (the City) at December 31, 1988 and for the year then ended. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the City's Water Works Department, an enterprise fund, which statements reflect total assets and revenues constituting 45% and 40%, respectively, of the combined assets and revenues of the City's enterprise funds. Those statements were audited by other auditors whose report, which has been furnished to us, was qualified as described in the fourth paragraph below. Our opinion, insofar as it relates to data included for the City's Water Works Department, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 2, the general purpose financial statements do not include a fixed asset account group and the enterprise funds do not include fixed assets related to the Manchester Municipal Airport and Manchester Municipal Parking as required by generally accepted accounting principles. Amounts that should be recorded in the general fixed asset account group and in the enterprise funds related to the Manchester Municipal Airport and Manchester Municipal Parking are not known.

As discussed in Note 4 to the general purpose financial statements, an actuarial valuation has not been performed for supplemental retirement benefits for certain teachers in the City's school system. Generally accepted accounting principles require that supplemental retirement benefits be accrued over the period of employees' services and that the City's accrued obligation at each balance sheet date be disclosed. No amount has been accrued or disclosed in the accompanying financial statements for unvested benefits as the amount has not been determined.

As discussed in Note 4 to the general purpose financial statements, benefits payable under one of the City's pension plans are recognized on the pay-as-you-go basis although generally accepted accounting principles require that pension costs be determined on an accrual basis. The amount of such unrecorded pension costs and related liabilities on an accrual basis have not been determined.

The latest actuarial valuations for one of the City's pension plans and one of its supplemental benefits plan were as of January 1, 1982. Generally accepted accounting principles require current actuarial valuations to determine the present value of accumulated plan benefits. In addition, because of the absence of current actuarial information, certain required disclosures have been omitted.

In our opinion, based on our audit and the report of other auditors, except for the effects on the combined financial statements of the differences in accounting practices referred to in the four preceding paragraphs, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of the fund types and the account group of the City of Manchester at December 31, 1988 and the results of operations and changes in financial position of proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

During the year, management of the City implemented an accounting change for the self-insurance program in order to provide a more appropriate classification of operations and better matching of revenues and expenditures. The effect of the change with which we concur, on the general purpose financial statements is described in Note 12 to the general purpose financial statements.

As discussed in Notes 6 and 11 to the general purpose financial statements, the City makes significant estimates in determining the amounts of 1) possible real estate tax abatements that may result from requests for abatement filed by various taxpayers and, 2) unsettled claims under its self-insurance program. City management believes that tax abatement reserves provided and the self-insurance reserves recorded as appropriations in the general fund are adequate to cover abatements that may be granted or self-insurance losses for which the City may be liable. It is not determinable whether additional claims or revisions to estimates required for settlement of these matters could have a material effect on the general purpose financial statements.

Our audit has been made primarily for the purpose of expressing an opinion on the general purpose financial statements taken as a whole. The accompanying supplementary information listed in the index to general purpose financial statements and supplementary information is presented for additional analysis and is not a required part of the general purpose financial statements. Such additional information has not been subjected to the procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

[Signature]

June 30, 1989

6. Receivables, Revenue and Deferred Revenue [In Part]

The City makes significant estimates in determining the amounts of possible real estate tax abatements that may result from requests for abatement filed by various taxpayers. City management believes that tax abatement reserves provided are adequate to cover abatements that may be granted. It is not determinable whether additional claims or revisions to estimates required for settlement of abatements could have a material effect on the general purpose financial statements.

11. Contingent Liabilities and Insurance

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Solicitor and other City officials, liabilities arising from these claims and legal actions, if any, will not be significant.

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be significant.

The Clean Water Act required the City to cease discharge of raw sewage into waterways by July 1, 1988. Since the City of Manchester's Water Pollution Abatement Program was not completed by this date, a civil penalty of $145,000 (which is included in rent and other expenses in the enterprise fund in the accompanying general purpose financial statements) was levied as part of a consent decree entered into by the City with the State of New Hampshire as agent for the EPA. Additionally, the City may be assessed additional fines as a result of its anticipated inability to complete construction on a pump station within the deadlines established by the consent decree due to a dispute with a contractor, and its continual exceeding of allowable levels of coliform levels.

The City's insurance coverage consists of both self-insured programs and policies maintained with various carriers. Insurance maintained for each type of claim is as follows:

Accident and health—Accident and health claims are administered through a private carrier. The City is self-insured under this program up to $100,000 for each individual claim and in the aggregate up to the premium that would have been paid to the private carrier to obtain the same coverage.

Property—Property insurance is maintained with a commercial insurer and provides for a deductible of $100,000 for each claim and an overall coverage limit of $100,000,000.

Liability—Liability claims are administered through a private carrier. The City is self-insured under this program. State law generally limits a city's liability for an incident to $150,000 per individual and $500,000 per incident.

Workers' compensation—Workers' compensation claims are administered through a private carrier. The City is self-insured under this program for all City employees.

At December 31, 1988, $711,180 of claims and judgments settled during 1988 were accrued in the governmental funds. In addition, $3,620,359 was recorded in the general long-term account group as the City's estimated liability for claims incurred in 1988 or prior which have not been settled.

The City makes significant estimates in determining the amounts of unsettled claims under its self-insurance program and believes that the self-insurance reserves recorded as appropriations in the general fund are adequate to cover losses for which the City may be liable. It is not determinable whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the general purpose financial statements.

12. Accounting Change

During 1988, management of the City implemented an accounting change for the self-insurance program (see Note 11) to provide a better matching of estimated claim payments and expendable available resources. In prior years, all insurance claims were accrued in the governmental funds. Beginning in 1988, only settled claims expected to be paid from expendable available resources were accrued in the governmental funds with the balance accrued in the long-term debt account group. The effect of the change in 1988 was to increase the opening fund balance of the general fund by $1,757,637. The Total (memorandum only) column for 1987 was restated to reflect this change. The effect of this change in 1987 was to increase the opening fund balance of the general fund by $1,451,993 and decrease expenditures by $305,644. The amount shown as the cumulative effect of retroactive changes in accounting principles in the combined statement of revenues, expenditures and changes in fund balances in the 1987 Total (memorandum only) column of $174,956 is the net of the effect of the change in accounting for the self-insurance program of $1,451,993 and the effect of the change in accounting for the Manchester Municipal Parking Operations in the enterprise fund instead of a governmental fund of $1,277,037.

Report of Independent Certified Public Accountants

Honorable Mayor and Members
Board of County Commissioners
Metropolitan Dade County, Florida:

We have audited the accompanying general purpose financial statements of Metropolitan Dade County, Florida, as of and for the year ended September 30, 1988. These financial statements are the responsibility of the County's administration. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Dade County Transit Agency, Metropolitan Dade County Seaport Department, Metropolitan Dade County Aviation Department, the Metro-Dade Water and Sewer Utility, and the Miami-Dade Water and Sewer Authority Department, or the Public Health Trust of Dade County, Florida, which statements for fiscal year 1988 reflect total assets and operating revenues constituting 92% and 88%, respectively, of the related combined totals of the Enterprise Funds. We did not audit the financial statements of the Department of Special Housing Programs, which statements reflect total assets and revenues constituting 2% and 16%, respectively, of the related combined totals of the Special Revenue Funds. We also did not audit the financial statements of the Clerk of the Circuit and County Courts, which statements reflect total assets constituting 11% of the related combined totals of the Trust and Agency Funds. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements present fairly the financial position of Metropolitan Dade County, Florida, as of September 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

As explained in Note 3 to the financial statements, the County has given retroactive effect to the change in accounting for its Special Assessment Funds, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 6, "Accounting and Financial Reporting for Special Assessments."

[Signature]

Miami, Florida,
December 28, 1988 (except with respect to the matter discussed in Note 14, as to which the date is March 9, 1989).

Note 3—Changes in Accounting Policies

In accordance with the provisions of Statement No. 6 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Special Assessments," the County's Special Assessment Fund Type has been eliminated for financial reporting purposes, effective October 1, 1987.

Special assessment activities of a capital nature are now reported in the Capital Projects Fund. Special assessment activities of a service or maintenance nature are now reported in the Special Revenue Fund. Special assessment debt for which the County is not obligated in any manner is not included in the accompanying financial statements. Previously, such debt was reported in the Special Assessment Fund. Activities relating to the collection of debt related special assessments from property owners and payments to bond holders are reported in the Trust and Agency Fund.

This change in accounting increased fund equity of the Special Revenue Fund by $3,732,000 and increased total assets and liabilities of the Capital Projects and Trust and Agency Funds by $367,000 and $55,000, respectively, as of September 30, 1987. The excess of revenues over expenditures for the Special Revenue and Capital Projects Funds increased by $720,000 and $338,000, respectively for the year then ended. The "memorandum only" totals for fiscal year 1987 have been restated for the effect of the change.

Special assessment debt is payable solely from Special assessment collections and does not constitute an obligation of the County. At September 30, 1988, such bonds outstanding aggregated $41,036,000 and, accordingly, are not included in the accompanying financial statements.

Special Housing became a County department during the fiscal year. The Department's main function is to provide rental subsidies to approximately 9,000 privately owned and managed housing units. The Department receives Federal and State grants to achieve this objective.

This change in accounting increased fund equity of the Special Revenue Fund by $705,000 at September 30, 1987 and increased the excess of revenues over expenditures by $407,000 for the year then ended.

EXPLANATORY PARAGRAPH—UNCERTAINTIES

If there is a matter giving rise to a material uncertainty and the auditor has concluded that he or she should include an explanatory paragraph (following the opinion paragraph) in the auditor's report, SAS No. 58, Reports on Audited Financial Statements, requires the auditor to describe the matter giving rise to the uncertainty in the explanatory paragraph and indicate that its outcome cannot presently be determined. The separate paragraph(s) may be shortened by referring to disclosures made in a note to the financial statements. However, no reference to the uncertainty should be made in the introductory, scope or opinion paragraphs of the auditor's report. An explanatory paragraph following the opinion paragraph is not necessary when the auditor qualifies his or her opinion because of a GAAP departure related to an uncertainty and the paragraph that explains the reason for the qualification includes information that would otherwise be required in an explanatory paragraph following the opinion paragraph.

Independent Auditors' Report

Honorable Mayor and City Council
City of Dover, New Hampshire:

We have audited the general purpose financial statements of the City of Dover, New Hampshire, as of and for the year ended June 30, 1989, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in note 5, the financial statements referred to above do not include the General Fixed Asset Group of Accounts nor do they include the majority of the fixed assets, associated deprecition expense, accumulated depreciation or contributed capital of the Sewer Enterprise Fund, as required by generally accepted accounting principles.

As more fully described in note 6, certain outstanding long-term debt of the Sewer Enterprise Fund is accounted for in the General Long-term Debt Group of Accounts, although generally accepted accounting principles require that such debt be included in the financial statements of the Sewer Enterprise Fund.

In our opinion, except for the effects of the matters referred to in the third and fourth paragraphs above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Dover, New Hampshire at June 30, 1989 and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 13, the City has received notice from the United States Environmental Protection Agency that it is liable for a portion of the cost of investigation and clean-up of a land fill site. The ultimate cost to the City resulting from the above action is not determinable. Accordingly, no liability nor loss that may result from this action has been recognized in the accompanying financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedules listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

[Signature]

September 25, 1989

13. Commitments and Contingencies

Secondary Treatment Facility

The City of Dover entered into a consent decree effective September 25, 1987 with the U. S. Environmental Protection Agency and the State of New Hampshire to settle claims that the City has violated the federal and state Clean Water Act statutes and regulations. Under the provisions of the decree, the City has agreed to construct a secondary treatment facility in accordance with a stipulated time schedule that will result in completion of the facility in 1992, and comply with interim efficient discharge levels as stated in the decree.

Failing to comply with the provisions of the decree will result in stipulated penalties. At June 30, 1989, the City is in compliance with the decree.

The preliminary estimate of the cost of the secondary treatment plant is approximately $34,300,000. The City expects that the federal and state governments will participate in funding the cost of the new plant and that its share of the cost will be approximately $1,700,000. The City has reported approximately $23,000,000 associated with current contracts as an encumbrance of the Capital Projects Fund.

Tolend Landfill

The City of Dover has been identified as a potentially responsible party for the Tolend landfill hazardous waste site. Studies of this site are currently in the preliminary stages. The City and eight companies have entered into a Consent Order with the EPA and the State of New Hampshire in settlement of certain claims arising out of the studies. Pursuant to the order, the City contributed $400,000 to a trust fund to be used to reimburse the EPA and the State for the cost incurred to date.

The consent order addresses only costs associated with the remedial investigation and feasibility studies and does not consider any potential remediation or the associated cost. An estimate of the cost of any required remediation or its allocation among potentially responsible parties cannot be made at this time.

Federally Assisted Programs

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, National School Lunch and Education and Consolidation Improvement Act—Chapter I programs.

These programs are subject to financial and compliance audits by the grantors or their representatives, accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies upon audit cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are various additional suits and claims pending against the City which arise in the normal course of the City's activities. In the opinion of counsel and City management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the City.

Independent Auditor's Report

The Honorable Joseph R. Caputo
County Comptroller
Suffolk County, New York:

We have audited the general purpose financial statements of Suffolk County, New York (the "County") as of December 31, 1988 and for the year then ended, as listed in the accompanying table of contents. These financial statements and the supplemental schedules discussed below are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of the County at December 31, 1988 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As more fully discussed in Note 10 to the general purpose financial statements, the County is a defendant in several lawsuits and claims. The ultimate outcome of these lawsuits and claims cannot presently be determined. Accordingly, no provision for any loss that may result upon resolution of these matters has been made in the general purpose financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information presented on pages 54 to 132 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the County. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

The statistical data presented on pages 133 through 150 is presented for the purpose of additional analysis and is likewise not a required part of the general purpose financial statements. This data has been summarized from County records and other sources and was not subjected to the audit procedures applied in the audit of the general purpose financial statements. Accordingly, we do not express an opinion on such data.

[Signature]

April 21, 1989

10. Contingent Liabilities

The County is a defendant in several actions principally relating to the construction of portions of the Southwest Sewer District in which plaintiffs seek compensatory and punitive damages amounting to approximately $39,000,000 for the County's alleged breach of contract and other wrongful acts. The County has also filed several countersuits seeking similar damages relating to these actions.

The County is also a defendant in lawsuits related to a claim by LILCO for a refund of prior years' real property taxes and claims by others related to the County's participation in the construction and maintenance of ocean groins. The following matters were disclosed in the Official Statement, dated March 15, 1989, of Suffolk County for the issuance of $100,000,000 Drinking Water Protection Program (Serial) Bonds, 1989 relating to such claims:

"LILCO has pending in the Supreme Court of the State of New York, County of Suffolk, claims seeking a declaration that the entire assessment on the Shoreham property for the tax years ending in 1977 through 1988, with the exception of the tax year ending in 1979, is improper and illegal and should be stricken, and that the property should be valued at $0; and that a refund should be made to LILCO by the County for all taxes paid for Shoreham and that LILCO is entitled to a net refund of taxes in excess of $425 million, not including interest." The claim for refund was subsequently increased to $489 million plus interest.

"Various actions have commenced against, among others, the County, alleging damages resulting from the construction in the mid and late 1960's and 1970 of groins. The groins were constructed as part of a joint Federal-State-County beach erosion and hurricane protection project. Aggregate damages alleged against all defendants are approximately $87,000,000."

The County has also been named as a co-defendant in six separate actions commenced by the Suffolk County Water Authority, Town of Babylon and Town of Islip. Such actions arose from water main leaks and other damages allegedly caused by certain contractors during the construction of the Southwest Sewer District. The combined amount of all six actions is approximately $315 million.

The ultimate resolution of the matters outlined in the preceding paragraphs cannot presently be determined and the potential liability, if any, for these claims cannot be reasonably estimated. Therefore, no provision for such matters has been made in the accompanying financial statements.

The County is presently a defendant in several other lawsuits which arose out of the ordinary conduct of its affairs. It is the opinion of the County Attorney that settlement of these actions, if any, will not have a material effect on the financial position of the County.

Independent Auditors' Report

County Commissioners
County of Bucks, Pennsylvania:

We have audited the general purpose financial statements of the County of Bucks, Pennsylvania as of and for the year ended December 31, 1988 as identified in the financial section of the accompanying table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Bucks County Community College as of and for the year ended June 30, 1988 which statements reflect assets of $12,367,611 and revenues of $18,549,720 and are presented in these financial statements as a discrete presentation; nor did we audit the financial statements of the Bucks County Community College Authority as of and for the year ended June 30, 1988 which statements reflect assets constituting 3.0% and 13.2% of total Governmental Fund Type assets and General Fixed Asset Account Group assets, respectively, and revenues constituting 0.1% of total Governmental Fund Type revenues; nor did we audit the financial statements of the Bucks County Drug and Alcohol Commission, Inc. as of and for the year ended June 30, 1988 which statements reflect assets and revenues constituting 3.2% and 5.7% respectively of the total Special Revenue Fund Type assets and revenues. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Bucks, Pennsylvania at December 31, 1988, and the results of its operations and the changes in the financial position of its Proprietary and Similar Trust Fund Types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 20 to the general purpose financial statements, the County is a defendant in certain lawsuits. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no liability, and loss, that may result upon adjudication has been recognized in the accompanying financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and individual account group financial statements and schedules listed in the financial section of the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Bucks, Pennsylvania. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, based on our audit and the reports of the other auditors, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The schedule of historical pension information on Table 16 in the Statistical Section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

[Signature]

Philadelphia, Pennsylvania
June 8, 1989

20. Litigation

The Neshaminy Water Resources Authority (N.W.R.A.) was incorporated by the Board of County Commissioners in July of 1966. The N.W.R.A. has constructed flood control dams, multipurpose dams and recreational facilities, and is in the process of constructing the Point Pleasant Pumping Station and related facilities. N.W.R.A. borrowed $32,000,000 to finance construction of the facilities. The facilities are under lease to the County and the County pays a lease rental in order to enable the N.W.R.A. to meet its debt service requirements. In 1981 and 1982, the County and N.W.R.A. entered into contracts with Philadelphia Electric Company (PECO) and Montgomery County (North Penn/North Wales) for the purchase of raw water and treated water, respectively.

From 1983 to 1988, the County, N.W.R.A., PECO, and North Penn/North Wales have been involved in a variety of lawsuits. The end result of the lawsuits is that the N.W.R.A. and the County are under Court Order to complete the construction of the Point Pleasant Pumping Station and related facilities. North Penn/North Wales will construct the water treatment plant at Chalfont. North Penn/North Wales and PECO, in their lawsuits, claim damages against both the County and N.W.R.A. The question of damages has not yet been litigated and presents some exposure to the County as well as N.W.R.A. In May of 1988, the County Commissioners pursuant to the provisions of the Pennsylvania Municipality Authorities Act assumed control of the N.W.R.A. projects. Construction of the Point Pleasant Pumping station and related facilities are now under the jurisdiction of the County Commissioners. The County Commissioners have obtained a $16,000,000 line of credit from Fidelity Bank to finance the completion of this project and expect completion by the end of 1989. As of December 31, 1988, $4,923,599 has been drawn down. Negotiations are currently underway with North Penn/North Wales and PECO to restructure the water sales contracts and to resolve any damage claims of North Penn/North Wales and PECO. Legal counsel to the County for this project is unable at this time to evaluate the financial cost, if any, to the County.

Prior to Ordinance No. 76 and the Bucks County Court of Common Pleas, ruling of May 26, 1988 (see Note 2), a separate court ruling in 1986 in connection with the Point Pleasant Pumping Station litigation, the N.W.R.A. had been ordered to sell the North Branch Transmission Main, North Branch Water Treatment Plant, and the Western Transmission Main to the North Wales Water Authority (North Wales) and the North Penn Water Authority (North Penn). The purchase price has not been agreed upon and is subject to negotiations between the County, North Wales and North Penn. The N.W.R.A.'s historical cost for these assets is approximately $4,960,000. In December 1986, the N.W.R.A. transferred only the land for the North Branch Water Treatment Plant and the easements for the North Branch Transmission Main and the Western Transmission Main to North Wales and North Penn and received $393,000 for the cost of the land and easements. The permits associated with these transmission mains and treatment plant are in the process of being transferred to North Penn and North Wales. Amounts to be received from North Wales and North Penn for other costs associated with these projects are currently under negotiation among the three parties. No additional funds were received for these assets during 1988. Accordingly, the realizable value of these remaining assets cannot be determined at this time.

There are other miscellaneous lawsuits filed by contractors against the N.W.R.A. which the County now has assumed. It is anticipated that the County will be able to settle these lawsuits and that such settlements will have no material affect on the financial condition of the County.

As to other litigation, in the normal course of business there are various other claims and suits pending against the County. In the opinion of counsel, the amount of such losses that might result from these claims and suits, if any (excluding the N.W.R.A. claims, see above) would not materially affect the financial position of the County.

Independent Auditors' Report

The Honorable Mayor,
City Commission and City Manager
City of Fort Lauderdale, Florida:

We have audited the general purpose financial statements of the City of Fort Lauderdale, Florida as of and for the year ended September 30, 1988 as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Fort Lauderdale, Florida at September 30, 1988 and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 17, the City has been notified by American Telephone & Telegraph of an overpayment of utility taxes remitted to the City in fiscal years 1986, 1987 and 1988. The ultimate outcome of this claim for the return of the overpaid taxes cannot presently be determined. Accordingly, no liability and adjustment to current year revenues or beginning fund balance has been recognized in the General Fund as a result of this contingency.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Fort Lauderdale, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

January 13, 1989

(17) Commitments and Contingent Liabilities

The City has outstanding commitments for construction and acquisition of property, plant and equipment in the various enterprise funds. The following is a summary of the more significant of these commitments at September 30, 1988:

Water and Sewer Fund	
Injection Well Program	$ 134,159
Digital Control Systems for Water Treatment Plants	60,732
Collection and Distribution Systems	557,384
Fiveash Water Treatment Plant Expansion	1,013,897
Sludge Processing Facility	154,226
G.T. Lohmeyer Wastewater Treatment Plant Expansion	2,242,170
Master Plan Update	224,475
	4,387,043
Airport Fund	59,218
Taxiway and Runway Improvements	59,218
	$4,446,261

The City is also liable for accumulated and unpaid longevity pay in the approximate amount of $2,361,000 at September 30, 1988. This amount has not been recorded in the financial statements.

The General Fund and Intergovernmental Revenue Fund have made advances ($142,290 and $1,204,574 respectively at September 30, 1988) to the Airport Fund. The repayment of these advances is dependent on continued profitable operations of the Airport Fund.

The City has received a federal grant audit report questioning reimbursement from the Environmental Protection Agency (EPA) for the construction of a regional sewage pumping station which will not be placed into service due to circumstances beyond the City's control. The City and the EPA are working to resolve this matter and, as of the report date, the City is contingently liable for the repayment of $434,500 in grant funds.

American Telephone & Telegraph has notified the City of a $1,720,000 overpayment of utility taxes to the City in fiscal years 1985-86 through 1987-88. The ultimate outcome of this claim for the return of the overpaid taxes cannot presently be determined. Accordingly, no liability and adjustment to current year revenues or beginning fund balance has been recognized in the General Fund as a result of this contingency.

Various substantial lawsuits have been filed against the City including personal injury claims, liability claims related to police activities and general liability claims. The estimated liabilities related to the various claims have been accrued in the City Insurance Fund. In the opinion of City management, the expected liability for these claims would not materially exceed the amounts recorded in the financial statements.

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY

CLALLAM COUNTY, WASHINGTON—FORTY-FOURTH EXAMINATION—JANUARY 1, 1988 THRU DECEMBER 31, 1988

Independent Auditor's Report on Financial Statements

We have audited the financial statements of Public Utility District No. 1 of Clallam County, Washington, as of and for the years ended December 31, 1988 and 1987, as listed in the table of contents. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Clallam County at December 31, 1988 and 1987, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note 10 to the financial statements, the district has been named as a defendant in lawsuits alleging violations of securities laws concerning the sale of Washington Public Power Supply System bonds to finance construction of Nuclear Projects 4 and 5. A negotiated settlement has been reached in these cases subject to court approval. Any court approval rejection of the settlement is also subject to appeal. The ultimate outcome of the settlement is still uncertain at this time.

Also, as further discussed in Note 2, the district has notes receivable with ESM Government Securities, Inc., which terminated business as of March 4, 1985. The value of these investments cannot be determined at this time.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as a supporting schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

[Signature]

State Auditor
June 19, 1989

Note 10. Litigation Concerning Washington Public Power Supply System Projects and Related Matters

A substantial amount of litigation was pending in various state and federal courts in the Pacific Northwest and elsewhere, much of which results from WPPSS's termination of WNP Nos. 4 and 5 in January 1982, its implementation of an extended construction delay of WNP No. 3 in July 1983, and its sale of and subsequent default of $2,250,000,000 of revenue bonds issued for WNP Nos. 4 and 5. The District, other public and private utilities in the region, BPA and WPPSS, and various present and former officials of those entities, were parties in various combinations to the lawsuits. Other parties include, but were not limited to, former and present bondholders, underwriters, securities dealers, investment advisors, engineering firms, accountants, attorneys, and construction and supply contractors and the State of Washington.

Among the significant lawsuits in terms of their effect upon the District are those in which (1) plaintiffs did seek to prove the District jointly and severally liable for damages and losses suffered by the purchasers of the WNP Nos. 4 and 5 bonds, (2) plaintiffs may seek to hold the District responsible for contracts entered into by WPPSS, and (3) BPA could have been required to bear costs that would affect the rates the District must pay for power purchased from BPA. Power purchased from BPA currently accounts for all of the District's power requirements.

The District reached a settlement with the plaintiffs on September 13, 1988. As a result of the settlement, the District entered into a settlement in principle of this litigation, evidenced by an executed Memorandum of Understanding. Pursuant to that Memorandum, the court entered an order severing all claims against the District and staying all proceedings with respect to the District to allow for completion of the process necessary for consummation of the settlement.

Under the terms of the preliminary settlement agreement, the District will be responsible for payment of $6,521,750 ($4.75 million times Clallam's share of 1.373%). Payment shall be as follows:

(a) An initial payment of $1,000,000 in cash paid on October 13, 1988

(b) A credit of $521,750 for the assignment to the plaintiffs of all interest in the "Directors Settlement Agreement" insurance

(c) The balance of $5,000,000 shall be due on September 13, 1989, and shall bear no interest until due. The rate of interest shall be the 26-week Treasury Bill rate in effect at the time such interest begins to accrue.

(d) The balance of $5,000,000 shall further be reduced by credits for settlements reached between plaintiffs and other PUD defendants, where said settlements average multiplier is less than 4.25.

As a result of this settlement, it is Clallam's position that it should be eligible for additional credits of $2,170,350. In addition, the $2,490,966 received from the Bonneville Power Administration in January 1988, as a lump-sum settlement of the District's contract rights under the Exchange Transmission Credit Agreement, will be used toward payment of the final settlement amount. These funds have been reclassified to the Current Asset section of the Balance Sheet as Reserve for WPPSS Settlement. The monies are invested in Time Certificates of Deposit and will total approximately $2,837,300 at maturity in September 1989 prior to the due date of the final settlement payment on September 13, 1989.

The final net estimated loss of $1,338,684 is shown as an Extraordinary Loss on the Statement of Income computed as follows:

Total Settlement Obligation	$6,521,750
Less:	
Insurance Credit	521,750
Estimated Additional Settlement Credits	2,170,350
E.T.C.A. Funds Applied	2,490,966
Total Credits	5,183,066
Estimated Net Loss	$1,338,684

The balance of the unpaid estimated settlement amount due is computed as follows:

Total Settlement Obligation	$6,521,750
Less:	
Insurance Credit	521,750
Estimated Additional Settlement Credits	2,170,350
October Settlement Payment	1,000,000
Total Credits	3,692,100
Estimated Net Amount Due	$2,829,650

The District's settlement, as well as those of other defendants which have not yet been submitted for court approval, are subject to approval by the Court, after hearing following notice to members of the plaintiff class. Although approval is not a certainty, based upon the court's approval of the earlier settlements by the underwriters, one group of utilities, and special counsel, and of the settlement by local counsel for the participants, the District's counsel has advised that it believes the court will approve the District's settlement. The settlement hearing has been set for April 1989. Any court approval or rejection of the District's settlement is subject to appeal. The District's counsel has advised that it believes reversal of an approval of the settlement would be unlikely.

As well as providing for a dismissal of claims by the class plaintiffs and Chemical Bank in the MDL-551 litigation and related WNP Nos. 4 and 5 lawsuits, the settlement is intended to provide a high degree of protection, through indemnification provisions and other terms, to the District from any claims for contributions or otherwise that might be asserted against the District in the future by other defendants in the litigation. Although there is no certainty that such claims will not be asserted and be successful, based upon the terms of the District's settlement and the terms of the settlements entered into by other defendants, as well as the merits of any such claims, the District's counsel has advised that it believes any significant exposure to the District from such claims is unlikely.

Although the District believes there are valid defenses to each of plaintiff's claims, based upon the risks inherent in any litigation, the magnitude of exposure if any adverse judgment were rendered, the costs of defense and District administrative time, and the recommendation of its counsel, the District believes that entry into the settlement is a reasonable and prudent action.

Note 2. Notes Receivable

ESM Government Securities, Inc.

On March 4, 1985, ESM Government Securities, Inc. terminated business and a receiver was appointed. District investments in U.S. government securities purchased through ESM Government Securities, Inc. in the amount of $951,768 that matured on March 8, 1985, and $800,000 that matured on April 4, 1985, were not received. These investments were reclassified as Notes Receivable.

Bankruptcy proceedings were initiated by ESM Government Securities, Inc. in March 1985 in U.S. District Court, Southern District of Florida. Total District recovery to date is $1,359,361. The District is pursuing collection of the unrecovered amount of $392,407 through legal actions.

Independent Auditors' Report

Honorable Mayor and
Members of the City Council
City of Gadsden, Alabama

We have audited the accompanying general purpose financial statements of the City of Gadsden, Alabama (City) at September 30, 1988, and for the year then ended. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The general purpose financial statements of the City of Gasden, Alabama for the year ended September 30, 1987 were audited by other auditors whose report dated December 4, 1987 on those statements included an explanatory paragraph that described uncertainties relating to certain litigation discussed in the notes to those financial statements. The report was qualified as being subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to been known.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Gadsden, Alabama at September 30, 1988, and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note J to the financial statements, the City is a defendant in several lawsuits. The ultimate outcome of the lawsuits cannot presently be determined, and no provision for liability which may result upon settlement or adjudication has been made in the accompanying financial statements.

As discussed in Note B to the financial statements, certain adjustments of prior year balances have been made resulting in restatement of fund balances as of the beginning of the year.

Our audit has been made primarily for the purpose of expressing an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Gadsden, Alabama. Such additional information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

January 20, 1989

Note J—Contingent Liabilities

An individual has filed a suit against the City of Gadsden and certain former officials and current employees, claiming damages of $1,750,000 for personal injuries suffered while working on behalf of the City. The City is defending the former officials and current employees named in the suit. Alabama state law places a $100,000 maximum limit on recoveries against municipalities in such cases, but there has been no court ruling as to whether this limit is applicable to municipal employees acting within the scope of their employment.

A corporation has filed suit against the City alleging overpayment of ad valorem taxes since 1985 due to an incorrect valuation of its property. It appears likely that the City will be obligated to refund an undetermined amount of previously collected taxes.

A lawsuit against the Policemen's and Firemen's Retirement Fund of the City of Gadsden (Fund) has been filed by certain participants currently receiving benefits. These individuals seek to receive additional benefits based on a method of computing covered (or base) compensation other than the method currently being used. The outcome of the claim is not known at this time. It is anticipated that any potential liability would be assumed by the City; however, ultimate liability remains with the Fund. City management estimates the current cost of these benefits to approximate $500,000 annually.

The ultimate outcome of the lawsuits described above cannot presently be determined and no provision for liability which may result upon settlement or adjudication has been made in the accompanying financial statements.

The City is involved in a number of other legal matters, which either have or could result in litigation; in the opinion of City management, the ultimate outcome of these matters will not have a material impact on the financial position of the City.

Report of Independent Public Accountants

Honorable Mayor and City Council
City of Springfield, Missouri:

We have audited the general purpose financial statements of the CITY OF SPRINGFIELD, MISSOURI, as of and for the year ended June 30, 1989, as identified in the Table of Contents to this Comprehensive Annual Financial Report. The general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of City Utilities of Springfield, Missouri, as of and for the year ended September 30, 1988, which represent 78% and 89%, respectively, of the assets and operating revenues of the Enterprise Funds of the City of Springfield, Missouri. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for City Utilities of Springfield, Missouri, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Springfield, Missouri, as of June 30, 1989, and the results of its operations and the cash flows of its Proprietary and Certain Fiduciary Fund Types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 6 to the general purpose financial statements, the report of the other auditors referred to above indicates that City Utilities of Springfield, Missouri is a defendant in a lawsuit, currently in the appeals process, alleging breach of contract. The ultimate outcome of the lawsuit cannot presently be determined. Accordingly, no provision for loss in excess of the original award, if any, that may result from resolution of this matter has been made in the general purpose financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The data contained in the combining, individual fund and individual account group financial statements and schedules as identified in the Table of Contents to this Comprehensive Annual Financial Report are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Springfield, Missouri. This information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The information included in the Introductory and Statistical sections of this Comprehensive Annual Financial Report has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on such information.

[Signature]

Kansas City, Missouri,
September 28, 1989

(6) Litigation and Contingent Liabilities:

On March 28, 1980, the City of Springfield, Missouri, through its Board of Public Utilities, filed a declaratory judgment complaint in United States District Court seeking a declaration of rights between the City and Bill's Coal Company, Inc. and the individual partners comprising Cherokee Coal Company (a partnership) with regard to a coal contract dated April 17, 1979 between the parties. The complaint sought a declaration that the City had no further obligations to the aforementioned coal company and partners (the defendants).

On April 8, 1980, the defendants filed a complaint in United States District Court alleging breach of the coal contract and violations of various antitrust laws by the City. The antitrust claims have since been abandoned. On January 29, 1982, the United States District Court rendered judgment in favor of the City; however, on July 6, 1982, the United States Court of Appeals reversed the District Court's ruling and remanded the case to the District Court for the awarding of damages. The defendants submitted primary and alternate damage claims to the Court based upon a variety of theories. These claims range from $2.5 million to approximately $9.5 million.

On April 9, 1987, the District Court rendered its decision and awarded damages in favor of the defendants in the amount of $850,000 (including $114,000 accrued interest) which is reflected in City Utilities' operations for the appropriate periods. Such decision has been appealed by both parties. Based upon consultation with legal counsel, management cannot predict the final damage judgment, if any, that the Court may render. Accordingly, in management's opinion, the ultimate outcome of this litigation cannot presently be determined.

On September 28, 1987, six rural electric power cooperatives filed a lawsuit against City Utilities through the City of Springfield. The suit alleges that City Utilities' 42 year old practice of providing electric service to retail customers and owning electric distribution facilities outside of the city limits is unlawful. The suit seeks various forms of relief including preventing City Utilities from providing electric service to retail customers located outside Springfield's city limits, requiring City Utilities to sell or otherwise divest itself of existing electric distribution and service lines outside of the city limits, or to otherwise compensate the cooperatives for lost revenue. Based upon its review of this proceeding and after consultation with legal counsel, management believes that the outcome of this litigation will not have a material adverse effect on City Utilities' financial position.

The City and Litton Industries, Inc., have signed a consent order issued by the United States Environmental Protection Agency (EPA) pursuant to provisions of Comprehensive Environmental Response Compensation and Liability Act (CERCLA) which required the City and Litton to conduct a remedial investigation/feasibility study on two closed landfills owned and operated by the City. This order resulted from tests which showed the presence of hazardous substances. Under this consent order, the City performed a study to determine the nature and extent of any threat that might be caused by the migration of hazardous substances into the environment. The results of the remedial investigation/feasibility study have been submitted to the EPA for approval. The remaining estimated minimum portion of the liability associated with the EPA consent order and estimated cleanup/closures costs are included in Accrued Claims and Judgments in the Refuse Disposal Fund.

At June 30, 1989 the City was involved in several other lawsuits arising in the ordinary course of business, including claims for property condemnation proceedings. In the opinion of the City's legal counsel and management, none of these suits will result in a material adverse effect on the financial position of the City.

Under terms of federal and state grants, periodic audits are required and certain costs may be questioned as to the appropriateness of expenditures under the terms of the grants. Such audits could lead to the reimbursement of grantor agencies. City management believes disallowances, if any, will be immaterial.

QUALIFIED OPINIONS

[Qualification: Incomplete Financial Statements]

[Example 1]

As described more fully in Note 1, the general purpose financial statements referred to above do not include a general fixed asset account group which should be included to conform with generally accepted accounting principles.

In our opinion, except that the omission of the general fixed asset account group described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Culpeper, Virginia, at June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the County of Culpeper, Virginia, at June 30, 1989, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

Note 1—Summary of Significant Accounting Policies [In Part]

B. Financial Statement Presentation [In Part]

3. *Account Groups* are used to account for general obligation long-term debt and general fixed assets. A long-term obligation account group is included herein. The *Uniform Financial Reporting Manual for Virginia Counties and Municipalities* promulgated by the Auditor of Public Accounts does not require the County to maintain a financial record of general fixed assets and, accordingly, a General Fixed Assets Account Group, required by generally accepted accounting principles, is not included in the financial statements.

[Example 2]

The combined financial statements referred to in the first paragraph do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known. The City does not have complete records of its Waterworks and Sewerage Fund property and equipment and contributed capital, therefore depreciation is not recorded as required by generally accepted accounting principles.

In our opinion, based upon our audit and the report of other independent auditors, except for the omission of the General Fixed Assets Account Group which results in an incomplete presentation, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate records regarding the cost of Waterworks and Sewerage Fund property and equipment and contributed capital, as described in the paragraphs above, the combined financial statements referred to above present fairly the financial position of the City of Joliet, Illinois as of December 31, 1988 and the results of operations of its governmental fund types and pension trust funds and the changes in financial position of its pension trust funds for the year then ended, in conformity with generally accepted accounting principles.

Since the City does not have complete records of its Waterworks and Sewerage Fund property and equipment, the scope of our work was not sufficient to enable us to determine the provision for depreciation thereon, and therefore we do not express an opinion on the results of operations and the changes in financial position of the enterprise funds.

[Example 3]

As more fully described in Note 1, the accompanying financial statements of the City of Beaumont omit the general fixed assets of the City and property, plant and equipment in the Sewer Enterprise Fund acquired prior to July 1, 1982 which, in our opinion, should be presented in order to conform with generally accepted accounting principles. The amounts by which the financial statements would change if these omissions were to be included, while material, cannot be determined.

In our opinion, except that the omission of the general fixed assets results in an incomplete presentation and except that the omission of property, plant and equipment in the Enterprise Fund Type acquired prior to July 1, 1982 results in an incomplete presentation of the enterprise fund type, the aforementioned general purpose financial statements present fairly the financial position of the City of Beaumont at June 30, 1989 and the results of its operations and changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

[NOTES TO FINANCIAL STATEMENTS]

(1) Summary of Significant Accounting Policies [In Part]

(h) Fixed Assets—Proprietary Funds

Fixed assets owned by proprietary funds are capitalized at historical cost for purchased assets or fair market value at the date of donation for donated assets. Depreciation is charged to operations using a straight-line method, based on the average useful life of the asset. No depreciation is recorded on assets acquired during the second half of the year. The estimated useful lives of the assets are:

Buildings	30 years
Machinery and equipment	3-5 years
Furniture and fixtures	3-5 years
Vehicles	3-5 years

Fixed assets acquired prior to July 1, 1982 in the Sewer Enterprise fund have not been capitalized or depreciated due to an absence of complete information.

(i) Omission of General Fixed Assets

General fixed asset acquisitions are recorded as expenditures in the governmental funds when they are purchased. These assets have not been capitalized at cost in the balance sheet of a general fixed assets group of accounts. This represents a departure from generally accepted accounting principles and results in a material misstatement of the financial position of the City as of June 30, 1989.

[Example 4]

As described in Note 1C, the general purpose financial statements referred to above do not include financial statements of the General Fixed Asset Group of Accounts which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In addition, the Town has not capitalized the cost of property and equipment purchased by the Proprietary fund (Sewer Department). Likewise, no depreciation expense is recorded on this fund. Generally accepted accounting principles require that property and equipment of proprietary funds be capitalized and depreciated over the useful lives of the assets. The Town's records do not permit the application of adequate procedures to enable us to determine the cost value of capital assets or related depreciation expense on them. Because of the material effect of the omission of fixed assets and related depreciation on the financial position, we do not express an opinion on the financial statement of this Proprietary Fund (Sewer Department).

In our opinion, except that omission of the General Fixed Asset Group of Accounts results in an incomplete presentation, as explained in the above paragraph, the general purpose financial statements referred to above, other than the financial statements of the Proprietary Fund (Sewer Department), present fairly, in all material respects, the financial position of the Town of Hanover at June 30, 1989, and the results of its operations and the changes in financial position of its nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Town at June 30, 1989, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

Note 1—Summary of Significant Accounting Policies [In Part]

C. Account Groups (Fixed Assets and Long-term Liabilities) [In Part]

General fixed assets have been acquired for general governmental purposes and have been recorded as expenditures in the fund making the expenditure. These expenditures are required to be capitalized at historical cost in a General Fixed Asset Group of Accounts for accountability purposes. In accordance with the practices followed by most other municipal entities in the State, the Town does not maintain a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in this financial report.

[Example 5]

As described in Note 1C, the general purpose financial statements referred to above do not include the General Fixed Asset Group of Accounts, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except that omission of the General Fixed Asset Group of Accounts results in an incomplete presentation, as explained in the above paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Milford School District at June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the School District at June 30, 1989, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

Note 1. Summary of Significant Accounting Policies [In Part]

C. Account Groups (Fixed Assets and Long-term Liabilities) [In Part]

General fixed assets have been acquired for general governmental purposes and have been recorded as expenditures in the fund making the expenditure. These expenditures are required to be capitalized at historical cost in a General Fixed Asset Group of Accounts for accountability purposes. In accordance with the practices followed by most other municipal entities in the State, the School District does not maintain a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in this financial report.

[Example 6]

The county has not maintained a record of its general fixed assets, and accordingly a statement of general fixed assets, required by generally accepted accounting principles, is not included.

In our opinion, based on our audit and the report of other auditors, except that the omission of the above required statement results in an incomplete presentation, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of Calhoun County, Illinois as of August 31, 1988, the revenues received and expenditures paid of such funds, and the changes in financial position of its proprietary fund types for the year then ended on the basis of accounting described in Note A.

Note A—Significant Accounting Policies [In Part]

Property and Equipment: The County does not maintain a General Fixed Asset group of accounts. Property and equipment purchases made by governmental fund types are charged to expenditures when paid and are classified as capital outlays of the fund which acquires the asset.

Property and equipment purchases made by the enterprise fund are capitalized and depreciated over their estimated useful lives. Property and equipment is stated on the basis of cost. Maintenance and repairs are charged to expense. Renewals and betterment which substantially extend the useful life of property are capitalized. Accumulated allowances for depreciation of property or equipment retired or otherwise disposed of are eliminated from the accounts on disposition. Profits and losses resulting from such dispositions are included in income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows: Buildings 10 to 20 years; Equipment (including vehicles) 5 to 10 years.

The County also does not capitalize "infrastructure" general fixed assets such as roads, bridges, and similar assets that are immovable and of value only to the County.

[Qualification: Fixed Asset Valuation and Accounting]

[Example 1]

As described in Note 1, in the statement of general fixed assets at March 31, 1989 (Exhibit A) the Borough has recorded its land and buildings on assessed values rather than historical cost. In our opinion, the aforementioned statement does not present fairly the Borough's general fixed assets at March 31, 1989 in conformity with generally accepted accounting principles.

In our opinion, except for the effects on the general purpose financial statements of the manner of providing pension costs as described in the second preceding paragraph and the valuation of land and buildings in the general fixed assets account group described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Naugatuck, Connecticut as of March 31, 1989, and the results of its operations and changes in financial position of its nonexpendable and pension trust funds for the year then ended in conformity with generally accepted accounting principles.

1. Summary of Significant Accounting Policies [In Part]

Account Groups [In Part]

General Fixed Assets Account Group—Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets account group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized. No depreciation has been provided on general fixed assets.

Acquisitions of general fixed assets are accounted for as expenditures in the various funds. Equipment is stated at cost, and all land and buildings are recorded at assessed values. Land and buildings should be stated at historical cost in accordance with generally accepted accounting principles.

[Example 2]

As described in note 1 to the financial statements, the City has not recognized its investment in fixed assets and related depreciation expense for the Water and Sewer Enterprise Funds, nor has it established a General Fixed Asset Account Group as required by generally accepted accounting principles. The information necessary for compliance with generally accepted accounting principles is not available and the effect of this departure from generally accepted accounting principles on the general purpose financial statements cannot be determined.

In our opinion, except for the effects of the departure from generally accepted accounting principles as described in the preceding paragraph, the aforementioned general purpose financial statements present fairly, in all material respects, the financial position of the City of Geneva, New York at December 31, 1988, and the results of its operations and cash flows of its proprietary funds for the year then ended in conformity with generally accepted accounting principles.

(1) Summary of Significant Accounting Policies [In Part]

General Fixed Assets Account Group—The recognition of investment in fixed assets and related depreciation expense for all proprietary fund types, and the establishment of a general fixed asset account group, is required under generally accepted accounting principles. This has not been established, although a fixed asset inventory was conducted in 1983. Since fixed assets have not been established in the enterprise funds, the bonds and bond anticipation notes have been recorded with the offsetting entry to the account "amount to be provided for payment of long-term liabilities."

[Example 3]

As discussed in Note 2 to the financial statements, replacements and improvements to the irrigation canals and pumping plants have been charged to expense in the accompanying financial statements. Only the original cost and new additions to the irrigation canals and pumping plant has been capitalized. Depreciation has not been recorded on these capitalized assets. In our opinion, all capital expenditures should be capitalized and depreciated over their estimated useful lives to conform with generally accepted accounting principles. The effect on the financial statements of these practices is not reasonably determinable.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wellton-Mohawk Irrigation and Drainage District as of December 31, 1988, and the results of its operations and the changes in financial position for the year then ended, in conformity with generally accepted accounting principles.

Note 2—Plant in Service

Plant in service is valued at actual cost if purchased, or fair market value if acquired from the U.S.B.R. Expenditures for additions, major improvements, replacements and renewals of the depreciable plant are capitalized. Assets retired or otherwise disposed of are eliminated from the depreciable plant in service account and any gains or losses on retirement are reflected as an adjustment to the plant's respective account for accumulated depreciation.

Depreciation of the irrigation canals and pumping plants in service is not recorded. Expenditures for new additions are capitalized. Expenditures for replacements and improvements to existing irrigation canals and pumping plants are expensed.

Title to a large percentage of the irrigation plant in service is held in the name of the United States Government. The right to the continued use and possession of such assets by the District is evidenced by Contract Number I1R-1591, dated March 4, 1952, and the amendatory contract, dated August 15, 1968, with the United States Government.

The electrical plant depreciation rates have been applied on the straight line basis and the individual depreciation rates of the major classes of the electrical plant are all within the range of depreciation rates determined by REA. Lives range from 25 years to 50 years.

The general plant depreciation rates have all been applied on the straight line basis over the estimated useful life of the individual asset classification. Lives range from 3 years to 50 years.

Fully depreciated general plant assets as of December 31, 1988, totaled $1,223,942.34 and fully depreciated power plant assets totaled $231,906.87.

Depreciation expense for 1988 amounted to $666,279.20.

[Example 4]

As stated in Footnote 2, the general purpose financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

As stated in Footnote 2, fixed assets and depreciation have not been recorded in the enterprise funds, which should be included to conform with generally accepted accounting principles. The amount which should be recorded as fixed assets and the depreciation thereon is not known.

In our opinion, except for the effects on the financial statements of the departures from generally accepted accounting principles referred to in the third and fourth paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Nevada, Missouri, as of December 31, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

2. Departure From Generally Accepted Accounting Principles

Fixed assets purchased are recorded as expenditures in various governmental and proprietary funds at time of purchase. A general fixed asset group of accounts required by generally accepted accounting principles is currently not maintained. A record of capitalized fixed assets or depreciation thereon is not recorded in the enterprise funds. Generally accepted accounting principles require the maintenance of a general fixed asset account group to account for all fixed assets purchased by governmental fund types. In addition, generally accepted accounting principles require the capitalization of all fixed assets in enterprise funds and the recognition of depreciation on the fixed assets.

[Example 5]

As more fully described in Note 1, the accounting principles followed by the school district differ in one significant respect from generally accepted accounting principles. It is not practical to determine the effect of this difference on the financial statements.

In our opinion, except as described above and in Note 1, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kenmore-Town of Tonawanda Union Free School District, Kenmore, New York at June 30, 1989 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

1. Summary of Significant Accounting Policies [In Part]

A. Basis of Presentation

The accompanying financial statements have been prepared in accordance with the accounting principles outlined in the Uniform System of Accounts for School Districts which is prescribed pursuant to Section 36 of the General Municipal Law of the State of New York. Although the School District is required to follow the Uniform System of Accounts, the requirements therein are also in accordance with generally accepted accounting principles applicable to School Districts as prescribed by both the American Institute of Certified Public Accountant's Industry Audit Guide, and The National Committee of Governmental Accounting's publication Governmental Accounting, Auditing and Financial Reporting. However, in one significant respect the district's basis of accounting does not follow either the Uniform System of Accounts for School Districts or generally accepted accounting principles. It is not practical to determine the effect of this difference which is listed below on the financial statements.

The District records fixed assets at cost, appraised value or replacement value. Under generally accepted accounting principles, fixed assets should be recorded at cost.

[Example 6]

As described more fully in Note 1(F) of the financial statements, the School District does not record the valuation base of its property, buildings, and equipment at historical cost in the general fixed asset group of accounts as required by generally accepted accounting principles.

In our opinion, except for the effect of the failure to record the general fixed asset account group at historical cost, as discussed in the preceding paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Little Rock School District of Pulaski County, Arkansas as of June 30, 1989, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Note 1: Summary of Significant Accounting Policies [In Part]

(F) General Fixed Assets

In the general fixed asset group of accounts, land is valued at historical cost. Certain other components are stated at costs estimated by independent appraisers and by School District employees at various appraisal dates. Valuations of land improvements and buildings are intended to approximate fair market values at the latest appraisal dates (1965 and 1971, respectively); furniture and fixtures are stated at appraisal values determined for insurance purposes in 1975. Additions since the date of the last appraisals are recorded at cost.

The amount that such valuations vary from historical cost has not been determined.

[Example 7]

As discussed in Note 1 to the financial statements, the general fixed assets are stated at valuations used for insurance purposes in the accompanying balance sheet. This presentation is not in conformity with generally accepted accounting principles (GAAP) which requires that general fixed assets be valued at their historical costs. The effect of this departure from GAAP has not been determined.

In our opinion, except for the effects of the valuation of the general fixed assets, if any, as discussed in the preceding paragraph, the general purpose financial referred to above present fairly, in all material respects, the financial position of Spartanburg County School District Two, Spartanburg, South Carolina as of June 30, 1989, and the results of its operations and changes in fund balance for the year then ended in conformity with generally accepted accounting principles.

Note 1—Summary of Significant Accounting Policies [In Part]

J. General Fixed Assets

Detailed property records have not been maintained and certain prior-year records and supporting data are not available. The values of the general fixed assets in the accompanying financial statements are based on valuations for insurance purposes.

[Example 8]

As more fully described in Note 1 to the financial statements, it is the policy of the school district to value and report general fixed assets at replacement value rather than historical cost as required by generally accepted accounting principles.

In our opinion except for the effects on the combined financial statements of not valuing general fixed assets at historical cost as explained in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Randolph Central School District as of June 30, 1989, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Note 1: Summary of Significant Accounting Policies [In Part]

Account Groups—General fixed assets are recorded at replacement cost or, in the case of gifts and contributions, at the fair market value at the time received. No provision for depreciation is made. General long-term debt liabilities are recorded at the par value of the principal amount. No liability is recorded for interest payable to maturity.

[Example 9]

The County has not maintained records of historical costs or estimated historical costs of its general fixed assets. Accordingly, as more fully described in Note "1" to the financial statements, the statement of general fixed assets is presented using various valuation methods rather than the historical costs required by generally accepted accounting principles. As no records or reasonable estimates are available, land values, required by generally accepted accounting principles, are not included in the financial statements.

In our opinion, except for the effect of any adjustments that might be required with respect to the general fixed assets discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Mercer, Pennsylvania, as of December 31, 1988, and the results of its operations and cash flows of its non-expendable trust and pension trust funds for the year then ended, in conformity with generally accepted accounting principles.

1. Summary of Significant Accounting Policies [In Part]

General Fixed Assets

The County has not maintained records of historical costs or estimated historical costs of its general fixed assets. Accordingly, the general fixed assets are presented using sound values per an appraisal report dated December 1, 1988, insured values, and estimated values, rather than historical costs as required by generally accepted accounting principles. As no records or reasonable estimates are available, land values, required by generally accepted accounting principles, are not included in the financial statements.

In conformity with generally accepted accounting principles as applicable to governmental units, capital purchases are expensed when funds are disbursed with no subsequent depreciation over the useful life.

[Example 10]

Because of the inadequacy of the accounting records, we were unable to form an opinion regarding the amounts at which property, plant and equipment are recorded in the General Fixed Asset Group of Accounts. It is the policy of the City to value and record land and buildings at assessed value rather than historical cost as required by generally accepted accounting principles.

In our opinion, based upon our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the aforementioned assets and liabilities of the Glens Falls Urban Renewal Agency and the General Fixed Asset Group of Accounts, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Glens Falls, New York as of December 31, 1988, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

[Example 11]

The Township has not maintained historical cost data on the general fixed assets for assets acquired prior to 1982. These assets are presented in the accompanying financial statements at their estimated fair market value. Therefore, the general fixed assets group of accounts is stated at a combination of cost and estimated fair market value, which is not in conformity with generally accepted accounting principles.

In our opinion, except for the effect on the financial statements of the general fixed assets as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Danville Township as of March 31, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

[Example 12]

The information contained in the General Fixed Assets Group of Accounts is valued at its estimated replacement cost. Generally accepted accounting principles require that all fixed assets be valued at historical cost or estimated historical cost if actual historical cost is not available. Therefore, the General Fixed Assets Group of Accounts is not presented in accordance with generally accepted accounting principles.

In our opinion, except for the effects of the above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Schoolcraft Community Schools at June 30, 1989 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

[Example 13]

The District has not maintained detailed fixed asset records supporting the balance sheet of general fixed assets shown on page 4 in the accompanying financial statements, therefore, we do not express an opinion on the general fixed assets at June 30, 1989.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit fixed assets records, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Independent School District No. 181, Brainerd, Minnesota as of June 30, 1989 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

[Example 14]

We have been unable to satisfy ourselves concerning a portion of the cost or estimated cost of fixed assets, depreciation and accumulated depreciation, because detailed records and documentation of historical and estimated costs are not available.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the cost or estimated cost of fixed assets, and the related provision for depreciation and accumulated depreciation, the general purpose statements referred to above present fairly, in all material respects, the financial position of the Oregon International Port of Coos Bay as of June 30, 1989 and 1988, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

[Example 15]

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cape Girardeau, Missouri as of June 30, 1989, and the results of its operations and changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Cape Girardeau, Missouri as of June 30, 1989, and the results of operations of such funds and changes in financial position of individual proprietary funds for the year then ended in conformity with generally accepted accounting principles.

[Example 16]

Evidence supporting the reported values of general fixed assets was inadequate and due to the condition of the records maintained we did not consider it practical to apply adequate alternative procedures concerning these amounts.

In our opinion, except for the effects, if any, of the matter discussed in the preceding paragraph, the combined financial statements referred to above in the first paragraph present fairly, in all material respects, the financial position of Pennington County as of December 31, 1988, and the results of its operations and its changes in financial position for the year then ended in conformity with generally accepted accounting principles.

[Example 17]

The taking of the physical inventory of fixed assets acquired prior to December 31, 1982 was not observed by us. The Town did not take a physical inventory of fixed assets at December 31, 1988 and, the documentary evidence available to us to support the inventory of fixed assets at, and acquired after, December 31, 1982 was not sufficient for us to draw a conclusion regarding the fairness of the presentation of the cost of the fixed assets in the financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the cost of the fixed assets, the general purpose financial statements referred to above present fairly the financial position of the Town of Wallkill as at December 31, 1988, and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Town of Wallkill, as at December 31, 1988, and the results of operations of such funds and the changes in financial position of individual propriety and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

[Qualification: Pensions]

[Example 1]

As described in note 6, the Authority maintains a noncontributory pension plan for former employees not included in other plans. Current actuarial information with respect to the plan is not available and, as a result, the Authority is unable to determine the appropriate liability for unfunded vested benefits or the excess of vested benefits over plan assets at December 31, 1988 and 1987.

In our opinion, except for the effect of the adjustments to pension liabilities for the noncontributory pension plan and the related disclosures of the excess of vested benefits over plan assets, the financial statements referred to above present fairly the financial position of Kansas City Area Transportation Authority at December 31, 1988 and 1987 and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

(6) Pension Plans [In Part]

The noncontributory plan for union employees retiring prior to November 1, 1971 and for salaried employees retiring prior to January 1, 1979 pays benefits equal to 20% of the employee's final monthly salary plus additional monthly benefits based on years of service. Benefits paid under this plan are charged to current operations as an expense when paid. Current actuarial information on this plan is not available and no determination has been made of the liability for unfunded vested benefits and the excess of vested benefits over plan assets under an acceptable actuarial method. Accordingly, the effect of this departure from generally accepted accounting principles on the Authority's financial position has not been determined. Benefits paid under this plan amounted to approximately $239,000 and $263,000 for 1988 and 1987, respectively.

[Example 2]

The general purpose financial statements referred to above do not include financial activities of the Chestertown, Maryland Employees' Retirement Plan and Trust, which, in my opinion, should be included to conform with generally accepted accounting principles. If the omitted component unit had been included, an additional fund type and specific accounting fund to report the plan's financial activities would be included in the general purpose financial statements. Based on unaudited information, Note 13 to the financial statements summarizes the financial activities of the plan for its fiscal year ended June 30, 1989.

Governmental Accounting Standards Board Statement number five (GASB-5) establishes pension disclosure requirements that should be presented as financial statement notes and required supplementary information in statements prepared by governmental employers.

The accompanying pension information, Note 4 to the financial statements, does not contain all of the information required in accordance with GASB-5. In my opinion, disclosure of this information is required by generally accepted accounting principles.

In my opinion, except for the omission of the component unit and footnote disclosures discussed in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Chestertown, Maryland as of June 30, 1989, and the results of its operations and changes in cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

[Example 3]

The Authority follows accounting policies prescribed by the Department of Housing and Urban Development which vary in certain respects from generally accepted accounting principles. The most significant difference relates to the use of the cash basis method for recording employee contributory and noncontributory pension expenses. Generally accepted accounting principles require that these costs be determined by actuarial methods, instead of the cash or "pay-as-you-go" basis as reflected in the accompanying financial statements.

In our opinion, except for the effect of not providing for pension costs on an actuarial basis, the accompanying general purpose financial statements referred to above present fairly the financial position of the Housing Authority of the City of Hartford, at December 31, 1988, for the year then ended, in conformity with generally accepted accounting principles.

[Qualification: Reporting Entity]

[Example 1]

The general purpose financial statements referred to above do not include the Agency Funds of the Greene County Circuit Clerk and Greene County Collector and the General Fixed Asset Account Group, which should be included to conform with generally accepted accounting principles but are currently unauditable due to incomplete accounting records. If the above mentioned Agency Funds had been included, based on unauditable information, the assets and liabilities of the Agency Funds would have increased by approximately $24,321,787 and $24,321,787 respectively. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Greene County, Missouri, at December 31, 1988, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

[Example 2]

3. County records do not provide for a self-balancing group of accounts for all general fixed assets, and accordingly the general purpose financial statements referred to above do not include financial statements of the General Fixed Assets Account Group, which should be included to conform with generally accepted accounting principles.

4. The general purpose, combining and individual fund financial statements referred to above do not include financial statements of the Trustee, County Clerk, Clerks of Courts, Register and Sheriff. These financial statements should be included to conform with generally accepted accounting principles.

5. In our opinion, except for the effects of the matters discussed in paragraphs 3 and 4 above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Rutherford County, Tennessee at June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, except

for the effects of the matters discussed in paragraphs 3 and 4 above, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Rutherford County, Tennessee, at June 30, 1989, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

1. Summary of Significant Accounting Policies [In Part]

The financial statements of Rutherford County, Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of all entities over which Rutherford County exercises oversight responsibility, with the exception of those discussed below, are included in Rutherford County's financial statements. The manifestations of oversight responsibility are financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Community Care of Rutherford, Inc. is a non-profit corporation established and controlled by the County Commission. However, audited financial statements were not available for inclusion in this report.

The Rutherford County Trustee, County Clerk, Clerks of Courts, Register and Sheriff collect and disburse monies for county funds, various government agencies and other third parties. As compensation for such services, fees and commissions are earned and collected by these officials. The General Fund is required by state statute to pay the operating and maintenance expenses of these officials. The General Fund also pays the salary expenses of the Sheriff and any offices operating under the provisions of Section 8-22-104, Tennessee Code Annotated.

The financial statements of the above-mentioned officials are not included in the financial statements of Rutherford County. Their financial statements should be included to conform with generally accepted accounting principles based on criteria established by the Governmental Accounting Standards Board. Financial statements of the above officials are presented separately in Section V of this report.

[Qualification: Method of Accruing Revenues and Expenditures]

[Example 1]

As more fully described in Note 5, the balance sheet of the General Fund includes an amount due from the Hospital Fund, which is included in the Enterprise Fund, which has been determined by City management to be uncollectible solely from present and anticipated future operating results of the Hospital Fund, given present admission policies and levels of General fund support. In our opinion, generally accepted accounting principles require that such an asset be written off when it is determined to be uncollectible. If the receivable were written off, undesignated fund balance in the General Fund would be reduced by $34,893,400 resulting in an undesignated deficit of $16,900,564.

In our opinion, except for the effects of not writing off the uncollectible interfund receivable in the General Fund as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Austin, Texas, at September 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

5—Equity in Investment Pool

The following summarizes the amounts of equity in or advances from the investment pool by fund type at September 30, 1988:

	Equity In	Advance From
General Fund	$ 23,249,577	—
Special Revenue Funds	10,161,826	1,810,801
Capital Projects Funds	72,588,887	125
Enterprise Funds—Current:		
Utility	14,305,875	—
Hospital	—	34,893,400
Other	7,624,730	—
Enterprise Funds—Construction:		
Utility	232,895,627	—
Hospital	1,842,003	—
Other	15,416,812	—
Enterprise Funds—Deposits:		
Utility	3,731,283	—
Internal Service Funds:		
Current	8,111,342	—
Construction account	128,645	—
Fiduciary Funds	38,484,737	936,276
Total equity in	428,541,344	
Total advance from	(37,640,602)	37,640,602
Investment by other funds in investment pool	$390,900,742	

Certain funds have made disbursements in excess of such funds' individual equity in the City's investment pool. The balance of these amounts has been reported in the combined balance sheet as advances from the investment pool. Total advances from investment pool of $37,640,602 will be paid primarily through transfers from other funds.

Of the $37,640,602 advance from the investment pool, $34,893,400 is advanced to the Hospital Fund for the operations of Brackenridge Hospital. This represents an increase of approximately $300,000 from the prior year's balance. The following table summarizes the accumulation of this balance (in millions):

Prior to October 1984	$16.7
October 1984-September 1985	14.8
October 1985-September 1986	4.0
October 1986-September 1987	(0.9)
October 1987-September 1988	0.3

In 1988, the City transferred $5.3 million to the hospital to fund catastrophic care for the near poor. The City has budgeted another transfer of $5.4 million for this program in 1989. The catastrophic care program provides funding for Brackenridge patients who do not qualify for the City's medical assistance program but are unable to pay for catastrophic hospital costs.

Brackenridge Hospital has over a number of years borrowed approximately $35 million from the City's investment pool to meet its operating cash needs. Although significant operational efficiencies and financial improvements have been realized in the past several years, no substantial reduction in the advance from the investment pool has been possible. It is management's opinion at this time that Brackenridge cannot reasonably be expected to repay this advance through excess cash generated from operations, given constraints imposed by the health care industry, local competition and existing admission policies.

During 1988, City management presented to the City Council for consideration a proposed long-term repayment plan which recommends the General Fund as a funding source. Beginning in the 1989 fiscal year, Council approved the first year of this repayment plan and a $700,000 transfer will be made.

It is the City's auditor's opinion that generally accepted accounting principles require that this advance be reflected in the financial statements as a receivable in the General fund which should be written off as uncollectible. The effect of such accounting treatment would be a reduction of $34,893,400 in the General Fund's undesignated fund balance resulting in a deficit balance of $16,900,564.

City management believes that it is inappropriate to recognize this receivable and the related write off in the General Fund since the entire loan has not been made from that fund. In addition, the General Fund did not have the legal authority to loan $35 million to Brackenridge under the City Charter and State law since the General Fund never had an unencumbered fund balance of $35 million available. City management believes that it is also inappropriate to allocate the receivable and related write-off to the other non-restricted funds (i.e., operating funds such as Utility Funds) participating in the pool.

The City will continue to reflect this advance from the investment pool in the Hospital Fund and will not record a receivable and related write-off in any fund. It is City management's intent to reduce the advance over a number of years as evidenced by the repayment plan recommended to City Council and Council action to approve the plan.

[Example 2]

As described in note 1, the general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included to conform with generally accepted accounting principles.

As described in note 11 to the financial statements, the City accounts for teachers' summer salaries in the general purpose financial statements on the cash basis. Generally accepted accounting principles require that the cost of teachers' summer salaries be recorded at June 30, 1989.

In our opinion, except for the effect on the financial statements of the omissions described in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Saco, Maine as of June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

11. Teacher Summer Salaries

The City of Saco School Department currently accounts and budgets for teachers' summer salaries on the cash basis. Since the teachers have provided all of the required services under their contract at June 30, 1989, generally accepted accounting principles require that the cost associated with those services be recorded during that period. The General Fund balance would have decreased by approximately $475,600 if the teachers' summer salaries had been accrued at June 30, 1989.

[Example 3]

As more fully explained in Note B, the City has recognized certain property tax revenues and has included certain registered warrants payable in the General, Special Revenue and Capital Projects Funds. Generally accepted accounting principles require that these revenues be deferred and that the registered warrants be recorded in the General Long-Term Obligations Account Group.

In our opinion, except for the effects on the financial statements of the General, Special Revenue and Capital Projects Funds and the General Long-Term Obligations Account Group of not deferring property tax revenue and of not classifying the registered warrants as long-term, as discussed in the third paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Boise City, Idaho, at September 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

Note A—Significant Accounting Policies [In Part]

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the third Monday in September and are payable in two installments; on December 20, and on June 20 of the following year. Ada County bills and collects property taxes for the City.

A one percent (1%) property tax initiative was passed by the voters of Idaho in November, 1978, limiting ad valorem property taxes to 1% of actual market value for appraisal purposes. The Idaho legislature modified the initiative in the spring of 1979 (HB #166) to a one year "freeze" on property tax certifications for units of local government. The initiative was further modified by the legislature in the spring of 1980 (HB #795) extending the "freeze" ad-infinitum until such time as the combined budget requests from all taxing districts levying taxes upon the same property equalled less than 1% of market value. The following provisions were also included:

1) Allowing the limitation to be exceeded if approved by a two-thirds (⅔) majority of the electors of the taxing districts.

2) Allowing certain exemptions to be certified in excess of the limitation:

   (a) principal and interest charges on indebtedness (extended from HB #166),

   (b) premiums to maintain a comprehensive liability plan,

   (c) judgments, lawsuits, defaults and deficiencies,

   (d) additional contributions to pay for the excess costs incurred when the Fireman's Retirement Fund merged with the Public Employees Retirement Fund.

Further modifications (HB #389 in 1981 and HB #754 in 1986) provided:

(1) a growth factor of 5% on top of the freeze, or

(2) a growth factor determined by applying one hundred five percent of the prior year tax rate to the market value for assessment purposes.

The amount of property tax revenue recorded for the City's fiscal year reflects the allowable fiscal year property tax levy. Related tax anticipation notes and registered warrants which are secured by the taxes receivable are included in the appropriate governmental funds and are considered current liabilities. National Council on Governmental Accounting (NCGA) Statement No. 1—*Governmental Accounting and Financial Reporting Principles* and NCGA Interpretation No. 3 provide, among other things, that property tax revenue be recognized when it becomes available (defined as collected soon enough to pay liabilities of the current period but not exceeding 60 days after year end) and that debt be classified long-term if payment of such amounts is anticipated to be with other than available funds. The City has not adopted this concept because management has concluded that the consistent application of their existing policy regarding recognition of property tax revenue and classification of tax anticipation notes and registered warrants is a more meaningful presentation in the financial statements for both budgetary and actual reporting purposes.

The City has chosen to reflect property taxes receivable as revenue in the current year and tax anticipation notes and registered warrants as current liabilities. Idaho law provides the option of levying taxes for the current or ensuing year and, in the absence of sufficient funds to support operations, to borrow funds by the use of tax anticipation notes, revenue anticipation notes, and registered warrants. The fact that the City borrowed funds secured by the tax levy to pay bills of the current period, provides, in management's opinion, constructive use of the tax revenue in the current year. See Note B, Property Tax Recognition Policy for a summary of the effect of this treatment.

Note B—Property Tax Recognition Policy

As discussed in Note A, property taxes revenue recognition is not in conformance with NCGA Statement No. 1 and NCGA Interpretation No. 3. If the City were to conform with these pronouncements, property taxes receivable and the related revenue, registered warrants payable, debt service expenditures, and other financing sources would be presented differently. Property tax revenue recognition would be deferred for one year and the portion of the debt (registered warrants) related to property taxes would be shown as a general long-term obligation rather than a governmental fund type current liability. The cash represented by the borrowed funds would be shown as an "other financing source" in the Statement of Revenues and Expenditures and when the debt is repaid in the following fiscal year it would be shown in the Statement of Revenues and Expenditures as debt service expenditures. Prior year statements would be adjusted to reflect similar treatment for these items.

The following changes would have been reported in the combined balance sheet as of September 30, 1988:

Description	Governmental Fund Types				Account Group
	General	Special Revenue	Capital Projects	Totals (Memorandum Only)	General Long-term Obligations
			(000's omitted)		
Deferred revenue-property taxes:					
As reported	$	$	$	$	$
As per NCGA statements	14,807	316	548	15,671	
Change increase	$ 14,807	$316	$548	$15,671	$
Registered warrants payable:					
As reported	$ 11,145	$227	$	$ 11,372	$
As per NCGA statements					11,372
Change increase (decrease)	$(11,145)	$(227)	$	$(11,372)	$11,372

The following changes in balances would have been reported in the combined Statement of Revenues, Expenditures and Changes in Fund Balances for the fiscal year ended September 30, 1988:

	Governmental Fund Types			
Description	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
		(000's omitted)		
Property tax revenue:				
As reported	$ 17,738	$ 375	$ 674	$ 18,787
As per NCGA statements	16,553	351	368	17,272
Change increase (decrease).....	$ (1,185)	$ (24)	$(306)	$ (1,515)
Debt service expenditures—principal:				
As reported	$	$	$	$
As per NCGA statements	9,285	208	173	9,666
Change increase	$ 9,285	$ 208	$ 173	$ 9,666
Other financing sources—proceeds of borrowings:				
As reported	$	$	$	$
As per NCGA statements	11,145	227		11,372
Change increase	$ 11,145	$ 227	$	$ 11,372
Net increase (decrease) in excess (deficiency) of revenues and other sources over expenditures and other uses..............	$ 675	$ (5)	$(479)	$ 191
Net (decrease) in ending fund balance.............	$ (3,662)	$ (89)	$(548)	$ (4,299)

[Qualification: Compensated Absences]

[Example 1]

We have audited the general purpose financial statements of the County of Monroe, State of New York, as listed in the table of contents for the year ended December 31, 1988. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Monroe Community College. The financial statements of Monroe Community College were audited by other auditors whose report thereon, was qualified as the College records the cost of employees' vacation pay benefits in the year they are paid. Generally accepted accounting principles require such benefits to be accrued as they are earned. Their report has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Monroe Community College, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of the other auditors, except for the effect on the financial statements of the item described in the second preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account groups of the County of Monroe, State of New York, as of December 31, 1988 and the results of their operations and changes in their fund balances for the year then ended in conformity with generally accepted accounting principles.

[Example 2]

The County has not maintained adequate records relating to the cost of its general fixed assets and liability for compensated absences. Accordingly, a statement of general fixed assets and the liability for compensated absences as required by generally accepted accounting principles, are not included in these financial statements.

In our opinion, except for the omission of the general fixed assets group of accounts and compensated absences which results in an incomplete presentation as explained in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of Whiteside County, Illinois, at November 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of the individual funds of Whiteside County, Illinois, at November 30, 1988, their results of operations, and the changes in financial position of individual proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

Summary of Significant Accounting Policies [In Part]

K. Compensated Absences

In accordance with NCGA Statement No. 4, the County is to accrue the amount of compensated absences that are anticipated to be liquidated with expendable available financial resources in governmental fund types, with the associated non-current portion recorded in the General Long-Term Debt Account Group. An adequate record of the liability for accrued compensated absences of the governmental fund types has not been maintained, and therefore has not been presented as required by generally accepted accounting principles. In proprietary fund types, the full amount of accrued compensated absences which vest are recorded as liabilities.

[Qualification: Inventory Valuation Accounting]

[Example 1]

As discussed in Note 15 to the financial statements, the School District has not maintained a detailed record of general fixed assets or information on the classification of general fixed assets as to land, property and equipment. Detailed records for general fixed assets are necessary in order to be in conformity with generally accepted accounting principles. Therefore, we do not express an opinion or any other form of assurance on the general fixed asset account group.

As discussed in Note 16 to the financial statements, the School District changed its method of computing supplies inventory. Since we became aware of the significant amount of inventory after the balance sheet date, we were unable to verify the amount of supplies inventory on hand at June 30, 1989. Therefore, we do not express an opinion or any other form of assurance on the supplies inventory.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the general purpose financial statements referred to above present fairly, all material respects, the financial position of Mountain Home School District #193, as of June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of Mountain Home School District #193 as of June 30, 1989, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

Note 16—The Auditor's report includes a scope limitation and qualification for supplies inventory. The School District ordered and received paper supplies in June, 1989, which increased the amount of supplies inventory to a significant amount. Governmental accounting standards require that significant amounts of inventory be reported in the balance sheet. Therefore, the School District changed from the purchase method to the consumption method. Under the purchase method, which was used in prior years', inventories are recorded as expenditures on acquisition. Under the consumption method, inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Since the auditors became aware of the significant amounts of inventory after the balance sheet date, they were not present to observe the physical inventory taken as of that date and they were not able to verify the inventory quantities. The effect of this departure on the financial statements has not been determined.

[Example 2]

The District has not maintained continuing records at cost of its general fixed assets over the years and, accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the basic financial statements presented (see Note 1-G of the Notes to Financial Statements).

General Fund valuation for the inventory of materials and supplies as presented in Exhibit A was determined by estimate. It is presented for general information purposes only and we do not express an opinion on it, (see Note 1-C of the Notes to Financial Statements).

In our opinion, except for the effects of estimating the inventory valuation and machinery and equipment valuation and not including a statement of general fixed assets, the financial statements referred to above present fairly, in all material respects, the financial position of Gettysburg Area School District at June 30, 1989, and the results of its operations and its cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Note 1—Significant Accounting Policies [In Part]

C. Inventories

General Fund:

The General Fund inventory valuation as presented on Exhibit A was determined by estimate and is presented for information purposes only, offset by a reserve in equal amount. The costs of General Fund inventory items were recorded as expenditures at the time the items were purchased. Perpetual inventory records are maintained of expendable General Fund supply quantities only—costs of the inventories are not computed. We did not observe the physical inventory counts taken by District personnel.

[Example 3]

Our audit did not include the Board's property and equipment group of accounts, and inventory accounts, except to the extent that transactions with such funds and accounts are included in the accompanying financial statements.

As described in Note 1, the Board's policy is to prepare its financial statements on a prescribed basis of accounting as set forth by the Kentucky Department of Education for local school districts. These practices differ in some respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to include the property and equipment accounts and inventory accounts, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of the Board as of June 30, 1989, and the cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

Note 1—Summary of Significant Accounting Policies and Description of Funds [In Part]

Basis of Accounting

The records of the Board are maintained and the budgetary process is based on the cash basis of accounting. This practice is the accounting method prescribed by the Kentucky Department of Education for local school districts. Adjustments have been made to the financial statements for accounts receivable and payable to more properly reflect the fund balances of the various funds.

Inventory

The cost of inventory is recorded as a disbursement at the time of purchase.

[Example 4]

Because of inadequacies in the accounting records of the general fund inventory and enterprise fund (Rock Crusher) inventory and property and equipment, we were unable to audit, and thereby, form an opinion regarding the amounts at which they are recorded in the accompanying balance sheets at June 30, 1989, and the amount of related expenditures for the year then ended.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary regarding the conditions described in the preceeding paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Oconee County, South Carolina, as of June 30, 1989 and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Note 1—Summary of Significant Accounting Policies [In Part]

Inventories—(Unaudited Except Oconee County Sewer Commission)

General Fund—Gasoline, diesel, and parts inventories are valued at approximate cost using the weighted average method. At June 30, 1989, the accounting records were not sufficient for proper accounting of the parts inventory. Therefore, the amount indicated on the balance sheet is an approximation of the County's inventory at June 30, 1989. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Enterprise Fund

Inventory of the Rock Crusher is priced on the actual costs of production method. At June 30, 1989, the accounting records were not sufficient for proper accounting of the rock inventory. Therefore, the amount indicated on the balance sheet is an approximation of the rock inventory at June 30, 1989. Inventory of the Oconee County Sewer Commission is priced at a weighted average unit cost.

[Qualification: Other]

[Example 1]

As described in Note 1 to the financial statements, the district's accounting policies conform with requirements of the Rural Electrification Administration (REA) and National Association of Regulatory Utility Commissioners (NARUC). Both the REA and NARUC require all long-term debt be classified as long-term until maturity. This differs from generally accepted accounting principles which require classification of the current portion of long-term debt as a current liability. As of December 31, 1988, the current portion of long-term debt was $334,000.

In our opinion, except for the $334,000 understatement of current debt as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Klickitat County at December 31, 1988 and 1987, and the results of its operations and the cash flows of its proprietary fund types for the years then ended, in conformity with generally accepted accounting principles.

Note 1—Summary of Significant Accounting Policies [In Part]

The accounting policies of the District conform to generally accepted accounting principles. The following is a summary of the more significant policies (including identification of those policies which result in material departures from generally accepted accounting principles.)

A. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the Uniform System of Accounts for Class A and B Water Utilities, and REA Bulletin 181-1 Uniform System of Accounts for the electric system.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Fixed asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

[Example 2]

As further explained in Note 1, the general purpose financial statements referred to above do not include the General

Fixed Asset group of accounts, which should be included to conform to generally accepted accounting principles.

Special Assessments are accounted for in the Bond and Interest Fund and Statement of Long-Term Debt, rather than a Special Assessment Fund, as required by generally accepted accounting principles, because of Kansas law, which provides that Special Assessment Debt may be accounted for in a similar manner as are other general obligations of the City.

In our opinion, the general purpose financial statements referred to above, except for the effect of not recording General Fixed Assets and the effect of the recording of special assessments as set forth in the preceding paragraph, present fairly, in all material respects, the financial position of the City of Junction City, Kansas, as of December 31, 1988, and the results of operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

[Example 3]

As more fully explained in Note 1 of the notes to financial statements, the Community Development Commission of the County of Mendocino does not depreciate buildings, improvements and non-expendable equipment as is consistent with the method of accounting used by housing authorities. As also indicated in Note 1, the Community Development Commission does not record an allowance for estimated uncollectible accounts receivable. Generally accepted accounting principles require the amortization of long term assets over their estimated useful lives and a provision for uncollectible receivables. A statement of changes in financial position is not included, which is one of the basic financial statements required by generally accepted accounting principles.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Commission of the County of Mendocino as of September 30, 1988 and March 31, 1987 and the results of its operations for the periods then ended in conformity with generally accepted accounting principles.

1. Organization and Summary of Significant Accounting Policies [In Part]

Accounts Receivable

It is the practice of the Commission to record uncollectible receivables only upon approval of the Board of Commissioners after exhausting all efforts to collect the amounts due. No allowance for doubtful accounts is used in the valuation of receivables as is required by generally accepted accounting principles. At September 30, 1988 and March 31, 1987 the amounts due from tenants for unpaid rent and other tenant charges were $7,213 and $11,814, respectively. Security deposits are required from tenants and, in respect to those tenants currently occupying units, management believes that in most instances uncollectibles will not exceed amounts on deposit.

[Example 4]

As described more fully in Note 10, Parking Administration Fund was reported by the City of Fort Wayne as a Special Revenue Fund. This fund should be reported as an Enterprise Fund to conform with generally accepted accounting principles.

As described more fully in Note 5, the general purpose financial statements referred to above do not include financial statements of the general fixed assets account group, which should be included to conform with generally accepted accounting principles.

In our opinion, based upon our audit and the reports of other auditors, except for the omission of the general fixed assets account group and the classification of the Parking Administration Fund as explained in the two preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account groups of the City of Fort Wayne, Indiana, at December 31, 1988, and the results of operations of such funds and the changes in financial position of the proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

Note 10. Enterprise Fund Reported as Special Revenue Fund

The Parking Administration Fund was reported by the City of Fort Wayne as a Special Revenue Fund. This fund should be reported as an Enterprise Fund to conform with generally accepted accounting principles.

Enterprise Funds are recorded on the full accrual method of accounting whereas Special Revenue Funds are recorded on the modified accrual method of accounting.

[Example 5]

The general purpose financial statements referred to above do not include the general fixed assets account group of the Board, which should be included in order to conform with generally accepted accounting principles. The amounts that should be recorded in the general fixed assets account group of the Board are not known.

As more fully described in Note 20, BURA has classified the $5,607,409 outstanding balance of a mortgage note to the State of New York as a long-term liability in the balance sheet of the Enterprise Fund. In our opinion, the obligation should be classified as a current liability because BURA is in default of its loan repayment agreement with the State of New York.

In our opinion, based upon our audit and the reports of other auditors, except for the effect on the general purpose financial statements of the omission described in the second preceding paragraph and except for the misclassification of mortgage note described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Buffalo, New York, at June 30, 1989, and the results of operations and changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

20. Mortgage Obligation to the State of New York

Under an agreement between BURA and the State of New York Urban Development Corporation (UDC), the State has provided BURA with funds for payment of construction costs relating to the Owen P. Augspurger parking ramp and "Ramp Connectors" in the City's Theater District. The agreement provides that the funding will be in the form of a loan, secured by a mortgage on the parking ramp facility and bearing no interest, which will be repaid over an unspecified period of years from the operating revenues of the facility (after deducting certain designated expenses and allowances). If the facility were to be sold, the sales proceeds would be first utilized to satisfy the unpaid balance of the obligation to the State of New York.

At year end, BURA has recorded a receivable of $1,110,850 representing net income earned from the parking ramp since it was opened to the public on August 9, 1983. The funds earned are being held by Buffalo Civic Auto Ramps (BCAR), with whom BURA has contracted to manage the facility. BURA has not collected any of the earnings due from the operation of the parking ramp as of June 30, 1989. In accordance with the repayment agreement, these funds should have been collected from BCAR and remitted to the State annually. As of June 30, 1989, BURA has failed to make any repayments to the State. Under the terms of the repayment agreement, BURA is technically in default of the agreement. Upon default, all funds advanced from the State become immediately due and payable.

As of June 30, 1989, the State has advanced a total of $6,656,908 toward the project, which amount, when combined with the $1,351 reimbursement due BURA at June 30, 1989, results in a cumulative obligation to the State of $6,658,259. Of this amount, $1,050,850 is recorded as a current liability on the books of the Enterprise Fund and the remaining $5,607,409 is reported as a long-term obligation. Generally accepted accounting principles mandate that, upon default of a long-term obligation, the full amount of the indebtedness be classified as a current liability. BURA has not made this reclassification.

[Example 6]

The city has included encumbrances in the expenditures of the individual funds (excluding the Electric Light Fund) which, in our opinion, should be excluded for the statements to conform to generally accepted accounting principles. The effects of including encumbrances in the expenditures of the individual funds is more fully explained in Note J to the financial statements.

With the exception of proprietary funds, the City has not maintained a record of its general fixed assets and accordingly, has not prepared a Statement of General Fixed Assets as required by generally accepted accounting principles.

In our opinion based on our audit and the report of other auditors, except for the effects of including encumbrances and the effects of omitting the Statement of General Fixed Assets, the General Purpose Financial Statements referred to above present fairly, in all material respects, the financial position of the City of Idaho Falls, Idaho as of September 30, 1988 and the results of its operations and cash flows of Enterprise Fund Types for the year ended in conformity with generally accepted accounting principles.

Note A—Summary of Significant Accounting Policies [In Part]

4. Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the *expenditure of monies are* recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds.

Encumbrances outstanding at year end are reported as reservations of fund balances and expenditures in the various funds, except the Electric Light Fund.

[Multiple Qualification: Various]

[Example 1]

As described in the Notes to the Financial Statements, pension costs and accumulated, unpaid vacation benefits are provided on a pay-as-you-go basis instead of an actuarial and accrual basis, respectively, as required by generally accepted accounting principles. The amount of such costs under generally accepted accounting principles is not determinable at this time.

As indicated in The Notes to the Financial Statements, encumbrances are reported, in the general fund only, as expenditures rather than as a fund balance reserve. Consistent recognition of these year-end encumbrances as a fund balance reserve would have the effect of decreasing current year's expenditures by approximately $50,600.

As is the practice with many governmental units in the Commonwealth of Massachusetts, the District has not established a complete record of its general fixed assets and, accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the financial report.

In our opinion, except for the effects, if any, of the methods of accounting for pension costs and vacation benefits, encumbrances, and the omission of a statement of general fixed assets as described in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Amherst-Pelham Regional School District of the Commonwealth of Massachusetts as of June 30, 1989, the results of its operations, and the changes in cash of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

1. Summary of Significant Accounting Policies [In Part]

Basis of Accounting [In Part]

The District departs from generally accepted accounting principles by recording, in the general fund only, encumbrances as expenditures rather than as a reserve of fund balances. Based on June 30, 1989 and 1988 encumbrances of $28,322 and $78,878, respectively, the result of this policy is to understate 1989 expenditures by $50,556.

1. Summary of Significant Accounting Policies [In Part]

General Fixed Assets

Acquisitions of fixed assets are accounted for as expenditures in the various governmental fund types. As is the practice of many municipalities, the School District does not maintain a complete record of costs of the general fixed assets, required by generally accepted accounting principles.

Accumulated Unpaid Vacation and Sick Pay

The District records vacation and sick day expenditures when payment is made.

Employees are paid by prescribed formula for absence due to vacation or sickness. Unused sick leave may be accumulated and used for future years; however, at June 30, 1989 no liability exists to pay employees for unused sick pay. Vacation pay for administrative and maintenance personnel may be accumulated and carried forward within certain limits provided under various individual contracts.

5. Pensions

Pensions for employees, other than District teaching staff, are provided through a contributory retirement system under the Massachusetts Contributory Retirement Law. This law prescribes the formula for computing retirement allowance and presently does not permit funding the accrued pension liabilities actuarially. Employee contribution and District contributions are paid to the County on a pay-as-you-go basis as directed by the State Division of Insurance through the Hampshire County Retirement Board. Total payments during the year ended June 30, 1989 for the School District's share of pension costs, were $160,245.

The District's teaching staff contribute to a pension plan administered by the Massachusetts Teachers Retirement Board. The District makes no contributions to this plan.

[Example 2]

As described in Note 10 to the general purpose financial statements, the City has chosen to reflect as assets (deferred expenses) within the General Fund balance sheet amounts for employee compensation which are properly chargeable as expenditures in the current fiscal year according to generally accepted accounting principles. The effect of this is to overstate expenditures for the current fiscal year by $273,342 and overstate fund equity at June 30, 1989 by $3,788,313.

In the statement of general fixed assets at June 30, 1989 (Exhibit A) the City has recorded land and buildings and certain equipment at values other than historical cost. In our opinion, the aforementioned statement does not present fairly the City's general fixed assets at June 30, 1989 in conformity with generally accepted accounting principles.

As described in Note 6 to the general purpose financial statements, the City provides supplementary pension benefits for its police and fire employees. These supplementary pension benefits are funded using a "pay-as-you-go" method, which is not an acceptable method of determining pension costs under generally accepted accounting principles. The unfunded liability attributable to the supplementary pension benefits at June 30, 1989, the date of the last actuarial valuation, was $49,996,885.

In our opinion, except for the effects on the general purpose financial statements of the matters described in the third, fourth and the fifth paragraphs, such general purpose financial statements present fairly, in all material respects, the financial position of the City of Milford, Connecticut at June 30, 1989 and the results of its operations and the changes in financial position of its nonexpendable and pension trust funds for the year then ended in conformity with generally accepted accounting principles.

10. General Indebtedness and Obligation [In Part]

Contracts between the Board of Education and its ten-month employees (Teachers and Administrators) provide that 5/26ths of their salaries earned during the teaching year (September through June) is to be paid to the employees in July and August following the end of the teaching and fiscal years. The amount paid in July and August is charged to the then current fiscal year budget. This is not in accordance with generally accepted accounting principles. This deferred salary payment, totaling $3,788,313 at June 30, 1989 and $4,061,655 at June 30, 1988 (a decrease in the current year of $273,342), is included on the Balance Sheet as Deferred Expense and Accounts Payable.

6. City of Milford Supplemental Retirement Plan [In Part]

A. Plan Description

The City of Milford is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the City to provide supplementary pension benefits for its Police and Fire employees. The Pension Supplement is separate from the Retirement System. At June 30, 1989, membership consisted of:

	Fire	Police	Total
Retirees, disabled members, and beneficiaries currently receiving benefits	83	85	168
Terminated employees entitled to benefits but not yet receiving them	0	0	0
Current employees, vested	0	0	0
Current employees, non-vested	104	112	216
Subtotal	104	112	216
Total	187	197	384

The City of Milford Police and Fire Supplement provides retirement benefits as well as death and disability benefits for all firefighters and policemen hired before April 6, 1989. There is no vesting for Police and Fire employees. Members who retire after 20 years of service are entitled to an annual retirement benefit, payable monthly, in an amount equal to one-half of the salary increase granted to active employees of the same classification the employee held at retirement.

The benefit is payable for the life of the member and is continued after the member's death for the life of the surviving spouse. Fire Department employees who retire after November 1, 1988 are subject to the following limitation: the sum of the basic pension and the pension supplement benefit may not exceed 100% of average annual pay at retirement. Also, in lieu of the pension supplement described above, the surviving spouse of a Fire Department active employee or retiree, who dies after November 1, 1988, receives a fixed pension supplement equal to 50% of the average annual pay at death or retirement, payable monthly for life.

There are no contributions required from the employees. The City pays the supplement benefits from general City revenues as they are due. Benefits are fixed by contract and may be amended by union negotiation and are enacted into the City ordinances.

B. Summary of Significant Account Policies and Plan Asset Matters

The plan is funded on a pay-as-you-go basis. In FY 1988-89, $1,151,078 was paid to pensioners and surviving spouses: $531,464 for Firefighters and $619,614 for Police.

[Example 3]

Consistent with the practice of most municipalities in the Commonwealth of Massachusetts, the Town has neither capitalized the cost of general fixed assets in a General Fixed Asset Account Group (see Note 1 (f)) nor reported in the General Long-Term Obligations Account Group its unfunded pension liability as determined by an acceptable actuarial cost method (see Note 3) as required by generally accepted accounting principles. The amounts which should be recorded in the General Fixed Asset Account Group and the General Long-Term Obligations Account Group are not readily determinable.

The Town of Braintree has established separate enterprise (self-supporting) funds to account for the activities of its Electric Light plant and Water and Sewer Department. However, certain assets such as inventories, supplies and a significant portion of the capital assets and expenses, such as depreciation on unrecorded fixed assets and pension costs not funded by the Enterprise Funds, have not been fully reflected in the accompanying financial statements (see Note 1(g)) as required by generally accepted accounting principles.

Condensed financial information for the Electric Light Department as of December 31, 1988 prepared in accordance with generally accepted accounting principles is reflected in Note 1(g)). The effect of not accounting for the activities of the Water and Sewer Department on a full accrual basis in accordance with generally accepted accounting principles is not readily determinable.

In our opinion, except for the effects of: (1) not capitalizing general fixed assets in a General Fixed Asset Group of Accounts, (2) not reporting the unfunded pension liability in the General Long-Term Obligations Account Group, and (3) not fully reflecting certain assets, liabilities and expenses in the Water and Sewer Enterprise Fund, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Braintree, Massachusetts as of June 30, 1989 and the results of its operations and cash flows of its Enterprise Fund and Nonexpendable Trust Fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, except for the effect of not fully recording capital assets and expenses in the Enterprise Funds on an accrual basis, the combining financial statements referred to above present fairly, in all material respects, the financial position of each of the individual Enterprise Funds of the Town of Braintree, Massachusetts as of June 30, 1989, and the results of operations of such funds and cash flows of individual Enterprise Funds for the year then ended in conformity with generally accepted accounting principles.

(1) Summary of Significant Accounting Policies [In Part]

(f) Accounting for General Fixed Assets

The Town does not record general fixed assets in an asset account at the time of acquisition. General fixed asset acquisitions are recorded as expenditures at the time purchases are made.

(g) Accounting for Electric Light Department and Water and Sewer Department Activities

The Town accounts for the operations of the Electric Light Department and Water and Sewer Department activities as separate Enterprise Funds, since the funds' activities are financed primarily by user charges.

The inventories, supplies and fixed assets related to the Water and Sewer Department are not recorded or depreciated on the books of the Town as required under generally accepted accounting principles. In lieu thereof, for financial statement purposes, fixed assets, to the extent financed by the proceeds of debt which were outstanding at or issued since June 30, 1986, have been capitalized on the accompanying balance sheets. Accordingly, only the depreciation related to fixed assets capitalized (based on a 40-year life) is included in the statement of revenues, expenses and changes in fund equity for the Water and Sewer Department Enterprise Fund.

Information for the Water and Sewer Department is not available to quantify the difference between Enterprise Fund accounting on the full accrual basis and the accounting method followed by the Town. For example, the Town does not have adequate records to reflect inventories and prepaid expenses. In addition, the Town has not recorded pension costs in the Enterprise Funds in accordance with generally accepted accounting principles for commercial enterprises.

The financial statement abstracts of the Electric Light Department are presented below and have been prepared from the books and records of that department as of December 31, 1988 and for the year then ended. These books and records, which are separate from the books and records of the Town, are maintained substantially in accordance with the Uniform System of Accounts for Electric Utilities required by the Massachusetts Department of Public Utilities. Except for the effect of not providing for pension costs using an actuarial method, such statements present fairly the financial position of the Electric Light Department as of December 31, 1988 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Condensed financial information of the Electric Light Department as of December 31, 1988 and for the year then ended is as follows:

BALANCE SHEET	December 31, 1988
ASSETS:	
Electric utility property	$ 53,453,713
Less-Accumulated depreciation	23,393,300
Total net property	$ 30,060,413
OTHER ASSETS	14,620,792
	$ 44,681,205
CAPITALIZATION AND LIABILITIES:	
Reinvested earnings	$ 33,887,180
Long-term debt	6,500,000
Other liabilities	4,294,025
	$ 44,681,205

EARNINGS	For the Year December 31, 1988
ELECTRIC OPERATING REVENUES	$ 30,908,705
OPERATING INCOME	$ 1,675,926
INTEREST EXPENSE	$ (535,435)
NET EARNINGS	$ 1,554,325

(3) Retirement Plans

Teachers, certain administrative personnel and other professional employees of the Town's school department individually participate in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. The Town does not contribute to this plan.

Substantially all other Town employees participate in the Town of Braintree Contributory Retirement System (the System). Contributions to provide benefits under the System are made by the Town and the Braintree Housing Authority under the "pay-as-you-go" method by annually contributing the amount determined by the State Division of Public Employee Retirement Administration (PERA). The contribution is calculated as the amount necessary to provide for the following year's retirement benefits. The active Town employees contribute 5%, 7% or 8% (depending upon date of employment) of their regular compensation, as defined. The Town also contributes the amount necessary for the System's administrative expenses.

Certain retired employees of the Town were exempted from membership in the System. The Town pays retirement benefits to these employees from the general appropriation funds of the Town. These employees are not included in the actuarial valuation provided by the state, and there is no available estimate of their related actuarial liability. The 1989 pension appropriation relating to these employees was $222,961.

The Town's payroll for employees covered by the System for the years ended December 31, 1988 and 1987, amounted to approximately $14,400,000 and $14,000,000, respectively, which represented 54% and 50% of the total payroll.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. (For certain hazardous duty and public safety positions, normal retirement is at age 55.)

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is currently approximately 80-85% pension and 15-20% annuity.

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis. In accordance with the requirements of the Commonwealth, the accompanying balance sheet includes investments in bonds stated at amortized cost and investments in stocks stated at market value. At December 31, 1988, the value of these investments was as follows:

Bonds, at book value (quoted market value of $12,153,704)	$12,509,225
Stocks, at market value (cost of $3,090,686)	2,985,815
Total bonds and stocks	$15,495,040

The amount shown below as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 1989. Actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 5% a year and (c) inflation increases of 5% a year.

The total unfunded pension benefit obligation applicable to the Town's employees was $26,229,000 at January 1, 1989, computed as follows:

	(000s)
Pension benefit obligation—	
Retirees and beneficiaries receiving benefits and terminated employees not yet receiving benefits	$20,765
Current employees—	
Accumulated employee contributions, including allocated investment earnings	12,534
Employer-financed, vested	15,728
Employer-financed, nonvested	4,574
Total pension benefit obligation	$53,601
Net assets available for benefits, at market value	27,372
Total unfunded pension benefit obligation	$26,229

The following table summarizes the actual funding for 1989 and the actuarially determined contribution required assuming normal cost plus 40-year amortization of the unfunded actuarial accrued liability for active employees with amortization payments increasing at 4½% per year, payable at the beginning of each year:

Contributions voted at annual Town Meeting—Annual benefit payments	$2,921,000
Approximate calendar 1989 funding required, per January 1, 1989 actuarial valuation	$2,698,000

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found on Page 39. As indicated above, as of January 1, 1989, available assets were sufficient to fund 51.1% of the pension benefit obligation. As of January 1, 1987, available assets were sufficient to fund 38.9% of the pension benefit obligation. For the two years ended December 31, 1988 and 1987, the unfunded pension benefit obligation represented 182% and 199%, respectively, of the annual payroll for active employees. In addition, for the three years ended December 31, 1986, 1987 and 1988, the Town's contributions to the System, all made in accordance with the "pay-as-you-go" basis, were 23.5%, 20.7% and 24.6%, respectively, of annual covered payroll.

The Town has provided supplemental funding under Chapter 559 of the Acts of 1977 and Chapter 661 of the Acts of 1983 to reduce the Town's actuarial past service cost. During fiscal year 1989, cumulative supplemental funding, including interest income, in the amount of $4,222,821 was transferred from expendable trust funds to the Contributory Retirement System.

In addition to providing pension benefits, the Town provides certain health care and life insurance benefits for retired employees. Substantially all Town employees may become eligible for these benefits if they reach normal retirement age while working for the Town. These and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums which aggregated approximately $291,000 for the year ended June 30, 1989.

[Example 4]

As more fully described in Note 1 to the financial statements, the District has used the encumbrance method of accounting. Generally accepted accounting principles require this method not be used, even though it is a method accepted by the State of Oregon.

We have been unable to satisfy ourselves concerning a substantial portion of the cost or estimated cost of fixed assets recorded in the General Fixed Assets Group and Proprietary Fund because internal control surrounding the detailed records and the lack of monitoring the actual inventory with that on the books results in a weak basis for reliance thereon. The District's records do not permit the application of adequate alternative procedures regarding the cost or estimated cost of fixed assets.

A physical inventory of General Fund supplies was not taken, and the amount included in the balance sheet is an estimate of the cost of these supplies.

In our opinion, except for the effects of the encumbrance method of accounting, and for the adjustments as might have been determined to be necessary had we been able to satisfy ourselves regarding the cost and related depreciation of the fixed assets and of the cost of the inventory of General Fund supplies discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Union County School District No. 1 as of June 30, 1989, and the results of its operations and the changes in financial position of its Proprietary Fund Types for the year then ended, in conformity with generally accepted accounting principles.

Note 1. Summary of Significant Accounting Policies: [In Part]

The encumbrance method of accounting has been used by the District for many years and is an acceptable method of recognizing expenditures by the State of Oregon. This was a generally accepted accounting principle for years ending prior to July 1, 1980. This became an unacceptable method in contravention to the new generally accepted accounting principles as set forth by the National Council of Governmental Accountants in their *Statement 1—Governmental Accounting and Financial Reporting Principles,* which was effective for governmental entities with fiscal years ending after June 30, 1980. The difference between encumbrances payable at the beginning and at the end of fiscal year ended June 30, 1989, is approximately 1.14% of the total General Fund expenditures.

Except for use of the encumbrance method of accounting, the accounting policies of Union County School District No. 1 conform to generally accepted accounting principles as applicable to governmental units. Oregon Revised Statutes allow the use of the encumbrance method of recognizing expenditures.

[Example 5]

The general purpose financial statements referred to above do not include the (1) property and equipment group of accounts, (2) School Activity Funds (an agency fund) and, (3) inventory accounts, all of which should be included to conform with generally accepted accounting principles. Additionally, the Enterprise Fund records capital expenditures as expenses rather than capitalizing and depreciating them over their estimated useful lives as required by generally accepted accounting principles. The amounts that should be recorded as assets, liabilities, revenues and expenses from these omitted funds, accounts, and account groups are not known.

In our opinion, except for the effect on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson County Board of Education as of June 30, 1989, and results of its operations, changes in fund equity and changes in financial position of its Enterprise Fund for the year then ended, in conformity with generally accepted accounting principles.

[Example 6]

As discussed in Note A to the basic financial statements, the County's policy is to prepare its basic financial statements for governmental and fiduciary fund types and account groups on the cash basis of accounting, except for various departures described in the following paragraph. Accordingly, the accompanying basic financial statements for the governmental and fiduciary fund types and account groups are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

As discussed in Note A3 to the basic financial statements, the following accounting policies adopted by the County represent departures from the cash basis of accounting. The County accounts for one special revenue fund entitled Mental Health and Substance Abuse on the modified accrual basis of accounting. In addition, certain payroll costs are accrued each year to provide for an additional payroll due once every twelve years, inventory is recorded in the special revenue funds and warrants payable is recorded in the governmental and fiduciary funds.

As discussed in Note E to the basic financial statements, the County's policy is to report transactions of service type special districts and the transactions of construction financed by special assessments under the caption "Special Districts" within the governmental fund types. Consequently, the transactions described are not reflected under the special revenue and capital outlay columns on the basic financial statements, as required by generally accepted accounting principles. In addition, as discussed in Note A4, an annual budget is adopted for the special districts and required budget to actual comparisons are not presented.

In our opinion, except for the departures described in paragraphs 4 and 5, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund equity of the County of San Joaquin as of June 30, 1989 and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, on the basis of accounting described in Note A.

Note A—Summary of Accounting Policies [In Part]

3. Basis of Accounting

All governmental and fiduciary funds and account groups except one special revenue fund are maintained on a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, except that certain payroll costs are accrued each year to provide for an additional payroll due once every twelve years. The accrued payroll cost is charged currently to expenditures, and the cumulative total is recorded as a fund liability. In addition, inventory is recorded in the special revenue funds, warrants payable is recorded in the governmental and fiduciary funds and the Mental Health and Substance Abuse fund accounted for as a special revenue fund maintains its records on the modified accrual basis of accounting. The foregoing all represent additional departures from the cash basis of accounting.

Note E—Special Districts Governed by the Board of Supervisors

Special districts governed by the Board include a flood control district, an air pollution control district, a fire district, 33 lighting districts, 33 maintenance districts, 28 county service areas and 26 improvement districts as follows:

San Joaquin Flood Control
Air Pollution Control
Delta Fire District

LIGHTING DISTRICTS	MAINTENANCE DISTRICTS	COUNTY SERVICE AREAS
Lathrop	Almond Park	Number 1
Linden	Colonial Heights-6	Number 2
Lockeford	Gayla Manor	Number 3
Ripon	Lincoln Village	Number 4
Victor	Maurland Manor	Number 6
Woodbridge	Morada Manor	Number 8
Boggs Tract	Rancho San Joaquin	Number 11
Farmington	Riviera Cliffs	Number 12
Mission Village	Rosemor Manor	Number 14
Northeast Stockton	Shaded Terrace	Number 15
North Oaks	Wilkinson Manor	Number 16
North Wilson Way	Morada Acres	Number 17
Oro Street	Acampo	Number 18
Plymouth Village	Elkhorn Golf Course	Number 21
Southwest Stockton	Lockeford	Number 22
Stockton No. 5	Pacific Gardens	Number 23
Tuxedo-Country Club	Mokelumne Acres	Number 24
West Lane	Spring Creek Estate	Number 25
Clements	Sunnyside	Number 29
Ash Street	Raymus Village	Number 30
Elkhorn	Bowling Green Estates	Number 35
Shippee-French Camp Home	Kirt Estate Drainage	Number 36
Rancho Village	Ashley Drainage	Number 37
Morada Estates	Morada Estates	Number 41
Burkett Gardens	Summer Home Estate	Number 42

(continued)

LIGHTING DISTRICTS	MAINTENANCE DISTRICTS	COUNTY SERVICE AREAS
Burkett Garden Acres	Lathrop Acres	Number 43
Mariposa Heights	Country Estates	Number 44
South French Camp	Country Club Vista	Number 46
Silva Gardens	Corral Hollow	
Morada Manor	Lambert Village	
Eastview	Morada West	
San Joaquin Shasta Avenue	Bear Creek Terrace	
West Stockton	Walnut Acres	

IMPROVEMENT DISTRICTS

Alpine Avenue
Calaveras Yacht #2
Parkwoods
San Joaquin Improvement #1
San Joaquin Improvement #2
San Joaquin Improvement #4
San Joaquin Improvement #6
San Joaquin Improvement #10
San Joaquin Improvement #12
San Joaquin Improvement #12
San Joaquin Improvement #15
San Joaquin Improvement #27
San Joaquin Improvement #31
San Joaquin Improvement #37
San Joaquin Improvement #39
San Joaquin Improvement #43
San Joaquin Improvement #44
San Joaquin Improvement #45
San Joaquin Improvement #46
San Joaquin Improvement #47
San Joaquin Improvement #48
San Joaquin Improvement #49
San Joaquin Improvement #50
Industrial Way & Beckman Road
San Joaquin Improvement #51
San Joaquin Improvement #52
San Joaquin Improvement #54

Each district was created to provide services to the residents of certain areas or to undertake a capital improvement project, including the providing or arranging of financing and collecting the assessments to pay any debt incurred to finance the project.

Prior to fiscal year 1987-88, all transactions of special districts were grouped together and reported under the governmental fund type of special districts under the Board of Supervisors. The outstanding debts were also reported within the special district funds.

Effective fiscal year 1987-88, the following accounting principles were established for reporting transactions of special districts:

(1) Governmental Accounting Standards Board (GASB) Statement No. 6 requires transactions of service-type special districts and of the construction phase related to capital improvements financed by special assessment to be reported within the general, special revenue or capital outlay funds, as appropriate. Such transactions have been reported under the caption of "Special Districts" within the governmental fund type and therefore not presented in accordance with GASB No. 6 requirements. Revenues and expenditures are recognized on the same basis of accounting as described in Note A. Any fixed assets constructed or acquired, other than infrastructure, are reported in the general fixed assets account group on the same accounting principles as described in Note A.

(2) Since all special debts were incurred under the provisions of the Improvement Road Act of 1911 and 1915, the County is not obligated in any manner for special assessment debts. The County acts as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings as appropriate. Transactions of the debt service funds are reported in the agency fund and the outstanding assessment debt of $8,576,871 as of June 30, 1989 is not presented in the financial statements.

[Example 7]

The general purpose financial statements referred to above do not include the financial activities of the Cass County Road Commission and Mental Health Funds (special revenue funds). The Transportation Authority (Enterprise Fund) is also excluded. If the omitted component units had been included based on unaudited information, the assets and revenues of the special revenue fund type would have increased by $406,573 and $3,393,724, respectively. Also, there would have been an enterprise fund with $20,485 in assets and $186,381 in revenue.

As described more fully in Note B, the County has not maintained a record of its general fixed assets except for those recorded by the Building Authority and, accordingly, the General Fixed Assets Account Group included in this report does not include all of the general fixed assets of the County, as required by generally accepted accounting principles.

As described in Note B, the County's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. This practice differs from generally accepted accounting principles. Determination of the effects on the various fund-type revenues, expenditures, and fund balances was not practicable.

As described more fully in Note C, the County did not approve budgets for some special revenue funds and its debt service funds. Accordingly, the accompanying Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance—Budget and Actual, does not include comparisons with formal budget amounts for the special revenue and debt service funds as required by generally accepted accounting principles.

In our opinion, except for the effects on the financial statements of the omissions described in the third, fourth, fifth, sixth, and seventh paragraphs, the general purpose financial statements referred to above present fairly the cash and unencumbered cash balances of each of the County fund types at December 31, 1988, and the revenues received and expenditures paid of such types and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, on the basis of accounting described in Note B.

Note A—Description of County Operations and Fund Types [In Part]

Reporting Entity [In Part]

The County's Road Commission Fund, Mental Health Fund and Transportation Authority are included within the County's reporting entity; however, financial statements and related note disclosures are not included for these funds within this report. These funds are audited annually and separate reports are issued.

Note B—Summary of Significant Accounting Policies [In Part]

Basis of Accounting

The accounting policies of Cass County do not conform to generally accepted accounting principles as applicable to governmental units.

Governmental Funds

Most governmental funds utilize the cash basis of accounting which does not conform to generally accepted accounting principles as applicable to governmental units. Under this method, revenues are recognized when received in cash and expenditures are recognized when payment is made. Generally accepted accounting principles require that the modified accrual basis of accounting be used for governmental funds.

The Health, Planning Commission and Social Services Funds utilize the modified accrual basis of accounting which provides that revenues be recognized when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred.

Proprietary Funds

The proprietary funds and the pension trust fund follow the accrual basis of accounting. Revenues are recognized when they are measurable and earned, and expenses when the related liability is incurred.

Fiduciary Funds

The fiduciary funds with the exception of the pension trust are maintained on the cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

General Fixed Assets

The County does not maintain a General Fixed Asset Account Group as required under generally accepted accounting principles.

Note C—Material Violations of Legal and Contractual Provisions [In Part]

Budget Violations

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General, Special Revenue and Debt Service Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

As discussed in Note B, the Cass County Board of Commissioners has formally adopted the General Fund budget. The Board, however, failed to adopt a budget for other funds and budgetary centers of the County as required by the Act. As a result, the County incurred expenditures which were not authorized by a legally adopted budget.

[Example 8]

As described more fully in note 5, the financial statements referred to above do not include the General Fixed Asset Group of Accounts nor do they include the majority of the fixed assets, associated depreciation expense, accumulated depreciation or contributed capital of the Sewer Enterprise Fund, as required by generally accepted accounting principles.

As more fully described in note 6, certain outstanding long-term debt of the Sewer Enterprise Fund is accounted for in the General Long-term Debt Group of Accounts, although generally accepted accounting principles require that such debt be included in the financial statements of the Sewer Enterprise Fund.

In our opinion, except for the effects of the matters referred to in the third and fourth paragraphs above, the general purpose financial statements referred to above present fairly, in all material respects, the financial positon of the City of Dover, New Hampshire at June 30, 1989 and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

5. Property, Plant and Equipment [In Part]

The City does not maintain records of the majority of the property owned by the Sewer Enterprise Fund; therefore, the cost of those assets, associated depreciation expense, accumulated depreciation and contributed capital are not reported in the accompanying financial statements as required by generally accepted accounting principles. In 1988, the City started capitalizing fixed assets of the sewer enterprise fund which were purchased through funds of the operating budget or contributed by developers, and recorded the associated depreciation.

The City does not maintain a record of its general fixed assets. Expenditures for property and equipment incurred in the general fund are charged against departmental operations whenever such items are purchased. As a result, the financial statements do not include a general fixed asset group of accounts as required by generally accepted accounting principles.

6. Long-term Debt [In Part]

Sewer Fund related bonds having a principal balance of $7,148,184 at June 30, 1989 are accounted for in the General Long-term Debt Account Group rather than in the Sewer Enterprise Fund as required by generally accepted accounting principles. Additions to accrued sick and vacation leave in the general long-term debt account group include amounts awarded to police and firefighters for service provided in prior years.

[Example 9]

The City does not maintain records of the cost of its general fixed assets and, therefore, a general fixed assets account group is not presented in the accompanying general purpose financial statements as required by generally accepted accounting principles.

The Albany Housing Authority is considered to be a part of the reporting entity of the City, as described in Note 1. The financial position and results of operations of this agency have not been included in the general purpose financial statements of the City, as required by generally accepted accounting principles.

As described in Notes 1 and 9, the financial position and results of operations of the Sewer Fund for 42 days prior to its sale to the Albany Water Board and Albany Municipal Water Finance Authority and the ANSWERS Project have been reported in the financial statements as a Special Revenue Fund and a component of the General Fund, respectively. Generally accepted accounting principles require that they be separately accounted for as enterprise funds.

As described in Note 5, the Community Development Fund does not accrue unbilled pension costs as required by generally accepted accounting principles.

In our opinion, based on our audits and the reports of other auditors except that the reporting practices described in paragraphs three through five result in an incomplete presentation as explained above and except for the effects of not accruing pension costs in the Community Development Fund as discussed in paragraph six of this report, the general purpose financial statements listed in the accompanying table of contents present fairly, in all material respects, the financial position of the City as of December 31, 1988 and the results of its operations, and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

1. The Reporting Entity and Description of Funds and Account Group [In Part]

The Reporting Entity: [In Part]

The combined financial statements include substantially all departments, agencies and other organizational units, with the exception of the Albany Housing Authority, over which the Mayor and Common Council of the City of Albany (the City) exercise oversight responsibility. Oversight responsibility, as defined by the National Council on Governmental Accounting (NCGA) Statement No. 3, was determined based on the organizational unit's scope of public service as well as the City's ability to significantly influence operations, select the governing authority and participate in fiscal management.

The Albany Housing Authority operates under the Public Housing Law of New York State to implement Federal and State housing programs, primarily for low-income families. Based on the application of the aforementioned criteria, this agency should be considered part of the City's reporting entity. Its financial position and results of operations have not been included in the combined financial statements of the City because audited financial statements for the year ended December 31, 1988 were not available.

Governmental Fund Types [In Part]

Special Revenue Funds—These funds account for revenues and expenditures relating to the Job Training Partnership Act (J.T.P.A.), Community Development and sewer services. The Sewer Fund provided sewer services to residents and businesses until the establishment of the Albany Water Board and Albany Municipal Water Finance Authority on February 10, 1988. (See Note 12.) J.T.P.A. expenditures are legally restricted.

Prior to the establishment of the Albany Water Board and Albany Municipal Water Finance Authority (See Note 12), revenue derived from providing sewer services was historically less than related operating expenditures, generating an accumulated fund deficit. Debt service on sewer capital bonds was funded by annual transfers from the General Fund. The City has therefore accounted for the operations of the Sewer Fund as a Special Revenue Fund, with capital expenditures recorded in the Capital Projects Fund.

Given the City's intent, prior to the establishment of the Albany Water Board and Albany Municipal Water Finance Authority (See Note 12), to finance the activities of the Sewer Fund primarily through user charges, generally accepted accounting principles required that it be accounted for as an Enterprise Fund. The impact of restating the Sewer Fund, for the 42 day period, as an Enterprise Fund on the financial position and results of operations of the City as of December 31, 1988 and for the year then ended are not determinable. (See Note 12.)

5. Pension Plans [In Part]

Generally accepted accounting principles require that pension costs be accrued as a liability at December 31, 1988. Had such amounts been accrued, fund balance of the Community Development Fund would have been reduced by approximately $106,000 at December 31, 1988.

9. Operations of the ANSWERS Project

The City and the State of New York (the State) are jointly participating in the Albany New York Solid Waste Energy Recovery System (the ANSWERS Project). The ANSWERS Project agreement requires the City and the State, among other things, to separately operate integrated components of a municipal solid waste utilization project. The City incurs operating costs related to its component facility and receives revenue from the State based on its operations.

In accordance with the modified accrual basis of accounting, the City records revenue as it becomes measurable and available from the State in connection with the ANSWERS Project. The City received $2,145,794 during the year ended December 31, 1988. during the same year, the City's general fund expenses for the ANSWERS Project operations totaled approximately $3,629,000 in direct costs, exclusive of interest and indirect costs as outlined in the contract with the State.

Generally accepted accounting principles require that the City record its participation in the ANSWERS Project in an Enterprise Fund on the accrual basis of accounting. The impact of restating the Project as an Enterprise Fund on the financial position and results of operations of the City as of December 31, 1988 and for the year then ended has not been determined.

ADVERSE OPINIONS

[Example 1]

We have audited the accompanying general purpose financial statements of the City as of June 30, 1989, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group has not been determined.

In addition, no depreciation has been recorded on utility plant in service and contributions in aid to construction have not been capitalized in prior years. This also does not conform with generally accepted accounting principles. The amounts by which the financial statements would change if these items were included, while material, cannot be determined.

Fixed assets of the proprietary funds have been recorded at estimated replacement cost which is not in conformity with generally accepted accounting principles. The amounts by which the financial statements would change if the assets were restated at actual cost cannot be determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the general purpose financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City, as of June 30, 1989, or the results of its operations and changes in its financial position of its proprietary fund types for the year then ended.

[Example 2]

We have audited the accompanying combined financial statements of the County as of and for the year ended June 30, 1989. These combined financial statements are the responsibility of the County management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the third paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not properly segregate funds, fund groups and account groups as required by generally accepted accounting principles, and do not give proper effect to receivables, payables and other accrued items. We did not consider it practical to determine the amounts by which the financial statements would change, even though material, had these items been properly reported.

The financial statements do not include changes in fund balances for the governmental fund types and similar trust funds. This information is required by generally accepted accounting principles.

In our opinion, because of the effects of the matters discussed in the third and fourth paragraphs, the financial statements referred to above do not present fairly the financial position of the County at June 30, 1989, or the results of its operations for the year then ended in conformity with generally accepted accounting principles.

[Example 3]

We have audited the accompanying general purpose financial statements of the County as of and for the year ended June 30, 1989, as listed in the table of contents. These general purpose financial statements are the responsibility of the County management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain components of the County entity, as described in Note 1, which statements reflect total assets constituting 61.23% of combined assets at June 30, 1989 and revenues constituting 11.04% of governmental funds and 100% of proprietary funds of the combined revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such components, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1-B, the County has not adequately maintained a complete record of its general fixed assets. As a result, we are unable to express an opinion on the accompanying balance sheet of the General Fixed Assets Account Group.

The general purpose financial statements referred to above do not include financial activities of various component units, as discussed in Note 1, which should be included to conform with generally accepted accounting principles. If the omitted component units had been included, based on unaudited information, the assets and revenues of all fund types and account groups would have increased by amounts that are material to these funds and account groups and the excess (deficit) of revenues (income) over expenditures (expenses) and the fund balance (retained earnings) of the funds would be impacted materially.

In our opinion, because of the incomplete records of general fixed assets and omission of the financial activity of various component units as described in the above paragraphs, the general purpose financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the County at June 30, 1989, and the results of its operations for the year then ended.

In the course of our audit, nothing came to our attention that caused us to believe there has been any lack of compliance with the County Transportation Act or with the accounting or reporting requirements of the various bond ordinances under which outstanding bonds have been issued.

CHANGE OF AUDITORS

Independent Auditors' Report

Honorable Mayor and
Members of the City Council
City of Gadsden, Alabama

We have audited the accompanying general purpose financial statements of the City of Gadsden, Alabama (City) at September 30, 1988, and for the year then ended. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The general purpose financial statements of the City of Gadsden, Alabama for the year ended September 30, 1987 were audited by other auditors whose report dated December 4, 1987 on those statements included an explanatory paragraph that described uncertainties relating to certain litigation discussed in the notes to those financial statements. The report was qualified as being subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to been known.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Gadsden, Alabama at September 30, 1988, and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note J to the financial statements, the City is a defendant in several lawsuits. The ultimate outcome of the lawsuits cannot presently be determined, and no provision for liability which may result upon settlement or adjudication has been made in the accompanying financial statements.

As discussed in Note B to the financial statements, certain adjustments of prior year balances have been made resulting in restatement of fund balances as of the beginning of the year.

Our audit has been made primarily for the purpose of expressing an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Gadsden, Alabama. Such additional information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

January 20, 1989

Independent Auditor's Report

Honorable Chairman and Members
of the County Council for
Lexington County, South Carolina

We have audited the accompanying general purpose financial statements of Lexington County, as of June 30, 1989, and for the year then ended, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Lexington County Management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The financial statements of Lexington County as of June 30, 1988 were audited by other auditors whose report dated October 27, 1988, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lexington County, as of June 30, 1989, and the results of its operations and changes in financial position of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining fund statements, individual fund statements, account group financial statements, schedules and statistical data listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Lexington County. The combining fund statements, individual fund statements, account group statement, and schedules have been subjected to the auditing procedures applied in the audit of general purpose financial statements and, in our opinion, are fairly presented in all material respects in relation to the general purpose financial statements taken as a whole. The statistical data was not audited by us and, accordingly, we do not express an opinion on such information.

[Signature]

November 15, 1989

Report of Independent Accountants

August 22, 1989 (except as to
Note 9 which is as of October 31, 1989)

To the Board of Directors of
the Greenville Transit Authority

We have audited the accompanying balance sheet of the Greenville Transit Authority (the "Authority"), as of June 30, 1989 and the related statements of revenue, expenses and changes in fund equity and changes in financial position for the year. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority for the year ended June 30, 1988 were audited by other independent accountants whose report dated August 24, 1988 expressed a qualified opinion on those statements subject to such adjustments, if any, as might have been required should the Authority be unable to continue in existence.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Authority at June 30, 1989 and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 2 to the financial statements, the Authority is dependant upon federal, state and local grants in amounts sufficient to recover operating losses and thus to continue to provide service similar to that provided prior to June 30, 1989. The level of federal grants available to the Authority is dependant in part upon the level of state and local grants. The Authority has obtained information that state and local grants and, in turn, federal grants available in years subsequent to June 30, 1989 may be insufficient to enable the Authority to continue to provide the level of service provided prior to June 30, 1989. These factors raise substantial doubt about the Authority's ability to continue in its present form. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of Section 9 Allowable Expenditures for the year ended June 30, 1989 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Signature]

REPORT ON INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS*

This report is prepared in accordance with SAS No. 63 and Government Auditing Standards and accordingly, does not express an opinion on internal control structure. Government Auditing Standards requires a written report on the internal control structure in all audits; SAS No. 60, Communication of Internal Control Structure Related Matters Noted in an Audit, requires communication—oral or written—only when the auditor has noted reportable conditions. Government Auditing Standards requires a description of any reportable conditions noted, including the identification of those that are considered to be material weaknesses. SAS No. 60 permits, but does not require, the auditor to separately identify and communicate as material weaknesses those conditions that, in the auditor's judgement, are considered to be reportable material weaknesses. Finally, Governmental Auditing Standards requires communication of the following matters, which are not addressed by SAS No. 60:

- Identification of the categories of the internal control structure;
- Description of the scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing control risk;
- Description of deficiencies in the internal control structure not considered significant enough to be reportable conditions.

Examples of the report follow.

Honorable Mayor and Members
of the City Council
City of Joliet, Illinois

We have audited the financial statements of the City of Joliet, Illinois for the year ended December 31, 1988, and have issued our report thereon dated May 19, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the City of Joliet, Illinois for the year ended December 31, 1988, we considered its financial control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the financial control structure.

The management of the City of Joliet, Illinois, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: revenue/receipts, purchases/disbursements, and payroll.

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

*[Note: In April, 1989 the Auditing Standards Board issued Statement on Auditing Standards No. 63, "Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance" which prescribes a new reporting format for the Report on the internal Accounting Control Structure. The provisions of the statement are effective for fiscal periods beginning on or after January 1, 1989. In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide, *Audits of State and Local Governmental Units*. it superseded the reporting examples appearing in appendix A and provided new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective on or after January 1, 1989. See section 1 for a further discussion.]

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. However, we noted the following reportable conditions that we believe to be material weaknesses.

1. The City does not maintain fixed asset records for its Waterworks and Sewerage Fund. Also records of general fixed assets purchased by other funds are not complete. We recommend that the City consider establishing an inventory of existing fixed asset as well as procedures for maintaining records for future acquisitions.

2. Accounts receivable pertaining to water and sewer services, as posted in the City's general ledger, has not been reconciled to the subsidiary ledger contained in the City's "Utility Billing Accounts" report. The City did not retain the "Utility Billing Accounts" report as of December 31, 1988, therefore we had to use alternate methods of testing to satisfy ourselves as to the reasonableness of accounts receivable.

   Also, unusual balances in specific general ledger accounts pertaining to receivables and unapplied credits were not resolved by the accounting department until after year end. We recommend that the "Utility Billing Account" report be reconciled to general ledger postings on a monthly basis and that these reports be retained for a reasonable period of time.

3. Temporary loans between funds which existed as of December 31, 1988 had not been reconciled by the City. These loans have subsequently been reconciled in aggregate however, the exact composition of these loans on a fund by fund basis is unknown. We suggest that the City attempt to determine the composition of interfund loans and perform monthly reconciliations to balance these loans. Consideration should also be given to repaying these loans as soon as adequate funding becomes available.

4. Interfund transfers were not always recorded consistantly. Revenue transfers recorded in one fund did not always have corresponding expenditure transfers recorded in another fund, therefore the interfund activity recorded for the year did not balance. We recommend that interfund postings be monitored for consistancy and that periodic reconciliations of interfund activity be performed.

5. Clerks in the accounting department have access to both the check signing machine and unused checks. An effective internal control structure requires that the accounting function be segregated from the physical control of cash. We therefore recommend that the check signing machine be placed with someone other than clerks of the accounting department.

6. Bank statements are not always reconciled on a timely basis. Bank reconciliations are one of the primary internal controls used in the detection of errors or irregularities, therefore their timely preparation is critical to an effective internal control structure. We therefore suggest that the City give consideration to ways to improve and streamline the process of performing bank reconciliations so that they can be completed in a timely manner.

A material weakness is a reportable condition in which the design or operations of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We also noted non-reportable conditions involving the internal control structure and its operations that we have discussed with the management of the City of Joliet.

This report is intended for the information of management and applicable federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

May 19, 1989

Independent Auditors' Report on the Internal Control Structure

Board of Finance
Town of Darien
Darien, Connecticut

We have audited the general purpose financial statements of the Town of Darien, Connecticut, as of and for the year ended June 30, 1989, and have issued our report thereon dated October 6, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the Town of Darien, Connecticut, for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the Town of Darien, Connecticut, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: cash receipts, cash disbursements/accounts payable, payroll, property and equipment, title grants, property taxes, sewer assessments, student activities, pension trust, investments, and general ledger.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed that because of the limited number of employees in the Tax Collector's Department, there is not a complete separation of functions which we consider necessary for an effective system of internal accounting control. We believe that this condition might possibly result in errors or irregularities in amounts that might be material in relation to the financial statements of the Town. However, the financial records of the Town were generally maintained in good order and the conduct of offices as related to the financial records, was generally satisfactory.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the Town's 1989 financial statements, and this report does not affect our report on the financial statements dated October 6, 1989. In addition, our examination disclosed other conditions, although not considered by us to be material weaknesses, are weaknesses in internal accounting control for which corrective action might be taken. Our comments concerning such conditions and certain administrative and operating matters, together with our recommendations with respect thereto are set forth on the following pages arranged by function and within each function in order of relative importance.

This report is intended for the information of the management of the Town of Darien, Connecticut, the cognizant audit agency, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Town of Darien, is a matter of public record.

[Signature]

October 6, 1989

FINANCE

Payroll Checks

Observation: Payroll checks for employees of the Parks and Recreation and the Planning and Zoning Departments that are not given to the employees on the payroll distribution day are not being safeguarded properly.

Recommendation: Maintain all unclaimed payroll checks in a secured location at all times.

TAX ASSESSORS' OFFICE

Schedule of Total Corrections

Observation: A summary list of certificates of error and tax credits for automobiles is not prepared by the Tax Assessor's office.

Background: Copies of certificates of error for all real, personal property, and automobiles and tax credits for automobiles which are approved by the Tax Assessor are maintained in numerical order of issue within the Tax Assessor's office. There is, however, no summarized listing of such corrections prepared by the Tax Assessor's office.

Recommendation: Prepare monthly summarized listings of all tax corrections approved. Maintain such listing within the Tax Assessor's office and forward a copy of such listing to the Tax Collector to facilitate comparison by the Tax Collector of corrections received with corrections recorded.

TAX COLLECTOR

A. Segregation of Duties

Observation: There is not a complete separation of functions necessary for an effective system of internal accounting controls due to the limited number of employees (generally two clerks and the Tax Collector) within the Tax Collector's office.

Background: Tax clerks perform many duties such as receive cash receipts, record receipts in the computer, control the updating of the computerized rate book for receipts, post corrections/adjustments received from the Tax Assessor to the computerized rate book, mail computer generated delinquent tax notices and generate manual control tapes of cash receipts which the Tax Collector agrees to the computerized records. While controls related to the separation of functions is limited due to the number of individuals involved, there may be opportunities to separate functions and improve the control process under the new computerized accounting system installed during fiscal 1989.

Recommendation: Study the opportunities within the new computer system to improve the separation of functions. Areas to investigate should include, but not be limited to, limiting access through computer password and option access controls to the updating of the rate book for corrections, adjustments and cash receipts and the generation of delinquent tax notices.

In addition, controls could be improved through the implementation of the following procedures:

- limit the access to delinquent tax notices prior to mailing the notices by tax clerks.
- Periodic Tax Collector review of the detailed computerized listing of cash receipts for unusual items.

B. Schedules of Tax Collections, Sewer Assessments and Service Charges Receivables

Observation: Unreconciled differences were found between the Tax Collector's records and the schedules of tax, sewer service charge and sewer assessments collections prepared by the Finance Officer for inclusion in the Town's annual financial statements.

Recommendation: The Tax Collector should review the schedules prior to inclusion in the Town's annual financial statements.

BOARD OF EDUCATION

A. Cafeteria Accounting System

Observation: Financial information for the cafeteria system is not kept in a manner that facilitates the preparation of financial statements for internal use. Also, analyses of grant monies received and disbursed, and the fair value of USDA food donations are not prepared.

Background: The cafeteria maintains separate accounting records and prepares its own internal financial statements on a cash basis. Subsidiary records of grant receipts and disbursements are not maintained, nor is an analysis prepared of the value to be assigned to USDA food donations which should be recorded as revenue when received and as cost of sales when used. In general, other accounting records and supporting documentation are not organized in a manner to facilitate the retrieval of such information for review.

Recommendation: Develop an accounting system that will improve the efficiency of compiling the information needed for federal and state filings, recording of USDA donated food at market value, and proper inclusion of USDA food donations in revenues and cost of sales. Also, improve organization of the general accounting records and supporting documentation so that such information is kept in a more orderly manner.

We understand that the Food Service Department has addressed this recommendation and that a computerized accounting system has been implemented for the 1989-90 school year.

B. Grants

Observation: Applications for carryover of unspent monies for the Carl Perkins Vocational Disadvantaged and the Vocational Handicapped Grants were not filed on a timely basis.

Background: Applications for carryover of unspent funds must be submitted to the State by May 1, per the grant requirements, in order to retain such funds. Otherwise, such funds must be remitted to the State. As of November 8, 1989, such applications had not been filed. These unexpended grants amounted to $1,064 for Vocational Disadvantaged and $1,659 for Vocational Handicapped. The Board of Education is currently awaiting word from the State as to what procedures must be followed to return such monies to the State.

Recommendation: If the Board wishes to retain carryover of unspent grant funds, timely filing of such applications must be made or the Board will be forced to remit unused grant monies to the State.

C. School Bank Accounts

1. *Observation:* A bank account was opened during the year at Ox Ridge School. The Board of Education was not notified about the new account and the Principal at the school was not an authorized signer.

Background: The bank account was opened in September 1988 to be used to purchase food for students. Funds were received from parents of the students and deposited into this account. There is only one authorized signer, a teacher, for the account.

Recommendation: All bank accounts opened during the year should be approved by the Board of Education, and any accounts opened at the various schools should have the Principal as the main check signer and teachers as additional signers.

2. *Observation:* Several bank accounts for the Darien PTO are not clearly identified as PTO bank accounts. Instead, these bank accounts are identified as school bank accounts, with no distinction between the PTO bank accounts and the Board of Education authorized bank accounts.

Recommendation: Require all PTO bank accounts to be clearly marked as such so as to differentiate these accounts from normal school accounts.

While there are clear Town and Board of Education guidelines concerning PTO accounts, we understand that steps have already been taken with both principals and teachers to reaffirm these guidelines and underscore the Principal as the primary auditor and co-signer of these accounts.

EDP

A. On-Line Security

Observation: On-line access controls for VAX computer needs improvement.

Background: Access to the VAX computer is controlled through the use of identification codes (user ID's) and passwords. Specific control weaknesses that relate to on-line access controls are as follows:

- Passwords are not changed frequently. Users on the VAX computer are required to change their password every 180 days not periodically.
- Terminals do not automatically disconnect a user from the system after a specific time period of inactivity.
- A number of user ID's were assigned to groups rather than individuals and some individuals were assigned multiple user ID's. This precludes individual accountability and increases the risk of password compromise.
- Users are not limited to their assigned menu to prevent unauthorized update of data files and programs.

Recommendation: Improve on-line access controls by implementing procedures that would:

- Require passwords to be changed more frequently such as every ninety days.
- Disconnect an inactive terminal after ten minutes of inactivity.
- Require individual user ID's for all personnel accessing a computer system.
- Prevent unauthorized update of data files and programs by requiring all users to be limited by a menu.

B. Access to Program and Data Files

Observation: Programmers, operators, and users have the ability to update both the tax assessment/collection programs and data on the VAX.

Background: Datafile security, although available on the VAX, has not been implemented effectively. (Users have the ability to update the tax assessment/collection programs and data files.)

Recommendation: Establish formal written procedures and controls to ensure that:

- Users are restricted from updating programs.
- Limit users to updating tax assessment/collection data only through their assigned applications.

C. Contingency Plan

Observation: A contingency plan has not been documented in writing.

Background: The purpose of a contingency plan is to document the procedures to be followed in the event a disaster renders all or a portion of the data processing facility inoperative. The plan must be all encompassing, covering data processing as well as user procedures, personnel and their responsibilities in implementing the plan. It should be based upon the application being processed and how crucial they are to continued operations.

Recommendation: Complete the process of drafting a contingency plan detailing the steps that would be taken in the event of a disaster. They should include written agreements between the Town and any entities which may provide services.

Independent Auditors' Report on the Internal Control Structure in Accordance with Government Auditing Standards

The School Board of Anoka-Hennepin
Independent School District No. 11,
Coon Rapids, Minnesota:

We have audited the general purpose financial statements of Anoka-Hennepin Independent School District No. 11, Coon Rapids, Minnesota as of and for the year ended June 30, 1989, and have issued our report thereon dated September 22, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of Anoka-Hennepin Independent School District No. 11, Coon Rapids, Minnesota for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of Anoka-Hennepin Independent School District No. 11, Coon Rapids, Minnesota is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: cash receipts, cash disbursements, cash and investment balances, receivables, payables, payrolls, other assets and liabilities, and general ledger.

Our consideration of the internal control structure included all of the control categories listed above. The purpose of our consideration of the internal control structure was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the general purpose financial statements.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

> The District has not maintained detailed accounting records of the cost of its general fixed assets. Because of the foregoing condition, current year financial statements for the general fixed assets account group, required by generally accepted accounting principles, were prepared from prior year financial statements, District capital outlay expenditures in the current year, and insurance appraisals from independent consulting valuation engineers.
>
> Management has indicated that budgetary constraints have prohibited the district from maintaining accurate detailed accounting records of general fixed assets. Management is considering increased staffing levels to alleviate this internal control structure deficiency.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters of the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition relating to general fixed assets described above is also a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Anoka-Hennepin Independent School District No. 11, Coon Rapids, Minnesota in a separate letter dated September 22, 1989.

This report is intended for the information of the Superintendent and School Board Members; management and others within Anoka-Hennepin Independent School District No. 11, Coon Rapids, Minnesota; and officials of applicable Federal and State agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

September 22, 1989

Report on the Internal Control Structure in Accordance With Government Auditing Standards

Honorable Chairman and Members
of the County Council for
Lexington, South Carolina

We have audited the general purpose financial statements of Lexington County as of and for the year ended June 30, 1989, and have issued our report thereon dated November 15, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of Lexington County for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of Lexington County is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Cash and Cash Equivalents
Property and Equipment
Cash Disbursements
Payroll
Debt
Cash Receipts
Purchasing and Receiving
Accounts Payable/Receivable
General Ledger
Fund Balance

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

During our audit we disclosed the following reportable conditions:

Auditor's Office

This office needs to establish a formal internal control system that will provide a clear audit trail of the review procedures associated with the abatement process. We did not become aware of any errors in the abatements but were unable to find documentation that all abatements had been properly reviewed in a timely manner.

Assessor's Office

This office needs to establish formal internal control procedures that provide a clear audit trail of the review process associated with the addition and deletion of accounts on the tax rolls. We did not become aware of any errors in the system but were unable to find documentation that all additions and deletions had been properly reviewed in a timely manner.

Cash Management System—Fees and Fines

The collection of fines and fees are administered in several departments and most remitt to the county treasurer in a timely manner. However, a formal internal control system needs to be established to monitor the timeliness of fee remittance. Areas needing most improvement were central traffic control, cable franchise, and tax sale fees.

Delinquent Tax Collector/Treasurer's Office

The internal control system needs to be modified to adjust for an absence of appropriate segregation of duties consistent with appropriate control objectives.

Clerk of Court

The clerk of court maintains a single entry system in accounting for its bonds and trust funds held. We recommend that a tangible double system be maintained. We understand that the county has dedicated the necessary resources to computerize the clerk of court office. This should assist the clerk of court in the administration of his accounting system and provide for a double entry system.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, county council and management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

November 15, 1989

Independent Auditors' Report on the Internal Control Structure in Accordance with Government Auditing Standards

Honorable Mayor and City Council,
City of Orem, Utah:

We have audited the general purpose financial statements of City of Orem, Utah (the City) as of and for the year ended June 30, 1989, and have issued our report thereon dated September 15, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the City for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the City is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Financial Statement Captions

- Cash and short-term investments
- Receivables
- Inventory
- Property and equipment
- Payables and accrued liabilities
- Debt
- Fund equity

For all of the internal control structure categories listed above, we obtained an understanding of the design or relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation in the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation which are included below.

MANAGEMENT LETTER COMMENTS

CURRENT YEAR COMMENTS

Observation: The City discontinued its use of an imprest payroll account when it awarded a new contract for banking services effective July 1, 1989. Although the City used an imprest account for all of the year ended June 30, 1989, the discontinued use of an imprest payroll account will have an adverse effect on the City's internal control structure for year ending June 30, 1990.

Recommendation: Management of the City should re-establish the use of an imprest payroll account as soon as possible. The use of such an account will re-establish better internal controls over payroll.

City's Response: The City concurs with the finding and has re-established the use of an imprest payroll account in September 1989.

Observation: Management of the City has a long-standing policy that all cash receipts of all City departments are to be remitted to the Treasurer's office on a daily basis for timely deposit to the City's bank account. Also, Section 51-4-2(2) of the Utah Code Annotated requires that all public funds be deposited on a daily basis, whenever practicable, but not later than three days after receipt. While most departments of the City have complied with this policy, the Recreation and Public Works Departments do not always remit cash receipts to the Treasurer's office on a timely basis.

Recommendation: The Recreation and Public Works Departments should remit all cash receipts to the Treasurer's office on a daily basis to ensure efficient use of the City's financial resources and compliance with State statutes.

City's Response: The City concurs with the finding and will conduct surprise audits of cash receipts in the Recreation and Public Works Departments in order to verify compliance with City policy.

PRIOR YEAR COMMENTS

Observation: Major landfill customers are delinquent in paying the City for monthly service billings. No late charges are being assessed, even though the City's statements indicate that a 1% late charge per month will be added to delinquent balances.

Recommendation: The City's miscellaneous accounts receivable system should incorporate an automatic late charge assessment on delinquent accounts. An aged trial balance of outstanding amounts due the City should be reviewed monthly by appropriate management personnel.

Current Status: It appears that the City has taken proper corrective action to remedy this situation.

* * * * *

This report is intended for the information of the Mayor and City Council members and management of the City and officials of applicable Federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

September 15, 1989

Independent Auditors' Report on the Internal Control Structure

Board of Aldermen
City of Milford, Connecticut:

We have audited the general purpose financial statements of the City of Milford, Connecticut, as of and for the year ended June 30, 1989, and have issued our report thereon dated November 22, 1989 in which we expressed a qualified opinion because the accounting for deferred expenses, the recorded value of certain fixed assets and the funding of certain pension costs not accounted for on an actuarial basis, represent exceptions to generally accepted accounting principles.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the City of Milford, Connecticut, for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the City of Milford, Connecticut, is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: billings, receivables, cash receipts, purchasing and receiving, accounts payable, cash disbursements, payroll, inventory control, property, equipment and general ledger.

Our consideration of the internal control structure included all of the control categories listed above. The purpose of our consideration of the internal control structure was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the general purpose financial statements.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Our audit did, however, disclose conditions that, although not considered by us to be material weaknesses, are weaknesses in the internal control structure and its operation for which corrective action might be taken. Our comments concerning such matters together with our recommendations with respect thereto are set forth in the following pages. Observations repeated from the prior year are marked with an asterisk (*).

Comments not repeated from the prior year have been corrected or action has taken place to implement the recommendation.

ALL FUNDS

*1. *Observation:* The Board of Education charges a portion of salaries earned in the current fiscal year to expenditures of the subsequent fiscal year for certain Board of Education ten-month employees who have elected to receive their salary on a twelve-month basis. This amount was $3,788,313 at June 30, 1989. Such accounting treatment is not in accordance with generally accepted accounting principles.

   Recommendation: We recommend that the City and Board of Education explore the alternatives available to eliminate this amount and practice and to bring the accounting treatment into conformity with generally accepted accounting principles.

*2. *Observation:* The Summary schedule of fixed assets does not provide sufficient detail to properly identify additions and disposals in the current fiscal year. Additionally, assets have been capitalized at values other than historical cost, as required by generally accepted accounting principles. The City has indicated that a future project involves the identification and acquisition of fixed asset inventory software.

   Recommendation: We recommend that the fixed asset inventory software be acquired and installed as soon as possible. The City should attempt to refine the values of assets recorded at other than historical cost to conform to generally accepted accounting principles.

*3. *Observation:* The City does not have a comprehensive accounting systems and procedures manual. While the financial personnel do adhere to certain documentation standards, an overall manual has not been compiled. The City is in the process of establishing such a manual as part of its transition to a computerized accounting system.

   Recommendation: We recommend that the City continue its efforts to establish an accounting systems and procedures manual to assist the financial personnel in the performance of their duties.

TAX COLLECTOR

1. *Observation:* There is an insufficient segregation of duties with respect to cash receipts. For cash receipts, the acting tax collector is responsible for preparing the deposit slip, depositing money in the bank and recording the amount in the general ledger. In

addition, the same individual has access to the detail rate book. This situation has occurred because the deputy tax collector had to assume additional responsibilities upon the resignation of the tax collector in fiscal 1987.

Recommendation: We recommend that whenever the tax collector or deputy tax collector are not available to perform their separate duties, another individual be assigned to perform the duties required to maintain proper segregation of duties over cash receipts.

2. *Observation:* We noted the following procedures in the Tax Collector's office:

    The City accountant/auditor prepares the Tax Collector's report.

    During the fiscal year, the detailed list of outstanding taxes is not reconciled to the monthly summary of uncollected taxes.

    Recommendation: We recommend the following:

    The Tax Collector's office prepare the tax collector's report.

    The detailed list of outstanding taxes should be reconciled monthly to the summary of uncollected taxes.

3. *Observation:* We noted the following in the billing and collection system in the Tax Collector's office:

    A lockbox system is not presently utilized for receipts of taxes. Such a system would reduce the possibility of human error and increase the efficiency of the processing of receipts.

    The Tax Collector's office does not have the ability to credit a taxpayer's account if an individual were to overpay one tax bill and underpay a second tax bill. In such a situation, the City must issue a check to itself to clear the account.

    Tax bills do not highlight that back taxes are owed. A taxpayer could make a payment on a current bill only even though back taxes are owed.

    The City is currently investigating a new billing and collection system.

    Recommendation: We recommend that a new billing and collection system be implemented in the Tax Collector's office. Such system should address each of the points noted above.

4. *Observation:* The supplemental motor vehicle taxes are not considered when the budget and mill rate are set for the fiscal year.

    Recommendation: The amount of supplemental motor vehicle taxes should be budgeted and included in the determination of the mill rate.

5. *Observation:* Certificates of correction are not filed with the City Clerk's office within 60 days of the fiscal year-end as required by Connecticut State Statutes.

    Recommendation: Certificates of correction should be filed within 60 days of the end of the fiscal year as required by Connecticut State Statutes, Section 12-167.

6. *Observation:* We noted that collections in September 1988 and December 1988 were not transferred to the General Fund by the tenth day of the subsequent month.

    Recommendation: Tax collections should be deposited on a timely basis to ensure receipt by the General Fund by the tenth day of the subsequent month.

SPECIAL REVENUE FUNDS

Observation: In our audit testing we noted that no documentation of reconciliations were available which reconcile health insurance claims to withdrawals.

Recommendation: We recommend that the City continue its current practice of reconciling the health insurance claim reports on a monthly basis. These reconciliations should be maintained throughout the year.

CAPITAL PROJECT FUNDS

1. *Observation:* We noted two invoices that did not foot or cross-foot which resulted in an incorrect payment to a vendor. The vendors were responsible for both errors, which were insignificant.

    Recommendation: We recommend that extensions and footings be verified prior to payment for all invoices.

2. *Observation:* The grant award document, supporting the receivable amount for the Housatonic Plant and systems Capital Project, could not be located.

    Recommendation: We recommend a copy of all grant award documents should be retained by the individual responsible for the grant.

3. *Observation:* The City does not have a contract for all agreements for outside professional and technical services. The City controls these agreements through the use of purchase orders.

    Recommendation: We recommend that agreements for substantial dollar amounts or for specific performances should be legally documented in a written contract.

4. *Observation:* We noted one contract did not include a clause for retainage to be held by the City.

    Recommendation: Retainage provisions should be included in all contracts to ensure that work is performed to the agreed specifications and to the City's satisfaction.

BOARD OF EDUCATION

Observation: A formal system of documentation and/or control of student activity and scholarship funds does not exist.

Recommendation: We recommend a listing of all accounts should be prepared at each individual school location and forwarded to the Business Manager. A decision regarding the centralization of the accounting for these funds should be made which considers both efficiency and control of these accounts. At a minimum the activity in these accounts should be periodically provided to the business office for review.

PENSION TRUST FUND

Observation: Monthly reports from the investment managers are not reconciled to the financial statements. Numerous discrepancies arise because investment managers and the City's investment advisor do not value all transactions on the same basis or on the same date. It was also noted that an accounting for the transfer of funds from one portfolio to a new investment manager was not provided to the City on a timely basis.

In addition, broker advices from investment activities are retained by the pension office, but they are not reviewed against the investment manager's reports.

Recommendation: An individual in the pension office should be assigned the responsibility of recording all investment activity and reconciling the investment manager's reports to the investment activity. This process would ensure proper recording of pension trust fund investments and quickly resolve any discrepancies which may arise.

This report is intended for the information of management of the City of Milford, the cognizant audit agency, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Milford is a matter of public record.

[Signature]

November 22, 1989

Report on the Internal Control Structure in Accordance with Government Auditing Standards

To the Board of Mayor
and the Aldermen of the
City of Tullahoma
Tullahoma, Tennessee

We have audited the general purpose financial statements of the City of Tullahoma, Tennessee, as of and for the year ended June 30, 1989, and have issued our report thereon dated December 15, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the City of Tullahoma, Tennessee, for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the City of Tullahoma, Tennessee, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Billings
Receivables
Cash receipts
Purchasing and receiving
Accounts payable
Cash disbursements
Payroll
Property and equipment
General ledger

Our consideration of the internal control structure included all of the control categories listed above. The purpose of our consideration of the internal control structure was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the general purpose financial statements.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Our report of findings follows this report.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management, and government regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

CITY OF TULLAHOMA, TENNESSEE

GENERAL FUND, AUDIT FINDINGS—JUNE 30, 1989

1. Finding

Garbage receivable ledgers do not provide accurate aging information.

Recommendation

In order to maintain control over garbage receivables, a system of aging the amounts due should be implemented. This information can be used to properly track delinquent accounts and provide information for management.

Management's Comment

Software modification to correct aging system was installed December 14, 1989.

2. Finding

Investment activity is not reviewed or ratified by the Board.

Recommendation

As the Board has granted the City Administrator and Finance Director the authority to invest funds of the City, it is recommended that these actions be reviewed and ratified each month by the Board.

Management's Comment

Investments will be reported monthly with the finance report.

3. Finding

Our review of police procedures for issuing and recording tickets revealed that missing tickets are not investigated.

Recommendation

Procedures should be implemented to ensure that all tickets issued by the police department are accounted for.

3. Management's Comment

A new system has been initiated within the police department to account for each citation issued. This system will consist of the officer leaving a pink copy of each prenumbered citation in the ticketbook. When the ticketbook is full, it will be turned into the secretary to the Chief of Police who will maintain an audit sheet showing the date the citations were issued, voided, etc. We feel this system will account for each ticket that is issued.

4. Finding

Our testing of building permits revealed incorrect amounts being charged in seven (7) out of thirty-two (32) permits issued (22%).

Recommendation

Although the amount of difference is immaterial in the items tested, the high rate of occurrence should prompt review of the correct procedures for billing of permits.

Management's Comment

Permit fees were figured based on a chart containing some errors. Chart has been corrected. Differences were immaterial.

5. Finding

State Street Aid expenditures are not readily identifiable in the General Fund.

Recommendation

Separate line item income and expenditure accounts should be maintained for purposes of identifying State Street Aid Funds.

Management's Comment

A separate line item will be used to identify both income and expenditure items associated with the State Street Aid Funds.

DISPOSITION OF PRIOR AUDIT FINDINGS—JUNE 30, 1989

Not Implemented

1. Someone other than a cashier should be responsible for posting of subsidiary receivable ledgers.

   Report dated June 30, 1982, Page Number 76, Finding Number 1-e.

2. Sources of funding for loans made from CDBG/ UDAG funds were incorrectly stated in the loan documents. During the current year, one loan was amended to include the correct funding source; however, another loan remained unchanged.

   Report dated June 30, 1987, Page Number 130, Finding Number 13.

3. A significant amount of time was encountered reconciling the entries recorded in the fund equity section of the balance sheet in connection with budgetary entries and encumbrance accounting entries. The Reserve for Encumbrance and Encumbrances accounts were not reconciled to the general ledger on a monthly basis. In addition, budgetary entries were made to these accounts.

   Report dated June 30, 1988, Page Number 130, Finding Number 9.

4. It appears that Recreation Department receipts are not being deposited timely.

   Report dated June 30, 1988, Page Number 130, Finding Number 10.

Implemented

Finding Number	Report Date	Page Number	Subject
1	6-30-88	127	Journal entries
2	6-30-88	127	Bank reconciliation review
4	6-30-88	128	Insurance
5	6-30-88	128	Investments
6	6-30-88	129	Bid Bonds
7	6-30-88	129	Accounts payable
8	6-30-88	129	Equipment Fund

CITY OF TULLAHOMA, TENNESSEE

UTILITY FUND, AUDIT FINDINGS—JUNE 30, 1989

1. Finding

It was noted that certain classes of assets in the Water and the Sewer Funds have been depreciated in excess of the asset class balance. In addition, it is our understanding that assets have been depreciated using a percentage of the general ledger account balance rather than calculating depreciation on individual asset cost.

Recommendation

A fixed-asset accounting system should be implemented which would calculate depreciation on an asset-by-asset basis. The Plan Book which includes all assets and Tag numbers could be used to implement the system. Each asset should be set up and actual depreciation calculated. Adjustments should be made for assets which can not be located. Prior depreciation expense should be adjusted on the general ledger to the amount calculated and future monthly journal entries made using the system calculation. These procedures should prevent future depreciation in excess of asset cost when monthly journal entries are calculated. In addition, the fixed asset system will insure that general ledger balances are recorded at the proper amounts.

Management's Comment

We have scheduled to install the fixed asset program in January 1990 on the new computer. The fixed asset program will totally comply with the audit recommendation.

2. Finding

Subsidiary ledgers for Other Receivables were not posted for June 1989 transactions recorded to the general ledger and therefore, balances did not agree to the general ledger balance for all three funds.

Recommendation

All transactions recorded on the general ledger should be posted to the subsidiary ledger at the same time to ensure that the general ledger has a proper balance.

Management's Comment

We agree with the finding but not with the recommendation. The posting of the subsidiary ledger has been delegated to an employee outside of the accounting department. This employee posts from completed vouchers at the end of each month. We have no intention of changing this procedure at the present time. This is the first year we have had this problem. We feel the enormous work load at the end of the year due to the computer conversion had a direct impact on all of our year end procedures.

3. Finding

Amounts on deposit with fiscal agents for the 1958, 1965 and 1968 bond issues do not agree with general ledger balances.

Recommendation

Attempts to reconcile these bank accounts should be made with proper adjustments made to accurately reflect restricted fund balances.

Management's Comment

We agree with the finding and the recommendation. Procedures have been implemented to insure the proper reconciliations will be done monthly.

4. Finding

During our bonds payable testing, it was revealed that Traders Bank is not acting as the fiscal agent for the 1975 and 1978 bond issues. The bank currently pays coupons only.

Recommendation

A review of the bond instrument should be made to ascertain whether a fiscal agent is required for these issues.

Management's Comment

We will meet with the proper banking officials and resolve the problem.

CITY OF TULLAHOMA, TENNESSEE

UTILITY FUND, DISPOSITION OF PRIOR AUDIT FINDINGS—JUNE 30, 1989

Not Implemented

1. Physical inventories of equipment should be performed on an annual basis.

   Report dated June 30, 1982, Page 32, Finding Number 12.

2. The Board should formulate plans for the future disposition of the Short Springs pumping station and water treatment plant including accelerating depreciation if the property is to be maintained or writing down to net realizable value and reclassifying as an investment if the property is to be sold.

   Report dated June 30, 1983, Page 32, Finding Number 5.

3. Individuals responsible for reconciling the following bank accounts are also authorized signatories for these accounts:

   County Line Escrow
   1975 Bond Payment Account
   1978 Bond Payment Account
   Employee Pension Trust
   Tullahoma Water System—Industrial Park Proceeds EPA Construction Fund.

   Report dated June 30, 1988, Page 134, Finding Number 1.

4. The Board policy regarding increases in security deposits for delinquent accounts is not being followed.

   Report dated June 30, 1988, Page 134, Finding Number 2.

5. Intercompany payables/receivables are not reconciled on a regular basis.

   Report dated June 30, 1988, Page 134, Finding Number 4.

6. The customer service department has been making "arrangements-to-pay" with customers. These "arrangements-to-pay" extend or change the due date and cut-off date of past due accounts. Board policy states "special circumstances may require installment payments," but does not specify "special circumstances" nor does it address extension of due date and cut-off date.

   Report dated June 30, 1988, Page 135, Finding Number 5.

7. Persons outside the purchasing department have solicited and received bids for materials and services. As a result, the purchasing department does not become aware of such purchases until a later time.

   Report dated June 30, 1988, Page 136, Finding Number 6.

8. Certain securities pledged as collateral for the Board's investments may be in violation of state law. These investments are out-of-state municipals, which are unallowable according to state law.

   Report dated June 30, 1988, Page 136, Finding Number 8.

Implemented

The Board has implemented the following findings since the last audit:

Finding Number	Report Date	Page Number	Subject
3	6-30-88	134	Unclaimed property report
7	6-30-88	136	Incomplete bid files
4	6-30-87	138	Insurance expense
5	6-30-86	127	Inventory

CITY OF TULLAHOMA, TENNESSEE

SCHOOL FUND, AUDIT FINDINGS—JUNE 30, 1989

1. Finding

The same individual that maintains the books and performs all receipt and disbursement duties for the Extended School Program Fund also reconciles the bank accounts.

Recommendation

The bank accounts should be reconciled by an individual not responsible for maintaining the books for the Extended School Program Fund. One individual should not have control over all phases of receipts and disbursement recordkeeping.

Consideration should be given to computerizing the bookkeeping functions of the Extended School Program Fund utilizing general ledger software comparable with that used by the General Fund.

Management's Comment

Reconciliation of the Extended School Program bank accounts will be transferred to the Food Service Secretary. The ESP Secretary will in turn reconcile the Food Service bank account.

2. Finding

A test of student lunch revenue revealed amounts reported did not balance to number of lunches served times price charged. Using the number of lunches served at reduced and full price as reported to the state for the year, we totaled and multiplied by the approved lunch cost respectively. We then compared this amount to the total lunch revenue per the general ledger. This procedure was done for two schools. At East Lincoln Elementary, actual revenue exceeded calculated by $455. At East Middle School, actual revenue was less than calculated by $1,111.

Recommendation

Procedures should be put in place to properly account for monies received at the individual cafeterias.

Management's Comment

We agree and will make every effort to tighten the procedures for receiving and accounting for cafeteria revenues.

3. Finding

No records were maintained to account for T-shirts purchased under the Drug-Free Grant Program. Funds were turned in to the central office with no reconciliation of number sold to determine if monies deposited were correct. No records were located to account for the disposition of the shirts.

Recommendation

Proper procedures should be implemented to account for sales and receipts and for unsold merchandise.

3. Management's Comment

Records were maintained to account for the purchase of said T-shirts. It was not our intention to resell these items but to give them away. When money was received at the Administration Office, we properly receipted it. It will not be our future practice to resell items in this program.

4. Finding

We noted the Cash Receipts Journal of the Extended School Program was not posted as a separate general ledger entry monthly. The monthly total was netted with adjustments for which no general journal entry was recorded.

In addition, cash collection sheets did not reconcile to receipts written nor to the cash deposited. We noted that certain collections shown on the sheets had no receipt prepared.

Recommendation

The Cash Receipt Journal totals should be posted directly to the general ledger. Any adjustments should be recorded in a General Journal and recorded as separate entries on the general ledger. Procedures should be set up to ensure that cash collected for the Program is properly receipted and deposited in the bank intact. This might include a system similar to that of the Food Service Fund, with Site Directors responsible for depositing funds directly in the bank. Daily cash collection sheets, which list monies received would balance to the deposit and would be turned in to the bookkeeper. The bookkeeper could then prepare receipts for parents which matched the cash collection sheets. This procedure would also segregate cash handling from recording.

Management's Comment

Procedures have been installed to tighten the cash collection/deposit procedure, however, we will make one deposit at Administration Office for daily receipts.

5. Finding

Attendance records were not available to support adjustments made to Fees Receivable on the Extended School Program Fund. In addition, we noted charges made which, when attendance records were reviewed, were not in accordance with the fee structure.

Recommendation

Attendance records should be kept and detailed journal entries should be used to record any adjustments made to Fees Receivable. Care should be taken that charges are in accordance with the approved fee schedule.

Management's Comment

We agree. Corrective action has been taken.

6. Finding

It was noted the budget for Capital Projects Fund had a deficit balance of $103,752. This is a violation of state law. The deficit was the result of fund equity from the prior year being misstated. It is noted that funds were not expended in excess of budgeted amounts.

Recommendation

Budgets should be prepared in adherence to state law and amended during the year to account for changes.

Management's Comment

This particular project spanned three budgetary years. In the process of attempting to maintain accurate budgets, a carryover was created causing the deficit budget balance. We would note that no funds were expended above the actual fund balances. There was a fund balance of $19,478 or $123,230 less than had been budgeted through the three-year project.

CITY OF TULLAHOMA, TENNESSEE

SCHOOL FUND, DISPOSITION OF PRIOR AUDIT FINDINGS—JUNE 30, 1989

Not Implemented

1. Meal tickets are not prenumbered in order to ensure accountability.

   Report dated June 30, 1987, Page Number 46, Finding No. 5.

2. The system should maintain a record of its general fixed assets and periodically should inventory the assets and compare with the general fixed assets record.

   Report dated June 30, 1982, Page Number 22, Finding 1d.

3. Balances on deposit in the Board's various funds at year-end were in excess of the insured amounts. Further, securities held in escrow on that date were not adequate to insure the safety of all funds.

   Report dated June 30, 1986, Page Number 43, Finding Number 1.

4. Securities pledged by depositories as collateral for the Board's deposits and investments at year-end were not all in conformity with Board policy.

   Report dated June 30, 1986, Page Number 43, Finding Number 2.

5. The same individual that maintains the books and prepares the disbursements also reconciles the bank accounts.

   Report dated June 30, 1988, Page Number 52, Finding Number 1.

6. Insurance coverage appears reasonable for liability, errors and omissions, workmen's compensation; however, without the inventory of buildings, equipment and vehicles, we are unable to determine if present coverage is adequate.

   Report dated June 30, 1988, Page Number 53, Finding Number 3.

Implemented

The Board has implemented the following findings since the last audit:

Finding Number	Report Date	Page Number	Subject
2	6-30-88	52	Bids for equipment
4	6-30-88	53	Deficit Fund Balance
1(o)	6-30-87	54	TSFS-4 Reports
3(o)	6-30-82	54	Cash receiving

CITY OF TULLAHOMA, TENNESSEE

INDUSTRIAL DEVELOPMENT BOARD FUND, AUDIT FINDINGS—JUNE 30, 1989

1. Finding

General ledger control for the Capital Projects Fund was not maintained separately from the General Fund.

Recommendation

Each fund should maintain a separate self-balancing ledger of accounts.

Management's Comment

We will maintain separately in the future.

2. Finding

Investment activity should be reported to the Board at each monthly meeting.

Recommendation

Upon the Board's approval, the Executive Director is authorized to make investment decisions concerning funds of the Industrial Board. Such investments are normally made by telephone transfer or transfer requiring only one signature. It is suggested that the Board notify investment transactions and note such in the minutes of Board meetings.

Management's Comment

The investment activity will be reported as the CDs come due.

3. Finding

It was noted the Capital Projects Fund report was included in the minutes of Board meetings and intended to be the budget for such fund, however, no formal adoption of this report as the budget was found. No mention is made of the presentation of this budget to the City of Tullahoma Board of Mayor and Aldermen for approval.

Recommendation

All budgets should be formally adopted and presented as required.

Management's Comment

The budget will be presented as required.

CITY OF TULLAHOMA, TENNESSEE

UTILITY DEVELOPMENT BOARD FUND, DISPOSITION OF PRIOR AUDIT FINDINGS—JUNE 30, 1989

Implemented

Finding Number	Page Number	Subject
1	19	Budget

CITY OF TULLAHOMA, TENNESSEE

MUNICIPAL AIRPORT AUTHORITY FUND, AUDIT FINDINGS—JUNE 30, 1989

1. Finding

The minutes of Board meetings did not provide detail concerning contracts awarded nor results of bid tabulations. References were made in the minutes to attachments; however, only one attachment was found during our review.

Recommendation

The official minutes of the Board meetings should contain more detailed information concerning contracts awarded to vendors. The results of the bidding process should be provided as well as terms of the contract with the successful bidder.

Management's Comment

In the future, the official minutes of Board meetings will contain more detailed information concerning contracts awarded to vendors. In particular, the results of the bidding process will be provided, summaries of the important terms of the contract specified (price, completion date and any unusual stipulations or conditions), bid prices will be tabulated, and if the contract is not awarded to the lowest bidder, the circumstances will be summarized.

2. Finding

A formal purchasing policy is not in effect for the Board.

Recommendation

Due to the increased number of expenditures and improvements planned for the Airport, an official purchasing policy should be implemented. It is suggested that a policy be formulated or adopt the policy of the City of Tullahoma.

Management's Comment

A formal Purchasing Policy will be developed and implemented.

CITY OF TULLAHOMA, TENNESSEE

MUNICIPAL AIRPORT AUTHORITY FUND, DISPOSITION OF PRIOR AUDIT FINDINGS—JUNE 30, 1989

Findings Not Implemented

1. The duties of receiving and disbursing cash are performed by the same individual who is responsible for recording cash transactions. The Board approves the monthly cash report to provide limited control. Requiring two signatures on each check would provide some additional control.

   Report dated June 30, 1983, Page Number 9, Finding Number 2.

Findings Implemented

The Board has implemented the following findings since the last audit:

Finding Number	Page Number	Subject
2	17	General ledger

COMPLIANCE REPORT BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS*

The report on compliance with laws and regulations is required to satisfy the federal audit requirements as specified by Government Auditing Standards.

The auditor's report on compliance is based on the results of procedures performed as part of the audit of financial statements. Government Auditing Standards requires the report to be structured to identify occurrences of noncompliance with federal, state or local laws and regulations that are material in relation to the general purpose or basic financial statements, and should express positive assurance on the items tested and negative assurance on items not tested.

Government Auditing Standards also requires the auditor to report instances or indications of illegal acts that could result in criminal prosecution. The auditor will have complied with the requirements of Government Auditing Standards by designing the audit to consider the possibility of and to detect illegal acts by the clients required by SAS No. 54, Illegal Acts By Clients.

Examples of the report on compliance follow.

Independent Auditors' Report on Compliance with Laws and Regulations

Board of Finance
Town of Darien
Darien, Connecticut

We have audited the general purpose financial statements of the Town of Darien, Connecticut, as of and for the year ended June 30, 1989, and have issued our report thereon dated October 6, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Darien, Connecticut, is the responsibility of the Town of Darien, Connecticut's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Town of Darien, Connecticut, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of the Town of Darien, Connecticut, the cognizant audit agency, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Town of Darien, Connecticut, is a matter of public record.

[Signature]

October 6, 1989

Auditors' Compliance Report with Laws and Regulations

To the School Committee of the
Amherst-Pelham Regional School District:

We have audited the financial statements of the Amherst-Pelham Regional School District of the Commonwealth of Massachusetts ("the District") as of and for the year ended June 30, 1989, and have issued our report thereon dated October 13, 1989.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and in accordance with OMB Circular A-128, *Audits of State and Local Governments.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended for the School Committee, management and the Commonwealth of Massachusetts Department

*[Note: In April, 1989 the Auditing Standards Board issued Statement on Auditing Standards No. 63, "Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance" which prescribes a new reporting format for the Report on Compliance With Laws and Regulations. The provisions of the statement are effective for fiscal periods beginning on or after January 1, 1989. In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide, *Audits of State and Local Governmental Units*. It superseded the reporting examples appearing in appendix A and provided new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective on or after January 1, 1989.]

of Education (the cognizant audit agency). This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Yours truly,

[Signature]

Certified Public Accountants

Independent Auditors' Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Honorable Mayor and
Members of the City Council
City of Memphis, Tennessee

We have audited the general purpose financial statements of the City of Memphis, Tennessee (the City), and the combining, individual fund and account group financial statements, as of and for the year ended June 30, 1989, and have issued our report thereon dated October 12, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the aforementioned financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the City complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended for the information of management and members of the City Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

[Signature]

Memphis, Tennessee
October 12, 1989

Report on Compliance with Laws and Regulations Based on an Audit of General Purpose Financial Statements Performed in Accordance With Government Auditing Standards

To the Chairman of the Board
and the Members of the Board of
Supervisors of the County of Saratoga

We have audited the general purpose financial statements of the County of Saratoga, New York as of and for the year ended December 31, 1988, and have issued our report thereon dated May 26, 1989.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the County of Saratoga, New York is the responsibility of the County of Saratoga, New York's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the County of Saratoga, New York's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the County of Saratoga, New York, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Saratoga, New York had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management and Board of Supervisors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

Albany, New York
May 26, 1989

Independent Auditor's Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards Issued by the GAO

To the Provo City Council
Provo City Corporation, Utah

We have audited the general purpose financial statements of Provo City Corporation, Utah as of and for the year ended June 30, 1989, and have issued our report thereon dated December 8, 1989.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Provo City Corporation, Utah is the responsibility of Provo City Corporation's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of Provo City Corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Provo City Corporation complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Provo City Corporation had not complied, in all material respects, with those provisions.

This report is intended for the information of the Provo City Corporation Council, management, and all applicable Federal agencies, and those other governments from which Federal financial assistance was received. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]
Certified Public Accountants

PROVO CITY CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—CURRENT PERIOD—JUNE 30, 1989

Program	Finding, Condition, and Recommendation	Questioned Costs
HUD-Community Development Block Grant Program (CDBG) Grant No. B-88-MC-49-0003	1. *Finding:* There is a lack of documented evidence supporting the monitoring of Davis Bacon rules as it relates to construction contracts. *Condition:* Although monitoring of Davis Bacon wages is being performed, evidence documenting the monitoring is not done. *Recommendation:* We recommend that a procedure be implemented to document the monitoring of Davis Bacon compliance. *City's Response:* The City concurs with the auditor's recommendation.	$-0-
HUD-Community Development Block Grant Program (CDBG) Grant No. B-88-MC-49-0003	2. *Finding:* The annual Grantee Performance Report (GPR) for the year ended June 30, 1989 was filed after the due date. *Condition:* Complete information was not available at the time the GPR was due and therefore it was not filed timely. *Recommendation:* We recommend that all financial information related to the GPR be reconciled periodically to the City's general ledger. Account classifications in the general ledger should correspond to the performance report. *City's Response:* The City will endeavor to file the grantee performance report on time.	$-0-
HUD-Community Development Block Grant Program (CDBG) Housing Rehabilitation Revolving Fund	3. *Finding:* Some expenditures for the Housing Rehabilitation Program were recorded in other funds. There were also some expenditures for other funds that were recorded in the Housing Rehabilitation fund. *Condition:* Expenditures for the Housing Rehabilitation Program recorded in the general ledger are not reconciled on a timely basis with the program administrator. *Recommendation:* We recommend the periodic reconciliations be made with the detail activity of the Housing Rehabilitation program and the amounts recorded on the general ledger. *City's Response:* The City split the Housing Rehab programs	$-0-

	into three funds in the second quarter of the year to follow the recommendations of the prior year audit. As a result, several months' transactions for fiscal year 1989 were included in only one fund. With the addition of a fourth fund, there should not be confusion between the grantee performance report and the general ledger. In addition, quarterly reconciliations are currently being performed.	
State Department of Natural Resources Grant No. OHA Case #RF302-3	4. *Finding:* The grant drawdown process for requesting federal funds resulted in the City receiving $31,750 in excess of immediate needs. *Condition:* The City received $31,750 to rewind a 600 horsepower motor at the sewage disposal plant. The funds were received from the State during fiscal year 1989 but will be expended in fiscal year 1990. *Recommendation:* Federal guidelines stipulate that funds will be released after qualified expenditures have been incurred. Therefore, we recommend that drawdowns of Federal funds be requested after the expenditures have been incurred. *City's Response:* The grant referenced in this comment is an energy conservation grant, which the City believed was state funded. The State staff administering this grant indicated that the City could go ahead and drawdown the necessary funds in advance of the actual expenditures. If we had been aware this was a federal grant, we would have waited to drawdown grant funds after our expenditures were completed.	$-0-

PROVO CITY CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—PRIOR PERIOD—JUNE 30, 1989

Program	Finding, Condition, and Recommendation	Questioned Costs
REVENUE SHARING		
Grant No. 45-2-025-011	*Finding:* The City has completed a self-evaluation review of policies, practices, programs, and activities to determine if they discriminate against the handicapped. However, the City has not prepared a transition plan, including a time table for completion, describing structural changes to be made to achieve accessibility to the handicapped. *Condition:* Revenue sharing regulations (31 CFR 51.55(k)(5)) require that a transition plan be implemented if it is decided during the self-evaluation that structural changes are needed. *Current status:* This program is no longer in existence.	$-0-
HUD-Community Development Block Grant Program (CDBG) Grant No. B-87-MC-49-0003	*Finding:* The annual Grantee Performance Report (GPR) for the year ended June 30, 1988 was incorrectly prepared. *Condition:* The dollar amounts reported on the GPR did not agree with the actual transactions for the Housing, Rental, and CDBG programs. *Current status:* This finding has been corrected in the current period.	$-0-

Report of Independent Auditors on Compliance Based on the Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

County Commissioners
County of York
York, Pennsylvania

We have audited the general purpose financial statements of the County of York, Pennsylvania, as of and for the year ended December 31, 1988, and have issued our report thereon dated May 19, 1989. We did not audit the financial statements of certain component units, which statements reflect total assets of 12% and revenues of 42% of the related totals of the Special Revenue Fund Type and total assets of 8% and revenues of 10% of the related totals of the Enterprise Fund Type. The financial statements of the component units referred to above were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the component units referred to above, is based solely upon the reports of other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the County of York, Pennsylvania, is the responsibility of the County of York, Pennsylvania, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests and the reports of other auditors indicate that, with respect to the items tested, the County of York, Pennsylvania, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of management and the Pennsylvania Department of Public Welfare. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

Harrisburg, Pennsylvania
May 19, 1989

COUNTY OF YORK, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED DECEMBER 31, 1988

Finding 1: The County's accounting system does not provide the necessary financial information to account for or adequately manage federal financial assistance on a program basis.

Our audit of the major federal program expenditures on the Schedule of Federal Financial Assistance disclosed that the County's accounting system does not separately identify expenditures by federal program (CFDA #), nor does it segregate federal, state, and county expenditures. The County's accounting system was set up to produce financial statements, not account for federal expenditures. As a result, many of the County agencies maintain separate manual accounting records in order to provide accurate expenditure information on applicable federal expenditure reports and the potential for errors is increased.

OMB Circular A-102, Attachment G, requires that grantee financial management systems shall provide for "records that identify adequately the source and application of funds for grant-supported activities. These records shall contain information pertaining to federal awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income."

We recommend that the County obtain a new grant financial management accounting system that will provide the necessary expenditure and revenue information on a federal and state program basis in order to develop and support the required federal and state reports and the Schedules of Federal and Department of Public Welfare Financial Assistance.

Finding 2: York County did not have adequate procedures to provide assurance that all required OMB Circular A-128 and A-110 subrecipient audit reports were received.

Our review of the County's procedures for reviewing and processing subrecipient audit reports disclosed that the County did not have adequate procedures and controls to provide assurance that all required OMB Circular A-128 and A-110 subrecipient audit reports were received by the County.

The County had left it up to individual departments to ensure that they received all subrecipient audit reports and some of the departments did not understand the requirement.

The Single Audit Act requires that the County must perform the following procedures:

Determine whether subrecipients (OMB Circular A-128) have met the requirements of the Act and OMB Circular A-128, and whether subrecipients covered by OMB Circular A-110 have met those requirements; and

Determine whether subrecipients spent federal financial assistance funds provided in accordance with applicable laws and regulations.

OMB Circular A-128 requires that "state or local governments that receive federal financial assistance and provide $25,000 or more of it in a fiscal year to a subrecipient shall:

a. Determine whether state or local subrecipients have met the audit requirements of this Circular and whether subrecipients covered by Circular A-110, 'Uniform requirements for grants to universities, hospitals, and other nonprofit organizations,' have met that requirement;

b. Determine whether the subrecipient spent federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subrecipient made in accordance with this Circular, Circular A-110, or through other means (e.g., program reviews) if the subrecipient has not yet had such an audit."

Since the County did not have a system for determining whether all required subrecipient audit reports (OMB Circulars A-128 and A-110) were received, there is not sufficient assurance that subrecipients spent federal financial assistance in accordance with applicable laws and regulations for the following federal financial assistance programs:

CFDA Number	Program Name
10.568	Temporary Emergency Food Assistance Program
13.633	Special Programs for the Aging—Title III, Part B
13.635	Special Programs for the Aging—Title III, Part C
13.667	Social Services Block Grant
13.714	Medical Assistance Program
14.218	Community Development Block Grants/Entitlement Grants
17.250	Job Training Partnership Act

We recommend that the County develop and implement appropriate Countywide procedures and controls for ensuring that all required subrecipient audit reports are identified and received on a timely basis by the County in accordance with the Single Audit Act.

Finding 3: Special Programs for the Aging—Title III, Parts B and C, Social Services Block Grant, Medical Assistance Program, Temporary Emergency Food Assistance Program, and Community Development Block Grants/ Entitlement Grants subrecipient audit monitoring and corrective action procedures are inadequate. In addition, Social Services Block Grant monitoring procedures are inadequate.

Our review of subrecipient audit monitoring procedures for York County Area Agency on Aging (YCAAA), York/Adams Mental Health/Mental Retardation Program, Department of Human Services, Children and Youth Program, and the York County Planning Commission (YCPC) disclosed that there are no formal audit monitoring and corrective action plan procedures established or followed relating to the following federal programs:

CFDA Number	Program Name
10.568	Temporary Emergency Food Assistance Program
13.633	Special Programs for the Aging—Title III, Part B
13.635	Special Programs for the Aging—Title III, Part C
13.667	Social Services Block Grant
13.714	Medical Assistance Program
14.218	Community Development Block Grants/Entitlement Grants

OMB Circular A-128 requires that, "state or local governments that receive federal financial assistance and provide $25,000 or more of it in a fiscal year to a subrecipient shall:

a. Determine whether state or local subrecipients have met the audit requirements of this Circular and whether subrecipients covered by Circular A-110, 'Uniform requirements for grants to universities, hospitals, and other nonprofit organizations,' have met that requirement;

b. Determine whether the subrecipient spent federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subrecipient made in accordance with this Circular, Circular A-110, or through other means (e.g., program reviews) if the subrecipient has not yet had such an audit;

c. Ensure that appropriate corrective action is taken within six months after receipt of the audit report in instances of noncompliance with federal laws and regulations;

d. Consider whether subrecipient audits necessitate adjustment of the recipient's own records; and

e. Require each subrecipient to permit independent auditors to have access to the records and financial statements as necessary to comply with this Circular."

In addition, OMB Circular A-102, Attachment I, Section 2, requires that "grantees shall constantly monitor the performance under grant-supported activities. . . . This review shall be made for each program, function, or activity of each grant. . . ."

Some of the affected agencies did not comply with OMB Circular A-128 because they were not aware of such compliance requirements.

We understand that the YCAAA is adhering to the PA State Aging Program Directive 88-01-5 which requires audits for subrecipients receiving more than $50,000 vs. the $25,000 guideline set in A-128.

We also understand that YCPC feels that "subgrantees" are not subject to the audit requirements of the circulars. Specifically, the YCPC has stated that "the York County Community Development Block Grant (CDBG) Program funds projects through either a municipality or a social service agency, respectively classified as a 'subgrantee' or a 'subrecipient.' For 'subgrantees,' the CDBG Program pays bills directly to the vendors of the project, such as construction contractors and engineers, making no payments to the municipality itself." Since these County expenditures are audited as part of the County's single audit, YCPC feels a separate A-128 audit of the municipality is not needed. "It is the position of the County CDBG Program that it would be a duplication of effort and cost to require 'subgrantees' to undertake an audit of their projects.... The CDBG Program has reviewed this position with U.S. Department of Housing and Urban Development (HUD) staff who concur."

YCPC generally does not pay the vendors of "subrecipients." Payment is made instead to the "subrecipient" itself, a social service agency, who pays vendors. Although these "subrecipients" retain an independent certified public accountant to audit these expenditures, instances were noted where the auditors did not report in conformity with generally accepted government auditing standards. YCPC intends to include a provision in future "subrecipient" grant agreements that will require audits to be performed in accordance with generally accepted government auditing standards.

We recommend, in general, that the agencies referred to above should establish and implement procedures to ensure that audit reports required by OMB Circular A-128 are received, are complete, and are reviewed, and to ensure that corrective action (if necessary) is taken within six months after receipt of such audit reports. In addition, adequate program monitoring procedures should be implemented as practical to supplement the audit monitoring procedures.

Because the aforementioned agencies did not adequately follow these regulations, the potential exists that audit findings and recommendations were not properly identified and followed up.

Finding 4: Program reports required by the Commonwealth of Pennsylvania were not submitted timely.

Our review of the timeliness of submission of various federal program reports for the eighteen months ended December 31, 1988 (for the Children and Youth Program) and the twelve months ended December 31, 1988 (for all other agencies) disclosed the instances of untimely submission (see page 6-73) to the appropriate Commonwealth of Pennsylvania agency.

Delays were caused primarily due to a lack of urgency on the part of report preparers.

Excessive delays in submission of required reports can adversely affect the Commonwealth's monitoring ability.

We recommend that the affected County agencies develop and implement written operating procedures to ensure that program reports are approved and submitted timely as required by federal and state regulations.

Finding 5: Eligibility determination procedures for Special Programs for the Aging—Title III, Part C (CFDA #13.635), are inadequate.

While reviewing the procedures surrounding the determination of proper age for participants receiving benefits from the programs offered by the York County Area Agency on Aging (YCAAA), we determined that the YCAAA's procedures do not ensure compliance with the federal requirements outlined in 45 CFR 1321.141(b)(1)(2). The current procedure consists of asking the individual his/her age without any proof of age required. YCAAA did not deem it necessary to request proof of age. This increases the possibility that ineligible individuals are receiving meals.

The federal regulations state that only persons 60 years of age or older and their spouses, regardless of age, volunteers, and disabled persons under 60 who reside in housing facilities occupied primarily by the elderly at which congregate nutrition services are provided are eligible for congregate nutrition services. Persons 60 or over who are homebound by reason of illness or incapacitating disability or otherwise isolated are eligible for home delivered meals.

We recommend that the YCAAA develop and implement procedures requiring proof of age for participants receiving benefits.

Finding 6: Expenditures for Special Programs for the Aging—Title III, Parts B and C, exceeded Commonwealth approved budgeted amounts.

(NOTE: This finding details noncompliance with state imposed restrictions; the finding is not in direct opposition to any one particular federal compliance requirement; however, it impacts federal programs 13.633 and 13.635.)

During our comparison of actual program expenditures to budgeted amounts for the state fiscal year 1987-1988, in the home delivered meals, congregate meals, attendant care, service management, homemaker, home health, chore services, placement services, legal services, and housing cost centers, the YCAAA reallocated expenditures above the approved budgeted limits without the proper state approvals. YCAAA believed this reallocation was permissible under the Aging Services Block Grant. Due to the reallocation of funds, the monies were not spent in a manner consistent with the contract with the state.

According to the Aging Services Block Grant contract between the Commonwealth of Pennsylvania, Department of Public Welfare (Department) and the YCAAA for 1987-1988, "The AAA may reallocate funds between service cost centers except 'administration,' 'home delivered meals,' and 'congregate meals' in an amount up to 10% of the amount budgeted to that cost center... any reallocation affecting 'administration,' 'home delivered meals,' 'congregate meals,' and 'attendant care' and all reallocations of funds between service cost centers in excess of 10% must receive prior approval by the Department."

We recommend that the YCAAA develop procedures to ensure that all budget changes be approved in advance by the Commonwealth of Pennsylvania's Department of Public Welfare in accordance with the Aging Services Block Grant.

Finding 7: Mileage rates used for Special Programs for the Aging—Title III, Parts B and C (CFDA #13.633 and #13.635), exceeded Commonwealth established limits.

Program/CFDA #	Report Name	Period Covered	Due Date	Date Submitted
Job Training Partnership Act				
17.250	FSR; Older Workers	ME 1/31/88	2/15/88	2/16/88
		FYE 6/30/88	9/30/88	12/8/88
	FSR; Pregnant and Parenting Youth	ME 1/31/88	2/15/88	2/16/88
		FYE 6/30/88	9/30/88	11/7/88
	FSR; Incentive	ME 1/31/88	2/15/88	6/6/88
		ME 2/29/88	3/15/88	6/6/88
		ME 3/31/88	4/15/88	6/6/88
		ME 4/30/88	5/15/88	6/6/88
		FYE 6/30/88	9/30/88	10/5/88
	FSR; Adult & Youth	ME 1/31/88	2/15/88	2/16/88
		FYE 6/30/88	9/30/88	12/8/88
	FSR; Summer & Youth	ME 1/31/88	2/15/88	5/10/88
		ME 2/29/88	3/15/88	5/10/88
		ME 3/31/88	4/15/88	5/10/88
		FYE 9/30/88	12/30/88	1/9/89
	FSR; SEG	ME 7/31/88	8/15/88	9/8/88
		ME 8/31/88	9/15/88	10/6/88
		FYE 6/30/88	9/30/88	10/6/88
Medical Assistance Program				
13.714	Quarterly 2176 Expenditure	QE 6/30/88	Within 14 Working Days	8/11/88
Social Services Block Grant				
13.667	Quarterly HSDF Expenditure	QE 9/30/88	11/15/88	11/16/88
	Quarterly Children and Youth Expenditure	QE 9/30/87	11/15/87	11/24/87
		QE 12/31/87	2/15/88	2/24/88
		QE 3/31/88	5/15/88	5/25/88
		QE 6/30/88	8/15/88	8/31/88
		QE 9/30/88	11/15/88	11/30/88
		QE 12/31/88	2/15/88	3/01/89
	Monthly Attendant Care Expenditure	ME 1/31/88	2/10/88	2/22/88
		ME 2/29/88	3/10/88	3/23/88
		ME 3/31/88	4/10/88	4/22/88
		ME 4/30/88	5/10/88	5/24/88
		ME 5/31/88	6/10/88	6/22/88
		ME 6/30/88	8/15/88	9/14/88
		ME 7/31/88	8/15/88	8/24/88
		ME 8/31/88	9/15/88	9/23/88
		ME 9/30/88	10/15/88	10/21/88
		ME 10/31/88	11/15/88	11/23/88
		ME 11/30/88	12/15/88	12/21/88
		ME 12/31/88	1/15/89	1/23/89
Child Support Enforcement				
13.783	Monthly Report of Expenditures	ME 1/31/88	Within 60 Days	4/11/88
		ME 4/30/88	Within 60 Days	7/12/88
		ME 7/30/88	Within 60 Days	10/15/88
		ME 10/30/88	Within 60 Days	1/15/89

During our test of 31 expenditures performed for the YCAAA, we discovered that mileage costs were charged to the Pennsylvania Department of Aging Block Grant (CFDA #13,633 and #13.635) at a rate of 22.5¢ per mile (the York County approved mileage rate in effect at the time) as opposed to the stated Block Grant Agreement rate of 20.5¢ per mile (Appendix C, FY 87/88 Block Grant Agreement). YCAAA believed they could follow the County's rate. Therefore, a questioned cost of $4.98 was identified as follows:

Check #16683: 249 miles	× 22.5¢ per mile =	$56.03
	× 20.5¢ per mile =	51.05
	Questioned Costs	$ 4.98

We recommend that the $4.98, and all other travel reimbursement amounts in excess of the stated rate, either be repaid to or appropriate settlement pursued with the Pennsylvania Department of Aging.

Finding 8: The accounting system for Special Programs for the Aging—Title III, Parts B and C (CFDA #13.633 and #13.635), does not properly account for funding from different sources.

The YCAAA does not have an adequate method of accounting for expenditures based on funding source (i.e., federal, state, and County). This was caused because YCAAA's accounting system was not set up to track the use of funds by funding sources. Therefore, YCAAA cannot be sure that it is expending these funds in compliance with applicable federal or state regulations.

OMB Circular A-102, Attachment G(2)(b), provides "Grantee financial management systems shall provide for records that identify adequately the source and application of funds for grant-supported activities. These records shall contain information pertaining to federal awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income."

We recommend that the YCAAA develop and implement an accounting system to track revenues/expenditures according to funding sources.

Finding 9: The County's Office of Employment and Training (YCOET) drawdown procedures are inadequate.

Our review of drawdown procedures disclosed that cumulative funds received for the Job Training Partnership Act Program (CFDA #17.250) as of 6/30/88 exceeded cumulative reported expenditures in three instances: in the amount of $71,489 (SEG), $38,349 (Incentive), and $44,842 (Dislocated Workers). Although YCOET has subsequently repaid these excesses to the Commonwealth of Pennsylvania, the repayment amounts were recorded again as expenditures and were used as support for another drawdown. This, effectively, negates the repayment of the overdrawn funds. Because of this, the excess drawdowns have not been resolved. YCOET did not follow the Job Training Policy and Procedure Manual for drawdown procedures and should not have recorded the repayments as expenditures. This occurred because YCOET did not fully understand the correct procedures which should have been applied.

We recommend that the excess drawdowns be repaid to or appropriate settlement be pursued with the Pennsylvania Department of Labor and Industry. In addition, we recommend that YCOET develop and implement procedures to ensure that all settlements are recorded as a reduction of liability when paid rather than additional expenditures. YCOET should also seek guidance from the state when implementing these procedures.

Finding 10: YCOET did not maintain a signed copy of 18 Financial Status Reports (FSRs).

Our review of FSRs relating to the Job Training Partnership Act Program (CFDA #17.250) disclosed that YCOET did not maintain signed copies of its FSRs (signed by executive director).

The Department of Labor and Industry Policies and Procedures Manual states that a signed, hard copy of FSRs must be maintained at the service delivery area location until audit and acceptance.

We recommend that YCOET develop and implement procedures to maintain a signed copy of each FSR to ensure that no unwarranted adjustments are reported to the Department of Labor and Industry.

Finding 11: Job Training Partnership Act Program (CFDA #17.250) cost limitations/requirements were not met.

Our review of close-out expenditure reports disclosed that administrative and training cost percentage limitations or requirements were not met.

According to 20 CFR 629.38 (e)(1), not less than 70% of Titles I, II-A, and III funds may be expended for training costs. Also, 20 CFR 628 states that administrative costs cannot exceed 15% of available funds. YCOET did not fully understand these requirements and, as a result, the following occurred: For the fiscal year ended 6/30/88, YCOET reported 26.16% of its available funds as administrative costs for the Title II-A Incentive Grants. Also, the Title II-A Adult and Youth, Incentive, and Pregnant & Parenting Youth Grants reported only 68.69%, 37.53%, and 65.18% of total costs as training, respectively. This results in questioned costs as follows:

II-A Incentive Grant	$ 9,887
II-A Adult and Youth Grant	$29,954
II-A Pregnant & Parenting Youth Grant	$ 1,986

We recommend that the administrative costs in excess of the 15% limitation, and costs incurred causing noncompliance with the training percentage requirements, be repaid to or appropriate settlement be pursued with the Pennsylvania Department of Labor and Industry. In addition, we recommend that YCOET develop and implement procedures to ensure that cost requirements are met.

Finding 12: Reported expenditures are not supported by the basic financial statements of the reporting entity.

During our review of grant program reporting procedures, we noted that certain County agencies are not properly reconciling reported expenditures to the books of original entry.

The programs affected are as follows:

CFDA #13.658 ....Foster Care—Title IV-E
13.667 ....Social Services Block Grant
17.250 ....Job Training Partnership Act

For example, we noted that the Job Training Partnership Act reported expenditures for 1988 were $106,887 less than expenditures as reported in the General Purpose Financial Statements for the Job Training Partnership Act Special Revenue Fund.

OMB Circular A-128 states that federal financial reports and claims for advances and reimbursements must contain information that is supported by the books and records from which the basic financial statements have been prepared.

The systems as designed did not provide adequate controls and the affected agencies did not understand the requirement to reconcile to the County's records.

We, therefore, recommend that the affected agencies implement procedures which will provide for reconciliation of agency records to the County's records.

Finding 13: Social Services Block Grant biannual expenditure reports were not published.

The County's Children and Youth Program, Mental Health/Mental Retardation Program, Human Services Department, and Area Agency on Aging receive Social Services Block Grant Funds (CFDA #13.667) but do not publish an expenditure report in accordance with federal regulations. Section 2006 of the Social Security Act and 42 USC 1397d require that "(a) report must be made public at least every two years that describes the purpose of expenditures, activities performed, and extent to which funds were spent in a manner consistent with the intended use report."

We recommend that the affected agencies publish the biannual expenditure report in accordance with the Social Services Block Grant requirements.

Finding 14: incorrect wage amounts were charged to the Community Development Block Grant.

OMB Circular A-102, Attachment G(2)(g), requires that expenditures be supported by source documentation.

During our test of 28 expenditures, we discovered incorrect wages being charged to the Community Development Block Grant (CFDA #14.218). The wage rates used for four people were higher than wage rates documented in their personnel files for that period of time. This was caused by a clerical error on the list of wage rates used to invoice the Block Grant. Wages are also used as a means to determine the amount of indirect costs the York County Planning Commission can charge through the Block Grant; 55% of wages is charged for benefit costs and 20% of wages is charged for overhead costs.

As a result of these differences, costs are questioned as follows based on York County Planning Commission Invoice #8235:

Employee Number	Hours Per Salary Invoice	Correct Hourly Wage	"A" + Salary Cost	"A" × .55 + Benefit Cost	"A" × .20 = Overhead Cost	Correct Total Cost	Actual Costs Charged	Amount of Questioned Costs
1	58	$ 9.8056	$568.72	$312.80	$113.74	$ 995.26	$1,036.25	$ 40.99
2	55	9.2887	510.88	280.98	102.18	894.04	932.89	38.85
3	65.5	11.2595	737.50	405.62	147.50	1,290.62	1,336.94	46.32
4	54	9.2210	497.93	273.86	99.59	871.38	909.53	38.15
							Total Questioned Costs	$164.31

We understand that YCPC has subsequently adjusted its salary costs to correct this overstatement (YCPC invoice #8889). We, accordingly, recommend that YCPC develop and implement procedures to ensure that wage rates used to charge payroll costs are current and correct.

Finding 15: Community Development Block Grant (CFDA #14.218) evidence of Davis-Bacon Act monitoring procedures was not fully documented.

Our review of YCPC Davis-Bacon Act monitoring indicated that there are procedures in place to detect instances of noncompliance. However, in two cases of five tested, certain follow-up procedures had not been performed/documented in the case files. In the first, after an initial review of wage rates, the Labor Compliance Officer requested additional information relative to wage rates and fringe benefits. However, once the revised information has been received, there was no indication that it had been reviewed and the problem resolved. Secondly, for a project that involved two subcontractors, only one subcontractor appeared to have been reviewed. This lack of documentation may lead to increased potential for noncompliance with the Davis-Bacon Act.

In accordance with 40 Stat 1494, Mar. 3, 1921, Chap. 411, 40 U.S.C. 276A-276A-5, when required by the federal grant program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction projects financed by federal assistance must be paid wages not less than those established for the locality of the project by the Secretary of Labor.

YCPC has indicated that "in the two cases cited, the labor standards enforcement files indicate that there were problems with wage rates and/or fringe benefits and that the Planning Commission had written to the contractors in question instructing corrections to be made. However, comments reflecting that the Labor Compliance Officer had reviewed weekly payrolls with respect to those interviewed were not recorded on the employee interview cards. These notations will be recorded in the future."

We, accordingly, recommend that all contractors/subcontractors relative to a project be reviewed for compliance with the Davis-Bacon Act, and that all follow-up procedures be documented in the case files.

Finding 16: Inaccurate report preparation was noted for the Community Development Block Grant (CDBG) and the Temporary Emergency Food Assistance Program (TEFAP).

Per our review of the 1987 Performance Report for the YCPC-CDBG (CFDA #14.218), two errors were found with the information reported. The errors, which were found when comparing the information in the report to supporting documentation, were as follows:

An incorrect activity number was reported for the Shrewsbury Borough: curb, sidewalk, and drainage facility project. It was reported as activity number 524.00; the actual activity number is 509.00. However, the expenditure amounts recorded for this project were correct.

An incorrect amount was reported for expenditures to date and expenditures for this reporting period for activity number 813.02: acquiring rights-of-way on the former York Railroad Company track in the Village of Bittersville.

Amount Reported	Amount Actually Expended (to date and for this period)
$70.00 (rounded to the nearest hundred)	$75.00

This does not result in a questioned cost, since drawdown of CDBG funds are made from the request for funds reports.

Per our review of the Community Progress Council's October, November, and December 1988 Quarterly Participation Report for TEFAP (CFDA #10.568), clerical errors were found in the supporting documentation used in the preparation of this report which we were unable to resolve. This resulted in inaccurate information being sent to the state.

Due to these errors, the County was not in compliance with OMB Circular A128, as the reports did not agree back to the County's books and records.

We understand that these errors, which resulted in inaccurate reports, represent clerical errors.

We recommend that procedures should be implemented to prepare and review these reports to verify that all information presented is accurate and can be traced to appropriate back-up documentation.

Finding 17: The York/Adams Mental Health/Mental Retardation Program (MH/MR) expenditure reporting methodology is unreasonable.

Our review of the preparation of fiscal summaries for the Department of Public Welfare (DPW) disclosed that MH/MR, due to a lack of understanding, currently is not utilizing one of the approved expenditure allocation methodologies. As a result, expenditures are being allocated improperly. According to the County Fiscal Manual, Sections 4300.135-4300.136, the Program must follow certain guidelines when identifying and reporting costs. Specifically, the sections outline requirements regarding actual costs and proportioning of program costs, as follows:

§4300.135. Actual Costs

The intention of this method is to determine and assign the actual costs related to the provision of mental health or mental retardation services. Once a county program has developed and implemented a methodology for apportionment based on actual costs, it may not assign costs according to a proportion of program costs methodology. Costs shall be assigned as follows:

(1) Costs which can be readily identified as mental health or mental retardation shall be appropriately assigned.

(2) Time records or a random time study shall be used to apportion individual staff salaries, benefits and operating and fixed asset expenses related to staff. Time which cannot be assigned, not to exceed 25% of available time, can be ignored in developing an apportionment ratio.

(3) Other costs shall be apportioned based on the overall ratio resulting from the assignment of costs in paragraphs (1) and (2).

§4300.136. Proportion of Program Costs

The Department's grants to county programs include base allocations, categorical allocations, and allocations of federal funds. The ratios of the mental health and mental retardation allocations to the total allocation received from the Department shall be used to assign the costs of the administrator's office when using this method.

We recommend that MH/MR develop and implement procedures which appropriately identify costs for reporting purposes.

Finding 18: The County's Mental Health/Mental Retardation Program does not maintain adequate documentation supporting amounts reported to the Pennsylvania Department of Public Welfare.

The County's Mental Health/Mental Retardation Program (MH/MR) does not maintain adequate source documentation to support amounts reported to the Pennsylvania Department of Public Welfare as required by OMB Circular A-102. For example, on the Mental Health Purchased Services Schedule, MH/MR reported Community Services expenditures of $90,960, yet their accounting records only supported $87,955, leading to questioned costs of $3,005.

In other instances, reported amounts differed from amounts on their accounting system without resulting in questioned costs. Total allocated funds reported on the MH/MR 15 report differed from MH/MR records as follows:

Description	Amount Per Report	Amount Per Books	Difference
Mental Health Services	$2,864,418	$2,867,354	$(2,936)
Nonresidential MR	1,447,685	1,447,582	103
Community MR	2,552,769	2,523,368	(599)

We feel that the reported amounts were correct since MH/MR obtained the amounts from an allocation letter received from DPW. MH/MR's recorded amounts differ mainly because they did not adjust their books for disallowance letters received.

We, accordingly, recommend that the County's Mental Health/Mental Retardation Program develop and implement procedures to record all disallowances and any other related adjustments to the grant accounting system currently utilized to prepare the financial reports. In addition, we recommend that the $3,005 be repaid to, or appropriate settlement be pursued with, the Pennsylvania Department of Welfare.

Finding 19: Reported expenditures for the Human Services Development Fund exceeded actual by $9,039 resulting in questioned costs of this amount.

The Human Services Development Fund (HSDF) 6/30/88 Final Expenditures Report included expenditures of $9,039 which were not incurred. The report preparer inadvertently overstated expenditures reported under the Children and Youth Services Category by this amount.

We recommend that HSDF either pay back the money or pursue appropriate settlement with DPW.

Finding 20: The Human Services Development Fund (HSDF) Program does not adequately monitor contracts with subrecipients.

Our review of HSDF's contract monitoring procedures disclosed that the agency did not monitor contracts on a consistent basis. Program personnel indicated that they did not have enough resources throughout the year to adequately monitor all the contracts.

No monitoring was performed on the following providers throughout the audit period:

Provider Name	Subgranted Funds
Children and Youth Agency	$137,663
Mason-Dixon Community Services	2,375
York County Library	26,123
Bell Socialization Services	46,066

Without contract monitoring, HSDF does not have sufficient assurance that federal funds were expended in accordance with federal regulations.

OMB Circular A-102, Attachment I, Section 2, requires that "grantees shall constantly monitor the performance under grant-supported activities. . . ."

We recommend that HSDF prepare and implement procedures to monitor contracts with all providers in compliance with Circular A-102.

Finding 21: The Children and Youth Program's (C&Y) estimated pension expense reported was not adjusted to actual at year end resulting in unsupported expenditures.

The Children and Youth Program uses a percentage applied to gross wages to request state and federal reimbursement throughout the year. At year end, these estimates are not corrected to actual. Children and Youth did not realize they had to correct to actual at year end.

During the second half of 1987, C&Y requested reimbursement of $30,074. Actual expenditures for this period amounted to $24,782, as shown in the calculation below:

$$\frac{\text{Gross C\&Y payroll} \ldots \ \$\,1{,}046{,}708}{\text{Gross County payroll} \ldots \$19{,}134{,}208} = .0547 \times \underset{\$906{,}031}{\text{actual pension expense}} \times \tfrac{1}{2} = \$24{,}782$$

During calendar year 1988, C&Y requested reimbursement of $66,511. Actual expenditures for 1988 amounted to $0 dollars since the employer's pension contribution was funded through excess interest earnings.

OMB Circular A-128 requires expenditures to be supported by the book and records from which the financial statements have been prepared.

We recommend that the County Children and Youth Program adjust its state reports to properly reflect actual pension expense. Since program expenditures exceeded C&Y's grant award by such a large margin, this excess cost will not result in any repayment to the Department of Public Welfare.

Finding 22: The Children and Youth Program (C&Y) exceeded budgeted expenditures.

C&Y exceeded budgeted expenditures by 16.4% ($200,160) in the community-based placement category but did not obtain an approved budget amendment from DPW.

Per Title 55, §3140.32, *Plan and Budget Amendments:*

A. The County shall submit to the Department for approval a request for a plan and budget amendment if it becomes apparent to the County that actual cumulative expenditures in any one of the four major service categories will exceed, by 10% or $10,000, whichever is greater, the approved total annual budget amount for the category.

B. If no request for a plan and budget amendment has been submitted and approved, reimbursement for actual expenses paid for any quarter will be reduced by the excess of cumulative expenditures for any major service category expenditure which exceeds the approved annual budget amount for the major service category by more than 10% or $10,000, whichever is greater.

The fiscal director of C&Y stated that a budget amendment was properly submitted to DPW but C&Y does not have documentation supporting that DPW received or approved this amendment.

We recommend that either C&Y obtain documentation supporting the amendment from DPW or return the excess funds to DPW.

Finding 23: The Children and Youth Program's (C&Y) expenditure listing used for federal and state reporting purposes double counted an expenditure leading to questioned costs of $700.

Our testing of C&Y's expenditures disclosed that in February of 1988, C&Y inadvertently issued two checks for payment of the same $700 invoice. Its expenditure listing included the expenditure twice, under both check numbers. The extra check was voided and properly reversed by the Controller's office, but not on C&Y's internal system.

Since OMB Circular A-128 requires that financial reports and claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements are prepared, we recommend that C&Y develop and implement procedures to ensure that all transactions affecting expenditures are accurately recorded and periodically reconciled to the Controller's office system.

In this instance, C&Y's program expenditures exceeded its grant awards by a large margin. Therefore, the amount will not have to be paid back to DPW.

Finding 24: The Attendant Care Program's monthly expenditure reports were not prepared correctly in regard to interest earned and consumer fees.

While reviewing the monthly expenditure reports for compliance with the DPW Attendant Care Program Payment Provision Rider PP (July 1987 through June 1988), we noticed that Attendant Care Program personnel were not subtracting interest earned and consumer fees from the expenditures for the period January through June 1988. This resulted in questioned costs of $4,485 for the period. Program personnel did not realize that interest and consumer fees had to be subtracted out until July 1988.

We recommend that the Attendant Care Program subtract interest earned and consumer fees from the expenditures when preparing future monthly expenditure reports.

Finding 25: Adjustments to the York County General Ledger Accounting System were not reflected in federal program financial reports relating to the Child Support Enforcement Program, resulting in questioned costs of $22,016, and to the Job Training Partnership Act Program, resulting in questioned costs of $29,831.

Our review of federal program financial report preparation procedures disclosed that County post-year-end accounting adjustments were not reflected in financial reports. For the Child Support Enforcement Program (CFDA #13.783), an accounting adjustment, reducing pension fund expenditures, of $32,377 was not included in the financial reports for the year ended December 31, 1988. Based on the average federal financial participation rate in effect for 1987, 68% or $22,016 of the $32,377 is questioned. For the Job Training Partnership Act Program (CFDA #17.250), an accounting adjustment, reducing pension fund expenditures, of $29,831 was not included in the financial reports for the year ended December 31, 1988, resulting in $29,831 of questioned costs. Domestic Relations and YCOET did not have procedures in place to ensure that all County adjustments were reflected in their reports.

OMB Circular No. A-128, Section 8.b.(2)(b) indicates that "federal financial reports and claims for reimbursement... must be supported by the books and records from which the... financial statements have been prepared."

We recommend that the County Domestic Relations Office and the Office of Employment and Training develop and implement procedures to ensure that all County expenditure adjustments are properly reflected in the respective monthly program expenditure reports. In addition, we recommend that the undocumented costs be repaid or appropriate settlement be pursued with the Pennsylvania Department of Public Welfare and the Pennsylvania Department of Labor and Industry, as applicable.

Finding 26: Child Support Enforcement delinquency investigation procedures are inadequate.

Our review of the enforcement process utilized by Domestic Relations relating to the Child Support Enforcement Program (CFDA #13.783) revealed that only five delinquent defendants are investigated per each delinquency report. At 12/31/88, a total of 15,871 cases were open. According to the monthly expenditure reports, approximately 33% of the cases need enforcement procedures.

Domestic Relations did not have adequate procedures in place to follow up on delinquent obligors.

Per 45 CFR 305.26, the County must:

a. Have established and be utilizing written procedures for identifying as delinquent those cases in which there is failure to comply with the support obligation;

b. Have established and be utilizing written procedures for contacting delinquent obligors for the purpose of collecting the support obligation;

c. Have identified and established the appropriate written procedures, including but not limited to those specified in §303.6 of this chapter, to enforce support obligations under the state's statutes or regulations;

d. Have established written procedures for using reciprocal support enforcement arrangements that have been adopted with other states;

e. Take appropriate action, using the procedures the state has established, to enforce support obligations;

f. Have attorneys or prosecutors to represent the state in court or administrative proceedings when necessary to enforce delinquent support obligations; and

g. Have personnel, such as interviewers, investigators, clerks, and other support staff performing support obligation enforcement functions.

Therefore, the County is not properly contacting delinquent obligors in a timely manner.

We recommend that the County Domestic Relations office develop and implement more comprehensive enforcement procedures.

Finding 27: The Child Support Enforcement Program Cooperative Agreement was not maintained.

Our review of the Child Support Enforcement Program (CFDA #13.679) revealed that a copy of the Cooperative Agreement between the Commonwealth of Pennsylvania and the York County Domestic Relations Office was misfiled. Domestic Relations, accordingly, could not refer to the agreement if they had questions.

According to OMB Circular A-102, Attachment C, "financial records, supporting documents, statistical records, and all other records pertinent to a grant shall be retained for a period of three years."

We understand that the Domestic Relations Office has subsequently obtained a copy of its Cooperative Agreement. We, accordingly, recommend that the Domestic Relations Office maintain all such grant documents in accordance with OMB Circular A-102.

Finding 28: Single audit reports for the General Revenue Sharing Program were not made available for public inspection as required.

In reviewing the General Revenue Sharing Program (CFDA #21.300), we determined that the County did not comply with the federal requirements outlined in 31 CFR 51.108(a)(b) which require that single audit reports for the program be made available for public inspection. The County was not aware of this compliance requirement. This prevented the public from being aware of the existence of any findings and denied them the chance to have any input.

The federal regulations state that recipients are required to make the single audit report available for public inspection no later than 30 days following its completion and receipt by the government.

We recommend that York County develop and implement procedures to ensure that publication of the prior audit report's availability for public inspection has been made in a newspaper of general circulation.

Finding 29: The County did not publicize an initial notice on antidiscrimination.

In reviewing the General Revenue Sharing Program (CFDA #21.300), we determined that the County does not comply with the federal requirements outlined in 31 CFR 51.108(a)(b). The federal regulations state that recipients are required to publicize an initial notice that it does not discriminate on the basis of handicap in admission or access to or treatment in its programs or activities. The notice should include the name of the employee who coordinates compliance with the handicap regulations. The effect of this oversight was that people potentially were not aware that the program did not discriminate and they were unaware of who to contact in the event of discrimination.

The County was not aware of such compliance requirement.

We recommend that York County develop and implement procedures to ensure that an initial notice on antidiscrimination is publicized.

Finding 30: The County's Mental Health/Mental Retardation Program (MH/MR) did not keep track of how federal funds were spent.

Our review of MH/MR's Alcohol and Drug Abuse and Mental Health Services Block Grant (CFDA #13.992) Service Report and the Social Services Block Grant (CFDA #13.667) Service and Expenditures Report disclosed that MH/MR mixed federal funds with state and local funds rather than separately recording them so they could accurately account for how the funds were spent.

When preparing the above mentioned reports, MH/MR based the categorization of expenditures on judgment. MH/MR's accounting system does not identify the source of funding used for any given expenditure. As a result, MH/MR can not substantiate the way in which federal funds were spent.

OMB Circular A-102, Attachment G(2)(b), provides "Grantee financial management systems shall provide for records that identify adequately the source and application of funds for grant-supported activities. These records shall contain information pertaining to federal awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income."

Since federal regulations require that recipients report how federal funds were spent, we recommend that MH/MR record expenditures from each source in separate accounts.

Finding 31: The Low Income Energy Assistance Program (LIHEAP)(CFDA §13.789) material installed and on-site supervision expenditures are not readily supported.

The LIHEAP general ledger does not have detail which readily supports the reported amounts for material installed and on-site supervision. The amounts for material installed and on-site supervision are obtained by adding all the invoices with those expenses for the month. This procedure was necessary since the LIHEAP general ledger was not set up to provide that information.

As a result, the books and records do not adequately support the numbers on the fiscal reports and the audit trail is difficult to follow.

OMB Circular A-128, Section 8.b(2)(b) states "Federal financial reports and claims for reimbursement... must be supported by the books and records from which the... financial statements have been prepared."

The County should add sufficient detail to its general ledger so that the detail of material installed and on-site supervision can be traced in directly.

Finding 32: LIHEAP (CFDA #13.789) expenditures are not properly supported.

No all LIHEAP expenditures have proper documentation. Travel expenses of $159.91 have only photocopies of checks as support. The photocopies were made of uncashed checks.

This situation resulted from not consistently following its own expense reimbursement policy. Accordingly, the County does not have adequate documentation to support all of its expenditures since OMB Circular A-102 requires the maintenance of accounting records that are supported by source documentation.

We recommend that travel expenses be documented with original copies of receipts or the Commonwealth be reimbursed for these undocumented expenditures.

Finding 33: Payments to LIHEAP (CFDA #13.789) subcontractors were not initialled to document approval.

Thirty-two out of 59 invoices in our sample of LIHEAP payments to subcontractors were not initialled to document approval. Per the program coordinator, proper policy is to initial each one.

We understand that the procedure was not followed due to turnover and increased production. As a result, control procedures were not documented as having been performed.

Review of expenditures for proprietary and allowability is an important feature in a system of internal control.

We, therefore, recommend that the County follow its policy and initial all invoices before payment.

Finding 34: LIHEAP (CFDA #13.789) exceeded budget for materials installed.

LIHEAP exceeded budget by $3,040 for materials installed. LIHEAP should have stayed within the budget as required in the contract with the Department of Community Affairs (DCA) or gotten a waiver from DCA.

The overexpenditure of funds was caused by production being greater than planned. LIHEAP, accordingly, overspent on materials installed but underspent on program support.

We recommend that LIHEAP monitor expenditures and compare them to budget. If a budget category is going to be exceeded, spending should be reduced or a waiver should be obtained in a timely manner.

Finding 35: Certain LIHEAP (CFDA #13.789) expenditures have been improperly documented.

Two mileage expense sheets for the LIHEAP program were summed to an incorrect total. There appears to have been a clerical error in summing the two mileage expense sheets and, as a result, the LIHEAP program's auto expense has been overstated by $10. This condition is in violation of OMB Circular A-102 which requires expenditures to be supported by source documentation.

We recommend that during the approval process, the expenditures should be recalculated to verify amounts.

Finding 36: Proof of income is not required for Temporary Emergency Food Assistance Program (TEFAP) (CFDA #10.568) participants.

While reviewing the procedures surrounding the determination of participant eligibility for TEFAP, we noted that the Community Progress Council (CPC) (the subrecipient that administers TEFAP for the County) does not require proof of eligibility or income when its distribution sites distribute commodities to persons who are not preregistered.

The CPC believed that having the participant sign the "Self-Declaration of Need Form," which lists the eligibility criteria and amount of income the participant claims he earns, was sufficient without additional proof of eligibility. The Pennsylvania Department of Agriculture, however, indicated that proof of income/eligibility is required even if a participant is not preregistered.

The effect of this condition is that participants who do not meet eligibility criteria may be incorrectly participating in the program.

We recommend the Human Services Department request that CPC require its distribution sites to obtain proof of eligibility and income before allowing any potential participants to receive commodities.

Finding 37: Certain documentation was not retained for TEFAP (CFDA #10.568).

During our testing of commodity recipients, we noted that the documentation supporting the fact that commodity recipients were eligible to receive TEFAP commodities was not retained by the CPC for 8 of 28 recipients tested.

In addition, we noted one incident in which an individual, apparently with written permission, picked up commodities for an eligible recipient. This supporting written permission slip was not maintained by the CPC.

Also, our review of the contracts the CPC has with its distribution sites for TEFAP disclosed that signed contracts could not be located for the following distribution sites:

1. Dover/Weiglestown Center
2. Dillsburg Senior Center, Inc.

These occurrences were caused by the fact that TEFAP does not have a good system for filing supporting documentation. This can result in the inability to support recipient eligibility.

According to OMB Circular A-102, Attachment C, financial records, supporting documentation, statistical records, and all other records pertinent to a grant shall be retained for a period of three years.

We recommend that the Human Services Department require the CPC to retain all supporting documentation (e.g., distribution site contracts) as required by OMB Circular A-102.

Finding 38: TEFAP (CFDA #10.568) quarterly participation reports are not adequately supported.

Our review of the TEFAP quarterly participation reports disclosed that the commodities offered and accepted are not adequately supported by CPC's books and records.

The commodities offered and accepted per the TEFAP quarterly participation report did not agree to the offer and acceptance forms maintained by the CPC.

Warehouse receipts can be relied on to verify the actual commodities accepted on the TEFAP quarterly participation reports; however, the CPC does not have a filing system whereby warehouse receipts are maintained. This results in an internal accounting control weakness.

OMB Circular A-128, Section 8.6(2)(b) indicates that "federal financial reports and claims for reimbursement... must be supported by the books and records from which the... financial statements have been prepared."

We recommend that the Human Services Department request the CPC to develop and implement procedures to ensure that amounts for commodities offered and accepted on the TEFAP quarterly participation reports are accurate and supported by the offer and acceptance forms.

Finding 39: Certain required information was not included on the TEFAP (CFDA #10.568) quarterly participation report.

During our review of the TEFAP quarterly participation reports for completeness, we noted that information concerning the number of distribution sites was not completed. This resulted in incomplete information being submitted to the Pennsylvania Department of Agriculture.

The incomplete report was a result of an oversight and caused a violation of OMB Circular A-128, as the report was not supported by the books and records.

We recommend that the Human Services Department request the CPC to institute review procedure controls to ensure that the TEFAP quarterly participation reports are complete and accurate.

Finding 40: Program monitoring procedures for TEFAP (CFDA #10.568) are inadequate.

In connection with our review of the Human Services Department (HSD) program monitoring procedures for TEFAP, we noted that the adequacy of distribution site procedures in the area of participant eligibility was apparently not addressed. As reported in some of our other findings, we also noted a lack of adequate documentation in the eligibility area. HSD did not understand the extent of procedures deemed necessary.

A lack of adequate monitoring procedures of this nature could increase the potential for ineligible recipients to receive TEFAP commodities.

Under 7 CFR 251.5(b) and the contract between HSD and the Pennsylvania Department of Agriculture, commodities are to be provided only to those households meeting certain eligibility criteria.

We, therefore, recommend that in addition to the monitoring procedures in place, HSD should monitor eligibility determination procedures at the various distribution sites. They should also perform a review to determine that adequate supporting documentation is maintained.

Finding 41: information on a calendar year basis was not available for certain programs.

In performing tests of the County's Schedules of Federal Financial Assistance and DPW Financial Assistance, we noted that information for the following programs was not available on a calendar year basis to allow for proper preparation of the Schedules.

Federal Programs:	
CFDA #13.667..........	Social Services Block Grant (Emergency Shelter and MN/MR Components)
CFDA #13.992..........	Alcohol and Drug Abuse and Mental Health Services Block Grant (Mental Health Component)
State Programs:	
N/A........................	Mental Health/Mental Retardation Program

Calendar year information was not available because the affected agencies' accounting systems were designed to provide information on a state fiscal year basis (year ended June 30). As a result, information included in the Schedules for these program components is presented for the fiscal year ended June 30, 1988.

The Single Audit Act of 1984 states that "local governments which receives a total amount of federal financial assistance equal to or in excess of $100,000 in any fiscal year of such government shall have an audit made for such fiscal year..." OMB Circular A-128 and the DPW Single Audit Supplement require local governments to present Schedules of Federal Financial Assistance and DPW Financial Assistance, respectively.

We, accordingly, recommend that the affected County agencies establish procedures to develop expenditure amounts for the aforementioned programs on a calendar year basis.

Section 7: Auditor's Reports—Single Audit

SINGLE AUDIT REQUIREMENTS

SCOPE OF COVERED ACTIVITIES

The Single Audit Act and OMB Circular A-128 require the auditor to determine whether—

- The financial statements of the government, department, agency, or establishment present fairly its financial position and the results of its financial operations in accordance with GAAP.*
- The organization has internal accounting and other control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations.
- The organization has complied with laws and regulations that may have a material effect on its financial statements and on each major federal financial assistance program.

REPORTING REQUIREMENTS

The Single Audit Act and Circular A-128 require that the auditor include, for the entity's federal financial assistance programs—

- A report on a supplementary schedule of the entity's federal financial assistance programs, showing total expenditures for each federal financial assistance program.
- A report on internal controls (accounting and administrative) used to administer federal financial assistance programs.
- A report on compliance with laws and regulations identifying all findings of noncompliance and questioned costs.
- A report on fraud, abuse, or an illegal act, or indications of such acts, when discovered (a written report is required); normally such reports are issued separately.

*[Editor's note—GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, requires a Statement of Cash Flows for each period for which results of operations are reported.]

REPORT ON A SUPPLEMENTARY SCHEDULE OF THE ENTITY'S FEDERAL FINANCIAL ASSISTANCE PROGRAMS SHOWING TOTAL EXPENDITURES FOR EACH FEDERAL ASSISTANCE PROGRAM

The type of report that should be issued on the Schedule of Federal Financial Assistance is discussed in SAS No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor Submitted Documents*, and is referred to as a report on supplementary information. To meet the requirements of OMB Circular A-128 the report makes specific reference to the audit having been performed in accordance with the standards for financial and compliance audits contained in the Standards for Audit issued by the GAO. Examples of the report are as follows:

INDEPENDENT AUDITORS' REPORT

The Honorable Richard M. Daley, Mayor
and Members of the City Council
City of Chicago, Illinois:

We have audited the general purpose financial statements of the City of Chicago, Illinois, for the year ended December 31, 1988, and have issued our report, based in part on reports of other auditors, thereon dated June 15, 1989. These general purpose financial statements are the responsibility of the City of Chicago, Illinois management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Chicago, Illinois, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

September 29, 1989

CITY OF CHICAGO, ILLINOIS

SUMMARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE BY FEDERAL AGENCY—YEAR ENDED DECEMBER 31, 1988

Federal agency	Beginning Balance at January 1, 1988	Receipts	Expenses	Ending Balance at December 31, 1988
U.S. Department of Agriculture	$ (1,064,629)	$ 8,661,625	$ 7,943,712	$ (346,716)
U.S. Department of Commerce	(1,618,952)	120,000	3,441,438	(4,940,391)
U.S. Department of Health and Human Services	(17,539,675)	111,979,193	106,150,328	(11,710,810)
U.S. Department of Housing and Urban Development	(42,060,438)	146,572,831	99,875,490	4,636,903
U.S. Department of the Interior	(41,851)	228,770	403,682	(216,764)
U.S. Department of Justice	121,682	277,555	157,917	241,320
U.S. Department of Labor	647,212	50,233,346	43,538,125	7,342,433
U.S. Department of Transportation	(80,029,384)	143,127,192	138,974,547	(75,876,739)
U.S. Library of Congress	117,487	0	0	117,487
U.S. National Foundation on the Arts and the Humanities	(272,222)	160,000	117,000	(229,222)
U.S. Community Services Administration	263,250	0	0	263,250
U.S. Environmental Protection Agency	(202,238)	436,558	314,808	(80,488)
ACTION	(245,749)	442,615	341,476	(144,610)
U.S. Department of Energy	(8,527,074)	16,251,925	8,892,634	(1,167,783)
Federal Emergency Management Agency	(30,948)	0	0	(30,948)
U.S. Department of Education	(459,848)	23,005	25,668	(462,511)
TOTAL	$(150,943,379)	$478,514,617	$410,176,829	$(82,605,591)

See notes to the Schedule of Federal Financial Assistance.

CITY OF CHICAGO, ILLINOIS

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—YEAR ENDED DECEMBER 31, 1988

Federal agency/program title	Federal CFDA Number	Beginning Balance at January 1, 1988	Receipts	Expenses	Ending Balance at December 31, 1988
U.S. DEPARTMENT OF AGRICULTURE:					
Major:					
Child Care Food Program	10.558	$ 207,910	$ 3,957,695	$ 3,815,444	$ 350,161
Nonmajor:					
Special Supplemental Food Program for Women, Infants and Children	10.557	(679,399)	2,968,028	2,475,600	(186,971)
Summer Food Service Program for Children	10.559	(593,140)	1,735,902	1,652,668	(509,906)
TOTAL U.S. DEPARTMENT OF AGRICULTURE		$ (1,064,629)	$ 8,661,625	$ 7,943,712	$ (346,716)
U.S. DEPARTMENT OF COMMERCE:					
Nonmajor:					
Economic Development—Grants and Loans for Public Works and Development Facilities	11.300	$ (787,216)	$ —	$ —	$ (787,216)

Federal agency/program title	Federal CFDA Number	Beginning Balance at January 1, 1988	Receipts	Expenses	Ending Balance at December 31, 1988
Economic Development—Public Works Impact Projects	11.304	(947,463)		3,377,868	(4,325,331)
Economic Development—State and Local Economic Development Planning	11.305	112,077			112,077
Special Economic Development	11.307		120,000	63,569	56,430
Geodetic Surveys and Services	11.400	3,648			3,648
TOTAL U.S. DEPARTMENT OF COMMERCE		$ (1,618,952)	$ 120,000	$ 3,441,438	$ (4,940,391)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Major:					
Administration for Children, Youth and Families—Head Start	13.600	$ 2,027,647	$ 27,600,254	$ 29,265,887	$ 362,014
Special Programs for the Aging—Title III, Parts A and B Grants For Supportive Services and Senior Centers	13.633	(2,075,064)	15,608,964	10,644,222	2,889,677
Special Programs for the Aging—Title III, Part C for Nutrition Services	[1]13.635	—	—	—	—
Community Services—Block Grant	[2]13.792	(1,752,340)	9,031,917	7,731,142	(451,564)
Social Services—Block Grant	13.667	(13,101,140)	28,828,630	25,888,325	(10,160,836)
Low Income Home Energy Assistance Program	[3]13.789	(3,084,598)	20,926,014	21,200,274	(3,358,859)
Maternal and Child Health Services Block Grant	13.994	935,855	6,476,428	7,140,316	271,968
Nonmajor:					
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	13.116	$ 131,159	$ 230,200	$ 190,673	$ 170,685
Acquired Immunodeficiency Syndrome (AIDS) Activity	13.118	116,038	910,426	1,649,058	(622,593)
Childhood Lead-Based Paint Poisoning Prevention	13.266	29,937			29,937
Urban Rat Control	13.267	29			29
Childhood Immunization Grants	13.268	9,556	468,800	535,638	(57,281)
Centers for Disease Control Investigations and Technical Assistance	13.283	(62,488)			(62,488)
Health Planning Health Systems Agencies	13.294	(21,145)	—	—	(21,145)
Child Abuse and Neglect Prevention and Treatment	13.628	18,103			18,103
Community Health Nursing Services	13.630	3,665	56,976	18,892	41,748
Special Programs for the Aging—Title III	13.668	(3,876)	23,000	55,138	(36,015)
Refugee Assistance Voluntary Agency Program	13.788	—		3,707	(3,707)
Refugee and Entrant Assistance State Administered Program	13.814	3,804	327,678	91,749	239,733
Heart and Vascular Disease Research	13.837	(37,756)	—	—	(37,756)
Preventive Health Services—Venereal Disease Control Grants	13.977	(309,523)	803,800	401,720	92,566
Sexually Transmitted Diseases Research	13.978	(126,139)	40,575	145,676	(231,240)
Health Program for Refugees	13.987	—		237,670	(237,670)
Preventive Health and Health Services Block Grant	13.991	(241,399)	67,432	447,200	(621,167)
Alcohol and Drug Abuse and Mental Health Block Grant	13.992	—	578,095	503,033	75,061
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		$(17,539,675)	$111,979,193	$106,150,328	$(11,710,810)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
Major:					
Community Development Block Grants/Entitlement Grants	14.218	$(36,290,271)	$135,445,742	$ 88,569,130	$ 10,586,339
Urban Development Action Grants	14.221	(4,762,250)	4,043,592	2,898,628	(3,617,286)
Housing Development Grants Program	14.174	(343,250)	5,822,007	6,901,646	(1,422,888)
Nonmajor:					
Community Development Block Grants Secretary's Discretionary Fund/Technical Assistance	14.227	(208,142)	400,000	191,852	4
Emergency Shelter Program	14.231	—	861,489	1,314,131	(452,642)
Model Cities Supplementary Grants	14.300	(399,426)			(399,426)
General Research and Technology Activity	14.506	(57,097)		100	(57,197)
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		$(42,060,438)	$146,572,831	$ 99,875,490	$ 4,636,903

(continued)

Federal agency/program title	Federal CFDA Number	Beginning Balance at January 1, 1988	Receipts	Expenses	Ending Balance at December 31, 1988
U.S. DEPARTMENT OF THE INTERIOR:					
Nonmajor:					
Urban Park and Recreation Recovery Program	15.417	$	$	$ —	$ —
Historic Preservation Grants-In-Aid	15.904	(7,874)	999	142,518	(149,392)
Urban Park and Recreation Recovery Program	15.919	(33,977)	227,770	261,163	(67,371)
TOTAL U.S. DEPARTMENT OF THE INTERIOR		$ (41,851)	$ 228,770	$ 403,682	$ (216,764)
U.S. DEPARTMENT OF JUSTICE:					
Nonmajor:					
Law Enforcement Assistance—Office of Community Anti-crime Programs	16.519	$ 4,667	$ —	$ —	$ 4,667
Juvenile Justice and Delinquency Prevention—Allocation to States	16.540	7,908			7,908
Juvenile Justice and Delinquency Prevention—Special Emphasis and Technical Assistance	16.541	185,626			185,626
Justice Research and Development Project Grants	16.560	(26,826)	138,043	107,791	3,425
Criminal Justice Block Grants	16.573	49,692	139,511	50,125	39,693
TOTAL U.S. DEPARTMENT OF JUSTICE		$ 121,682	$ 277,555	$ 157,917	$ 241,320
U.S. DEPARTMENT OF LABOR:					
Major:					
Job Training Partnership Act	17.250	$ 3,306,428	$ 47,791,621	$ 42,033,325	$ 9,064,724
Nonmajor:					
Emergency Employment Assistance	17.229	338			338
Comprehensive Employment and Training Programs	17.232	(1,058,755)	6,001	(634,681)	(418,072)
Senior Community Service Employment Program	17.235	(1,558,080)	1,220,723	1,188,787	(1,526,144)
Employment and Training Assistance—Dislocated Workers	17.246	(42,718)	1,215,000	950,693	221,587
TOTAL U.S. DEPARTMENT OF LABOR		$ 647,212	$ 50,233,346	$ 43,538,125	$ 7,342,433
U.S. DEPARTMENT OF TRANSPORTATION:					
Major:					
Airport Improvement Program	20.106	$ (525,543)	$ 16,316,314	$ 28,752,508	$(12,961,737)
Highway Planning and Construction	20.205	(31,557,736)	67,654,221	62,491,406	(26,394,920)
Urban Mass Transportation Capital Improvement Grants	20.500	(43,297,858)	56,490,882	47,452,258	(34,259,234)
Nonmajor:					
Urban Mass Transportation Technical Studies Grants	20.505	(3,474,677)	2,597,047	2,003,036	(2,880,667)
Urban Mass Transportation Demonstration Grants	20.506	8,489			8,489
State and Community Highway Safety Program	20.600	(1,182,058)	68,725	(1,724,661)	611,329
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		$(80,029,384)	$143,127,192	$138,974,547	$(75,876,739)
U.S. LIBRARY OF CONGRESS:					
Nonmajor:					
Books for the Blind and Physically Handicapped	42.001	$ 117,487	$ —	$ —	$ 117,487
TOTAL U.S. LIBRARY OF CONGRESS		$ 117,487	$ —	$ —	$ 117,487
U.S. NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES:					
Nonmajor:					
Promotion of the Arts—Design Arts	45.001	$ —	$ —	$ 40,000	$ (40,000)
Promotion of the Arts—Expansion Arts	45.010	15,500			15,500
Promotion of the Arts—Local Programs	45.023	142,055	160,000	77,000	225,054
Promotion of the Humanities—Challenge	45.130	(429,773)			(429,773)
Institute of Museum Services	45.301	(4)			(4)
TOTAL U.S. NATIONAL FOUNDATION OF THE ARTS AND HUMANITIES		$ (272,222)	$ 160,000	$ 117,000	$ (229,222)
U.S. COMMUNITY SERVICES ADMINISTRATION:					
Nonmajor:					
Community Action	49.002	$ 263,250	$ —	$ —	$ 263,250
TOTAL U.S. COMMUNITY SERVICES ADMINISTRATION		$ 263,250	$ —	$ —	$ 263,250

Federal agency/program title	Federal CFDA Number	Beginning Balance at January 1, 1988	Receipts	Expenses	Ending Balance at December 31, 1988
U.S. ENVIRONMENTAL PROTECTION AGENCY:					
Nonmajor:					
Air Pollution Control—Program Grants	66.001	$ (258,574)	$ 436,558	$ 314,808	$ (136,824)
Air Pollution Control—Technical Assistance	66.008	56,336			56,336
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		$ (202,238)	$ 436,558	$ 314,808	$ (80,488)
ACTION:					
Nonmajor:					
Foster Grandparent Program	72.001	$ (245,749)	$ 442,615	$ 341,476	$ (144,610)
TOTAL ACTION		$ (245,749)	$ 442,615	$ 341,476	$ (144,610)
U.S. DEPARTMENT OF ENERGY:					
Major:					
Weatherization Assistance for Low-Income Persons	81.042	$ (8,180,481)	$ 14,461,925	$ 7,117,858	$ (836,414)
Nonmajor:					
Research and Development in Energy Conservation	81.035	9,655			9,655
Energy Task Force for the Urban Consortium	81.081	(356,248)	1,790,000	1,774,775	(341,023)
TOTAL U.S. DEPARTMENT OF ENERGY		$ (8,527,074)	$ 16,251,925	$ 8,892,634	$ (1,167,783)
FEDERAL EMERGENCY MANAGEMENT AGENCY:					
Nonmajor:					
Disaster Assistance	83.516	$ (30,948)	$ —	$ —	$ (30,948)
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY		$ (30,948)	$ —	$ —	$ (30,948)
U.S. DEPARTMENT OF EDUCATION:					
Nonmajor:					
Public Library Services	84.034	$ (427,353)	$ 23,005	$ 16,870	$ (421,218)
Library Services and Construction Act—Construction	84.154	(32,494)		8,797	(41,292)
TOTAL U.S. DEPARTMENT OF EDUCATION		$ (459,848)	$ 23,005	$ 25,668	$ (462,511)

[1]Amounts received and expended by the City of Chicago under this program are included in the amounts for program 13.633, as the two programs are accounted for on a combined basis within the City's general ledger system.
[2]Formerly reported under CFDA No. 13.665
[3]Formerly reported under CFDA No. 13.818

CITY OF CHICAGO, ILLINOIS

NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—YEAR ENDED DECEMBER 31, 1988

Note 1—Scope of Review:

The City of Chicago (the "City") is a governmental entity established by laws of the State of Illinois and has the powers of a body corporate, as defined in the statutes. All significant operations of the City are included in the scopes of the Circular A-128 audit (the "Single Audit"). The U.S. Department of Housing and Urban Development has been designated as the City's cognizant agency for the Single Audit.

a. Programs Subject to Single Audit:

A Schedule of Federal Financial Assistance is presented for each Federal program related to the following agencies:

U.S. Department of Agriculture
U.S. Department of Commerce
U.S. Department of Health and Human Services
U.S. Department of Housing and Urban Development
U.S. Department of the Interior
U.S. Department of Justice
U.S. Department of Labor
U.S. Department of Transportation
U.S. Library of Congress
U.S. National Foundation of the Arts and the Humanities
U.S. Community Services Administration
U.S. Environmental Protection Agency
ACTION
U.S. Department of Energy
Federal Emergency Management Agency
U.S. Department of Education

b. Fiscal Period Audited:

Single audit testing procedures were performed for program transactions during the calendar year ended December 31, 1988.

Note 2—Summary of Significant Accounting Policies:

a. Basis of Accounting:

Financial reporting of Federal Financial Assistance is accounted for in the City's Fiduciary Funds.

For purposes of this report, certain accounting procedures were followed, which help illustrate the receipts, expenses and ending balances of the individual programs. All program cash received (including non-Federal receipts such as state and local matching contributions and third-party user fees which are not separately disclosed in this Schedule), interest income received and related cash adjustments are reported as receipts; all expenditures, including accrued expenditures and capital outlays are reported as expenses. Ending balances at December 31, 1988 consist of program cash on hand (if any) adjusted for applicable accrued expenditures payable identified as pertaining to fiscal 1988, thus, showing net cash position. This format reflects an emphasis on the "financial flow" of individual Federal Financial Assistance Program activity.

b. Subgrantees:

Certain program funds are passed through the City to subgrantee organizations. The Schedule of Federal Financial Assistance does not contain separate schedules disclosing how the subgrantee outside of the City's control utilized the funds.

c. Cost Allocation:

The City has a plan for allocation of common costs related to grant programs. The amounts allocated to 1988 grant programs (1986 plan) are based on 1985 budgeted amounts (see Schedule of Findings and Questioned Costs). Variances between actual costs and budgeted amounts are corrected on a prospective basis.

The plan for 1986 has been reviewed and approved by representatives of the U.S. Department of Housing and Urban Development.

d. Reclassification and Corrections:

Certain reclassification and corrections have been made within the expense column of the Schedule of Federal Financial Assistance. Reclassification and corrections were necessary due to certain non-federal grants included in prior years expenses and Federal grants reflected in incorrect programs.

These reclassification and corrections impact the following programs:

Federal CFDA Number	Reported Expenses 1988	Reclassificaton of Prior Years Expenses To/(From) CFDA Number	Amount	Prior Years Non-Federal Grant Expenses	Unadjusted Expenses 1988
11.304	$ 3,377,868	20.600	$(1,715,931)	$	$ 1,661,937
13.789	21,200,275	81.042	(2,074,038)		19,126,327
13.814	91,749			181,276	273,025
13.977	401,720			384,469	786,189
14.174	6,901,646	14.221	(871,228)		6,030,418
14.221	2,898,628	14.174	871,228		3,769,856
14.227	191,853	14.231	208,147		400,000
14.231	1,314,132	14.227	(208,147)		1,105,985
17.232	(634,681)			581,523	(53,158)
20.600	(1,724,662)	11.304	1,715,931	80,807	72,076
81.042	7,117,859	13.789	2,074,038		9,191,897

Note 3—Findings of Noncompliance:

The findings of noncompliance identified in connection with the 1988 Single Audit are disclosed in the Schedule of Findings and Questioned Costs. In determining compliance with requirements of awards received by the City, a representative sample was selected from 1988 expenditures for testing from each major program shown in the Schedules of Federal Financial Assistance.

The resolution of findings of noncompliance and questioned costs identified in the 1987, 1986 and 1985 Single Audit reports have been reviewed with the cognizant agency (U.S. Department of Housing and Urban Development) or with a funding agency (U.S. Department of Health and Human Services and Illinois Department of Commerce and Community Affairs). All unresolved prior years findings are identified in the Summary of Open 1987, 1986 and 1985 Findings and Questioned Costs.

In addition to the 1988 through 1985 Single Audit report findings, the following reports contain unresolved findings of noncompliance and questioned costs:

U.S. Department of Commerce—Office of the Inspector General	Review of EDA Emergency Jobs Act Grant Number 06-22-00020, dated November 28, 1989
National Endowment for the Humanities	Audit of NEH Grant to Chicago Public Library released September 29, 1989

No potential over or under reimbursement effect is identified for internal control findings.

Note 4—State of Illinois, Department of Commerce and Community Affairs (DCCA) 1988 Grants:

The following DCCA Grants are included in the Schedule of Federal Financial Assistance (SFFA) with other grants under various Catalogue of Federal Domestic Assistance numbers (CFDA), therefore, they cannot be traced directly to the SFFA. All of the following Federal grants were agreed to the detail work papers supporting the SFFA.

CFDA #	Grant Title	Grant Number	City Department	Grant Period Covered by the 1988 Single Audit	Total Grant Award	Beginning Grant Award Balance January 1, 1988	Expenditure for the Year Ended December 31, 1988	Ending Grand Award Balance December 31, 1988
13.789	IHEAP/WX HHS	87-22125	Housing	01/01/88-03/31/88	$ 4,361,712	$ 4,361,712	$ 1,539,228	$2,822,484
13.789	IHEAP/WX HHS	88-22125	Housing	04/01/88-12/31/88	4,275,440	4,275,440	1,730,639	2,544,801
13.789	iHEAP/Emergency Assistance	88-22425	Human Services	01/01/88-10/31/88	14,902,516	6,337,130	6,106,091	231,039
13.789	IHEAP/Emergency Assistance	89-2225	Human Services	11/01/88-12/31/88	15,629,468	15,629,468	8,813,390	6,816,078
13.792	CSBG/HHS	89-23136	Human Services	01/01/88-01/31/88	7,544,782	412,436	716,653	(304,217)
13.792	CSBG/HHS	88-23136	Human Services	01/01/88-12/31/88	7,565,060	7,565,060	5,887,141	1,677,919
13.792	CSBG/Discretionary/HHS	88-62236	Human Services	10/01/88-12/31/88	450,094	450,094	56,281	393,813
17.250	JTPA Title I-B (3% Older Individuals)	87-65109	MOET	01/01/88-09/01/88	1,175,856	665,276	696,731	(31,455)
17.250	JTPA (6%)	87-67123	MOET	01/01/88-06/30/88	4,000	4,000	3,608	392
17.250	JTPA Title II-A	87-68109	MOET	01/01/88-09/01/88	34,359,756	20,885,364	17,740,489	3,144,875
17.250	JTPA Title II-B	87-69109	MOET	01/01/88-09/30/88	14,514,589	14,514,589	13,062,282	1,452,307
17.250	JTPA Title III—Dislocated Workers	87-70109	MOET	01/01/88-06/30/88	1,000,000	728,945	675,179	53,766
17.250	JTPA Title III—Discretionary Funds	87-45109	MOET	01/01/88-12/31/88	475,000	455,422	232,391	223,031
17.250	JTPA Title I-B (3% Older Individuals)	88-65109	MOET	01/01/88-12/31/88	1,085,968	1,085,968	393,999	691,969
17.250	JTPA (6%)	88-67111	MOET	09/01/88-12/31/88	8,000	8,000	6,712	1,288
17.250	JTPA Title II-A	88-68109	MOET	07/01/88-12/31/88	28,619,454	28,619,454	8,687,176	19,932,278
17.250	JTPA Title II-B	88-69109	MOET	10/01/88-12/31/88	1,106,419	1,106,419	76,813	1,029,606
17.250	JTPA Title III—Dislocated Workers	88-70109	MOET	07/01/88-12/31/88	1,500,000	1,500,000	43,124	1,456,876
81.042	IHWAP/WX DOE	87-98125	Housing	01/01/88-03/31/88	2,748,996	1,932,681	1,263,739	668,942
81.042	IHWAP/WX DOE	88-40125	Housing	04/01/88-12/31/88	2,633,834	2,633,834	—	2,633,834
N/A	Exxon/WX	87-422025	Housing	01/01/88-03/31/88	7,580,108	2,518,012	1,839,167	678,845
N/A	Exxon/Demonstration	88-425025	Housing	01/01/88-03/31/88	4,000	4,000	—	4,000
N/A	Exxon/WX	88-49125	Housing	04/01/88-12/31/88	6,727,840	6,727,840	3,270,362	3,457,478
N/A	Exxon/Program Evaluation	88-49225	Housing	04/01/88-12/31/88	40,000	40,000	14,416	25,584
N/A	Exxon/Program Evaluation	88-49265	Housing	10/01/88-12/31/88	12,625	12,625	—	12,625
N/A	Exxon/Outreach	88-423025	Human Services	01/01/88-09/30/88	908,693	908,693	900,148	8,545
N/A	Exxon/Outreach	89-423025	Human Services	10/01/88-12/31/88	908,690	908,690	142,198	766,492
N/A	BI Public Infrastructure	87-93105	DPW	01/01/88-11/31/88	3,000,000	1,248,496	440,323	808,173
N/A	*BI Public Infrastructure*	88-93110	DPW	01/01/88-12/31/88	50,000	50,000	—	50,000

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Honorable Board of Supervisors
County of Sacramento

We have audited the general purpose financial statements of the County of Sacramento, California, for the year ended June 30, 1989, and have issued our report thereon dated November 21, 1989. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the County of Sacramento, California, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

November 21, 1989

COUNTY OF SACRAMENTO, CALIFORNIA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1989

Summary by Federal Agency:	Award Amount	Receivable July 1, 1988	Expenditures	Cash Receipts	Receivable June 30, 1989
U.S. Department of Agriculture	$ 46,102,388	1,071,546	46,075,994	45,286,364	1,861,176
U.S. Department of Health & Human Svcs.	168,825,142	10,483,563	162,036,963	161,292,950	11,227,576
U.S. Department of HUD	200,000	23,588	203,148	110,384	116,352
U.S. Department of Justice	1,153,804	204,883	729,775	797,503	137,155
U.S. Department of Transportation	17,171,291	2,399,584	1,992,124	3,706,888	684,820
U.S. Environmental Protection Agency	687,908	110,822	441,966	329,577	223,211
U.S. Federal Emergency Management Agency	43,830	22,639	43,830	53,265	13,204
U.S. Department of Education	32,405		32,405	30,542	1,863
Other Federal Assistance	8,278,405	29,229	4,245,624	4,134,762	140,091
Total Federally Assisted Programs	$239,495,173	14,345,854	215,801,829	215,742,235	14,405,448

Federal Grantor Program Title	Federal Catalogue Number	Award Amount	Receivable (Payable) July 1, 1988	Expenditures	Cash Receipts	Receivable (Payable) June 30, 1989
U.S. Department of Agriculture						
Egg Inspection	10.162	$ 1,560		1,560	1,560	
Meal Reimbursement	10.555	386,312	52,122	386,312	369,441	68,993
Women, Infants, Child Nutrition Program	10.557	348,462	126,977	322,068	296,082	152,963
Food Stamps	10.561	39,689,550		39,689,550	39,689,550	
Non-Assistance Food Stamps—Admin.	10.561	5,676,504	892,447	5,676,504 *	4,929,731	1,639,220
Total U.S. Department of Agriculture		46,102,388	1,071,546	46,075,994	45,286,364	1,861,176
U.S. Department of Health & Human Svcs.						
Tuberculosis Outreach	13.116	23,772	19,039	22,393	35,360	6,072
Drug—Anti-Drug Abuse/General	13.141	392,417	(2,773)	205,173	202,400	
Alcohol—Anti Drug Abuse	13.141	328,792	(39,512)	328,812	265,173	24,127
AIDS—Anti-Drug Abuse	13.141		7,763		7,763	
AIDS—AZT	13.146	308,000		194,064	280,944	(86,880)

Federal Grantor Program Title	Federal Catalogue Number	Award Amount	Receivable (Payable) July 1, 1988	Expenditures	Cash Receipts	Receivable (Payable) June 30, 1989
Health Care for the Homeless	13.151	754,781	60,900	580,744	590,466	51,198
Comprehensive Assessment—A4AA	13.633	44,210		44,210	33,157	11,053
Child Welfare Services IV-E	13.645	2,254,552	416,890	2,254,552 *	2,045,215	626,227
AFDC Family Group & Unemployment Assis.	13.658	40,581	184,173	40,581 *	212,444	12,310
AFDC Foster Care Assistance—Admin.	13.658	345,974	16,498	345,974 *	333,855	28,617
IV-E Independent Living Skills	13.658	380,409	88,795	380,409 *	292,685	176,519
Day Care and Foster Home Licensing	13.658	175,341	99,557	175,341 *	181,252	93,646
AFDC Foster Care Assistance	13.658	7,420,691	1,156,731	7,420,691 *	7,873,010	704,412
Adoptions	13.659	284,631	166,824	284,631 *	278,684	172,771
Adoption Assistance Program	13.659	427,042	110,528	427,042 *	462,843	74,727
Adoption Assistance Program—Admin.	13.659	5,306	1,884	5,306 *	4,225	2,965
Emergency Assistance—Abused, Neglected Children	13.780	926,256	776,573	926,256 *	1,160,530	542,299
Out of Home Care Staff Development	13.780	533,623	163,529	533,623 *	367,545	329,607
Out of Home Care Staff Development	13.780	93,013	43,877	93,013 *	116,495	20,395
AFDC Administration	13.780	9,770,905	887,395	9,770,905 *	9,938,727	719,573
AFDC Family Group & Unemployment Assis.	13.780	121,238,355	1,010,018	121,238,355 *	119,505,435	2,742,938
Greater Avenues for Independence (GAI)	13.780	3,751,622		3,751,622 *	3,751,622	
Save	13.780	96,294		96,294 *	13,403	82,891
Domestic Relations Div.—Adm.	13.783	5,192,514	3,137,428	5,192,514 *	4,978,904	3,351,038
Immig. Reform Control Act of 1988 (IRCA)	13.786	29,278		29,278 *	100	29,178
Gen. Assis.—Immig. Control Reform Act of 1988 (IRCA)	13.786	541		541 *		541
Refugee Resettlement Program—Admin.	13.787	280,029	97,138	280,229 *	143,391	234,576
General Assistance to Refugees	13.787	17,195	2,216	17,195 *	12,159	7,252
Refugee Resettlement Program—Admin.	13.787	328,291	328,929	328,291 *	352,085	305,135
Refugee Cash Assistance	13.787	637,610	23,237	637,610 *	545,528	115,319
Refugee Demo Program Assistance	13.787	3,161,350	78,090	3,161,350 *	3,009,059	230,381
Work Incentive Program	13.790	67,329	292,208	67,329 *	359,596	(59)
Medi-Cal Refugee Reimbursement	13.987	8,961	64,839	8,961	3,686	70,114
Refugee Prevention Program	13.987	80,000	98,300	77,265	134,382	41,183
Professional Disease Control	13.991	12,903	6,155	12,754	12,368	6,541
Terkensha Block Grant	13.992	43,250	3,290	43,250	39,330	7,210
Short-Doyle/Medi-Cal	13.992	1,848,670	895,716	1,848,670	2,482,708	261,678
Drug Abuse—Federal Block Grant	13.992	595,835	38,608	549,800	542,606	45,802
Alcohol—Federal Block Grant Allocation	13.992	335,702	31,693	235,700	247,755	19,638
California Children's Svcs.—Trtmt. & Ther.	13.994	3,175,575	60,540	232,082 *	215,903	76,719
Maternal & Child Health	13.994	78,500	22,231	44,483	52,815	13,899
Calif. Children's Svcs.—Medi-Cal Adm.	13.994	334,242	134,256	149,070 *	207,362	75,964
Total U.S. Department of Health & Human Svcs.		165,825,142	10,483,563	162,036,963	161,292,950	11,227,576
U.S. Department of HUD						
Community Devel. Block Grant—Weave	14.218	105,000		105,000	40,000	65,000
Federal Block Grant—Health Nuis. Abt.	14.218	95,000	23,588	98,148	70,384	51,352
Total U.S. Department of HUD		200,000	23,588	203,148	110,384	116,352
U.S. Department of Justice						
Gang Violence Suppression	16.540	93,492	30,760	73,518	92,654	11,624
Repeat Sexual Offender Prosec. Prog.	16.573	120,821	20,885	120,821	125,849	15,857
Crack Rock Impact Project (CRIP)—Atty.	16.579	244,275	26,170	153,605	148,956	30,819
Crack Rock Impact Project (CRIP)—Lab	16.579	73,125	7,169	41,544	43,413	5,300
Crack Rock Impact Project (CRIP)—Clk.	16.579		8,411		8,411	
Crack Rock Impact Project (CRIP)—Sher.	16.579	298,833	65,090	176,517	199,642	41,965
Crack Rock Impact Project (CRIP)—Sup.	16.579	88,685	4,141	718	4,859	
Crack Rock Impact Project (CRIP)—Prob.	16.579	234,573	42,257	163,052	173,719	31,590
Total U.S. Department of Justice		1,153,804	204,883	729,775	797,503	137,155

(continued)

Federal Grantor Program Title	Federal Catalogue Number	Award Amount	Receivable (Payable) July 1, 1988	Expenditures	Cash Receipts	Receivable (Payable) June 30, 1989
U.S. Department of Transportation						
Parallel Runway 16L-34R Const/AIP/06	20.106	2,923,904	164,583		159,204	5,379
Parallel Runway 16L-34R/Stage III/07	20.106	2,410,735	702,643	(106,517)	478,312	117,814
Parallel Runway 16L-34R/Stage IIIB/08	20.106	930,521	38,538			38,538
Airport Development Aid Program—Land Acquisition/ADAP/07	20.106	313,921		313,921	313,921	
Corporate Aviation Taxiways—Metro/AIP/09	20.106	1,640,189		211,602	79,073	132,529
East Terminal Aircraft Parking Apron/AIP/11	20.106	4,949,411		9,671		9,671
Parallel Runway 16L-34R/Stage V/AIP/10	20.106	2,638,154		198,991	105,589	93,402
Highways & Bridges—Urban & Second. Aid	20.205	1,364,456	1,493,820	1,364,456	2,570,789	287,487
Total U.S. Department of Transportation		17,171,291	2,399,584	1,992,124	3,706,888	684,820
U.S. Environmental Protection Agency						
Air Pollution Control Grant	66.001	349,248	110,822	322,680	250,944	182,558
UST Cleanup	66.805	338,660		119,286	78,633	40,653
Total U.S. Environmental Protection Agency		687,908	110,822	441,966	329,577	223,211
U.S. Federal Emergency Management Agency						
FEMA—Emergency Preparedness Planning	83.516	43,830	22,639	43,830	53,265	13,204
Total U.S. Federal Emergency Management Agency		43,830	22,639	43,830	53,265	13,204
U.S. Department of Education						
Older Adults Materials	84.034	10,000		10,000	10,000	
Alcohol—Friday Night Live	84.186	22,405		22,405	20,542	1,863
Total U.S. Department of Education		32,405		32,405	30,542	1,863
Other Federal Assistance						
Primary Prevention Project		27,796	29,229	27,796	29,229	27,796
McKinney Block Grant		97,295		97,295		97,295
Property Crime Grant		28,890		28,890	28,890	
Mental Health Center		4,300,000		267,219	267,219	
U.S. Marshal—Prisoner Care		1,458,131		1,458,131	1,458,131	
Medi-Cal Administration (Estim.)		2,334,632		2,334,632*	2,334,632	
Federal Challenge Grant		6,183		6,183	6,183	
U.S. Border Patrol—Prisoner Care		25,478		25,478	10,478	15,000
Total Other Federal Assistance		8,278,405	29,229	4,245,624	4,134,762	140,091
Total Federally Assisted Programs		$239,495,173	14,345,854	215,801,829	215,742,235	14,405,448

*Reported on a cash basis of accounting, reference Note 2.

COUNTY OF SACRAMENTO, CALIFORNIA

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—JUNE 30, 1989

Note 1—General

The accompanying Schedule of Federal Financial Assistance (SFFA) for the year ended June 30, 1989 presents the activity of all federal financial assistance programs of the County of Sacramento, California. The County of Sacramento reporting entity is defined in Note 1 to the County's general purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, are included on the SFFA. As the State of California was unable to specifically identify federal pass-through funds, the SFFA does not differentiate between direct federal assistance versus federal assistance that passed through the State of California. Funds passed through to the County by the State which have been specifically identified as non-federal financial assistance have been excluded from the SFFA.

Note 2—Basis of Accounting

The accompanying SFFA is presented using the modified accrual basis of accounting for those grants accounted for in the governmental fund types, and the accrual basis of accounting for those grants accounted for in the proprietary fund types, as described in Note 1 to the County's general purpose financial statements.

The cash basis of accounting is used for those grants as noted on the SFFA, in accordance with the State of California reporting guidelines.

Note 3—Definition of Major Federal Financial Assistance

The Single Audit Act of 1984 defines a major federal financial assistance program based on the total federal financial assistance during the year. Based on the total expenditures of $215,801,829 major federal financial assistance programs are defined as those programs with expenditures in excess of $3,000,000.

Note 4—Federal Catalogue of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in this report were determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

Note 5—Food Stamps

Food stamp expenditures represent the face value of food stamps distributed in the County. They do not represent cash expenditures in the County's general purpose financial statements for the year ended June 30, 1989.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULE

To the Honorable Mayor and
Members of City Council
City of Atlanta, Georgia:

We have audited the general purpose financial statements of the City of Atlanta, Georgia (in a joint venture arrangement with Touche Ross & Co.) for the year ended December 31, 1988, and have issued our report thereon dated April 14, 1989. Our audit of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Government Auditing Standards (1988 Revision),* issued by the U.S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 4 to the supplemental schedule, we did not audit the financial statements of the Private Industry Council of Atlanta, whose statements reflect the activity of the Georgia Department of Community Affairs' Job Training Partnership Act grant program. Those statements were audited by other auditors whose report, dated June 1, 1989 expressed an unqualified opinion. Our opinion expressed herein, insofar as it relates to the amounts included for the Private Industry Council of Atlanta is based solely upon the report of the other auditors.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The information included in the supplemental schedule of grant activity for the year ended December 31, 1988, prepared on a cash basis as explained in Note 1 to the schedule, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to auditing procedures applied in the examination of the general purpose financial statements of the City of Atlanta, and in our opinion, based on our audit and the report of other auditors, as described in the preceding paragraph, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

April 14, 1989

CITY OF ATLANTA, GEORGIA

SCHEDULE OF GRANT ACTIVITY—FOR THE YEAR ENDED DECEMBER 31, 1988

Grant Title (Catalog of Federal Domestic Assistance Number)	Federal Identification Number	Grant Revenue Received	Matching Contribution	Total Revenue	Grant Funds Expended
Federal Grants					
Department of Commerce (11.300):					
(Economic Development Administration)					
Atlanta Economic Development Corporation Support	04-25-015-02-3	$ 25,000	$ —	$ 25,000	$ —
Airport Industrial Park	04-01-3041	—	224,164	224,164	448,628
Total Department of Commerce		25,000	$ 224,164	249,164	448,628
Environmental Protection Agency (66.418):					
R.M. Clayton Step III	C-130371-03	—	429,599	429,599	1,718,395
R.M. Clayton Step III	C-130371-04	3,442,150	66,732	3,508,882	266,929
Three Rivers Step III	C-130370-08	1,402	350	1,752	—
Three Rivers Step III	C-130370-05	—	48	48	193
Three Rivers Step III	C-130370-07	10	—	10	—
Three Rivers Step III	C-130370-09	—	2,996	2,996	11,895
Three Rivers Step III	C-130370-04	257,205	90,817	348,022	1,399
Three Rivers Step III	C-130444-02	—	—	—	363,268
Utoy Creek	C-130498-03	1,405,489	3,008,172	4,413,661	6,684,826
Total Environmental Protection Agency		5,106,256	$3,598,714	8,704,970	9,046,905

(continued)

Grant Title (Catalog of Federal Domestic Assistance Number)	Federal Identification Number	Grant Revenue Received	Matching Contribution	Total Revenue	Grant Funds Expended
Department of Agriculture (10.559):					
1987 Summer Food Program	13-60391-1	173,028	—	173,028	43,049
1988 Summer Food Program	13-60391-2	1,031,033	333,927	1,364,960	1,417,326
Total Department of Agriculture	1,204,061	$ 333,927	1,537,988	1,460,375	

Grant Title	Federal Identification Number	Grant Revenue Received	Program Income	Total Revenue	Grant Funds Expended
Department of Housing and Urban Development					
Community Development Block Grant (CDBG) (14.218):					
Entitlement Grants (Note 1):					
Year 1	B75MC13-0002	$ 37	$ —	$ 37	$ 37
Year 2	B76MC13-0002	905	—	905	905
Year 3	B77MC13-0002	16,454	—	16,454	16,454
Year 5	B79MC13-0002	402	—	402	402
Year 6	B80MC13-0002	41,065	—	41,065	41,065
Year 7	B81MC13-0002	76,241	—	76,241	76,241
Year 8	B82MC13-0002	131,807	57,591	189,398	131,807
Year 9	B83MC13-0002	284,231	—	284,231	284,231
Year 10	B84MC13-0002	110,379	—	110,379	110,379
Year 11	B85MC13-0002	1,919,079	—	1,919,079	1,919,079
Year 12	B86MC13-0002	8,497,290	432,335	8,929,625	5,138,096
Year 13	B87MC13-0002	5,791,057	21,950	5,813,007	7,143,280
Year 14	B88MC13-0002	—	—	—	2,421,238
Total Entitlement Grants		16,868,947	511,876	17,380,823	17,283,214
Other CDBG (Non-entitlement) Grants:					
McKinney Homeless Act	S87MC13-002	—	—	—	26,199
McKinney Homeless Act	S87MC13-5002	—	—	—	163,000
McKinney Homeless Act	H-9403RG	—	—	—	6,851
McKinney Homeless Act	S88MC13-5002	—	—	—	12,206
Other HUD Grants:					
Section 8 Housing (14.156)	GA06-K269-001	103,366	—	103,366	130,610
UDAG (14.221):					
Healey Building Renovation	B83AA13-0085	315,425	—	315,425	360,885
Piedmont North Shopping Center	B84AA13-0060	543,349	—	543,349	543,349
Bovis Brunning Homes	B86AA13-0084	—	—	—	52,000
Total Department of Housing and Urban Development		$17,831,087	$511,876	$18,342,963	$18,578,314

Grant Title	Federal Identification Number	Grant Revenue Received	Matching Contribution	Total Revenue	Grant Funds Expended
Department of Transportation (FAA):					
Airport Development Aid Program (20.102)	6-13-0008-21	$ —	$ 9,500	$ 9,500	$ 47,500
Airport Improvement Programs (20.106):	3-13-0008-01	326,915	[1]4,506	331,421	16,532
	3-13-0008-02	90,477	[2]36,506	126,983	106,143
	3-13-0008-03	—	[3]25,164	25,164	101,478
	3-13-0008-04	2,135,113	[4]557,230	2,692,343	2,778,921
	3-13-0008-05	4,198,074	937,044	5,135,118	4,685,220
	3-13-0008-06	8,683,288	2,110,635	10,793,923	10,553,174
	3-13-0008-07	2,001,503	712,939	2,714,442	3,564,696
	3-13-0008-08	—	19,633	19,633	98,166
			$4,413,157		
Total Matching Contribution			4,390,366		
Total Program Income			22,791		
Total Department of Transportation (Note 1)		17,435,370	$4,413,157	21,848,527	21,951,830

Grant Title	Federal Identification Number	Grant Revenue Received	Matching Contribution	Total Revenue	Grant Funds Expended
National Endowment for the Arts (45.023):					
1986 6th Annual Film Festival	52-3465-0084	5,227	—	5,227	—
1987 7th Annual Film Festival	87-3465-0027	5,000	—	5,000	413
1988 Jazz Festival	88-3144-0094	—	24,000	24,000	48,400
1988 8th Annual Film Festival	87-3465-0084	—	4,000	4,000	7,537
Total National Endowment for the Arts		10,227	$ 28,000	38,227	56,350
Total Matching Contributions			$8,575,171		
Total Program Income			534,667		
TOTAL FEDERAL GRANTS		$41,612,001	$9,109,838	$50,721,839	$51,542,402
State Grants (Federal Source)					
Georgia Department of Human Resources (U.S. Department of Health and Human Services):					
Rat Attack FY 86-87	427-93-70488	44,033	—	44,033	1,565
Rat Attack FY 87-88	427-93-80572	62,372	4,733	67,105	60,636
Title XX Day Care FY 87	427-93-70569	—	126,295	126,295	—
Total Georgia Department of Human Resources		106,405	131,028	237,433	62,201
Georgia Department of Natural Resources (U.S. Department of Interior):					
Lake Allatoona	13-00668	—	—	—	33,990
Certified Local Government Program	441-890198	5,490	—	5,490	20,000
National Trust for Historic Preservation Comprehensive Preservation Plan	CIF-1987	42,175	—	42,175	44,514
Piedmont Park Lake Restoration	13-00610	10,000	—	10,000	—
Piedmont Park Athletic Fields	13-00627	11,000	—	11,000	—
Grant Park	412-790306	—	—	—	1,946
Survey Guidelines	441-690432	13,000	—	13,000	—
Total Georgia Department of Natural Resources		81,665	—	81,665	100,450
Georgia Department of Transportation (U.S. Department of Transportation):					
Piedmont Road Signalization	HES-005-113	12,300	—	12,300	—
One-Way Pairing Signalization	I-M-752135	—	—	—	29,395
Howell Mill Road	I-75-3-139	973	—	973	—
Cheshire Bridge Road Signalization	HES-9213-4	69,600	—	69,600	55,683
Ponce De Leon Signalization	SAP-8-110	125,285	—	125,285	108,457
LARP		172,881	—	172,881	72,553
LARP 1987	LAU-16-8531-11-121	680,375	—	680,375	1,145,968
LARP 1988	LAU-16-8531-13-121	30,089	—	30,089	47,117
Cleveland Avenue Signalization	ACI-B-75121245	35,006	—	35,006	—
Mt. Paran Road Signalization	I-75-3-132	27,966	—	27,966	—
Total Georgia Department of Transportation		1,154,475	—	1,154,475	1,459,173
Georgia Department of Labor—(U.S. Department of Labor) (Note 5)					
PY86 Older Workers (Title IIA)	10-86-13-1-1-14	$ 16,040			
PY87 Summer Youth Employment (Title IIB)	20-P6-00-1-1-14	440,711			
PY87 Year-Round Training (Title IIA)	10-87-10-1-1-14	1,703,539			
PY87 Older Workers (Title IIA)	10-87-13-1-1-14	93,667			
PY87 Dislocated Workers (Title III)	30-87-00-1-1-14	162,107			
PY88 Summer Youth Employment (Title IIB)	20-P7-00-1-1-14	1,555,696			
PY88 Year-Round Training (Title IIA)	10-88-10-1-1-14	1,401,349			
PY88 Older Workers (Title IIA)	10-88-16-1-1-14	34,755			
PY88 Dislocated Workers (Title III)	30-88-00-1-1-14	23,923			
PY89 Summer Youth Employment (Title IIB)	20-C9-00-1-1-14	—			
Total Department of Labor		5,431,787			
TOTAL STATE GRANTS (Federal Pass-throughs Only)		$ 6,774,332			

(continued)

Grant Title	Federal Identification Number	Grant Revenue Received	Matching Contribution	Total Revenue	Grant Funds Expended
Other Grants (Federal Source)					
Fulton County Department of Family and Children Services (U.S. Department of Health and Human Services):					
Title XX Day Care FY 88 (Formerly 427-93-70833 under State Grants)	90-408824	$ 1,183,225			
Title XX Day Care FY-89	90-9030	1,073,285			
Total Other Grants (Federal Pass-throughs from State of Georgia only)		$ 2,256,510			
Total Matching Contributions All Grants					
Total Program Income All Grants					
TOTAL ALL GRANTS		$50,642,843			

The accompanying notes are an integral part of the financial statements.

[1]Includes $1,200 of program income.
[2]Includes $15,277 of program income.
[3]Includes $4,868 of program income.
[4]Includes $1,446 of program income.

CITY OF ATLANTA, GEORGIA

SINGLE AUDIT OF FEDERAL GRANT FUNDS—NOTES TO THE SCHEDULE—FOR THE YEAR ENDED DECEMBER 31, 1988

Note 1—Summary of Significant Accounting Policies

Basis of Presentation—The City of Atlanta (the "City") has been awarded a number of Federal grants to finance housing, employment and construction programs, and other activities beneficial to the community. The revenues and expenditures for the grants are presented in several different funds in the general purpose financial statements of the City on the modified accrual basis of accounting. For purposes of this report, the Schedule of Grant Activity has been prepared on the cash basis of accounting and is not intended to present the results of grant activity in conformity with generally accepted accounting principles. Accordingly, revenues are recorded when received and expenditures are recognized when paid.

In instances where the grant agreement requires the City to match Federal awards with City funds, Federal revenues are limited to the appropriate matching percentage as indicated in the grant agreement. The City's matching funds are included in the Schedule of Grant Activity in the appropriate amounts as they relate to total grant expenditures.

Grant expenditures for CDBG and FAA programs are presented net of refunds under various projects. This presentation, in certain instances, may result in a net credit for current year expenditures. Although it is the City's policy to account for program income similar to refunds, program income has been treated as additions to grant revenue on the Schedule of Grant Activity. Likewise, grant expenditures for corresponding programs are presented prior to reductions for program income.

Some program income and refunds received during 1988 under the CDBG programs had not been appropriated to particular program years and projects as of December 31, 1988 and therefore, are not on the Schedule of Grant Activity. These funds are treated as refunds and will be reappropriated by the City in future program years. The balance in the reserve funds amounted to $1,311,932 as of December 31, 1988.

Consistent with reporting requirements of the Department of Housing and Urban Development (HUD), cash drawdowns for CDBG entitlement grants are applied against expenditures of oldest programs first, then against subsequent years' expenditures until all funds drawn are fully applied.

Grants Not Included

Grant programs which did not have 1988 transactions have not been presented herein. The majority of these programs have completed their program activities but have not been officially closed out.

Note 2—Loan Guarantee Assistance Program

The City received a $2,500,000 and a $2,600,000 loan during 1983 and 1985, respectively, from HUD under Section 108 of the Housing and Community Development Act of 1984, as amended. The funds were to be used in connection with the acquisition of land and construction of the Atlanta Industrial Park (AIP) and the Southside Industrial Park (SIP), respectively. Through December 31, 1988, the City had expended from loan proceeds $2,500,000 and $2,473,652 on the two industrial parks, respectively.

Annual interest payments were established by the Federal Financing Bank pursuant to Section 6 of the Federal Financing Bank Act of 1973 at 11.629% and 8.743% on AIP and SIP, respectively. Principal and interest are to be repaid in six (6) annual installments. The loan and related activities have not been reflected in the Schedules of Grant Activity.

Note 3—CDBG Revolving Loan Programs

Under the CDBG programs, the City has established several revolving loan programs to provide low-interest loans to eligible persons for housing rehabilitation and for refurbishing private commercial property. The programs are administered through several local banks. Principal and interest payments on loans as well as interest earned on such funds not yet disbursed as loans are deposited in the revolving accounts maintained by the banks. The City records the principal and interest from these programs in the City's accounting records. Accordingly, interest earned by these programs has been reflected in the Schedule of Grant Activity as program income.

Because interest income is simultaneously placed back in the revolving funds for program use, CDBG program expenses include expenditures equal to interest income. Principal payments received are used to make additional loans as part of the revolving loan fund. Therefore, principal payments received are offset against program expenses disbursed to the bank to make the new loans.

Note 4—Subrecipient Grant Activity

Entity

The Private Industry Council of Atlanta, Inc. (PIC) was organized in October 1983 for the purpose of planning and overseeing employment and training programs for the defined Service Delivery Area (SDA) of the City of Atlanta. In accordance with the requirements of the Job Training Partnership Act (JTPA), the PIC has been designated as the recipient of JTPA funds from the Georgia Department of Community Affairs for the SDA of the City of Atlanta.

In June, 1987 and June, 1988, the City entered into annual agreements to support the employment and training activities of the PIC. In general, under the terms of the City-PIC agreement, the City shall furnish the administrative and support functions necessary for the successful administration of JTPA Programs under the overall guidance, oversight and direction of the PIC. The PIC shall be responsible to provide policy guidance and planning for, and exercise oversight with respect to activities funded under JTPA. In fulfilling its responsibility, the City uses the Trust Fund to function as a depository and disburser of JTPA funds and has also provided additional City personnel for other PIC programmatic activities.

Report of Other Auditors

Other auditors were engaged by the PIC to conduct a financial and compliance examination, in accordance with Circular A-128, of JTPA Title IIA funds for the twelve months ended June 30, 1988 and Title IIB funds for the twelve months ended September 30, 1988. The report of the other auditors dated June 1, 1989 expressed an unqualified opinion.

The report of the PIC auditors contained a contingency arising from potential losses as a result of prior years audits of Title IIA and IIB programs which questioned or recommended for disallowance costs of $770,238 as determined by the Georgia Department of Labor (DOL). As of May 19, 1989, $486,052 of the disallowed costs were settled through services in lieu of cash. Also in May 1989, the Georgia Department of Labor approved another portion of the disallowed costs, $278,594, to be repaid through services in lieu of cash. The PIC has requested a waiver of the remaining disallowed costs, $5,592 from the Georgia Department of Labor under Section 164(e) of the Job Training Partnership Act.

The Schedule of Grant Activity

The schedule of grant activity includes revenues and expenditures for JTPA programs for the periods January 1, 1988 through June 30, 1988, and through September 30, 1988 for Title IIA and Title IIB, respectively, examined by the other auditors as referred to above. These programs and periods are identified as follows:

Grant Number	Program Description	Grant Period	Period Covered on Schedule of Grant Activity
10-87-10-1-1-14	PY87 Training (Title IIA)	7/1/87 6/30/88	1/1/88 6/30/88
10-87-13-1-1-14	PY87 Older Workers (Title IIA)	10/1/87 6/30/88	1/1/88 6/30/88
30-87-00-1-1-14	PY87 Dislocated Worker (Title III)	10/1/87 6/30/88	1/1/88 6/30/88
20-P7-00-1-1-14	PY88 Summer (Title IIB)	10/1/87 9/30/88	1/1/88 9/30/88

Finally, included on the schedule of grant activity are six PIC programs which have not yet been subjected to an examination in accordance with Circular A-128 by external PIC auditors. For purposes of this report, the provisions of Circular A-128 have not been applied to these programs. The programs are identified as follows:

Grant Number	Program Description	Grant Period	Period Covered on Schedule of Grant Activity
10-86-13-1-1-14	PY86 Older Workers (Title IIA)	7/1/86 6/30/87	1/1/88 12/31/88
20-P6-00-1-1-14	PY87 Summer Youth Employment (Title IIB)	10/1/86 9/30/87	1/1/88 12/31/88
10-88-10-1-1-14	PY88 Training (Title IIA)	7/1/88 6/30/89	7/1/88 12/31/88
10-88-16-1-1-14	PY88 Older Workers (Title IIA)	7/1/88 6/30/89	7/1/88 12/31/88
30-88-00-1-1-14	PY88 Dislocated Worker (Title III)	10/1/88 6/30/89	10/1/88 12/31/88
20-C9-00-1-1-14	PY89 Summer (Title IIB)	10/1/88 9/30/89	10/1/88 12/31/88

It is assumed that these programs will be incorporated into the PIC's fiscal year 1989 external audit.

REPORT ON SUPPLEMENTARY INFORMATION SCHEDULES OF FINANCIAL ASSISTANCE

September 29, 1989

To the Honorable Mayor,
Members of the City Council
and City Manager
City of Raleigh, North Carolina

We have audited the general purpose financial statements of the City of Raleigh, North Carolina, for the year ended June 30, 1989, and have issued our report thereon dated September 29, 1989. These general purpose financial statements are the responsibility of the City of Raleigh, North Carolina, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of grant activity by project and supporting schedule listed in the table of contents relating to financial assistance are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The information in those schedules have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]
Certified Public Accountants

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF GRANT ACTIVITY BY PROJECT—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

						Revenues			Expenditures		
Grantor/Grant Number	CFDA Number	Project Name	Project Period	Total Approved Grant	Percentage Participation	Prior Years	Current Year	Total to Date	Prior Years	Current Year	Total to Date
U.S. Department of Commerce Grant No. J.S.A. 76-32	11.300	Bureau of Census *Dime File*	August 21, 1975-Open	$ 17,325	100.0%	$ 17,196	$ —	$ 17,196	$ 17,196	$ —	$ 17,196
N.C. Youth Advisory Council	—	Raleigh Youth Council	April 1, 1986-Open	800	100.0	766	—	766	766	—	766
N.C. Arts Council	—	Capital Boulevard	July 1, 1987-Open	1,000	80.0	—	1,000	1,000	—	1,000	1,000
City and Miscellaneous Revenue					20.0	—	141	141	—	141	141
						—	1,141	1,141	—	1,141	1,141
N.C. Arts Council	—	Art Consultants	July 1, 1987-Open	2,000	80.0	1,512	488	2,000	1,512	488	2,000
City and Miscellaneous Revenue					20.0	378	122	500	378	122	500
						1,890	810	2,500	1,890	610	2,500
N.C. Arts Council	—	Grassroots Arts Program (87/88)	July 1, 1987-June 30, 1988	73,318	100.0	70,480	2,838	73,318	70,480	2,838	73,318
N.C. Arts Council/ National Endowment for the Arts	—	Arts Promotion	July 1, 1987-Open	10,000	50.0	8,940	1,060	10,000	8,940	1,060	10,000
City and Miscellaneous Revenue					50.0	8,940	1,060	10,000	8,940	1,060	10,000
						17,880	2,120	20,000	17,880	2,120	20,000
N.C. Arts Council/ National Endowment for the Arts	—	Arts Promotion	July 1, 1988-Open	10,000	50.0	—	8,527	8,527	—	8,527	8,527
City and Miscellaneous Revenue					50.0	—	8,527	8,527	—	8,527	8,527
						—	17,054	17,054	—	17,054	17,054
Wake County Parks and Recreation Department	—	Raleigh Medal of Arts	July 1, 1988-June 30, 1989	2,250	100.0	—	2,250	2,250	—	2,250	2,250
Wake County Parks and Recreation Department	—	Municipal Building Art Exhibits	July 1, 1988-June 30, 1989	2,400	100.0	—	2,263	2,263	—	2,263	2,263
N.C. Department of Transportation Grant No. 8.1402002		Bicycle Improvement Program	August 2, 1988-June 30, 1989	5,250	100.0	—	1,935	1,935	—	1,935	1,935
N.C. Department of Natural Resources and Community Development Grant No. E-027	—	Pollution Prevention	June 1, 1988-January 2, 1989	10,000	50.0	—	7,701	7,701	—	7,701	7,701
City and Miscellaneous Revenue				10,000	50.0	—	7,701	7,701	—	7,701	7,701
						—	15,402	15,402	—	15,402	15,402

CITY OF RALEIGH, NORTH CAROLINA (continued)

Grantor/Grant Number	CFDA Number	Project Name	Project Period	Total Approved Grant	Percentage Participation	Revenues: Prior Years	Revenues: Current Year	Revenues: Total to Date	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total to Date
N.C. Department of Natural Resources and Community Development Grant No. 87-H-1089	—	Emergency Shelter Assistance—Operations	December 11, 1987-June 5, 1988	21,838	100.0	—	21,838	21,838	—	21,838	21,838
N.C. Department of Natural Resources and Community Development Grant No. 87-H-1090	—	Emergency Shelter Assistance—Rehabilitation	December 11, 1987-December 5, 1988	19,108	100.0	—	19,108	19,108	—	19,108	19,108
N.C. Department of Natural Resources and Community Development Grant No. 88-H-1170	—	Emergency Shelter Assistance—Agape Place	May 27, 1988-November 22, 1988	6,949	100.0	—	6,949	6,949	—	6,949	6,949
N.C. Department of Natural Resources and Community Development Grant No. 88-H-1171	—	Emergency Shelter Assistance—Lydia Emergency Home	May 27, 1988-November 22, 1988	6,948	100.0	—	6,948	6,948	—	6,948	6,948
N.C. Department of Natural Resources and Community Development Grant No. 88-H-1172	—	Emergency Shelter Assistance—The Ark	May 27, 1988-November 22, 1988	6,949	100.0	—	6,949	6,949	—	6,949	6,949
N.C. Department of Cultural Resources	—	Historic Properties Research Project		18,500	45.0	—	10,499	10,499	—	10,499	10,499
City and Miscellaneous Revenue				22,880	55.0	—	12,832	12,832	—	12,832	12,832
						—	23,331	23,331	—	23,331	23,331
U.S. Department of Housing and Urban Development Grant No. HA-14591	14.158	Fair Housing Assistance	September 22, 1985-Open	4,500	100.0	4,473	27	4,500	4,473	27	4,500
U.S. Department of Housing and Urban Development Grant No. HA-15033	14.158	Fair Housing Assistance	September 22, 1986-Open	6,000	100.0	5,527	423	5,950	5,527	423	5,950
U.S. Department of Housing and Urban Development Grant No. HA-15305	14.158	Fair Housing Assistance	September 22, 1987-Open	7,000	100.0	—	5,975	5,975	—	5,975	5,975
U.S. Department of Housing and Urban Development Grant No. FF204K884018	14.158	Fair Housing Assistance	September 22, 1988-Open	6,250	100.0	—	1,219	1,219	—	1,219	1,219
United Way of Wake County	—	Young Volunteers in Action	September 30, 1986-Open	15,570	100.0	12,934	—	12,934	12,934	—	12,934
Junior League of Raleigh	—	Retired Executive Volunteer Program	September 1, 1986-Open	14,000	100.0	13,110	270	13,380	13,110	270	13,380
U.S. Department of Justice/Governor's Crime Commission Grant No. 92-185-K1-C002	16.575	Victim Advocate Program	December 1, 1985-September 30, 1986	56,149	44.2	44,699	—	44,699	44,699	—	44,699
City and Miscellaneous Revenue					55.8	70,847	—	70,847	70,847	—	70,847
						115,546	—	115,546	115,546	—	115,546
U.S. Department of Justice/Governor's Crime Commission Grant No. 92-186-E1-C003	16.573	Police Anti-Fencing Program	July 1, 1986-September 30, 1988	56,653	50.0	47,843	7,455	55,298	47,843	7,455	55,298
City and Miscellaneous Revenue					50.0	47,843	7,455	55,298	47,843	7,455	55,298
						95,686	14,910	110,596	95,686	14,910	110,596
U.S. Department of Justice/Governor's Crime Commission Grant No. 92-188-E4-D005	16.998	Police Anti-Drug Program	July 1, 1988-June 30, 1990	45,000	75.0	—	40,199	40,199	—	40,199	40,199
City and Miscellaneous Revenue					25.0	—	13,400	13,400	—	13,400	13,400
						—	53,599	53,599	—	53,599	53,599
U.S. Department of Justice/Governor's Crime Commission Grant No. 92-186-D3-J062	16.540	Youth Leadership Development Program	January 1, 1987-December 31, 1987	40,000	100.0	33,537	—	33,537	33,537	—	33,537
U.S. Department of Justice/Governor's Crime Commission Grant No. 92-287-D3-J062	16.540	Youth Leadership Development Program	January 1, 1988-December 31, 1988	40,000	100.0	13,741	21,510	35,251	13,741	21,510	35,251
N.C. Alternative Energy Corporation	—	Wastewater Treatment Feasibility Study	June 11, 1987-November 30, 1987	1,000	25.0	1,000	—	1,000	1,000	—	1,000
City and Miscellaneous Revenues					75.0	3,000	—	3,000	3,000	—	3,000
						4,000	—	4,000	4,000	—	4,000
U.S. Action Agency Grant No. 440-4823/04	72.002	Retired Senior Volunteer Program	January 1, 1987-December 31, 1987	41,166	35.0	41,166	—	41,166	41,166	—	41,166
City and Miscellaneous Revenue					65.0	78,234	—	78,234	78,234	—	78,234
						119,400	—	119,400	119,400	—	119,400
U.S. Action Agency Grant No. 440-4823/05	72.002	Retired Senior Volunteer Program	January 1, 1988-December 31, 1988	42,726	35.0	17,343	25,383	42,726	17,343	25,383	42,726
City and Miscellaneous Revenue					65.0	46,778	40,579	87,357	46,778	40,579	87,357
						64,121	65,962	130,083	64,121	65,962	130,083
U.S. Action Agency Grant No. 440-4823/06	72.002	Retired Senior Volunteer Program	January 1, 1989-December 31, 1989	42,726	30.0	—	18,486	18,486	—	18,486	18,486
City and Miscellaneous Revenue					70.0	—	41,648	41,648	—	41,648	41,648
						—	60,134	60,134	—	60,134	60,134

(continued)

CITY OF RALEIGH, NORTH CAROLINA (continued)

Grantor/Grant Number	CFDA Number	Project Name	Project Period	Total Approved Grant	Percentage Participation	Revenues Prior Years	Revenues Current Year	Revenues Total to Date	Expenditures Prior Years	Expenditures Current Year	Expenditures Total to Date
U.S. Action Agency Grant No. 439-4355/01	72.001	Foster Grandparents Program	January 1, 1989- December 31, 1989	136,520	81.0	—	5,720	5,720	—	5,720	5,720
City and Miscellaneous Revenue					19.0	—	1,342	1,342	—	1,342	1,342
						—	7,062	7,062	—	7,062	7,062
U.S. Action Agency Grant No. 444-4083/01	72.012	Drug Alliance	January 1, 1989- December 31, 1989	27,723	77.0	—	6,607	6,607	—	6,607	6,607
City and Miscellaneous Revenue					23.0	—	—	—	—	—	—
						—	6,607	6,607	—	6,607	6,607
N.C. Dept. of Transportation Work Order No. 8.52314	—	Transportation Planning-FHWA	July 1, 1986- June 30, 1987	77,578	85.0	72,918	—	72,918	72,918	—	72,918
City and Miscellaneous Revenue					15.0	13,690	—	13,690	13,690	—	13,690
						86,608	—	86,608	86,608	—	86,608
N.C. Dept. of Transportation Work Order No. 8.52414	—	Transportation Planning-FHWA	July 1, 1987- June 30, 1988	77,842	85.0	76,303	—	76,303	76,303	—	76,303
City and Miscellaneous Revenue					15.0	13,737	—	13,737	13,737	—	13,737
						90,040	—	90,040	90,040	—	90,040
N.C. Dept. of Transportation Work Order No. 8.52514	—	Transportation Planning-FHWA	July 1, 1988- June 30, 1989	95,745	85.0	—	92,337	92,337	—	92,337	92,337
City and Miscellaneous Revenue					15.0	—	20,856	20,856	—	20,856	20,856
						—	113,193	113,193	—	113,193	113,193
N.C. Department of Transportation Work Order No. 8.52614	—	Transportation Planning—FHWA	July 1, 1989- June 30, 1990	57,192	56.0	—	—	—	—	—	—
City and Miscellaneous Revenue					44.0	—	—	—	—	—	—
						—	—	—	—	—	—
U.S. Department of Transportation Grant No. NC-08-0126	20.505	Transportation Planning-UMTA	October 1, 1986- September 30, 1987	37,200	52.0	37,200	—	37,200	37,200	—	37,200
U.S. Department of Transportation Grant No. NC-90-2044	20.507A			20,223	28.0	19,435	—	19,435	19,435	—	19,435
N.C. Department of Transportation Grant No. 87-P-12	—			7,178	10.0	7,079	—	7,079	7,079	—	7,079
City and Miscellaneous Revenue					10.0	7,079	—	7,079	7,079	—	7,079
						70,793	—	70,793	70,793	—	70,793
U.S. Department of Transportation Grant No. NC-08-0127	20.505	Transportation Planning—UMTA	October 1, 1987- September 30, 1988	27,000	38.0	19,500	7,500	27,000	19,500	7,500	27,000
U.S. Department of Transportation Grant No. NC-90-2060	20.507A			30,771	42.0	25,156	5,160	30,316	25,156	5,160	30,316
N.C. Department of Transportation Grant No. 88-P-09	—			7,246	10.0	5,582	1,664	7,246	5,582	1,664	7,246
City and Miscellaneous Revenue					10.0	5,583	1,663	7,246	5,583	1,663	7,246
						55,821	15,987	71,808	55,821	15,987	71,808
U.S. Department of Transportation Grant No. NC-08-0130	20.505	Transportation Planning—UMTA	October 1, 1988- September 30, 1989	27,000	33.0	—	21,092	21,092	—	21,092	21,092
U.S. Department of Transportation Grant No. NC-90-2025	20.507A			37,633	47.0	—	30,351	30,351	—	30,351	30,351
N.C. Department of Transportation Grant No. 89-P-08	—			8,079	10.0	—	4,684	4,684	—	4,684	4,684
City and Miscellaneous Revenue					10.0	—	4,684	4,684	—	4,684	4,684
						—	60,811	60,811	—	60,811	60,811
Wake County—Area Mental Health	—	Special Populations	July 1, 1987- June 30, 1988	79,563	50.0	79,563	—	79,563	79,563	—	79,563
City and Miscellaneous Revenue					50.0	82,238	—	82,238	82,238	—	82,238
						161,801	—	181,801	161,801	—	161,801
Wake County—Area Mental Health	—	Special Populations	July 1, 1988- June 30, 1989	8,740	50.0	—	69,527	69,527	—	69,527	69,527
City and Miscellaneous Revenue					50.0	—	84,977	84,977	—	84,977	84,977
						—	154,504	154,504	—	154,504	154,504
N.C. Office of Budget and Management Grant No. H151549	—	Memorial Auditorium Renovations	November 15, 1988- Open	2,000,000	33.3	—	—	—	—	—	—
City and Miscellaneous Revenue					66.7	—	—	—	—	—	—
						—	—	—	—	—	—

CITY OF RALEIGH, NORTH CAROLINA (continued)

Grantor/Grant Number	CFDA Number	Project Name	Project Period	Total Approved Grant	Percentage Participation	Revenues Prior Years	Revenues Current Year	Revenues Total to Date	Expenditures Prior Years	Expenditures Current Year	Expenditures Total to Date
N.C. Department of Transportation Grant No. 9.8059180	—	Buffaloe/New Hope Church Road	January 11, 1988-February 16, 1989	225,000	32.0	225,000	—	225,000	225,000	—	225,000
City and Miscellaneous Revenue					68.0	430,013	44,827	474,840	430,013	44,827	474,840
						655,013	44,827	699,840	655,013	44,827	699,840
Wake County Parks and Recreation Department	—	Durant Nature Park	September 8, 1983-June 30, 1988	50,000	50.0	50,000	(1)	49,999	50,000	(1)	49,999
City and Miscellaneous Revenue					50.0	62,182	1,709	63,891	62,182	1,709	63,891
						112,182	1,708	113,890	112,182	1,708	113,890
Wake County Parks and Recreation Department	—	Leadmine Creek Greenway	September 9, 1982-June 30, 1988	30,000	50.0	30,000	(2,760)	27,240	30,000	(2,760)	27,240
City and Miscellaneous Revenue					50.0	51,200	2,760	53,960	51,200	2,760	53,960
						81,200	—	81,200	81,200	—	81,200
Wake County Parks and Recreation Department	—	Lake Wheeler Project	September 12, 1985-June 30, 1989	10,000	50.0	9,241	759	10,000	9,241	759	10,000
City and Miscellaneous Revenue					50.0	9,242	9,858	19,100	9,242	9,858	19,100
						18,483	10,617	29,100	18,483	10,617	29,100
Wake County Parks and Recreation Department	—	Lake Johnson Project	September 12, 1985-June 30, 1989	25,000	50.0	23,554	(1,626)	21,928	23,554	(1,626)	21,928
City and Miscellaneous Revenue					50.0	25,257	2,167	27,424	25,257	2,167	27,424
						48,811	541	49,352	48,811	541	49,352
Wake County Parks and Recreation Department	—	Neuse River Land Acquisition	October 20, 1988-April 20, 1990	75,000	50.0	—	—	—	—	—	—
City and Miscellaneous Revenue					50.0	—	—	—	—	—	—
						—	—	—	—	—	—
U.S. Department of Transportation Grant No. NC-90-0014	20.507A	Paint Booth Construction	July 30, 1984-Open	101,600	80.0	100,634	—	100,634	100,634	—	100,634
N.C. Department of Transportation Grant No. 85-9A-01				12,700	10.0	12,579	—	12,579	12,579	—	12,579
City and Miscellaneous Revenue					10.0	14,287	—	14,287	14,287	—	14,287
						127,500	—	127,500	127,500	—	127,500
N.C. Wildlife Resources Commission Grant No. SG198817	—	Camp Durant Nature Park	May 1, 1988-September 30, 1989	2,400	100.0	—	—	—	—	—	—
N.C. Department of Transportation	—	Powell Bill	July 1, 1988-June 30, 1989	4,304,931	100.0	4,429,377	4,304,931	8,734,308	—	6,402,597	6,402,597
City and Miscellaneous Revenue						—	641,430	641,430	—	641,430	641,430
						4,429,377	4,946,361	9,375,738	—	7,044,027	7,044,027
N.C. Department of Transportation Grant No. 6.904037	—	Lake Woodard Drive	August 29, 1984-January 19, 1989	224,024	34.0	215,651	8,373	224,024	215,651	8,373	224,024
City and Miscellaneous Revenue					66.0	450,466	(8,373)	442,073	450,446	(8,373)	442,073
						666,097	—	666,097	666,097	—	666,097
N.C. Department of Transportation Grant No. 9.8059199	—	Person/Martin Street	May 1, 1989-Open	41,000	100.0	—	—	—	—	—	—
N.C. Department of Transportation Grant No. 9.8059173	—	Blue Ridge Road	February 10, 1989-January 1, 2005	520,000	37.0	—	—	—	—	—	—
City and Miscellaneous Revenue					63.0	—	78,537	78,537	—	78,537	78,537
						—	78,537	78,537	—	78,537	78,537
N.C. Department of Transportation Grant No. 9.8052005	—	Trawick Road	December 27, 1988-Open	150,000	47.0	—	—	—	—	—	—
City and Miscellaneous Revenue					53.0	—	239,179	239,179	—	239,179	239,179
						—	239,179	239,179	—	239,179	239,179
N.C. Department of Transportation Grant No. 8.2401401	—	Hare Snipe Creek Bridge	May 12, 1986-Open	548,643	12.0	335,000	213,643	548,643	335,000	213,643	548,643
City and Miscellaneous Revenue					88.0	1,987,228	1,953,157	3,940,385	1,987,228	1,953,157	3,940,385
						2,322,228	2,166,800	4,489,028	2,322,228	2,166,800	4,489,028
N.C. Department of Transportation Grant No. 9.8052002	—	Six Forks/Wake Forest Road	September 16, 1988-Open	91,000	48.0	—	91,000	91,000	—	91,000	91,000
City and Miscellaneous Revenue					52.0	53,730	44,000	97,730	53,730	44,000	97,730
						53,730	135,000	188,730	53,730	135,000	188,730

(continued)

CITY OF RALEIGH, NORTH CAROLINA (continued)

Grantor/Grant Number	CFDA Number	Project Name	Project Period	Total Approved Grant	Percentage Participation	Revenues Prior Years	Revenues Current Year	Revenues Total to Date	Expenditures Prior Years	Expenditures Current Year	Expenditures Total to Date
U.S. Department of Transportation Grant No. NC-05-0031	20.500	Off-Street Transit Transfer Facility	December 12, 1983-Open	1,760,440	80.0	1,760,440	—	1,760,440	1,760,440	—	1,760,440
N.C. Department of Transportation Grant No. 84-C-01				220,055	10.0	220,055	—	220,055	220,055	—	220,055
City and Miscellaneous Revenue					10.0	545,961	79,917	625,878	545,961	79,917	625,878
						2,526,456	79,917	2,606,373	2,526,456	79,917	2,606,373
U.S. Department of Transportation Grant No. NC-90-0044/45	20.507A	10-Bus Grant	September 10, 1986-Open	1,570,400	80.0	180,985	1,311,737	1,492,722	180,985	1,311,737	1,492,722
N.C. Department of Transportation Grant No. 87-9A-04				196,300	10.0	22,623	163,967	186,590	22,623	163,967	186,590
City and Miscellaneous Revenue					10.0	22,623	164,778	187,401	22,623	164,778	187,401
						226,231	1,640,482	1,866,713	226,231	1,640,482	1,866,713
U.S. Department of Transportation Grant No. NC-90-0075	20.507A	14-Bus Grant	July 29, 1988-Open	2,082,080	80.0	—	1,888,075	1,888,075	—	1,888,075	1,888,075
N.C. Department of Transportation Grant No. 88-C-12				285,260	10.0	—	236,009	236,009	—	236,009	236,009
City and Miscellaneous Revenue				285,260	10.0	—	236,009	236,009	—	236,009	236,009
						—	2,360,093	2,360,093	—	2,360,093	2,360,093
U.S. Department of Transportation Grant No. NC-90-4075	20.507A	Operating Assistance	July 1, 1988-June 30, 1989	1,562,073	50.0	—	1,465,670	1,465,670	—	1,465,670	1,465,670
N.C. Department of Transportation Cary/Garner Park and Ride						—	26,958	26,958	—	26,958	26,958
City and Miscellaneous Revenue					50.0	—	1,436,111	1,436,111	—	1,436,111	1,436,111
						—	2,928,739	2,928,739	—	2,928,739	2,928,739
U.S. Department of Housing and Urban Development					100.0						
Community Development Block Grant Entitlement	14.218	*Community Development*		7,938,745							
Federal Government						3,005,122	1,383,470	6,388,592	5,005,122	1,383,470	6,388,592
Program Income						2,522,053	946,470	3,468,523	2,522,053	946,470	3,468,523
Grant No. 84-MC-37-0009			July 1, 1984-Open								
Grant No. 85-MC-37-0009			July 1, 1985-Open								
Grant No. 86-MC-37-0009			July 1, 1986-Open								
Grant No. 87-MC-37-0009			July 1, 1987-Open								
Grant No. 88-MC-37-0009			July 1, 1988-Open								
						7,527,175	2,329,940	9,857,115	7,527,175	2,329,940	9,857,115
U.S. Department of Housing and Urban Development											
Rental Rehabilitation Grants	14.156	Rental Rehabilitation		720,050	100.0						
Federal Government						211,012	163,076	374,088	211,012	163,076	374,088
Program Income						9,935	33,346	43,281	9,935	33,346	43,281
Grant No. 84-MC-37-0207			September 17, 1984-Open								
Grant No. 85-MC-37-0207			February 6, 1985-Open								
Grant No. 86-MC-37-0207			September 2, 1986-Open								
Grant No. 87-MC-37-0207			July 1, 1987-Open								
Grant No. 88-MC-37-0207			July 1, 1988-Open								
Grant No. 89-MC-37-0207			March 2, 1989-Open								
						220,947	196,422	417,369	220,947	196,422	417,369
U.S. Department of Housing and Urban Development											
Emergency Shelter Grants	14.156	Emergency Shelter		30,000	100.0						
Federal Government						26,000	4,000	30,000	26,000	4,000	30,000
Program Income											
Grant No. 87-MC-37-5005			March 21, 1988-Open								
Grant No. 88-MC-37-0005			March 21, 1988-Open								
Grant No. 89-MC-37-0005			February 28, 1989-Open			—	—	—	—	—	—
						26,000	4,000	30,000	26,000	4,000	30,000
U.S. Department of Housing and Urban Development											
Transitional Housing Grant	14.178	Transitional	April 1, 1989-Open	237,500	50.0						
Grant No. NCTH 88-303						—	41,976	41,976	—	41,976	41,976
Program Income						—	—	—	—	—	—
City and Miscellaneous Revenue					50.0	—	4,744	4,744	—	4,744	4,744
						—	46,720	46,720	—	46,720	46,720
N.C. Office of Budget and Management Grant No. H2589	—	Elderly Housing Study	July 1, 1988-Open	4,000	100.0	—	—	—	—	—	—

CITY OF RALEIGH, NORTH CAROLINA (continued)

Grantor/Grant Number	CFDA Number	Project Name	Project Period	Total Approved Grant	Percentage Participation	Revenues Prior Years	Revenues Current Year	Revenues Total to Date	Expenditures Prior Years	Expenditures Current Year	Expenditures Total to Date
N.C. Housing Finance Agency Grant No. 88-5722	—	Elderly Emergency Rehabilitation Program	October 10, 1988-October 10, 1989	60,000	100.0	—	55,038	55,038	—	55,038	55,038
Wake County Community Development	—	Ashbury Revitalization Project-Administration	December 13, 1988-December 13, 1991	100,000	100.0	—	16,430	16,430	—	16,430	16,430
Wake County	—	Jones Sausage/Rock Quarry Water Main	September 15, 1988-Open	422,000	54.0	—	360,212	360,212	—	360,212	360,212
Town of Carner	—			77,598	10.0	—	66,259	66,259	—	66,259	66,259
City and Miscellaneous Revenue					36.0	—	255,679	255,679	—	255,679	255,679
						—	682,150	682,150	—	682,150	682,150
U.S. Environmental Protection Agency Grant No. C370419-06-0	66.418	Perry Creek Sewer Facility	September 23, 1988-March 13, 1991	7,270,258	38.0	—	1,368,712	1,368,712	—	1,368,712	1,368,712
N.C. Office of Budget and Management Grant No. 48503-6201	—		March 13, 1986-Open	3,719,557	19.0	202,570	521,543	724,113	202,570	521,543	724,113
Wake County	—		January 31, 1985-Open	1,818,030	9.0	—	626,052	626,052	—	626,052	626,052
City and Miscellaneous Revenue					34.0	711,062	1,578,822	2,289,884	711,062	1,578,822	2,289,884
						913,632	4,095,129	5,008,761	913,632	4,095,129	5,008,761
Wake County	—	NRWWTP—Septage Facility	December 15, 1988-Open	627,000	81.0	—	81,049	81,049	—	81,049	81,049
City and Miscellaneous Revenue					19.0	—	19,396	19,396	—	19,396	19,396
						—	100,445	100,445	—	100,445	100,445
Total All Projects						$21,010,412	$22,872,004	$43,882,416	$16,581,035	$24,969,670	$41,550,705
Summary of Revenue											
Federal						$ 7,611,009	$ 7,823,823	$15,434,832	$ 7,611,009	$ 7,823,823	$15,434,832
State and County						6,099,793	6,970,142	13,069,935	1,670,416	9,067,808	10,738,224
						13,710,802	14,793,965	28,504,767	9,281,425	16,891,631	26,173,056
City and Miscellaneous Revenue						7,299,610	8,078,039	15,377,649	7,299,610	8,078,039	15,377,649
TOTAL						$21,010,412	$22,872,004	$43,882,416	$16,581,035	$24,969,670	$41,550,705

CITY OF RALEIGH, NORTH CAROLINA

SUMMARY OF GRANTS BY AGENCY AND RECONCILIATION OF CASH RECEIPTS TO ACCRUAL BASIS—FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	CFDA Number	Accrued (Deferred) Revenue 6/30/88	Grant Receipts Year Ended 6/30/89	Accrued (Deferred) Revenue 6/30/89	Current Year Earned Revenue
Federal:					
U.S. Department of Commerce					
Grant No. J.S.A. 76-32	11.300	$ (129)	$ —	$ (129)	$ —
U.S. Department of Transportation					
Grant No. NC-08-0127	20.505	19,500	27,000	—	7,500
Grant No. NC-08-0130	20.505	—	27,000	(5,908)	21,092
Grant No. NC-05-0031	20.500	243,328	224,000	19,328	—
Grant No. NC-90-0014	20.507A	1,627	2,593	(966)	—
Grant No. NC-90-0044	20.507A	40,985	1,352,212	510	1,311,737
Grant No. NC-90-2060	20.507A	25,156	30,446	(130)	5,160
Grant No. NC-90-4060	20.507A	76,446	76,446	—	—
Grant No. NC-90-0075	20.507A	—	1,879,317	8,758	1,888,075
Grant No. NC-90-2075	20.507A	—	16,000	14,351	30,351
Grant No. NC-90-4075	20.507A	—	1,265,505	200,165	1,465,670
		407,042	4,900,519	236,108	4,729,585
U.S. Action Agency					
Grant No. 440-4823/04	72.002	605	—	605	—
Grant No. 440-4823/05	72.002	(5,097)	20,286	—	25,383
Grant No. 440-4823/06	72.002	—	21,100	(2,614)	18,486
Grant No. 439-4355/01	72.001	—	28,920	(23,200)	5,720
Grant No. 444-4083/01	72.012	—	8,350	(1,743)	6,607
		(4,492)	78,656	(26,952)	56.196

(continued)

CITY OF RALEIGH, NORTH CAROLINA (continued)

	CFDA Number	Accrued (Deferred) Revenue 6/30/88	Grant Receipts Year Ended 6/30/89	Accrued (Deferred) Revenue 6/30/89	Current Year Earned Revenue
U.S. Department of Housing and Urban Development					
Grant No. HA-14591	14.158	(27)	—	—	27
Grant No. HA-15033	14.158	(473)	—	(50)	423
Grant No. HA-15035	14.158	(2,600)	4,400	(1,025)	5,975
Grant No. FF204K884018	14.158	—	1,350	(131)	1,219
Grant No. B-84-MC-37-0009	14.218	(336,021)	—	(247,572)	88,449
Grant No. B-85-MC-37-0009	14.218	(196,791)	—	(97,818)	98,973
Grant No. B-86-MC-37-0009	14.218	(174,665)	—	(35,711)	138,954
Grant No. B-87-MC-37-0009	14.218	685,713	1,335,000	(227,902)	421,385
Grant No. B-88-MC-37-0009	14.218	—	—	635,709	635,709
Grant No. R-84-MC-37-0207	14.156	(7,935)	266	(7,359)	842
Grant No. R-85-MC-37-0207	14.156	—	15,526	(7,573)	7,953
Grant No. R-86-MC-37-0207	14.156	—	22	—	22
Grant No. R-87-MC-37-0207	14.156	—	75,275	—	75,725
Grant No. R-88-MC-37-0207	14.156	—	77,552	982	78,534
Grant No. S-87-MC-37-5005	14.156	26,000	26,000	—	—
Grant No. S-88-MC-37-5005	14.156	—	4,000	—	4,000
Grant No. NCTH 88-303	14.178	—	61,640	(19,664)	41,976
		(6,799)	1,601,481	(8,114)	1,600,166
U.S. Department of Justice					
Grant No. 92-185-K1-C002	16.575	(6,395)	—	(6,395)	—
Grant No. 92-186-E1-C003	16.573	4,776	12,231	—	7,455
Grant No. 92-287-D3-J062	16.540	—	21,510	—	21,510
Grant No. 92-188-E4-D005	16.998	—	28,140	12,059	40,199
		(1,619)	61,881	5,664	69,164
U.S. Environmental Protection Agency					
Grant No. C370419-06-0	66.418	—	—	1,368,712	1,368,712
Total Federal		$ 394,003	$6,642,537	$ 1,575,289	$7,823,823
State and County:					
N.C. Department of Transportation					
Grant No. 8.52414	—	$ 20,708	$ 20,938	$ (230)	$ —
Grant No. 8.52314	—	(698)	—	(698)	—
Grant No. 8.52514	—	—	69,050	23,287	92,337
Grant No. 88-P-09	—	5,582	7,181	65	1,664
Grant No. 88-P-08	—	—	4,085	599	4,684
Grant No. 8.1402002	—	—	—	1,935	1,935
Grant No. 85-9A-01	—	12,579	—	12,579	—
Grant No. 84-C-01	—	138,364	—	138,364	—
Grant No. 87-9A-04	—	22,623	185,351	1,239	163,967
Grant No. 88-C-12	—	—	—	236,009	236,009
Cary/Garner Park and Ride System	—	—	26,958	—	26,958
Powell Bill Funds	—	—	4,304,931	—	4,304,931
Grant No. 6.904037	—	215,651	224,024	—	8,373
Grant No. 8.2401401	—	335,000	—	548,643	213,643
Grant No. 9.8052002	—	—	—	91,000	91,000
Grant No. 9.8059180	—	109,109	109,109	—	—
		858,918	4,951,627	1,052,792	5,145,501
N.C. Youth Advisory Council	—	(34)	—	(34)	—
N.C. Department of Cultural Resources					
NCAC/Capital Boulevard	—	(1,000)	—	—	1,000
NCAC/Arts Consultants 87	—	(488)	—	—	488
NCAC/Grassroots Program 87	—	(2,838)	—	—	2,838
NCAC/Arts Promotion 87	—	(1,060)	—	—	1,060
NCAC/Arts Promotion 87	—	—	10,000	(1,473)	8,527
Historic Properties Research Project	—	—	4,195	6,304	10,499
		(5,386)	14,195	4,831	24,412

CITY OF RALEIGH, NORTH CAROLINA (continued)

	CFDA Number	Accrued (Deferred) Revenue 6/30/88	Grant Receipts Year Ended 6/30/89	Accrued (Deferred) Revenue 6/30/89	Current Year Earned Revenue
N.C. Department of Natural Resources and Community Development					
Grant No. E-027	—	—	10,000	(2,299)	7,701
Grant No. 87-H-1089	—	—	21,838	—	21,838
Grant No. 87-H-1090	—	—	19,108	—	19,108
Grant No. 88-H-1170	—	—	6,949	—	6,949
Grant No. 88-H-1171	—	—	6,948	—	6,948
Grant No. 88-H-1172	—	—	6,949	—	6,949
		—	71,792	(2,299)	69,493
N.C. Department of Human Resources					
Grant No. SBH-1050	—	55,904	—	55,904	—
Grant No. SBH-1244	—	125,551	—	125,551	—
		181,455	—	181,455	—
N.C. Office of Budget and Management					
Grant No. H151549	—	—	2,000,000	(2,000,000)	—
Grant No. H2589	—	—	4,000	(4,000)	—
Grant No. 48503-6201	—	202,570	—	724,113	521,543
	—	202,570	2,004,000	(1,279,887)	521,543
N.C. Housing Finance Agency Grant No. 88-5722	—	—	15,000	40,038	55,038
N.C. Wildlife Resources Commission Grant No. SG-198817	—	—	2,400	(2,400)	—
Wake County					
Area Mental Health 87/88	—	21,013	21,013	—	—
Area Mental Health 88/89	—	—	54,469	15,058	69,527
Department of Parks and Recreation:					
Raleigh Medal of Arts	—	—	2,250	—	2,250
Municipal Building Art	—	—	2,400	(137)	2,263
Durant Nature Park Project	—	1	—	—	(1)
Leadmine Creek Greenway	—	2,760	—	—	(2,760)
Lake Wheeler Project	—	9,241	10,000	—	759
Lake Johnson Project	—	1,626	—	—	(1,626)
Asbury Revitalization Project	—	—	—	16,430	16,430
Jones Sausage/Rock Quarry Watermain	—	—	422,000	(61,788)	360,212
NRWWTP Septage Facility	—	—	—	81,049	81,049
Perry Creek Sewer Facility	—	—	—	626,052	626,052
		34,641	512,132	676,664	1,154,155
Total State and County		$1,272,164	$7,571,146	$ 671,160	$6,970,142

AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Commissioners
Tallahassee Housing Authority
Tallahassee, Florida

Regional Inspector General for Audit
Department of Housing and Urban Development
75 Spring Street, Room 734
Atlanta, Georgia 30303-3388

We have audited the basic financial statements of the Tallahassee Housing Authority as of and for the year ended June 30, 1989, and have issued our report thereon dated October 27, 1989. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance and the supplemental data required by HUD are presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Tallahassee Housing Authority. The information in these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Signature]

October 27, 1989,
Tallahassee, Florida.

TALLAHASSEE HOUSING AUTHORITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1989

Federal Grantor/Passed-Through Agency/ Program Title	Federal CFDA Number	Federal Grantor Number	Program or Award Amount	Receivable (Deferred) or (Payable) Balance June 30, 1988	Receipts	Expenditures	Receivable (Deferred) or (Payable) Balance June 30, 1989
U.S. Department of Housing and Urban Development							
Low-Income Housing Assistance Program							
Debt Service Contributions	14.146	A-4243	$ 410,507	$402,210	$ 406,595	$ 410,510	$406,125
Operating Subsidy:							
Regular operating subsidy	14.146	A-4243	696,679	37,362	734,041	696,679	0
Insurance operating subsidy	14.146	A-4243	330,044	0	330,044	330,044	0
Utility lawsuit operating subsidy	14.146	A-4243	31,375	0	31,375	31,375	0
			1,468,605	439,572	1,502,055	1,468,608	406,125
Housing Assistance Payments Program For Low-Income Families							
Section 8 Existing Housing Program	14.156	A-2995E	1,655,028	(46,048)	1,893,028	1,950,152	11,075
Voucher Housing program	14.177	A-2995V	778,772	(10,230)	511,965	510,016	(12,179)
			2,433,800	(56,279)	2,404,993	2,460,168	(1,104)
Public Housing Comprehensive Improvement Program							
Modernization CIAP 904	14.158	A-4243	471,600	23,166	169,495	175,455	29,126
Modernization CIAP 905	14.158	A-4243	33,560	0	24,853	28,482	3,629
			505,160	23,166	194,348	203,938	32,756
U.S. Department of Housing and Urban Development/City of Tallahassee, Florida/							
Community Development Block Grant Program	14.218	D-88-MC-12-0019	20,315	0	0	20,315	20,315
TOTAL FEDERAL FINANCIAL ASSISTANCE U.S. DEPARTMENT OF H.U.D.			$4,427,880	$406,459	$4,101,397	$4,153,030	$458,092

GETTYSBURG AREA SCHOOL DISTRICT

REPORT ON SUPPLEMENTARY INFORMATION

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1989

We have examined the general purpose financial statements of the Gettysburg Area School District, for the year ended June 30, 1989, and have issued our report thereon dated September 22, 1989. Our examination of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]
Certified Public Accountant

September 22, 1989

GETTYSBURG AREA SCHOOL DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1989

Federal Grantor/ Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 1988	Recognized Revenue	Expenditures	Accrued or (Deferred) Revenue at June 30, 1989
U.S. DEPARTMENT OF EDUCATION										
Impact Aid............	D	84.041	N/A	7/1/87-6/30/88	$ 2,111	$ 2,111	$ -0-	$ 2,111	$ 2,111	$ -0-
Impact Aid............	D	84.041	N/A	7/1/88-6/30/89	4,731	4,731	-0-	$ 4,731	4,731	-0-
					$ 6,842	$ 6,842	$ -0-	$ 6,842	$ 6,842	$ -0-
Passed Through the Pennsylvania Department of Education:										
ECIA Chapter I........	I	84.010	13-8307	7/1/87-6/30/88	$328,880	$ 32,888	$(43,048)	$ 75,936	$ 75,936	$ -0-
ECIA Chapter I........	I	84.010	13-9120	7/1/88-6/30/89	370,708	259,495	-0-	271,899	271,899	12,404
ECIA Chapter II.......	I	84.151	11-8168	7/1/87-6/30/88	22,089	2,189	1,290	899	899	-0-
ECIA Chapter II.......	I	84.151	11-9168	7/1/88-6/30/89	21,236	19,112	-0-	21,268	21,268	2,156
Post-Secondary Adult	I	84.048	73-8116	7/1/87-6/30/88	3,750	750	750	-0-	-0-	-0-
Post-Secondary Adult	I	84.048	73-9056	7/1/88-6/30/89	3,750	3,000	-0-	3,750	3,750	750
Sec. Voc. Instruct. Program	I	84.048	80-8392	7/1/87-6/30/88	3,274	655	655	-0-	-0-	-0-
Sec. Voc. Instruct. Program	I	84.048	80-9387	7/1/88-6/30/89	3,949	3,159	-0-	3,949	3,949	790
					$757,636	$321,248	$(40,353)	$377,701	$377,701	$ 16,100
Total U.S. Department of Education...........					$764,478	$328,090	$(40,353)	$384,543	$384,543	$ 16,100
U.S. DEPARTMENT OF AGRICULTURE										
Passed Through the Pennsylvania Department of Education:										
National School Lunch	I	10.555	N/A	7/1/88-6/30/89	N/A	$132,219	$ -0-	$132,219	$132,219	$ -0-
		N/A	N/A	7/1/88-6/30/89	N/A	21,738	-0-	21,738	21,738	-0-
Passed Through the Pennsylvania Department of Agriculture:										
Value of USDA Donated Commodities	I	10.550	N/A	7/1/88-6/30/89	N/A	$ 67,194	$(32,110)	$ 54,066	$ 54,066	$(45,238)
Total U.S. Department of Agriculture					N/A	$221,151	$(32,110)	$208,023	$208,023	$(45,238)
TOTAL FEDERAL ASSISTANCE..........					$764,478	$549,241	$(72,463)	$592,566	$592,566	$(29,138)

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of County Commissioners
County of Wake, North Carolina

We have audited the general purpose financial statements of the County of Wake, North Carolina for the year ended June 30, 1989, and have issued our report thereon dated November 9, 1989. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the County of Wake, North Carolina, taken as a whole. The accompanying Schedule of Federal and State Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

November 9, 1989

COUNTY OF WAKE, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1989

Federal Grantor/Pass-Through Grantor/Program Titles	Federal CFDA Number	Expenditures Federal	Expenditures State	Total
Federal Programs:				
U. S. Department of Agriculture:				
N. C. Soil and Conservation Service:				
Watershed Protection and Flood Prevention Grant 69-4532-4-272	10.904	$ 64,405	—	64,405
N. C. Department of Human Resources, Division of Social Services:				
Food Stamp Program	*10.561	890,147	—	890,147
N. C. Department of Agriculture, Division of Food Distribution:				
Emergency Food Assistance	10.550	20,216	—	20,216
N. C. Department of Health and Human Services:				
Special Supplemental Food Program for Women, Infants and Children	*10.557			
Administration		346,190	—	346,190
Incentive Funding for Breast Feeding		3,888	—	3,888
Total U. S. Department of Agriculture		1,324,846	—	1,324,846
U. S. Department of Education:				
N. C. Department of Cultural Resources:				
LSCA—Federal Aid to Library	84.034	58,394	—	58,394
LSCA—Interlibrary Cooperation	84.035	500	—	500
N. C. Department of Human Resources, Division of Mental Health:				
Governor's Prevention Project	84.186	63,497	—	63,497
Infant and Toddlers Grant	84.181	1,680	—	1,680
N. C. Vocational Rehabilitation Office:				
Supported Employment	84.187A	51,007	—	51,007
Total U. S. Department of Education		175,078	—	175,078
Federal Emergency Management Agency:				
N. C. Department of Crime Control and Public Safety:				
Emergency Management Assistance	83.503	$ 25,820	—	25,820
United Way:				
Emergency Food and Shelter	—	48,197	—	48,197
Total Federal Emergency Management Agency		74,017	—	74,017

COUNTY OF WAKE, NORTH CAROLINA (continued)

Federal Grantor/Pass-Through Grantor/Program Titles	Federal CFDA Number	Expenditures Federal	Expenditures State	Total
U. S. Department of Health and Human Services:				
Direct Programs:				
Homeless Care	13.151	72,007	—	72,007
Teens/Tots 1988	13.995	44,939	—	44,939
Teens/Tots 1989	13.995	16,723	—	16,723
N. C. Department of Human Resources, Division of Health Services:				
Maternal—Child Health Block Grant	*13.994			
Maternal Health		44,143	38,385	82,528
Family Planning		2,641	—	2,641
Orthopedic Health		1,190	2,648	3,838
Child Health		159,190	108,672	267,862
Preventive Health Block Grant	13.991	16,251	153,211	169,462
Migrant Health	13.246	5,234	—	5,234
Refugee Health	13.987	7,762	3,575	11,337
Family Planning	13.217	30,610	39,175	69,785
AIDS—Prevention	13.118	27,706	25,407	53,113
Renal Disease Prevention	13.283	1,074	—	1,074
N. C. Department of Human Resources, Division of Mental Health:				
Alcohol, Drug Abuse, and Mental Health Services Block Grant	*13.992	420,229	—	420,229
Social Services Title XX Block Grant	*13.667	208,974	—	208,974
Alcohol and Drug Block Grant Rehabilitation and Treatment	13.141	70,212	—	70,212
Homeless Block Grant	13.150	74,636	—	74,636
N. C. Department of Human Resources, Division of Social Services:				
Child Support Enforcement (Title IV-D)	*13.783	$ 796,760	—	796,760
AFDC and AFDC EA	*13.780	988,149	14,100	1,002,249
AFDC Community Work Experience Program (CWEP)	*13.780	716,330	243,320	959,650
Low Income Energy Assistance Block Grant	*13.789	80,406	—	80,406
Crisis Intervention Program	*13.789	157,808	—	157,808
Independent Living	13.674	51,757	—	51,757
Social Services Block Grant	*13.667	1,709,256	158,766	1,868,022
Refugee Cash and Medical Assistance	13.787	9,298	—	9,298
Work Incentive Program	13.790	27,708	—	27,708
Permanency Planning (CWS)	13.645	254,931	38,478	293,409
Medical Assistance (Medicaid) Administration	*13.714	925,519	34,559	960,078
IV-E Foster Care Assistance	13.658	122,661	39,602	162,263
IV-E Adoption Assistance	13.645	1,094	—	1,094
N. C. Department of Human Resources, Division of Facility Services:				
Child Day Care	*13.667	485,386	703,372	1,188,758
Total U. S. Department of Health and Human Services		7,530,584	1,603,270	9,133,854
U. S. Department of Justice:				
N. C. Department of Crime Control and Public Safety:				
Justice System Improvement	16.573	41,333	—	41,333
Juvenile Justice Delinquency Prevention	16.540	35,229	—	35,229
Total U. S. Department of Justice		76,562	—	76,562
U.S. Department of the Interior:				
N. C. Department of Cultural Resources:				
Historic Survey	15.904	$ 9,491	—	9,491
U.S. Department of Housing and Urban Development:				
N. C. Department of Natural Resources and Community Development, Division of Community Assistance:				
Community Development Block Grant	14.219	35,989	—	35,989
U.S. Department of Labor:				
Direct Program:				
Homeless Assistance	—	77,224	—	77,224

(continued)

COUNTY OF WAKE, NORTH CAROLINA (continued)

Federal Grantor/Pass-Through Grantor/Program Titles	Federal CFDA Number	Expenditures Federal	State	Total
N. C. Department of Natural Resources and Community Development:				
Job Training Partnership Act	*17.250			
Adult and Youth Programs—Title II-A		1,124,275	—	1,124,275
Summer Youth Programs—Title II-B		583,859	—	583,859
Title III Transition		22,448	—	22,448
Technical Assistance		26,716	—	26,716
Ready Older Worker		12,344	—	12,344
Total U. S. Department of Labor		1,846,866	—	1,846,866
Total Federal Programs		11,073,433	1,603,270	12,676,703
State Programs:				
N. C. Department of Cultural Resources, Division of State Library:				
State Aid Allocation Block Grant	—	—	49,938	49,938
Per Capita Income Equalization Grant	—	—	237,883	237,883
N. C. Department of Human Resources, Division of Health Services:				
Tuberculosis Control	—	—	83,961	83,961
Cancer (Adult) Health	—	—	14,508	14,508
Governor's Waste Management	—	—	4,349	4,349
Home Health	—	—	82,441	82,441
Refugee Health	—	—	2,215	2,215
Childhood Injury Prevention	—	—	7,334	7,334
Environmental Health	—	—	2,612	2,612
N. C. Department of Human Resources Division of Mental Health, Mental Retardation and Substance Abuse Services:				
Assaultive Children ("Willie M")	* —	$ —	2,669,201	2,669,201
Area Matching	* —	—	1,708,101	1,708,101
Community Residential Subsidy	* —	—	887,733	887,733
Deinstitutionalization Fund	* —	—	612,461	612,461
Developmental Day Care	* —	—	474,285	474,285
Adult Developmental Activity Program (ADAP)	* —	—	626,394	626,394
Community Support Program For Chronically Mentally Ill	* —	—	453,802	453,802
Group Home—MR	* —	—	444,577	444,577
Community Demonstration—MR	—	—	212,497	212,497
Group Home—ED	—	—	212,725	212,725
Replacement MH Block Grant	—	—	166,194	166,194
Early Intervention—MR	—	—	84,946	84,946
Drug TASC	—	—	86,681	86,681
Early Intervention—ED	—	—	119,224	119,224
South Central Region Alcohol Program (SCRAP)	—	—	78,587	78,587
Community Alcohol Program	—	—	74,942	74,942
Drug Abuse 525 Matching	—	—	58,283	58,283
Apartment Living—MR	—	—	51,322	51,322
Involuntary Outpatient Commitment	—	—	13,558	13,558
Respite Care—MR	—	—	14,607	14,607
Substitute Family Care—MR	—	—	8,424	8,424
Special Inpatient Funds	—	—	270,565	270,565
Child Mental Health Funds	—	—	60,833	60,833
Developmental Disabilities Services Grant	—	—	38,208	38,208
Regional Training Scholarship	—	—	1,000	1,000
Liquor by the Drink	—	—	34,685	34,685
Group Home—Autistic	—	—	72,606	72,606
N. C. Department of Human Resources, Division of Social Services:				
State Adult Day Care	—	—	181,952	181,952
Foster Care Benefits Program	—	—	71,647	71,647
Child Protective Services	—	—	19,098	19,098
CP&L Energy	—	—	123,439	123,439
State Aid to Counties	—	—	263,914	263,914
Child Abuse Group Services	—	—	7,487	7,487

COUNTY OF WAKE, NORTH CAROLINA (continued)

Federal Grantor/Pass-Through Grantor/Program Titles	Federal CFDA Number	Expenditures Federal	State	Total
N. C. Department of Human Resources, Division of Youth Services:				
Community-Based Alternatives	—			
Non-Secured Detention		—	43,370	43,370
Juvenile Restitution		—	61,412	61,412
Wrenn House		—	89,189	89,189
Haven House		—	125,243	125,243
Drug Action		—	30,681	30,681
Juvenile Court Psychology		—	49,754	49,754
Independent Living		—	42,060	42,060
Foster Family Treatment Homes		—	71,786	71,786
Homesteaders		—	7,340	7,340
N. C. Division of Veteran Affairs:				
Veterans Service Program	—	—	2,000	2,000
N. C. Department of Transportation:				
Governor's Highway Safety	—	—	1,748	1,748
N. C. Public Transportation	—	—	485	485
N. C. Department of Management and Budget:				
Grass Roots Arts Council	—	—	75,036	75,036
N. C. Department of Natural Resources and Community Development:				
Mapping Grant	—	—	11,000	11,000
Little River Grant—	—	100,000	100,000	
Total State Programs		—	11,400,323	11,400,323
Total Federal and State Programs		11,073,433	13,003,593	24,077,026

*Denotes major federal or State program.

See accompanying notes to Schedule of Federal and State Financial Assistance.

COUNTY OF WAKE, NORTH CAROLINA

NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE

1. General

The accompanying Schedule of Federal and State Financial Assistance presents the activity of all federal and State financial assistance programs of the County of Wake, North Carolina. The County of Wake reporting entity is defined in note 1 to the County's general purpose financial statements. All federal and State financial assistance received directly from federal and State agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Federal and State Financial Assistance is presented using the modified accrual basis of accounting, which is described in the notes to the County's general purpose financial statements.

3. Relationship to General Purpose Financial Statements

Federal and State financial assistance revenues are reported in the County's general purpose financial statements as follows:

General Fund	$22,029,766
Special Revenue Fund	1,882,855
Capital Projects Fund	164,405
	$24,077,026

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal and state financial reports except in cases where those reports are filed on a basis other than the modified accrual basis of accounting.

5. Benefit Payments Made by the State

Federal Grantor/Pass Through Grantor Program Titles for Payments Made by North Carolina to Wake County Clients	Federal CFDA Number	Federal	State	Total
U. S. Department of Health and Human Services:				
N. C. Department of Human Resources:				
Aid to Families with Dependent Children	*13.780	$ 4,976,006	1,171,937	6,147,943
Title IV-E Adoption Assistance	13.649	42,490	9,933	52,423
Title IV-B Adoption Assistance	13.645	34,563	3,694	38,257
Refugee Cash and Medical Assistance	13.814	19,279	—	19,279
Title IV-E Foster Care Assistance	13.658	51,285	12,062	63,347
Low Income Energy Assistance	*13.789	501,737	—	501,737
Medical Assistance (Medicaid)	*13.714	26,781,968	10,790,416	37,572,384
Total U. S. Department of Health and Human Services		32,407,328	11,988,042	44,395,370
U. S. Department of Agriculture:				
N. C. Department of Human Resources:				
Food Stamp Program	*10.561	$ 7,291,570	—	7,291,570
N. C. Department of Health and Human Services:				
Special Supplemental Food Program for Women, Infants and Children	*10.557	1,387,462	—	1,387,462
Total U. S. Department of Agriculture		8,679,032	—	8,679,032
Total Federal Programs		41,086,360	11,988,042	53,074,402
State Programs:				
Boarding Home Program	—	—	25,679	25,679
State/County Special Assistance for Adults	* —	—	737,866	737,866
Adult—Certain Disabled	—	—	6,104	6,104
Special Assistance—Disabled	* —	—	498,534	498,534
Total State Programs		—	1,268,183	1,268,183
Total paid directly to County clients by the State		$41,086,360	13,256,225	54,342,585

*Denotes major federal and State program.

The above amounts were paid directly to recipients by the State from federal and State moneys on behalf of the County. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which does not appear in the general purpose financial statements.

REPORT ON INTERNAL CONTROLS* (ACCOUNTING AND ADMINISTRATIVE) USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The auditor should be alert to the fact that this report is required to cover both accounting and administrative controls used to administer federal financial assistance programs. Further, in contrast with the report on internal accounting control resulting from the examination of the general purpose or basic financial statements, the evaluations required to issue this report may *not* exclude any accounting or administrative control systems used to administer federal financial assistance programs. This report should be prepared in accordance with the criteria set forth in SAS No. 30, paragraphs 60-61. Examples of the report are as follows:

*In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide, *Audits of State and Local Governmental Units.* It superseded the reporting examples appearing in appendix A and provides new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective at the time of their issuance for the *Report on Internal Controls (Accounting and Administrative)—Based on a Study and Evaluation Made as a Part of an Audit of the General Purpose or Basic Financial Statements and the Additional Tests Required by the Single Audit Act.*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Honorable Board of Commissioners
Wasatch County
Heber City, Utah

We have audited the general purpose financial statements of Wasatch County, Utah, for the year ended December 31, 1988, and have issued our report thereon dated May 26, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering Federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering Federal financial assistance programs in the following categories:

Accounting Controls:
- General
- Cash
- Receivables
- Receipts
- Property and Equipment
- Accounts Payable and Expenditures
- Payrolls
- Fund Equities
- Budgetary and Fund Balance Compliance

Administrative Controls:

General Requirements
- Political Activity
- Davis-Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Reports

Specific Requirements
- Types of Services
- Eligibility
- Reporting
- Matching
- Cost Allocation
- Special Requirements, if any
- Monitoring Subrecipients

The management of Wasatch County, Utah, is responsible for establishing and maintaining internal control systems used in administering Federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering Federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to Federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering Federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed in the first paragraph. During the year ended December 31, 1988, Wasatch County, Utah, expended 74% of its total Federal financial assistance under the major Federal financial assistance programs. With respect to internal control systems used in administering major Federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor Federal financial assistance programs of Wasatch County, Utah, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment, the accounting system, and control procedures. Our study and evaluation of the internal control systems used solely in administering the nonmajor Federal financial assistance programs of Wasatch County, Utah, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the Federal financial assistance programs of Wasatch County, Utah. Accordingly, we do not express an opinion on the internal control systems used in administering the Federal financial assistance programs of Wasatch County, Utah. Further, we do not express an opinion on the internal control systems used in administering the major Federal financial assistance programs of Wasatch County, Utah.

Also, our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor Federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a Federal financial assistance program may occur and not be detected within a timely period.

Finding

We noted a weakness regarding the monitoring of progress payments on the Jordanelle Project. The engineering firm issued the County a credit memo for $16,532.50, for a double billing. The Credit memo had not been applied to a subsequent invoice until we noted the error as a part of our audit tests and brought the oversight to the County's attention.

Recommendation

We recommend that County engineer compare each progress billing's total job-to-date information with the County's record of payments. Such a comparison would insure proper payments of the progress billings. The final progress billing of Phase III should not be paid until a reconciliation is performed.

County's Response

We concur with the finding. The credit memo has been applied to a recent invoice. We will prepare a schedule of payments made by the County and compare it with the progress billing.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 1988 general purpose financial statements and (2) our examination and review of the County's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major Federal financial assistance program and nonmajor Federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the County's compliance with laws and regulations dated May 26, 1989.

This report is intended solely for the use of management and the various federal, state, and local funding and auditing agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Wasatch County Commission, is a matter of public record.

[Signature]
Certified Public Accountants

THE HOUSING AND REDEVELOPMENT AUTHORITY OF SOUTH ST. PAUL SOUTH ST. PAUL, MINNESOTA

REPORT ON INTERNAL CONTROLS—BASED ON A STUDY AND EVALUATION MADE AS PART OF AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

March 30, 1989

Board of Commissioners
The Housing and Redevelopment Authority
of South St. Paul
South St. Paul, Minnesota

We have audited the general purpose financial statements of The Housing and Redevelopment Authority of South St. Paul, Minnesota, for the year ended December 31, 1988, and have issued our report thereon dated March 30, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards; the standards for financial and compliance audits contained in the *Government Auditing Standards (1988 Revision)*, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories.

Accounting Controls:

Cycles of the Entities' Activity—
- Treasury or Financing
- Revenue/Receipts
- Purchases/Disbursements
- External Financial Reporting

Financial Statement Captions—
- Cash and Cash Equivalents
- Receivables
- Inventory
- Property and Equipment
- Payables and Accrued Liabilities
- Debt
- Fund Balance

Accounting Applications—
- Billings
- Receivable
- Cash Receipts
- Purchasing and Receiving
- Accounts Payable
- Cash Disbursements
- Payroll
- Inventory Control
- Property and Equipment
- General Ledger

Administrative Controls:

General Requirements—
- Political Activity
- Davis-Bacon Act
- Civil Rights
- Federal Financial Reports
- Cash Management

Specific Requirements—
- Types of Services
- Eligibility
- Reporting
- Cost Allocation

The management of The Housing and Redevelopment Authority of South St. Paul, Minnesota, is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, The Housing and Redevelopment Authority of South St. Paul, Minnesota, expended 78.1% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of The Housing and Redevelopment Authority of South St. Paul, Minnesota, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of The Housing and Redevelopment Authority of South St. Paul, Minnesota, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of The Housing and Redevelopment Authority of South St. Paul, Minnesota. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of The Housing and Redevelopment Authority of South St. Paul, Minnesota. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of The Housing and Redevelopment Authority of South St. Paul, Minnesota.

Also, our audit made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed no conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board of Commissioners is a matter of public record.

[Signature]

REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

May 17, 1989

Honorable Mayor and City Council
City of Englewood, Colorado

We have audited the general purpose financial statements of the City of Englewood, Colorado (the "City"), for the year ended December 31, 1988, and have issued our report thereon dated May 17, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Government Auditing Standards—Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Treasury or financing
Revenues/receipts
Purchases/Disbursements
External financial reporting

The management of the City is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, the City had no major federal financial assistance programs and expended 55% of its total federal financial assistance under the following nonmajor federal financial assistance programs:

LSCA Title III: Interlibrary Cooperation and Resource Sharing

State and Local Narcotics Control Assistance

With respect to internal control systems used in administering these nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the other nonmajor federal financial assistance programs of the City, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal financial assistance programs of the City did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the City. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following condition that we believe results in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal assistance program may occur and not be detected within a timely period:

The City has not adequately monitored the subrecipient of federal funds the City has received under the Community Development Block Grant program.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 1988 general purpose financial statements and (2) our audit and review of the City's compliance with laws and regulations noncompliance with which, we believe, could have a material effect on the allowability of program expenditures for each nonmajor federal financial assistance program. This report does not affect our reports on the general purpose financial statements and on the City's compliance with laws and regulations dated May 17, 1989.

This report is intended solely for the use of management and the applicable federal funding agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the City, is a matter of public record.

[Signature]

Board of County Commissioners
Adams County, Colorado

We have examined the general purpose financial statements of Adams County for the year ended December 31, 1988, and have issued our report thereon dated March 24, 1989. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Government Auditing Standards (1988 Revision)*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984 (P.L. 98-502), and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting
- Receivables
- Cash Receipts
- Cash Disbursements
- Payroll
- Cash
- Property and Equipment
- Payables and Accrued Liabilities
- External Financial Reporting

General Requirements in Administering Federal Financial Assistance Programs
- Political Activity
- Davis Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Reporting

Specific Requirements Used in Administering Federal Financial Assistance Programs
- Eligibility
- Reporting
- Monitoring of Subrecipients
- Matching Level of Effort

Our study included the categories listed above except that we did not examine FAA grants DOT-FA87NM-1056 and DOT-FA87NM-1019 of the Front Range Airport Authority, an includible entity in the Adams County Financial Reports. These grants were examined by other auditors who expressed an opinion in a separate report on the Front Range Airport's system of internal controls.

The management of Adams County is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies, resources are safeguarded against waste, loss, and misuse, and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, Adams County expended 86% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being following satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of Adams County, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of Adams County did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Adams County. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Adams County. Further, Adams County has not engaged us to issue an opinion on its internal control systems used in administering the federal financial assistance programs. Accordingly, we do not express an opinion on the internal control systems used in administering the major federal assistance programs of Adams County.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our examination disclosed conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period. These conditions are identified in the accompanying schedule of findings and questioned costs.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in 1) our examination of the 1988 general purpose financial statements, and 2) our examination and review of the County's compliance with laws and regulations, violation of which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the County's compliance with laws and regulations dated March 24, 1989.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Adams County, is a matter of public record.

[Signature]

March 24, 1989

ADAMS COUNTY, COLORADO

SCHEDULE OF FINDINGS—FOR THE YEAR ENDED DECEMBER 31, 1988

Program	Finding/Noncompliance	Questioned Cost
Aid to Families With Dependent Children CFDA # 13.808	*AFDC COMPLIANCE ERRORS* During our examination of the AFDC Program, we noted minor compliance errors. In two cases we did not find an AFDC advisement in the file indicating cooperating of the parent with the Child Support Enforcement Unit. In one case we could not locate eligibility review documentation in the file. Section 45-CFR-233 of the Social Security Act requires AFDC advisement of mothers cooperation and eligibility review documentation to be in AFDC case files. Proper documentation of eligibility review and advisement of parent cooperation must be obtained to ensure eligibility. It appears items were mistakenly omitted. RESPONSE: In one case record, the IM-CS-3a was missing. This error is being corrected. In one case, eligibility was in a medical extension status through May 31, 1988. The redetermination due in May 1988 was not a requirement, since it was a medicaid extension case. Income and resource limits do not apply in these cases. This case should *not be cited for error.*	$ -0-
Low-Income Home Energy Assistance Block Grant LEAP #13.818	*LEAP PAYMENT MADE TO INELIGIBLE RECIPIENT* During our examination of LEAP we noted that a payment was made to Charles Harvey for $382.99. Upon further examination, we noted that the AP-A8 contact sheet and the LEAP application was completed by Harvey Carter, who was eligible for the LEAP benefit and has participated in the program before. Eligible participants will receive benefits for the period they are eligible. Persons not eligible for the LEAP program will not receive benefits. Funding was received by Charles Harvey, who was not eligible to receive the funding. It appears the error was caused by typing in the wrong name. County authorities have investigated the case and are currently trying to recover the $382.99. RESPONSE: Error is correctly cited. A recovery is pending.	$382.99
Job Training Partnership Act CFDA #17.250	*MATCHING FUND REPORTED INCORRECTLY* Matching funds required by Title III of the Job Training Partnership Act provided by state unemployment insurance. To obtain the amount of insurance paid to JTPA participants, quarterly listings are pulled from the state computer system. Our testing of the June 30, 1988 listings revealed one instance where unemployment insurance benefits for one participant were included twice as matching funds. As a result, matching funds were reported incorrectly to the federal government. It should be noted that Adams County has excess matching funds of over $40,000 and would still meet the matching funds requirement.	$ -0-

Program	Finding/Noncompliance	Questioned Cost
	Procedures over obtaining unemployment insurance amounts should be revised to prevent such errors in the future. Review by a second person may be utilized to detect errors. It appears that the duplication occurred due to an error when amounts were pulled from the computer. RESPONSE: The Fiscal Officer will prepare the Title III Match Report at the end of each quarter and then have it reviewed by a second person to avoid duplications. The report is forwarded to the Finance Department where it will be verified again prior to submitting to Governor's Job Training Office.	
Job Training Partnership Act CFDA #17.250	*JTPA DOCUMENTATION DEFICIENCIES* During our JTPA eligibility testing, we noted eleven instances where participant files did not contain documentation of the enrollment date. In addition, one file did not document the program enrolled into, one file did not have information supporting foster child status, and one file lacked documentation of previous hours of work experience. Adams County is responsible for the eligibility of those enrolled in its programs. Adequate documentation to support each participant's eligibility should be maintained. Due to the large number of participants in the Summer Youth Program, the enrollment dates are not always documented in the files. The other items discussed above appear to be caused by oversight of the technician.	$ -0-

Program	Finding/Noncompliance	Questioned Cost
	RESPONSE: The computer system Adams County uses for Summer Youth allows us to run a batch enrollment of all clients that will participate in the program. This process saves time and money. The computer generates an actual transaction form for each file that lists the employer's name, address, telephone number, and the client's *name and enrollment date.* After the computerized batch enrollment is completed, two sets of the transaction forms are run and distributed as follows: one to the employer, one to the youth, one to the MIS file, and one to the counselor's file. At the time the audit was conducted the MIS copy had not been placed in eleven client files referenced above. This was caused by an employee performance problem which has subsequently been corrected and all files now contain the transaction forms. Despite the fact that the hard copy was not in the file, the information was on computer tape which is our permanent record and, therefore: I do not believe we were lax in our responsibility. Regarding the findings in the other two cases, we believe the auditors were in error when stating that our documentation was inadequate for the following reasons. The file in question as to not having documentation for the program enrolled into did have a Summer Youth enrollment form in it. One client was reported as not having documentation	

(continued)

Program	Finding/Noncompliance	Questioned Cost
	of being a Foster Child for eligibility purposes. This client was 18 years of age at the time of application. She was determined eligible based on her status as a foster child even though she was a foster child. She was determined eligible based on her status as a high risk youth according to JTPA Letter 86-03; she was a potential dropout. The file includes a copy of her referral from Aurora Public Schools which was completed by her counselor. Due to eligibility having been determined based on high risk youth, there was not need for documenting foster child status. The audit findings stated that another file lacked documentation of previous hours of work experience. The proper documents were in this client's file indicating that he had been enrolled in a work experience. Also included were his time cards and the work experience agreement. Communication between the auditors and the director of the department will be improved next year.	
Social Service Block Grant Regular Admin. #13.667	*INADEQUATE DOCUMENTATION AND AUTHORIZATION OF ADMINISTRATIVE EXPENSES* During our examination of regular administrative expenses on Form 5360, three cases were noted where purchase orders were not signed indicating authorization and review by the appropriate personnel. In one case, no purchase order was attached with supporting documentation for the purchase of furniture. Purchase orders should be used when appropriate and should be signed by appropriate personnel indicating authorization and review. This will ensure adequate control over the purchasing system. These cases have occurred because procedures established by the County are not followed on a consistent basis. RESPONSE: A procedure is in place where all vouchers are approved and authorized before payment is made by the purchasing agent. Also in place is the segregation of responsibilities for disbursement preparation and disbursement approval functions from those for recording and entering cash disbursement information in the general ledger. Warrant #14670 and 14600 are monthly payments of maintenance contracts. A purchase order was approved and authorized at the time the contract was approved. #14628 is the quarterly payment of the contract for the attorney. Contract approved and authorized. Warrant #14701, 13767 and 15660 were authorized by the appropriate program manager. Warrant #13781, 14705, 17504 and 17963 had no authorizing signature. The above procedure of authorizing payments will be strictly followed in the future to prevent any oversights.	$ -0-
Social Service Block Grant Regular Admin. #13.667	*INADEQUATE AUTHORIZATION AND CANCELLATION OF INVOICES* During our examination of regular administration, we noted in our detail testing of Form 5360 that	$ -0-

Program	Finding/Noncompliance	Questioned Cost
	vouchers had not been signed by department heads and invoices had not been properly cancelled by being stamped paid. There should be signatures of appropriate department heads on vouchers to ensure proper authorization and review. There should also be a proper cancellation of invoices to ensure invoices are not duplicated. Adams County could disburse extensive funds that are not appropriate for regular administration and pay invoices twice if authorization, review and cancellation of invoices are not controlled properly. These cases could be oversights or could be caused because established procedures are not followed. RESPONSE: A duplicate copy of the warrant to the vendor which lists invoice numbers paid are stapled to the agencies invoice copies and filed. We are implementing the process of stamping all invoices with a PAID stamp.	
Child Support Enforcement (Title IV-D) CFDA #13.679	*TITLE IV-D RECORDS NOT IN AGREEMENT WITH SOCIAL SERVICES RECORDS* During our examination of Title IV-D, we noted that a reconciliation of receipts and disbursements from the Title IV-D Accounting Department to the Social Services Accounting Department has not been done since February of 1988. Errors or misappropriations could occur in the absence of proper controls over receipts and disbursements. The Title IV-D Accounting Department received a new account recording software package from the state (called ACSES) in January of 1988. IV-D Accounting has not been able to reconcile data to the Social Services Accounting books due to timing differences caused by the new system. ACSES picks up transactions in one month that should be recorded the previous month. Also, problems have arisen from cancelled transactions related to ACSES. RESPONSE: The reconciliation process referenced in the audit is being done for 1988. The process will be completed by February 28. The difficulty is that, on the ACSES, even though a check is cancelled, the ACSES doesn't recognize the cancellation. One must override the transaction and the system to get the amounts to balance. In the manual system, the cancellation is noted immediately. As more cases are on the system, the problem will become simpler as we will have only one place to find the differences and will be able to reconcile each month. The timing differences should be resolved by April 1, 1989. At that time, enhancements to the ACSES will be completed, which will allow us to post collections in the month received by the court or the point of entry into the child support enforcement system. Every payment received has been receipted. Every payment and disbursement has been documented on ACSES or on the manual system. The accounting clerks have balanced the deposits, receipts, and postings each month.	$ -0-

(continued)

Program	Finding/Noncompliance	Questioned Cost
Job Training Partnership Act CFDA #17.250	*INADEQUATE CONTROL OVER JTPA CHECKS RETURNED BY THE POST OFFICE* JTPA payroll checks returned by the Post Office are received by the County Finance Office. The checks are not voided or kept in a locked area. After several checks are received, they are sent to Employment Center where an attempt is made to locate the recipient. Misappropriations could occur due to the lack of controls over these checks. In addition, if the checks are not voided and recorded as such, federal funds are not properly reimbursed. As checks are received by the Finance Office, they should be voided prior to their return to the Employment Center. This control weakness resulted from a lack of standard procedures over returned checks. RESPONSE: Upon receipt of returned checks from the Post Office, the Finance Department payroll personnel will secure the checks in a locked vault. They will then notify the Adams County Employment Fiscal staff. The Fiscal staff will attempt to locate the recipient by phone and by mail to obtain a correct mailing address so the check can either be forwarded or picked up by the client from the Payroll Office. If the check has not been claimed within 30 days, it will be voided.	$ -0-
Foster Care CFDA #13.658	*THREE REFERENCES FOR FOSTER CARE HOMES WERE NOT ALWAYS OBTAINED* In 1987, we noted one instance where only two letters of recommendation were on file in regard to the prospective foster parents. We did not perform compliance testing on the Foster Care program in 1988. However, subsequent discussions with responsible personnel revealed that use of a new form has been implemented. This form requires responses as to whether letters of recommendations are received.	$ -0-
Foster Care CFDA #13.658	*HEALTH STATEMENTS WERE NOT BEING OBTAINED BI-ANNUALLY FOR FOSTER CARE CHILDREN* During 1987, we noted that Adams County does not have a formal policy to monitor that physical exams on foster children are done every two years while the children are in the Foster Care program. We did not perform compliance testing on the Foster Care program. Department personnel have indicated that an informal review team has been formed to monitor physical exams. Dates these exams are needed are documented on new forms placed in each participant file.	$ -0-
Foster Care CFDA #13.658	*HEALTH STATEMENTS WERE NOT ALWAYS OBTAINED TIMELY FOR NEW FOSTER CARE PROGRAM CHILDREN* During 1987, we noted two instances in our testing where the foster child did not have a physical exam within the required 20 days after custody of the child was awarded to Adams County. During 1988, we did not perform compliance testing	$ -0-

Program	Finding/Noncompliance	Questioned Cost
	on the Foster care program. Department personnel have indicated that the need for physical exams within 20 days after custody is awarded, is now monitored by an internal review team.	
Aid to Families With Dependent Children CFDA #13.808	*THE MOST CURRENT BANK STATEMENT WAS NOT ALWAYS OBTAINED TO VERIFY AFDC APPLICANT'S RESOURCES* During our testing in 1987, an applicant for AFDC made a representation that they did have a bank account on their August 7, 1987 Redetermination Application. AFDC personnel asked for verification of the bank account, but were provided the bank statement dated June 30, 1987, to verify the applicant's representation of the account balance on August 7, 1987. During our compliance examination of AFDC done in 1988, we did not note any exceptions related to the above paragraph.	$198/ Monthly
Aid to Families With Dependent Children CFDA #13.808	*AN AFDC APPLICANT'S REVIEW RECORD FOR RESOURCES WAS NOT ACCURATELY COMPLETED* During our testing in 1987 an application reviewed in our eligibility testing of AFDC applicants revealed an automobile that was valued at zero. Upon further investigation, the automobile should have been valued at $650 in the case file review record for resources. During our compliance examination of AFDC eligibility requirements in 1988, we did not note any automobile resource compliance errors exceeding the $1500 exemption.	$346/ Monthly
Aid to Families With Dependent Children CFDA #13.808	*SAVINGS BOND OWNERSHIP CONFIRMATION FOR AFDC APPLICANT WAS NOT DOCUMENTED* During our testing in 1987 an applicant for Aid to Families With Dependent Children (AFDC) made a representation on their application that they had a savings bond, but lost it the last time they moved. The AFDC technicians claimed they verbally verified that the savings bond was not in the applicant's name. There was no documentation of the confirmation in the case file. During our compliance examination of AFDC done in 1988, we did not note any compliance errors related to the above paragraph.	$179/ Monthly
Aid to Families With Dependent Children CFDA #13.808	*AFDC REDETERMINATIONS WERE NOT COMPLETED TIMELY FOR TRANSFER-IN-APPLICANTS* During our 1987 examination we noted that Aid to Families With Dependent Children (AFDC) redeterminations were not always completed in a timely manner. Families transferred in from other counties often went in excess of six months before a second redetermination was completed. The delay in redetermination is created when a family transfers to Adams County. The County will do a redetermination of the family as soon as they apply in Adams County. But in some cases, the county that the family previously lived in will not stop AFDC payments for several months. Adams County will not approve the transferred families application until they have verification the family is not receiving pay-	$346/ Monthly

(continued)

Program	Finding/Noncompliance	Questioned Cost
	ments from the previous county. Adams County, thus, will not do a second redetermination until six months from this application approval date. No exceptions to this policy were noted during our 1988 testwork.	
Low Income Energy Assistance Program CFDA #13.818	*THE MARCH, 1987 LEAP STATEMENT OF EXPENDITURES WAS UNDERSTATED* The Low Income Energy Assistance Program (LEAP) expenditures reported to the Colorado Department of Social Services on their Form 5550 Statement of Expenditures (SOE) for March, 1987, were understated by $77,797. This had not been detected by responsible Adams County personnel. During our 1988 compliance examination of the LEAP program, we did not note any exceptions related to the above paragraph.	$ -0-
Job Training Partnership Act CFDA #17.250	*JTPA DRAWDOWN SCHEDULE WAS NOT ACCURATELY POSTED* The August, 1987 Job Training Partnership Act (JTPA) drawdown for $187,012 had not been posted to the manual schedule of drawdowns maintained by the responsible accountant. During our 1988 testing, we did not note any errors in the recording of drawdowns.	$ -0-
Child Support Enforcement (Title IV-D) CFDA #13.679	*RECEIPTING DUTIES OF CHILD SUPPORT ENFORCEMENT COLLECTIONS WERE NOT PROPERLY SEGREGATED* During our examination made in 1987, we noted that Child Support Enforcement (Title IV-D) receipt functions were mostly performed by the person responsible for reporting revenues and preparing deposits. Child support collections are deposited with the County Treasurer, and the revenues are reported to the Adams County Social Service Business Office and the State Department of Social Services. This accountant was also in charge of reconciling the individual case records to amounts deposited monthly. During our 1988 examination of Child Support Enforcement (Title IV-D), adequate segregation of duties appears to be in place.	$ -0-
Job Training Partnership Act CFDA #17.250	*JTPA QUARTERLY SAMPLE VERIFICATION REPORT WAS NOT WELL SUPPORTED* The May, 1987 "Quarterly Sample Verification Summary Report" did not agree to the detail listing of total JTPA applicants generated by the in-house computer. During our 1988 examination, we did not note any errors related to the above paragraph.	$ -0-
Head Start CFDA #13.600 Job Training Partnership Act CFDA #17.250	*DOCUMENTATION OF MATCHING REQUIREMENTS OF VARIOUS PROGRAMS COULD BE IMPROVED* Although test results of the matching requirements for Head Start and JTPA funds were satisfactory in 1987, we noted that the supporting documentation for match computations could be more clearly documented. For example in Head Start testing, the allocation of overhead cost was not clear as to how this	$ -0-

Program	Finding/Noncompliance	Questioned Cost
	amount was calculated. However, the accountant responsible for this procedure was abie to show how the computations were made. The documentation supporting the break-up of JTPA "State Full Time Equivalent Funds" could be clarified. Although these funds were greatly in excess of the funds needed to match federal JTPA, the documentation was not clear on how these amounts were distributed among the different titles of grants. During our 1988 examination, we noted improvement in the documentation of matching funds and we were able to determine from where the amounts were obtained.	
Head Start CFDA #13.600	*DOCUMENTATION OF PARTICIPANTS OVER INCOME GUIDELINES WAS NOT MAINTAINED* The Head Start Program did not have a control in place to document the total number of participants enrolled in Head Start whose income is in excess of the Head Start income guidelines. During our 1988 examination, we reviewed documentation of the Head Start participants with income in excess of guidelines. Current procedures in place appear to adequately monitor such participants.	$ -0-
Head Start CFDA #13.600	*CENTRAL SERVICE COST ALLOCATIONS WERE BASED ON 1985 PLAN* During 1987, the cost allocation amount for central services was based on the 1985 Cost Allocation Plan instead of the 1986 plan, which is the most current plan available.	$ -0-

Program	Finding/Noncompliance	Questioned Cost
	The 1986 plan is prepared by the County during 1987 using December 31, 1986 balances. State approval of the 1986 plan was received in December, 1987. In order to utilize an approval plan during 1988, the 1986 plan will be used. This procedure is adequate and reasonable.	

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE BASIC FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Board of Commissioners
Walker Field, Colorado,
Public Airport Authority

We have audited the basic financial statements of the Walker Field, Colorado, Public Airport Authority (the Authority), for the year ended December 31, 1988, and have issued our report thereon dated January 25, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting controls
- Financing
- Revenue/receipts
- Purchase/disbursements
- External financial reporting

Controls Used in Administering Federal Programs:
General administrative controls:
- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- Federal financial reports

Specific administrative controls:
Types of services
Matching level of effort
Reporting
Special tests and provisions

The management of the Authority is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, the Authority expended 95.2% of its total federal financial assistance under major federal financial assistance programs. With respect to internal accounting control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Authority, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Authority, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Authority.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Authority.

This report is intended solely for the use of management and Walker Field, Colorado, Public Airport Authority's Board of Commissioners and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Walker Field, Colorado, Public Airport Authority's Board of Commissioners, is a matter of public record.

[Signature]

Grand Junction, Colorado
January 25, 1989

Board of County Commissioners
Monroe County, Florida

We have audited the general purpose financial statements of Monroe County, Florida, as of September 30, 1988, and for the year then ended, and have issued our report thereon dated March 27, 1989. As part of our audit we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal and state financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering financial assistance programs in the following categories:

Accounting Cycles
Revenues/receipts
Expenditures/disbursements

Controls Used in Administering Federal Programs
General Requirements:
Political activity
Davis-Bacon Act
Civil Rights
Federal financial reports
Cash management

Specific Requirements:
Types of services (costs)
Eligibility
Matching level of effort
Reporting
Special requirements, if any

The management of Monroe County, Florida is responsible for establishing and maintaining internal control systems used in administering federal and state financial assistance programs. In fulfilling that responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal and state financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal and state financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal and state financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all the applicable control categories listed above. During the year ended September 30, 1988, Monroe County, Florida expended 52% of its total federal financial assistance under a major federal financial assistance program and the following nonmajor federal financial assistance programs: Senior Community Service Project, Special Programs for the Aging—Nutrition, and Special Programs for the Aging—Transportation. With respect to internal control systems used in administering these major and nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the state and other nonmajor federal financial assistance programs of Monroe County Florida, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering both the state and nonmajor federal financial assistance programs of Monroe County, Florida, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal and state financial assistance programs of Monroe County, Florida. Accordingly, we do not express an opinion on the internal control systems used in administering the federal and state financial assistance programs of Monroe County, Florida. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance program of Monroe County, Florida.

Also our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems, for which our study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report. However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal or state financial assistance program of Monroe County, Florida.

This report is intended solely for the use of management of Monroe County, Florida and the cognizant audit agency and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Monroe County, Florida is a matter of public record.

[Signature]

March 27, 1989

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS RELATED TO NON-MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS IN CIRCUMSTANCES IN WHICH THE RECIPIENT RECEIVED NO MAJOR PROGRAM FUNDING

Honorable Mayor and
City Council
City of Fountain
Fountain, Colorado

We have audited the general purpose financial statements of the City of Fountain, Fountain, Colorado, for the year ended December 31, 1988, and have issued our report thereon dated May 12, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128; "Audits of State and Local Governments." For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Budget
Cash
Service Revenues and Receivables
Expenditures for Goods and Services and Accounts Payable
Payroll and Related Liabilities
Inventories
Property, Equipment, and Capital Expenditures
Debt and Debt Service Expenditures
Grant and Similar Programs

The management of the City of Fountain, is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, the City of Fountain had no major federal financial assistance programs and expended all of its total federal financial assistance under the nonmajor federal financial assistance programs listed in the schedule of Federal Financial Assistance.

With respect to the internal control systems used in administering these non-major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the other non-major federal financial assistance programs of the City of Fountain, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal financial assistance programs of the City of Fountain did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Fountain. Accordingly we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Fountain.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems, for which our study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the City of Fountain.

This report is intended solely for the use of management and the cognizant agency and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the City Council is a matter of public record.

[Signature]
Certified Public Accountants

Colorado Springs, Colorado
May 12, 1989

Board of County Commissioners
Arapahoe County, Colorado

We have examined the general purpose financial statements of Arapahoe County, Colorado, for the year ended December 31, 1988, and have issued our report thereon dated April 21, 1989. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Government Auditing Standards (1988 Revision),* issued by the U.S. General Accounting Office, the Single Audit Act of 1984 (P.L. 98-502), and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering financial assistance programs in the following categories:

Accounting
- Receivables
- Cash Receipts
- Cash Disbursements
- Payroll
- Cash
- Property and Equipment
- Payables and Accrued Liabilities
- External Financial Reporting

General Requirements in Administering Federal Financial Assistance Programs
- Political Activity
- Davis Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Reporting

Specific Requirements Used in Administering Federal Financial Assistance Programs
- Eligibility
- Reporting
- Monitoring of Subrecipients
- Matching Level of Effort

Our study included the categories listed above except that we did not examine FAA grants of the Centennial Airport

Authority, an includible entity in the Arapahoe County Financial Reports. These grants were examined by other auditors who expressed an opinion in a separate report on the Centennial Airport's system of internal controls.

The management of Arapahoe County is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies, resources are safeguarded against waste, loss, and misuse, and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all the applicable control categories listed above. During the year ended September 30, 1988, Arapahoe County expended 83% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the non-major federal financial assistance programs of Arapahoe County, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the non-major federal financial assistance programs of Arapahoe County did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Arapahoe County. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Arapahoe County. Further, Arapahoe County has not engaged us to issue an opinion on its internal control systems used in administering the federal financial assistance programs. Accordingly, we do not express an opinion on the internal control systems used in administering the major federal assistance programs of Arapahoe County.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering non-major federal financial assistance programs.

However, our study and evaluation and our examination disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.

- Federal financial assistance is not monitored in detail by one County office.
- Indirect cost allocations were not made for all federal programs.
- LEAP documentation of eligibility was lacking.
- JTPA revenue recognition was not recorded timely.
- Monitoring of pass through monies was not performed by the County.
- Federal Cash Transaction report not filed with FAA.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in 1) our examination of the 1988 general purpose financial statements, and 2) our examination and review of the County's compliance with laws and regulations, violation of which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and non-major federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the County's compliance with laws and regulations dated April 21, 1989.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Arapahoe County, is a matter of public record.

[Signature]

April 21, 1989

ARAPAHOE COUNTY, COLORADO

RESPONSE TO FINDINGS

FEDERAL FINANCIAL ASSISTANCE PROGRAMS—FOR YEAR ENDED DECEMBER 31, 1988

No Internal Controls for Monitoring Federal Pass-Through Money With the Tri-County Health Department Have Been Established by Arapahoe County

In response to this finding the following explains the County's position:

The $34,770.00 in Federal pass-through money which Arapahoe County gave to the Tri-County Health Department during calendar year 1988 was from the County's fiscal year 1987-88 and fiscal year 1988-89 Community

Services Block Grant programs. A considerable amount of review and monitoring of how Tri-County utilized these funds was engaged in during 1988 by not only the County, through its Community Services and Social Services Departments, but also the State of Colorado, through its CSBG Coordinator in the Department of Local Affairs.

In the case of the portions of both CSBG fiscal years which fell during calendar year 1988, first the County's CSBG Advisory Committee and then the Board of County Commissioners had considerable input regarding the allocation of the $34,770.00 which went to Tri-County. Before the money was remitted to Tri-County by the County, a formal contract between the two parties was executed. Even before such execution had taken place, the State's CSBG Coordinator had given the State's formal approval of the County's use of the $34,770.00 in what was titled the "Special Nursing Project" for both of the respective fiscal years' CSBG work projects.

As we called for in the County/Tri-County agreements which were entered into with respect to the $34,770.00, monthly reports were submitted to the County's Community Services Director regarding the "Special Nursing Project." These reports were prepared under the direction of management staff from the County's Social Services Department, acting as first-line supervisors of the Tri-County employee involved in the project's two fiscal years during 1988. Two reports were subsequently produced during 1988 based on the compilation of the monthly reports and were forwarded to the State's CSBG Coordinator for review.

It should be apparent from the description of the process delineated in the paragraphs above that a considerable amount of time and effort by several different parties at both the County and State level went into reviewing and monitoring the use of the $34,770.00 in Federal pass-through money which was tendered by the County to Tri-County Health Department during 1988. Apparently the auditors somehow did not become aware of this extensive process and thereby rendered this rather misleading finding.

[Signature]

May 12, 1989

REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Honorable County Commissioners
Douglas County
Lawrence, Kansas

We have audited the general purpose financial statements of Douglas County, Kansas, for the year ended December 31, 1988, and have issued our report thereon dated May 30, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Internal Accounting Control
- Financing and investing
- Revenues and cash receipts
- Purchasing, accounts payable and cash disbursements
- Payroll
- External financial reporting

Internal Administrative Control
- See Schedule of Federal Programs and Major Compliance Areas

The management of Douglas County, Kansas, is responsible for establishing and maintaining an internal control structure used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of internal control structures used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance program, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our assessment included all of the applicable control categories listed above. During the year ended December 31, 1988, Douglas County, had expended 37% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of Douglas County, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of Douglas County, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Douglas County, Kansas. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Douglas County, Kansas. Furthermore, we do not express an opinion on the internal control systems used solely in administering the major federal financial assistance programs of Douglas County.

However, our study and evaluation disclosed no reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation for the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level of risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure used in administering the federal financial assistance that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the information and use of Management, County Commissioners, and the U. S. General Accounting Office.

[Signature]

May 30, 1989

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FEDERAL PROGRAMS AND MAJOR COMPLIANCE AREAS—DECEMBER 31, 1988

	Department of Health and Human Services Grants	Department of Education Grants	Department of Agriculture Grants	Department of Justice Grants	Department of Housing and Urban Development Grants	Department of the Interior Grants	Department of Transportation Grants
Political Activity	X	X	X	X	X	X	X
Civil Rights	X	X	X	X	X	X	X
Cash Management	X	X	X	X	X	X	X
Financial Reports	X	X	X	X	X	X	X
Types of Services Allowed or Unallowed	X	X	X	X		X	
Eligibility	X	X	X	X	X	X	X
Matching, Level of Effort and/or Earmarking Requirements		X					
Reporting Requirements	X	X	X	X	X	X	X
Special Tests and Provisions	X	X	X	X	X	X	X

X—Areas where specific compliance were tested.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) BASED ON A STUDY AND EVALUATION MADE AS PART OF AN EXAMINATION OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP FINANCIAL STATEMENTS AND ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

May 19, 1989

To the Board of Education
Boulder Valley School District RE-2
Boulder and Gilpin Counties, Colorado

We have examined the financial statements of Boulder Valley School District RE-2 as of December 31, 1988 and for the year then ended, and have issued our report thereon dated May 19, 1989. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governmental Units*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial programs in the following categories:

Accounting Controls:
- Cash Receipts
- Purchasing
- Cash Disbursements
- Payroll
- Property and Equipment

Administrative Controls:
- Political Activity
- Davis Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Reporting

The management of Boulder Valley School District RE-2 is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss and misuse; and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, Boulder Valley School District RE-2 expended 55 percent of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Boulder Valley School District RE-2, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Boulder Valley School District RE-2, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Boulder Valley School District RE-2. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Boulder Valley School District RE-2. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Boulder Valley School District RE-2.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Boulder Valley School District RE-2.

This report is intended solely for the use of the Board of Education, and Boulder Valley School District RE-2, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon release by the Board of Education, is a matter of public record.

[Signature]

REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Honorable Mayor, Members of the
City Council, and City Manager
City of Pensacola, Florida

We have audited the general purpose financial statements of the City of Pensacola, Florida for the year ended September 30, 1988, and have issued our report thereon dated March 24, 1989. As a part of our audit, we made a study and evaluation of the system of internal controls, including applicable internal administrative controls, used in administering Federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984 and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purposes of this report, we have classified the Significant internal accounting and administrative controls in the following categories:

Accounting Controls:
- Cash receipts/revenues
- Purchasing/disbursing
- Accounts receivable/payable
- Budgets
- Payroll
- Property and equipment
- Inventory controls
- General ledger maintenance

Administrative Controls:

General Requirements—
- Political activity
- Davis-Bacon Act
- Civil rights compliance
- Cash management
- Federal financial reporting
- Real property acquisition

Special Requirements—
- Types of service
- Eligibility
- Matching level of effort
- Cost allocation
- Special requirements

The Management of the City of Pensacola, Florida is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedure may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended September 30, 1988, the City of Pensacola, Florida, expended 95% of its total Federal financial assistance under major Federal financial assistance programs. With respect to the internal control systems used in administering major Federal financial assistance programs, our study and evaluation included considering the type of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weakness.

With respect to the internal control systems used solely in administering the non-major Federal financial assistance programs of The City of Pensacola, Florida, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control system used solely in administering the non-major Federal assistance programs of The City of Pensacola, Florida, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the Federal financial assistance programs of the City. Further, we do not express an opinion on the internal control system used in administering the Federal financial assistance programs of the City of Pensacola, Florida.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering non-major Federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a Federal financial assistance program may occur and not be detected within a timely period.

PAYROLL

Deferred Compensation. In our previous report on the City we noted that the City had neglected to file the proper forms reporting distributions from the Oppenheimer plan. In the current year we noted that this deficiency has been corrected and the proper forms have been filed. However, the City should obtain information from Oppenheimer relating to distributions in previous years and report these to participants as well.

In the current year our audit disclosed that the Finance Department did not reconcile the additions and distributions from the plan to the periodic reports submitted by the plan administrator. We recommend that reports of additions and distributions from the deferred compensation plans be reconciled in a timely manner. Accounting for the Deferred Compensation Trust Fund should be maintained concurrently with the activity in the payroll accounts rather than being posted in total at year end.

PROPERTY AND EQUIPMENT

Our review of controls over tangible personal property of the City of Pensacola indicated several weaknesses in reporting and accountability for these assets. Subsidiary depreciation schedules were not in agreement with the general ledger. In addition, there is no formal policy for the declaration of surplus tangible personal property or the storage and subsequent sale, or disposal, of these assets.

We recommend that action be taken to institute a formal policy requiring the review and approval, by management, of the declaration of excess equipment and that disposals be handled by a person who does not have custody of property and is not involved in the record keeping process.

GENERAL LEDGER MAINTENANCE AND REPORTING

Cost Allocation. The City does not attempt to allocate the cost of the operation of the internal service funds to general government departments, nor does it have a cost allocation plan for the allocation of indirect costs to the grant programs. We recommend that the City develop a plan for the allocation of the internal service departments to the governmental funds and that an indirect cost allocation system in compliance with OMB Circular A-87 be developed for the allocation of indirect cost to the grant programs.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 1988 general purpose financial statements, and (2) our audit and review of the City's compliance with laws and regulations non-compliance with which could have a material effect on the allowability of program expenditures for each major federal financial assistance program and non-major federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the City's compliance with laws and regulations, dated March 24, 1989.

This report is intended solely for the use of the management of the City of Pensacola, Florida, the cognizant and other Federal audit agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report, which, upon acceptance by the City Council of the City of Pensacola, Florida, is a matter of public record.

[Signature]

Pensacola, Florida
March 24, 1989

ACCOUNTANTS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE COMBINED FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

The Board of Education
Adams County School District 14
Commerce City, Colorado

We have audited the combined financial statements of Adams County School District 14 (District) for the year ended December 31, 1988, and have issued our report thereon dated March 30, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering Federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering Federal financial assistance programs in the following categories:

Accounting Controls:
- Cash receipts
- Purchasing and receiving
- Accounts payable
- Cash disbursements
- Payroll
- General Ledger

Controls Used in Administering Federal Programs

General Controls:
- Political activity
- Civil rights
- Cash management
- Federal financial reports

Specific Controls:
- Types of service allowed or disallowed
- Eligibility
- Reporting
- Special provisions

The management of the District is responsible for establishing and maintaining internal control systems used in administering Federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering Federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to Federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering Federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, the District expended 87% of its total Federal financial assistance under major Federal financial assistance programs. With respect to internal accounting control systems used in administering major Federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor Federal financial assistance programs of the District, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor Federal financial assistance programs of the District did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the Federal financial assistance programs of the District. Accordingly, we do not express an opinion on the internal control systems used in administering the Federal financial assistance programs of the District. Further, we do not express an opinion on the internal control systems used in administering the major Federal financial assistance programs of the District.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor Federal financial assistance programs.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a Federal financial assistance program of the District.

This report is intended solely for the use of management, the Colorado Department of Education, the Colorado State Auditor's Office, and the cognizant Federal audit agency and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the District, is a matter of public record.

[Signature]

March 30, 1989

REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

To the Board of Commissioners
Housing Authority of the
County of Contra Costa
Martinez, California

We have audited the financial statements of the Housing Authority of the County of Contra Costa for the year ended March 31, 1989, and have issued our report thereon dated July 24, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering Federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering Federal financial assistance programs in the following categories:

Accounting Applications
- Cash Receipts
- Accounts Payable
- Cash Disbursements
- Payroll
- Property and Equipment
- General Ledger
- Accounts Receivable

General Requirements
- Political Activity
- Davis-Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Reports

Specific Requirements:
Eligibility
Reporting
Special Requirements

The management of the Housing Authority of the County of Contra Costa, is responsible for establishing and maintaining internal control systems used in administering Federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering Federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to Federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering Federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all the applicable control categories listed in the first paragraph. During the year ended March 31, 1989, the Housing Authority of the County of Contra Costa, expended 99% of its Federal financial assistance under major Federal financial assistance programs. With respect to internal control systems used in administering major Federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor Federal financial assistance programs of the Housing Authority of the County of Contra Costa, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment, the accounting system, and control procedures. Our study and evaluation of the internal control systems used solely in administering the nonmajor Federal financial assistance programs of the Housing Authority of the County of Contra Costa did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the Federal financial assistance programs of the Housing Authority of the County of Contra Costa. Accordingly, we do not express an opinion on the internal control systems used in administering the Federal financial assistance programs of the Housing Authority of the County of Contra Costa. Further, we do not express an opinion on the internal control systems used in administering the major Federal financial assistance programs of the Housing Authority of the County of Contra Costa.

Also, our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor Federal financial assistance programs.

However, our study and evaluation and our audit disclosed the conditions described in the Findings and Recommendations section of this report that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a Federal financial assistance program may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 1989 financial statements and (2) our examination and review of the Authority's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major Federal financial assistance program and nonmajor Federal financial assistance programs. This report does not affect our reports on the financial statements and on the Authority's compliance with laws and regulations dated July 24, 1989.

This report is intended solely for the use of management and the Federal government and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Housing Authority of the County of Contra Costa, is a matter of public record.

[Signature]

Pleasant Hill, CA
July 24, 1989

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA, CALIFORNIA

FINDINGS AND RECOMMENDATIONS—MARCH 31, 1989

1. Controls Over Cash, Investments and Tenants' Accounts Receivable

During our examination of the Authority's internal controls and policies for cash, investments, and tenants' accounts receivable we found the following:

a. The Authority did not have a written investment policy during the fiscal year ended March 31, 1989. It appears, however, that the Authority invested its funds in accordance with the Fiscal Management Handbook 7475.1. During April, 1989 the Authority implemented a written investment policy.

b. We were not able to reconcile the amount of cash on hand during our visit to two of the Authority's project offices. The unreconcilable amounts were less than $100 at each of the offices.

c. The adjustment slips used to make non-cash credits to tenants' accounts receivable are not prenumbered and, therefore, are not controlled and accounted for in numerical sequence. These adjustment slips also contain no signature or initials to indicate that they were approved by someone other than the preparer.

We recommend that the Authority implement the following controls and policy changes:

a. The Authority has already prepared a written investment policy, therefore, no recommendation is necessary.

b. Cash on hand at the project offices should be reconciled daily.

c. Adjustment slips used to make non-cash credits to tenants' accounts should be prenumbered, controlled numerically, and signed as approved by the area managers.

Authority's Response—The Housing Authority concurs with the findings and will proceed to implement the auditors' recommendations.

2. Tenant Files

During our examination of tenant files for the tenants of the Conventional Low Rent Program and the Housing Assistance Payments Program we found the following:

a. For the ten Conventional Low Rent files examined we found:

   1. As of our March 31, 1989 audit date none of the files contained proof of written notification being given to the tenants of the dangers of lead based paint. Notices concerning the dangers of lead based paint were, however, issued to the tenants subsequent to our audit date. Copies of these notices were filed in the tenants' files.

   2. One file did not contain proper independent verification of the tenants' income.

   3. Four files did not contain documentation indicating that the required unit inspections had been performed.

b. For the sixteen Housing Assistance Payments files examined we found:

   1. Certifications and recertifications of two tenants were not documented using the required HUD form 50058.

   2. Two files did not contain proper independent verification of income.

   3. An incorrect utility allowance was used in the calculation of one tenant's housing assistance payment.

   4. Four files did not contain documentation indicating the required unit inspections had been performed.

   5. Eight of the files did not contain rent reasonableness documentation.

We recommend the Authority review its Conventional Low Rent and Housing Assistance Programs' tenant files to insure that the above mentioned information is correct and/or included in the tenants' files. The Authority should also examine its certification and recertification preparation and review procedures to insure that all future certifications and recertifications are documented in accordance with HUD regulations.

Authority's Response–Appropriate action will be taken to insure that staff complies with operating procedures on certifications and recertifications.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA, CALIFORNIA

STATUS OF PRIOR AUDIT FINDINGS—MARCH 31, 1989

The previous audit report for the year ended March 31, 1988 contained one audit finding. This finding and its current status is as follows:

The amount of security deposits recorded on the tenants' leases did not always agree to the amount on the PHA's security deposit ledger.

During the current fiscal year for all leases examined the security deposit per the lease agreed to the security deposit ledger.

This prior year finding was not controlled by HUD.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Board of County Commissioners
Fremont County, Colorado

We have audited the general purpose financial statements of Fremont County, Colorado for the year ended December 31, 1988, and have issued our report thereon dated September 22, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering Federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting controls and administrative controls used in administering Federal financial assistance programs in the following categories:

Internal Accounting Controls
- Cash receipts
- Cash disbursements
- Purchasing
- Accounts receivable
- Accounts payable
- Property and equipment
- General ledger
- Payroll

Administrative Controls

General Requirements
- Davis-Bacon Act
- Cash management
- Civil rights
- Federal financial reports

Specific Requirements
- Types of services
- Eligibility
- Matching level effort
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

The management of Fremont County, Colorado is responsible for establishing and maintaining internal control systems used in administering Federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to Federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering Federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories in the first paragraph. During the year ended December 31, 1988, Fremont County, Colorado expended 86% of its total Federal financial assistance under major Federal financial assistance programs. With respect to internal control systems used in administering major Federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor Federal financial assistance programs of Fremont County, Colorado, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment, the accounting system, and control procedures. Our study and evaluation of the internal control systems used solely in administering the nonmajor Federal financial assistance programs of Fremont County, Colorado did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the Federal financial assistance programs of Fremont County, Colorado. Accordingly, we do not express an opinion on the internal control system used in administering the Federal financial assistance programs of Fremont County, Colorado. Further, we do not express an opinion on the internal control systems used in administering the major Federal financial program of Fremont County, Colorado.

Also, our audit made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor Federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a Federal financial assistance program may occur and not be detected within a timely period. A description of these material weaknesses are as follows:

1. In the Treasurer's Department cash receipts are computer generated. However, cash receipts are not issued in numerical sequence and voided cash receipts are not properly accounted. As a result, we cannot ascertain if all cash transactions of the Treasurer have proper accountability.
2. There is improper segregation of duties in the Social Services Department relative to cash receipts. Furthermore, such cash is not always receipted nor are deposits with the treasurer made in a timely manner.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 1988 general purpose financial statements and (2) our examination and review of the County's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major Federal financial assistance program and nonmajor Federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the County's compliance with laws and regulations dated September 22, 1989.

This report is intended solely for the use of management and the U.S. Department of Health and Human Services (the cognizant agency) and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Fremont County, Colorado, is a matter of public record.

[Signature]

September 22, 1989

LEGAL AND REGULATORY COMPLIANCE REQUIREMENTS

Circular A-128 requires the auditor's report on compliance with laws and regulations to contain—

- A statement of positive assurance with respect to those items tested for compliance, including compliance with laws and regulations pertaining to financial reports and claims for advances and reimbursements.
- Negative assurance on those items not tested.
- A summary of all instances (findings) of noncompliance.
- An identification of total amounts of questioned costs, if any, for each federal financial assistance award related to acts of noncompliance.

To comply with those reporting requirements, the auditor may issue either separate reports or one report that combines the following elements:

- With respect to compliance with laws and regulations noncompliance with which the auditor believes could materially affect the general purpose or basic financial statements (an entitywide perspective), explicit statements of positive assurance concerning compliance for the items tested and negative assurance concerning compliance for the items not tested.
- With respect to compliance with laws and regulations noncompliance with which the auditor believes could materially affect the allowability of program expenditures for each major federal financial assistance program (a federal program perspective), *an opinion* on whether the audited organization is in compliance, in all material respects, with laws and regulations.
- With respect to compliance with laws and regulations that affect nonmajor federal financial assistance programs, positive assurance concerning compliance for the items tested and negative assurance concerning compliance for the items not tested.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS IDENTIFYING ALL FINDINGS OF NONCOMPLIANCE AND QUESTIONED COSTS*

Circular A-128 requires that the auditor's report on compliance contain a summary of *all* findings of noncompliance and an identification of total amounts questioned, if any, for each federal financial assistance award, as a result of noncompliance. For example, the auditor may conclude a finding related to the late filing of quarterly financial status reports would not have a material effect on the entity's financial statements or the supplementary schedule of federal financial assistance programs. However, because the auditor should report *all* noncompliance findings, the instance of noncompliance described would be reportable.

Table 7-1 lists the most frequently cited findings observed in the survey. Examples of the compliance reports and summary of findings follow:

TABLE 7-1. CRITERIA FOR REPORTING A FINDING

	Instances Observed			
Criteria	**1989**	**1988**	**1987**	**1986**
Untimely reporting/reporting requirements	141	145	125	88
Unallowable costs	68	64	37	29
Cash/Financial management	65	62	62	56
Undocumented costs	54	70	60	36
Unapproved costs	31	41	23	27
Davis-Bacon Act	28	26	27	13
Discrimination/Affirmative Action (DBE, MBE)	23	32	71	36
Improper cut-offs	18	26	26	3
Unreasonable costs	1	14	22	4
Mathematical errors/erroneous reporting	0	7	14	43

AUDITORS' REPORT ON COMPLIANCE—FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To The Town Council
Town of Orono, Maine

We have examined the general purpose financial statements of the Town of Orono, Maine for the year ended June 30, 1989, and have issued our report thereon, dated September 26, 1989. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the *Standards for Audits of Governmental Organizations, Programs, Activities and Functions,* issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provision of OMB's Circular A-128, *Audits of State and Local Governments*, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*[Note: In April, 1989 the Auditing Standards Board issued Statement on Auditing Standards No. 63, *"Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance"* which prescribes new reporting formats for Compliance under the Single Audit Act. This includes separate compliance reports for the major programs—specific requirements, major programs—general requirements and nonmajor programs. The provisions of the statement are effective for fiscal periods beginning on or after January 1, 1989. In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide *Audits of State and Local Governmental Units.* It superseded the reporting examples appearing in appendix A and provided new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective for compliance with laws and regulations for fiscal periods beginning on or after January 1, 1989. See section 1 for a further discussion.]

The management of the Town of Orono, Maine is responsible for the Town's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from nonmajor federal financial assistance programs to determine the Town's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our tests indicate that for the transactions and records tested, the Town of Orono, Maine complied with the laws and regulations referred to above. Our testing was more limited than would be necessary to express an opinion on whether the Town of Orono, Maine administered those programs in compliance in all material respects with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions that were not tested by us, nothing came to our attention to indicate that the Town of Orono, Maine had violated laws and regulations.

This report is intended solely for the use of the Town of Orono, Maine, the cognizant audit agency, and other federal audit agencies and should not be used for any other purpose.

[Signature]
Certified Public Accountants

September 26, 1989

INDEPENDENT AUDITORS' REPORT

Honorable Haven Poe, Chairman, and
Distinguished Members of the Board
of County Commissioners
Honorable Richard Ake, Clerk
of the Circuit Court
Honorable Ron Alderman, Property Appraiser
Honorable Walter Heinrich, Sheriff
Honorable Robin C. Krivanek, Supervisor
of Elections
Honorable Melvin B. Smith, Tax Collector
Hillsborough County, Florida

Ladies and Gentlemen:

We have audited the general purpose financial statements of Hillsborough County, Florida for the year ended September 30, 1988, and have issued our report thereon dated January 20, 1989. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit and Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The management of Hillsborough County, Florida is also responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that Hillsborough County, Florida had, in all material respects, administered its major programs and executed the tested nonmajor program transactions in compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. Such laws and regulations include those pertaining to federal financial reports and claims for advances and reimbursements.

In our opinion, Hillsborough County, Florida administered each of its major federal financial assistance programs in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures for the year ended September 30, 1988.

Our testing of transactions and records selected from major federal financial assistance programs disclosed instances of noncompliance with certain laws and regulations.

All instances of noncompliance that we found, and the programs to which they relate, are identified in the accompanying schedule of findings and questioned costs, the ultimate resolution of which cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made to the federal financial assistance programs to which they relate. We do not believe these instances of noncompliance could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected for nonmajor federal financial assistance programs indicate that, for the transactions and records tested, Hillsborough County, Florida complied with the laws and regulations referred to in the third paragraph of our report, except as described in the accompanying schedule of findings and questioned costs. Our testing was more limited than would be necessary to express an opinion on whether Hillsborough County, Florida administered those programs in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that Hillsborough County, Florida had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

January 20, 1989

Honorable Haven Poe, Chairman, and
Distinguished Members of the Board
of County Commissioners
Honorable Richard Ake, Clerk
of the Circuit Court
Honorable Walter Heinrich, Sheriff
Honorable Robin C. Krivanek, Supervisor
of Elections
Honorable Ron Alderman, Property Appraiser
Honorable Melvin B. Smith, Tax Collector
Hillsborough County, Florida

Ladies and Gentlemen:

We have audited the general purpose financial statements of Hillsborough County, Florida as of and for the year ended September 30, 1988, and have issued our report thereon dated January 20, 1989.

We are writing to advise that in connection with our audit and for purposes of complying with Chapter 10.550 of the Rules of the Auditor General, [Name] served as Auditor-in-Charge. Further, [Name] met the educational requirements described in Section 11.45 (3)(a)4.P., Florida Statutes, at the time of submitting a proposal to provide the service described in the first paragraph.

Very truly yours,

[Signature]

January 20, 1989

HILLSBOROUGH COUNTY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED SEPTEMBER 30, 1988

Program	Finding/Noncompliance	Questioned Costs
General Comments	1. Hillsborough County (the "County") participates in many federal and state programs. Some of these programs provide for reimbursement of indirect costs, i.e., costs incurred by the County on behalf of grant programs but not specifically identifiable to those programs. For reimbursement to occur, however, the indirect costs must be determined in accordance with the cost principles contained in OMB Circular A-87. The County does not request reimbursement, for indirect costs attributable to administering federal and state grant programs. A cost allocation plan, in accordance with OMB Circular A-87, should, therefore, be developed to allow the County to: • Request and receive reimbursement for costs incurred on behalf of but not specifically attributable to grant programs for which such costs are allowable. • Determine the true cost of participating in grant programs that do not provide for reimbursement of indirect costs. This would help the County to determine if its true costs for such programs are reasonable in relation to the benefits received or if the County should utilize its resources in a manner returning a greater benefit.	$ —
General Compliance	2. During our review of the County's system for monitoring subrecipients, it was determined that while the County has a sophisticated system for monitoring subrecipients, the system is not adequate to ensure conformity to OMB	—

(continued)

Program	Finding/Noncompliance	Questioned Costs
	Circular A-128, Audits of State and Local Government. This Circular requires that subrecipients receiving more than $25,000 of federal assistance annually must have an audit performed, either in accordance with A-128 (if unit of local government) or OMB Circular A-110, Attachment F (if nonprofit). It was determined that several of the County's contracts with subrecipients did not include this requirement. We recommend that the County implement procedures to ensure that the requirements of Circular A-128 are met. Such procedures should include: • A requirement that subrecipients of greater than $25,000 be audited annually. • Designation of appropriate County officials to review the compliance with contract provisions, ensuring that subrecipient audits are received in a timely manner. • Upon receipt of the subrecipient audit, a review of the schedule of findings and questioned costs should be performed to ensure that any findings related to monies passed through to the subrecipient by the County are properly addressed and that corrective action is taken.	

Program	Finding/Noncompliance	Questioned Costs
	• A timetable for completion and follow-up on any corrective action required for instances of noncompliance.	
	3. During our review of compliance with the Davis-Bacon Act, it was noted that the County is not conducting site visits on the construction contracts funded through the Construction Grants for Wastewater Treatment Works. There are no questioned costs as a result of this finding because other testwork indicated that the payroll costs incurred were in accordance with the requirements of the Davis-Bacon Act. Site visits are performed to gain assurances that the employees are being paid the amounts indicated on the payroll lists received from the contractors. We, therefore, recommend that the County develop procedures to conduct site visits so that workers can be interviewed to determine the accuracy of the payroll lists.	—
Head Start (13.600)	4. During our testwork on eligibility, we recomputed the average daily attendance (ADA) in accordance with *Federal Register*, Vol. 44, No. 214. According to our calculations, the County is currently below the minimum ADA of 85% as required by the grant award. The County has initiated the following procedures in order to raise	—

Program	Finding/Noncompliance	Questioned Costs
	the ADA to the minimum requirements in accordance with the *Federal Register,* Vol. 44, No. 214: • In order to improve the attendance for August, which is the graduation month for the program, the County has begun a program of initiating enrollment in June of each program year as opposed to August. • Improvement in the current turn around time of 10 days to fill vacancies. • Conduct home visits with families of children who have accumulated three or more consecutive absences. The impact of the above procedures on the ADA was unavailable as of our testwork, and we have not reviewed the enrollment levels subsequent to our report date. There are no questioned costs because the County is in compliance with the grant award requirements by initiating procedures to circumvent the decline in enrollment.	
Share-A-Van (13.633)	5. During our testing of 25 payroll expenditures, an error was noted as follows: • Four hours of sick pay was charged as regular pay. We recommend careful review of payroll vouchers by program supervisors. This situation causes the accumulated sick pay to be overstated.	—
Emergency Shelter Care (13.645)	6. 45 CRF Section 74.73 (d) requires that quarterly reports be submitted within 30 days following the end of the quarter. Three of the four quarterly reports were submitted subsequent to the deadline. We recommend that reports be prepared and submitted in a timely manner. If the deadline is not achievable, a request for an extension should be obtained from the granting agency.	—
CSBG (13.665)	7. Rule 9B-22.10(10), F.A.C., requires that public notice of all Board of Directors meetings be made at least seven days prior to the date a meeting is scheduled. We noticed that a press release dated March 4, 1988 announced a Board of Directors meeting to be held on March 9, 1988. This violates the CSBG requirements. We recommend that the Board of Directors comply with the rule.	—
	8. During our review of the eligibility of program participants, we noted that self-verification was the predominant method used by the program personnel to determine participant eligibility. While self-verification is an allowable means of determining eligibility, it is meant to be used as	—

(continued)

Program	Finding/Noncompliance	Questioned Costs
	a last resort, after all other means of verification have been exhausted. Program personnel should be reminded that verification is essential to ascertain that services are provided only to those for whom the program was intended.	
	9. During our review of the procedures used to document the services provided at various community centers, it was noted that when persons were denied assistance, no documentation of the visit was made by program personnel. This is a violation of the agreement between the County and the Department of Social Services. We recommend that documentation be maintained by program personnel of persons denied assistance at the various centers. In addition, we recommend that a standard form be developed to facilitate such documentation.	—
Section 8 Housing (14.156)	10. During our review of 30 client files, we noted that on one occasion the utility allowance was incorrectly calculated. In addition, a clerical error caused an overpayment of utility costs. There are no questioned costs as a result of the above because the County subsequently corrected the errors and retroactively adjusted the payments. We recommend that program personnel carefully prepare and compute housing assistance payments in order to avoid situations of overpayment.	—
CDBG (14.218)	11. During our review of the subrecipients, it was noted that the CDBG Coordinator at Plant City was not spending 100 percent of his time on CDBG activities. This is a violation of OMB Circular A-87, Attachment B, Section B, Subsection 10b, which requires that time distribution reports be maintained by those employees working on non-CDBG activities. We recommend that appropriate time distribution reports be maintained by all CDBG personnel. The amount of salaries for which reimbursement is requested should reflect only the equitable portion of the employee's time that was spent on CDBG activities.	2,520
	12. During our review of the Grantee Performance Report (GPR) it was noted that $3,635 was included as part of the amount reported as Relocation—Displacement/Replacement (Communitywide) under activity number 1.20. This expenditure was for temporary relocation and should have been included as part of activity 1.12. Rehabilitation and replacement are two distinct activities and should be reported as such. Careful review of the GPR, and the supporting schedules used to prepare the report will improve the accuracy and reliability of the GPR.	—
		$2,520

Program	Finding/Noncompliance	Questioned Costs
E.P.A. 66.418	13. During our review of the matching requirements, it was noted that the County requested reimbursement for ineligible costs incurred. The County subsequently discovered the error and has been issuing credits against future requests for reimbursement up to the amount of the overpayment. Therefore, as a result of the above actions taken by the County, there are no questioned costs to report. We recommend that all requests for reimbursements be thoroughly reviewed prior to submission to the granting agencies.	—

July 20, 1989

Certified Public Accountants
Tampa City Center, Suite 3000
201 North Franklin Street
Tampa, Florida 33602

Gentlemen:

This is in response to your Schedule of Findings and Questioned Costs as related to the audit of federal and state financial programs as required by the Single Audit Act for the fiscal year ended September 30, 1988.

Finding Number	Response
1.	The County contracted with David M. Griffith and Associates, Ltd., to prepare a cost allocation plan for the year ended September 30, 1987. That document was certified by Edwin J. Hunzeker, Assistant County Administrator for Fiscal Policy and Budget, on March 9, 1989, and by Foster Aldridge, Chief Deputy Clerk, Hillsborough County Board of County Commissioners, on March 14, 1989. It is the County Administrator's intent to update the OMB A-87 cost allocation plan on a regular basis. In addition, the County contracted for preparation of a Full Cost, Cost Allocation Plan for the same fiscal year (FY 1986-87). The Full Cost Plan will allow the County to identify the appropriate reimbursement for County enterprise activities and other services where Federal restrictions on "allowable costs" do not apply.
2.	Hillsborough County Planning and Zoning Department CDBG staff will develop a system that will enable staff to meet the requirements of OMB Circular A-128. This system will feature DHUD prescribed mechanisms for meeting the OMB Circular A-128 requirements. All subrecipients receiving greater than $25,000 in CDBG assistance, will be required to submit a minimum of one audit in the fiscal year. It will be clearly specified to the subrecipients the time frame that the audit is to cover and the dates that reports are to be submitted to the County. Each department monitoring a grant will review the audits to assure that they were conducted according to requirements described in OMB Circular Letter A-128 and OMB Circular Letter A-110.
3.	For some time the Capital Projects Department was under the impression that Labor Standards Interviews were being conducted by the Minority Business Enterprise Department. In late 1988 it was determined that this was not the case. Immediate steps were taken to place this work into the scope of one of the County's management consultants, as Capital Projects Department did not have the staffing to do this. The consultant began site visits/interviews in February 1989. The standard forms are used to interview contractor employees at each EPA project. Capital Projects Department staff follows up when there are discrepancies between the interview and the certified payroll.
4.	The County will initiate the following procedures in order to raise the average daily attendance (ADA) as required by the grant award: 1. The County will begin mass recruitment in June 1989 and schedule evening enrollment round ups in August 1989 to maintain 85% ADA. 2. The County will attempt to fill vacancies within 10 days after they occur. 3. The County will conduct home visits with families of children who have accumulated three days of unexcused absences.
5.	As a means of detecting and eliminating possible errors, a procedure has been established so that payroll is prepared by an Executive Secretary at the program level and reviewed by an Accounting Clerk at the department level. The error noted in the finding has been corrected.
6.	Children's Services staff members responsible for preparing this report have been reminded to prepare and submit the Provider Budget/Expenditure Report within the 30 day time limit following the end of the quarter. Should it not be possible to comply with the prescribed time limit regarding submission of the financial report, an extension will be requested from the granting agency.
7.	Community Action Agency staff has been reminded that it is imperative that all notices of Board of Directors meetings be mailed at least seven (7) days prior to the date that the meeting is scheduled.
8.	In a number of client files, the intake worker noted that they had checked documentation, but a copy of the documentation had not been placed in the file. Staff will be informed on the correct procedure to follow when income documentation has been seen and verified, but a copy is not available for filing. Supervisory staff have been advised on how to properly complete the self-declaration of income documentation in certifying client eligibility. Assistance will be offered to train staff on how to effectively complete the Community Services Block Grant Client

(continued)

Finding Number	Response
	Application Form. All programs funded under the Community Services Block Grant will be required to post notices of the type of documentation needed to certify eligibility.
	All programs receiving CSBG funds maintain client files at their site locations. Standard procedure requires each worker to check case files on each client requesting services to avoid duplications.
9.	A memo will be sent to all programs receiving funds from the Community Services Block Grant reminding them that a visit by anyone being denied assistance should be documented through the completion of a client intake application clearly stating the reason for denial.
10.	During weekly staff meetings, counselors have been reminded to double check calculations and the recording of amounts to avoid errors. The error noted in the audit was not a calculation error but rather an error in copying an amount from one form to another.
	Throughout the year, counselors process close to 3,000 cases (approximately 1,500 housed and 1,400 new certifications annually). Each new certification requires from two to five final calculations. Each housed client requires from six to eight final calculations. The products of these calculations must then be copied on numerous documents, such as contracts, leases, HUD forms, data sheets, computer sheets, etc.
11.	CDBG staff has held several meetings with the Plant City Community Development (CD) Coordinator, and has reviewed numerous records including payroll records, work-time sheets and in-house accounting records. CDBG staff has determined that $2,520.37 of the questioned amount of $17,912 that was requested by Plant City for reimbursement is ineligible. Plant City has agreed to repay the amount of $2,520.37.
12.	An amount of $3,635 has been inappropriately placed under Activity (i.e., line item) Number 1.20, "Relocation" in the Grantee Performance Report Activity Summary (HUD-4949.2). This $3,635 was expended for temporary relocations to provide interim living quarters for families whose houses were being rehabilitated. Hence, it is appropriate to include this amount under Activity Number 1.12, "Rehabilitation: Single Family Residential (Community-wide)." The necessary changes were made, as the $3,635 was subtracted from columns g and h, "Expended This Reporting Period" and "Total Expended To Date" under Activity Number 1.20, and added to these columns under Activity Number 1.12. The Department of Housing and Urban Development (DHUD) was notified of this problem immediately.
13.	When the supervisor discovered that a reimbursement request had been submitted for ineligible costs, she established internal control procedures to prevent that from happening again. The request for reimbursement is closely reviewed by the supervisor, also a Status of EPA Grant Construction contract report that details the total EPA eligible and the amount of the EPA share for each contractor has been developed to facilitate the correct submittal of reimbursement requests.

Sincerely,

[Signature]
Clerk of Circuit Court

November 3, 1989

To the Board of Commissioners of
Multnomah County, Oregon
Portland, Oregon

Single Audit Opinion on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs.

We have audited Multnomah County, Oregon, compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1989. The management of Multnomah County, Oregon, is responsible for Multnomah County, Oregon, compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Multnomah County, Oregon, compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Multnomah County, Oregon, complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1989.

[Signature]

MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS—FOR THE YEAR ENDED JUNE 30, 1989

Program:	CFDA #'s 13.667 Social Services Block Grant and 13.992 Alcohol, Drug Abuse and Mental Health Block Grant
	Intergovernmental Agreement

Finding: The Intergovernmental Agreement indicates that the County and the State have joint responsibility for compliance monitoring of subcontractors. In fiscal 1988, in response to this requirement, the County established a plan for monitoring subcontractor compliance. As part of this plan, the County was to perform annual contract compliance reviews. The County has been unable to fully implement its plan and has fallen behind in its performance of the annual contract compliance reviews. Specifically, we noted that out of 15 subcontractors tested, five subcontractors had not received an annual review.

Recommendation: The County should take the necessary steps to insure full implementation and compliance with its monitoring plan.

Questioned Cost: $0

Multnomah County Response: Because the Social Services Division is committed to comprehensive monitoring of subcontracted services and providers, we have maintained our goal of reviewing each subcontractor annually for compliance with contract requirements even though we were unable to meet that goal during the first two years. In May of 1989, we were finally able to add staff to conduct these reviews and have finally caught up with the schedule.

Program: CFDA #'s 13.667 Social Services Block Grant and 13.992 Alcohol, Drug Abuse and Mental Health Block Grant
Intergovernmental Agreement

Finding: The County's Social Services Division (SSD) has not been performing complete and timely reconciliations of its records to the County's general ledger (LGFS). The lack of an adequate reconciliation process increases the potential that errors or inappropriate transactions will not be detected in a timely manner. The Single Audit Act of 1984 and other Federal regulations require the maintenance of an adequate system of internal control.

Recommendation: The County's Finance Division and the SSD should jointly develop a monthly or quarterly fiscal monitoring and reconciliation system that is timely and provides appropriate controls to assure the accuracy of reports to grantors.

Questioned Cost: $0

Multnomah County Response: Although this finding refers to timely and regular reconciliation between SSD and Finance, internal controls and accuracy of reports to grantors, our understanding is that the age of outstanding payables and receivables on our Mental Health grant was the primary concern. The State Mental Health Division has acknowledged responsibility for this lack of timely closure. We are working with the State to resolve these outstanding desk audits; in the meantime, we have developed a spreadsheet to use in communicating all Mental Health grant transactions in the balance sheet to Finance so that regular reconciliations can occur.

Program: CFDA #'s 13.667 Social Services Block Grant and 13.992 Alcohol, Drug Abuse and Mental Health Block Grant

Finding: The County is required to limit the number of residents in state psychiatric hospitals to an average daily population of 188 in accordance with the Intergovernmental Agreement with the State of Oregon. The County has been unable to stay within this limit.

Recommendation: The County should adhere to the effective limit established by the State. Accordingly, greater efforts should be taken to monitor this requirement and ensure that it is not violated. Alternatively, the County and State should agree on some other more appropriate limit. This recommendation repeats a recommendation from the prior year.

Questioned Cost: $0

Multnomah County Response: We would note that Social Services Division is in the third year of the State contract which established this requirement. Our response is the same as our prior year response: that ADP is beyond County control and is the State's responsibility as substantiated in the Paul Ahr report. The Capitation Project (which we started last year) has in fact reduced hospital stays for those clients in the project, but they have been replaced by more new clients. We do not anticipate an improvement without a variety of significant societal changes and increases in funding. Negotiations with the State to eliminate this requirement/limitation in the 89/91 Biennial Agreement were unsuccessful.

Program: CFDA #'s 13.667 Social Services Block Grant and 13.992 Alcohol, Drug Abuse and Mental Health Block Grant

Finding: The State requires the County to abide by the standards and policies which relate to the energy conservation plan issued to comply with the Energy Policy and Conservation Act (PL 94-165). All County subcontracts must require similar compliance. In addition, the State requires the County to comply with applicable standards related to the Clean Air Act, certain Executive Orders, and regulations published by the EPA. The County must inform the State of subcontractor infractions. The County must require similar compliance in all County subcontracts for this grant.

The County indicated that it has been unable to secure the documents from the State that are necessary to follow the requirements. The County has requested the appropriate regulations from the State.

The acceptance of a requirement to follow regulations implies that those regulations should be reasonably available to the County. Also, the acceptance of responsibility to follow certain laws and regulations by the County implies a responsibility to monitor the compliance of its subcontractors.

The County has asserted that it has been unable to monitor subcontractors because of its inability to get information about the regulations.

Recommendation: The County should continue to seek all documents necessary to understand its compliance requirements. The County should provide those documents to its

(continued)

subcontractors. Additionally, the County should initiate formal procedures to monitor subcontractor compliance. This recommendation repeats a recommendation in the prior year.

Questioned Cost: $0

Multnomah County Response: Social Services Division concurs with the finding. We continue to seek the information from the State Mental Health Division. We did not include these requirements in our 87/88 subcontract agreements because we could not provide the information to subcontractors or monitor their compliance. We did include the requirement in our FY 88/89 subcontract agreements per State request. We will add the items to our contract compliance review checklist once we have received and passed to subcontractors the information cited.

Program: CFDA #13.714 Medical Assistance Program Intergovernmental Agreement

Finding: We noted that one patient file, out of the ten files reviewed, did not contain a SSD512 Report "Services and Financial Summary" which is required to be maintained in the patient's file.

Recommendation: A file checklist should be developed that list all required forms and reports. When a patient file is completed, a copy of the checklist should be filled out, signed off and inserted in each patient's file. This control procedure should reduce the risk of these types of errors occurring in the future.

Questioned Cost: $0

Multnomah County Response: It does not seem efficient to create another mandatory form that would be required to be in every client file to fix a problem that does not appear to be widespread (i.e., 10% of cases reviewed).

ASD is instituting a new supervisory case review process that will require a checklist to be completed for reviewed cases. We will analyze the outcomes of supervisory case reviews to determine any corrective action necessary for file documentation.

Program: CFDA #13.224 Community Health Centers

Finding: While reviewing patient medical charts we noted that the fee charged, in two out of the ten charts reviewed, differed from the authorized fee schedule. Note that the dollar impact of these errors was $1.00.

Recommendation: Procedures should be established to ensure that fees charged are in accordance with the authorized fee schedule. *Note:* Subsequent to the date of the noted deficiency, the County implemented a new system designed to facilitate charging of the proper fees.

Questioned Cost: $0

Multnomah County Response: As noted, subsequent to the date of the deficiency, a system was implemented which provides controls to ensure charging of correct fees.

Program: CFDA #13.224 Community Health Centers

Finding: A clinic fee registration form, which is required to be completed by patients prior to receiving medical services, was missing in eight out of the ten patient charts reviewed.

Recommendation: Procedures should be established to ensure that all required forms are completed in a timely manner and retained in the patient files.

Questioned Cost: $0

Multnomah County Response: The charts sampled were for clients of the Burnside Clinic where staff have assumed that clients are indigent. A procedure will be implemented to ensure required documentation of income screening is filed.

Program: U.S. Marshal Contract

Finding: We noted that the billing report MJDA491P used by the County to track and calculate the number of prisoner days per month was different from U.S. Marshal's count for nine of the ten months we analyzed. We understand that the County relied on the U.S. Marshal's count when differences between the counts arose. We were informed that errors in the count were primarily attributed to staff lacking the necessary knowledge and experience to properly classify prisoners as Federal or other.

Recommendation: The classification of prisoners as either Federal and County for the U.S. Marshal billings should be performed by knowledgeable personnel. Additionally, the County should compare its count with that of the Federal Marshal on a daily basis to help speed billing at month-end.

Questioned Cost: $0

Multnomah County Response: In the past the calculations conducted by the U.S. Marshal staff were the basis for identifying which prisoners were under the Marshal jurisdiction and/or State jurisdiction. Beginning in July of 1989 Corrections Records staff assumed the responsibility of identifying and tracking U.S. Marshal prisoners on a daily basis. The original billing report, MJDA491P, was modified to display additional charge and disposition information regarding U.S. Marshal prisoners housed at MCDC. Procedures were implemented to provide daily billing calculations to U.S. Marshal staff. U.S. Marshal staff now have the opportunity to review the calculations daily and respond immediately, thus eliminating discrepancies once the final bill is submitted.

As of this date, daily communications between Corrections Records and U.S. Marshal staff should eliminate the extreme delay between billing and receipt of payment.

Program: U.S. Marshal Program

Finding: A new contract between the U.S. Marshal and Multnomah County became effective October 1, 1988 increasing the housing rate for federal prisoners at the Justice Center from $80.50 to $97.55 per prisoner, per day. For the months of October and November 1988 the County billed the U.S. Marshal at the new rate of $97.55 but received payment based on the old rate, resulting in an unpaid balance of $35,096.70. The amount continues to remain outstanding beyond

June 30, 1989. We reviewed correspondence and discussed the situation with County personnel and found that very little action had been taken to resolve this discrepancy.

Recommendation: The Fiscal Unit of the Sheriff's Office should investigate differences between amounts billed and received from the U.S. Marshal on a timely basis so that all funds owed to the County are collected and made available for use as soon as possible. Additionally, by identifying differences early, the County will be able to take appropriate action.

Questioned Cost: $0

Multnomah County Response: The audit refers to a difference in the amount billed and paid of $35,096.70 for the months October and November, 1988. The difference was caused by the Federal Marshal paying the old per diem rate even though the new contract with the higher rate was effective October 1, 1988. The Contract was not finalized until the end of January 1989 due to questions regarding how the per diem was calculated. The Federal Marshal was not going to pay until the contract was completed, thus, the payment was delayed. The difference has since been paid in full.

In order to accomplish the goal of an efficient billing process, commencing with the month of May 1989, the Fiscal Unit of the Sheriff's Office was assigned to assist in the preparation of billings. The process is quite detailed and required participation from the Fiscal Unit, Corrections Detection/Warrant Unit and personnel from the Federal Marshal's Office. The billings have been sent out from the month of July to current on the average of within 10 working days after the close of the previous month and all payments, except for the month of December 1989, have been received. The system is working well at this point, and the Fiscal Unit will continue to review the billings to ensure that the bills are sent, and payments are received, within a timely manner.

Program: CFDA #81.042 Weatherization Assistance for Low-Income Persons

Finding: During fiscal year 1989 the County Department of Human Services, which administered the weatherization program, did not have adequate controls to ensure that its subcontractors were administering the weatherization assistance program in compliance with the Single Audit Act of 1984 and with specific contract provisions. For example, we noted the following weaknesses in internal control:

- The Department's failure to perform program reviews or verify allowability of expenditures made by its subgrantees.
- The Department's failure to investigate the differences between weatherization rebates applied for and actual rebates received from utility companies.

The lack of adequate supervisory controls increase the potential for errors or irregularities by the County's subgrantees.

Recommendation: The County's Weatherization Assistance Program must strengthen its supervisory controls to ensure that its subgrantees are administering the Weatherization Program in compliance with specific contract provisions and Federal and State Acts.

Questioned Cost: $0

Multnomah County Response: We would concur that in FY 88-89 the DHS Director's office was not adequately staffed to ensure that its subcontractors were administering the Weatherization Assistance Program in compliance with the Single Audit Act and specific contract provisions. Because there was only 1.0 FTE assigned to this contract in FY 88-89, in addition to other duties, DHS was unable to perform program reviews or verify allowability of expenditures by its subgrantees.

For FY 89-90, the Weatherization Program has been restructured, with the County directly operating the program rather than contracting out all functions. This has allowed the newly established Community Action Program Office (CAPO) to conduct ongoing program reviews of its installation subcontractors, and has funded staff for fiscal monitoring. These changes, we believe, have significantly reduced the potential for errors or irregularities by our subcontractors, and enabled CAPO to ensure that subcontractors are in compliance with specific contract provisions and federal acts.

It is not possible to investigate "the differences between rebates applied for and actual rebates received from utility companies." So long as they are operating within the rules established by the private utility commission, utilities have the discretion to determine what they will pay for a rebate and what they may choose to disallow.

Program: CFDA #81.042 Weatherization Assistance for Low-Income Persons

Finding: During fiscal year 1989, Multnomah County's Weatherization Assistance Program was continually late in filing its monthly weatherization financial and program reports with the State Community Services. This violates the contract between Multnomah County and the State. We discussed this noncompliance issue with County officials who stated that the primary reason for the delays was that the County's subgrantee Metropolitan Community Action (MCA) could not provide Multnomah County with timely information.

Recommendation: The County's Department of Human Services should consider withholding funds from its subgrantees whenever the subgrantees are unable to provide timely financial and program reports. This should help to eliminate the County's risk of being held responsible for its subgrantee's negligence.

Questioned Cost: $0

Multnomah County Response: In FY 89-90, the DHS Director's office did, as recommended, withhold funds from its subgrantees when they were unable to provide timely financial and prog-

(continued)

ram reports. This had only limited success. This problem has been eliminated for FY 89-90 with respect to the Weatherization Program. As a result of the restructuring mentioned above, the County directly prepares all program and fiscal reports and no longer depends on its subgrantees for this work. The delinquency in reporting should be eliminated for FY 89-90.

Program: CFDA #81.042 Weatherization Assistance for Low-Income Persons

Finding: During fiscal year 1989 Multnomah County's Department of Human Services entered into a payroll agreement with its main subcontractor (Metropolitan Community Action) whereby the subcontractor paid the full salary of the employee who acted as a liaison between the Department and the subcontractor and who spent 100% of his time dealing with the subcontractor. His entire salary was charged to Weatherization Assistance even though the Department had instructed the subcontractor to charge his salary to general County funds. Thus, the employee's salary was inappropriately allocated to the Weatherization Program.

Recommendation: The Department of Human Services must assure that proper cost allocations among programs are being made.

Questioned Cost: The employee's salary of approximately $15,000 for fiscal year 1989, less the appropriate allocation to the Weatherization Assistance program included in the employee's salary, is a questioned cost. An exact amount cannot be estimated due to incomplete time records for this individual.

Multnomah County Response: Metropolitan Community Action (MCA) had been instructed to charge the entire amount of the salary for the liaison employee between MCA and DHS to the County General Fund.

The County General Fund has absorbed the costs of this employee and the contractor was able to substantiate other allowable costs to replace these questioned costs.

MULTNOMAH COUNTY, OREGON

UPDATE OF THE SCHEDULE OF FINDINGS—FOR THE YEAR ENDED JUNE 30, 1988

Program: CFDA #13.714 Medical

Finding: Form 458A "Financial Planning for Title XIX Nursing Facilities" which is required to be maintained in the client's file was missing. The incident was explained as the patient being a social security beneficiary and state referred. However, technically the form appears to be still required.

Recommendation: Form 458A "Financial Planning for Title XIX Nursing Facilities" should be used in all cases.

Questioned Cost: $0

Multnomah County Response: Form 458A "Financial Planning for Title XIX Nursing Facilities" is required for all nursing facility clients being funded by Title XIX. Therefore we will comply, and reemphasize its necessity to effected staff.

1989 Update: No such instances of noncompliance were noted in the 1989 examination.

Program: CFDA #13.714 Medical

Finding: Within Title XIX we noted that a patient's file reflected a break in RN monitoring for a period of approximately four and one-half months which is greater than sixty day maximum allowed. County personnel attributed the delay to a very heavy work load during this period of time.

Recommendation: The RN department should continue to monitor patient files within the sixty day time frame and if necessary the County should consider hiring additional part-time staff in order to properly staff the operation during heavy workload.

Questioned Cost: $0

Multnomah County Response: There is a sixty-day RN review requirement for clients receiving in-home services when they are dependent in any activity of daily living. The RN's who perform this function are under contract with Senior Services Division of the State of Oregon. It is however, the case manager's responsibility to assure the initial assessment and that the sixty-day review occurs. ASD will assure there is adequate RN contracted hours to meet this requirement.

1989 Update: No such instances of noncompliance were noted in the 1989 examination.

Program: CFDA #13.635 Special Programs for the Aging—Title III, Part C—Nutrition Services

Finding: The Intergovernmental Agreement requires the Aging Services Division (ASD) nutrition contractor menus to be reviewed and approved by a registered dietitian on a weekly basis and the approved menu filed in the contractor's files. There were several instances where the weekly menus had not been approved. Additionally, no menus were found for the period of July 1 to December 31 for the Japanese Ancestral Society files.

Recommendation: We recommend that all documents requiring approval in accordance with the intergovernmental agreement or other binding agreements or regulations be formally approved (signature or initials) and properly filed. Management should assure compliance with such arrangements.

Questioned Cost: $0

Multnomah County Response: The procedures implemented beginning July 1, 1988 to meet the requirement that a Registered Dietitian approve nutrition contractor menus is as follows:

a. Each contractor submits its proposed menus to ASD 1 month in advance.

b. The menus are sent to a Registered Dietitian (a contract employee for ASD), for review and comment.

c. The Registered Dietitian reviews the menus, dates and signs them on the front page of each batch received, and returns them to ASD with comments or questions, if any.

d. The signed menus are filed in each nutrition provider's contract file.

A log is maintained by the Program Development Specialist showing the dates:

—Menus are received by ASD;
—Menus are sent to the Registered Dietitian:
—Menus are returned to ASD by the Registered Dietitian.

1989 Update: No such instances of noncompliance were noted in the 1989 examination.

Program: CFDA #13.667 Social Services Block Grant—Intergovernmental Agreement

Finding: The County is required to limit the number of residents in state psychiatric hospitals to an average daily population of 188 in accordance with the intergovernmental agreement with the State of Oregon. The County has been unable to maintain this requirement.

Recommendation: The County should adhere to the effective limit established by the State. Accordingly, greater efforts should be taken to monitor this requirement and ensure that it is not violated.

Questioned Cost: $0

Multnomah County Response: We would note that Social Services Division is in the second year of the State contract which established this requirement. Our response is the same as our prior year response: that ADP is beyond County control and is the State's responsibility as substantiated in the Paul Ahr report. The Capitation Project (which we started last year) has *in fact reduced hospital stays for* those clients in the project, but they have been replaced by more new clients. We do not anticipate an improvement without a variety of significant societal changes and increases in funding. We will negotiate with the State to eliminate this requirement/limitation in the 89/91 Biennial Agreement.

1989 Update: The County was not able to consistently adhere to this requirement during the fiscal year 1989. See reissued finding in the current year findings section.

Program: CFDA #13.667 Social Services Block Grant and CFDA #13.992 Alcohol and Drug and Mental Health Services Block Grant

Finding: The State requires the County to abide by the standards and policies which relate to energy conservation plan issued to comply with the Energy Policy and Conservation Act (PL94-165). All County subcontracts must require similar compliance. In addition, the State requires the County to comply with applicable standards related to the Clean Air Act, certain Executive Orders, and regulations published by the EPA. The County must inform the State of subcontractor infractions. The County must require similar compliance in all County subcontracts.

The County indicated that it has been unable to secure the documents from the State that are necessary to follow the requirements. The County has requested the appropriate regulations from the State. Its most recent request was in a letter to the State Mental Health Division on August 12, 1988.

The acceptance of a requirement to follow regulations implies that those regulations should be reasonably available to the County. Also, the acceptance of responsibility to follow certain laws and regulations by the County implies a responsibility to monitor the compliance of its subcontractors.

The County has asserted that it has been unable to monitor subcontractors because of its inability to get information about the regulations.

Recommendation: The County should continue to seek all documents necessary to understand its compliance requirements. The County should provide those documents to its subcontractors. Additionally, the County should initiate formal procedures to monitor subcontractor compliance.

Questioned Cost: $0

Multnomah County Response: Social Services Division concurs with the finding. We continue to seek the information from the State Mental Health Division. We did not include these requirements in our 87/88 subcontract agreements because we could not provide the information to subcontractors or monitor their compliance. We did include the requirement in our FY 88/89 subcontract agreements *per State request*. We will add the items to our contract compliance review checklist once we have received and passed to subcontractors the information cited.

1989 Update: The County has still not received the information from the State. See reissued finding in the current year findings section.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Supervisors
County of Contra Costa, California:

We have audited the County of Contra Costa, California's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions as identified in the attachment; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the notes to the schedule of federal financial assistance, for the year ended June 30, 1989. The management of the County is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the County complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions as identified in the attachment; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1989.

This report is intended for the information of the County management, certain federal agencies and the California State Controller's Office, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

December 1, 1989

COUNTY OF CONTRA COSTA, CALIFORNIA

SPECIAL TESTS AND PROVISIONS—ATTACHMENT

Program	Compliance Requirement
Child Support Enforcement	The County agency must attempt to establish the paternity of any child for whom there is an assignment of rights or of any child for whom there is an application for services.
	The state must attempt to locate absent parents through the establishment and utilization of (1) a central state parent locator service; (2) state and local "locate" services; (3) written procedures for accepting application from authorized persons to use the parent locator services; and (4) utilization, when necessary, of the federal Parent Locator Service, provided it has developed and uses measures to safeguard information transmitted and received through that service. This responsibility has been delegated to the County by the state.
	The state must establish support obligations for any child for whom there is an assignment of rights or whom an application for services has been received and who has not previously had a child support obligation established under state law. This responsibility has been delegated to the County by the state.
	The state must attempt to enforce all child support obligations by identifying and contacting obligators and enforcing delinquent obligations. This responsibility has been delegated to the County by the state.
	The County must distribute child support collections in compliance with state requirements. This responsibility has been delegated to the County by the state.
Food Stamp Program	The state is required to maintain adequate security over the "Authorization to Purchase" and food stamps. This responsibility has been delegated to the County by the state.
Community Development Block Grant	Funds cannot be obligated or expended before receipt of HUD's approval of a Request for Release of Funds (RROF) and environmental certification.
	Projects must have an environmental review made unless they meet criteria specified in the CFR that would exclude them from the requirement.
	The grantee must accurately account for any program income generated from the use of CDBG funds, including income from older, closed out projects that were funded under predecessor programs, and return the income to the CDBG program.

COUNTY OF CONTRA COSTA, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1989

FOOD STAMPS (10.551)

Finding #1

We noted the following federal reports were filed late:

- One of the 12 monthly reports reviewed, "Food Coupon Accountability Report" (FNS-250) was submitted two days late.
- One of the 12 monthly reports reviewed, "Authorize to Purchase Reconciliation Report" (FNS-46), was filed one day late. State regulations require that these reports be submitted to the State within 60 days after the end of the month.

Implication

The County is not in compliance with federal report filing requirements. Late filings could delay the reimbursement of claims.

Recommendation

The County should emphasize timely filing of federal reports and address those problems which result in reporting delays.

Response

Concur. The County is addressing the problems noted.

FOSTER CARE—TITLE IV-E (13.658)

Finding #1

We reviewed the monthly claim reports for aid type 42 (assistance payments) and aid type 43 (emergency assistance payments), and noted that 10 of the 12 claims examined for each aid type were received late by the State Department of Social Services (SDSS).

Implication

The County is not in compliance with report filing requirements.

Recommendation

In order to comply with state regulations, the claim reports should be completed, signed and sent to SDSS so they receive it by the eighth working day of the month following the reporting month. The State has unofficially extended the due dates for the monthly reports to 20 calendar days after the end of the month. However, the County should make every effort to comply with the official due dates.

Response

Concur. As noted in previous audit reports, the County's aid claim reports are filed within the timeframe established by the pass-through grantor, the State Department of Social Services.

Finding #2

We reviewed 70 foster care case files and noted that the following documents supporting the child's eligibility were missing or not properly completed. Listed below are the documents:

- In five files, the "Initiating Authorization Document Form" (278 LMI-BI) was missing. For children entered into the system after 1979, this document is the authorization which initially places the child's data into the tracking system.
- In four files, the "Determination of Federal AFDC-FC Eligibility Form" (FC-3) was missing; in 18 files, the FC-3 was not updated every six months; and in one case, not all answers were marked "Yes" on the FC-3. This could indicate that the child is ineligible for aid; all answers must be marked "Yes" for the child to be eligible to receive aid. Without this document properly completed, the child could be ineligible but still receive aid.
- In three files, we could not locate documentation verifying the child's social security number.
- Questioned costs: $6,722.

Implication

The case files do not contain the required documents to support the eligibility of the children.

Recommendation

The County should periodically review the contents of the case files to ensure they are complete. We recommend that the files be reviewed whenever a status change occurs. The County should also remind the eligibility workers that the documents listed above should be placed in each case file to support the child's eligibility. For the specific cases referenced above, we recommend that the County obtain or recreate the missing documents.

Response

Foster Care cases are registered on-line by clerical staff. Therefore, there will be no copy of the Form LMI-BI in the case record because no paper document was used.

With respect to the other documents noted in the finding, a meeting of the Foster Care committee will focus on the need for complete documentation and how to communicate this need to the case workers.

Finding #3

We reviewed 70 foster care case files and noted that certain files contained documents lacking the required signatures:

- Two "Certification of AFDC-FC Requirements Forms" (Soc158) were not signed. When changes are made to the information pertaining to the child, a new Soc158 is prepared and entered into the system. The lack of a signature could indicate an unauthorized change to the child's file.
- One "Statement of Facts Supporting Eligibility for Foster Care Form" (FC-2) was not signed. This mandatory state form is used to reassess the child's eligibility for federal foster care funds.
- One "Application for Public Assistance Form" (CA-1) was not signed. The lack of a signature could indicate that the information provided is not correct and/or that the applicant might not agree to provide certain necessary information.
- One "Initiating Authorization Document Form" (278 LMI-BI) was not signed. This could indicate that the case was not reviewed by the caseworker at time of intake.

Implication

Missing signatures on the above documents could indicate that the documents were not reviewed or were not authorized.

Recommendation

Before placing a document into the file or inputting the document into the system, it should be signed and reviewed by an authorized employee. In addition, the importance of all required signatures being present on the documents should be stressed to the case workers.

Response

Concur. Certification of AFDC-FC Requirements Form (Soc158) is the responsibility of Service Technicians. A memo will be issued by the Children's Program Analyst which will emphasize the importance, as well as the requirement, that this document must be signed to authorize change.

The "Statement of Fact Supporting Eligibility for Foster Care Form" (FC-2) is a function of the social workers. The requirement of a signature on this form will be discussed in the FR/PP committee meeting with the Service Supervisors who will review this requirement with the appropriate social workers.

The next two items, "Application for Public Assistance Form" (CA-1) and the "Initiating Authorization Document Form" (278 LMI-BI) will be discussed at the monthly Foster Care committee meeting with the Foster Care Supervisors. They will be instructed to review the requirement that forms be reviewed and signed.

Finding #4

We reviewed 70 foster care case files and noted the following documents regarding the child's future were missing from the files:

- In nine cases, the service plan could not be located. The service plan is used to document the program of action regarding the child's future.
- In seven cases, no assessment form could be found. The assessment of the child's current status is needed to support the actions detailed in the service plan.
- In one case, the initial assessment form was dated and placed in the file within the 30-day time limit but the form was left blank.

Implication

The County is not in compliance with state regulations requiring a service plan and assessment be completed for every case within 30 days of placement.

Recommendation

The County should periodically review the contents of the case files to ensure they are complete and updated.

Response

Concur. The long term goal regarding the service plan and assessment is to combine these into a new court report format. We are in the process of requesting approval for the revised format from the court.

In the interim, the importance of this problem will be reviewed at the FR/PP committee meeting. The supervisors will review the necessity for an assessment and service plan with their service workers.

Finding #5

We reviewed 70 foster care case files and noted the following documents indicate that certain required procedures were not performed within the proper time period:

- In two cases, the records of contact were not updated within six months. General AFDC-FC requirements state that the child must be visited regularly, at least once every six months with the visits documented on the records of contact.
- In 13 cases, the records of contact documenting visits with the child were missing from the files.
- In 15 cases, the reassessment form, which updates the status of the assessment and service plan, was not filed within the six-month time period. General AFDC-FC requirements state that a periodic review of the child's situation be conducted at least every six months.
- In one case, the reassessment form was dated and placed in the file on a timely basis but the form was left blank.

Implication

Required procedures are not being performed on a timely basis, resulting in the County not being in compliance with regulations.

Recommendation

To ensure that all case files contain the required documentation, we recommend that the cases be appropriately followed up and the current monitoring system be implemented.

Response

Records of Contact is the place in which documentation is usually located. However, documentation regarding visits and reassessments may be located within the Soc158 form. When we receive the working papers identifying error cases we will determine the corrective action necessary if we are unable to locate documentation. In addition, the general problem of timely filing various documents will be discussed at a future FF/PP committee meeting.

Finding #6

We reviewed 70 foster care case files and noted that the following service documents were missing from the files:

- In three cases, a copy of the original petition that resulted in the child's removal could not be found. The petition documents the reasons for the child's removal.
- In two cases, the court order/detaining order that removed the child could not be found. The court order/detaining order authorizes the County to remove the child from his/her parents.

Implication

Proper service and legal procedures are not being followed in compliance with regulations.

Recommendation

To ensure compliance with service and legal procedures, these situations should be appropriately resolved.

Response

Concur. These items will be discussed in the FR/PP committee meeting. A permanent filing location in the case record will be determined for the most current petition. The Program Analyst will also advise the committee that copies of documents pertaining to all siblings be placed in each of their respective cases.

Records of Contact are the forms on which documentation of case information is recorded. We will review these cases and determine the appropriate corrective action. This area of concern will be discussed at the FR/PP committee meeting. Supervisors will be advised to look for this finding during case reviews.

Finding #7

We noted that in 18 of the 70 cases examined, the permanency planning hearing was not held within 12 months, as is required by the Welfare and Institutional Code Section 366.25(a), but rather within 18 months of the original dispositional hearing.

Implication

The County is not in compliance with federal and state regulations.

Recommendation

The County should make every effort to conduct the permanency planning hearings within 12 months of the dispositional hearing. We noted that the *California-SDSS-Manual,* Section 45-201.43 only discusses the 18-month limit from initial placement but makes no mention of the 12-month limit from the dispositional hearing mentioned in the Welfare and Institutions Code. To clarify the ambiguity between the *California-SDSS-Manual-EAS* and the Welfare and Institutions Code, the County may wish to consult the state.

Response

Disagree. County policy with regard to the timing of permanency hearings is consistent with the requirements of the State Department of Social Services (SDSS), the County's pass-through grantor agency. Any discrepancy between state and federal requirements should be resolved on a statewide basis by the SDSS.

FAMILY SUPPORT PAYMENTS TO STATES—ASSISTANCE PAYMENTS (13.780)

Finding #1

We noted that in the 40 cases reviewed, one Case Data System (CDS) Form 278F was not signed by the caseworker and one CDS Form 278B was not signed by the caseworker. The caseworker's signature documents his/her review of the accuracy of recipient information entered into the computer system.

Implication

Failure to document the performance of control procedures may indicate that the control was not performed which may result in errors in determining eligibility and the benefits a recipient is entitled to receive.

Recommendation

All CDS Forms 278F and 278B should be reviewed and signed by the caseworkers. Supervisors should review cases on a test basis to ensure that the reviews of the Form 278F and Form 278B are occurring. In addition, the supervisor's review should be documented in the case file.

Response

Concur. A reminder will be placed in the Monthly Bulletin issued to Eligibility Work Supervisors to review with workers the need to sign CDS Form 278F and 278B if a paper document is used.

Finding #2

During our examination of administrative claims, we noted the following claims were filed late:

- All four quarterly claims were filed late. The County is required to submit quarterly administrative claims within 12 working days after the end of the quarter.
- Nine of the 12 monthly claims reviewed were filed late. The County is required to submit monthly aid claims to the State within eight working days after the end of the month.

Implication

The County is not in compliance with federal report filing requirements. Late filings could delay the reimbursement of claims.

Recommendation

The State has unofficially extended the due dates for the quarterly and monthly reports to 30 calendar days and 20 calendar days after the end of the quarter and month, respectively. However, the County should make every effort to comply with official due dates.

Response

Concur. As noted, the County continues to file the aid and administrative claim reports in accordance with the timeframes established by the pass-through grantor, the State Department of Social Services.

CHILD SUPPORT ENFORCEMENT (13.783)

Finding #1

We reviewed 30 case files and noted that in two cases a support order was established, but no support was set because the defendants had no ability to pay. Child Support Enforcement has not monitored the defendants' ability to pay.

Implication

The County is not in compliance with federal regulations that are in place to ensure that the defendants have the ability to pay.

Recommendation

The County should establish support orders and monitor defendants' ability to pay on a regular basis.

Response

Concur. The current policy in the Establishment Unit is not to establish a court order until the defendant has the ability to pay child support. We now have in place an automatic request for the updating of earned income for all our files through the Employment Development Department that is generated twice a year for each case. This enables us to monitor the defendant's ability to pay on a timely basis in all cases.

Finding #2

We noted in the October 1988, CS-280 Report that the amount of Collections Eligible for Incentives Claimed by the County was overstated due to a mathematical error. The collections were overstated by $9,452.93. As a result, federal non-AFDC incentives were overstated by $661.71.

Implication

The County received $661.71 in excess federal funding due to a mathematical error on its CS-820 Report. Questioned costs: $661.71.

Recommendation

The County should have someone other than the preparer review the compilation of the CS-820 report to ensure that data is both proper and accurate.

Response

Concur. The overstated amount of $9,452.93 was adjusted on the June 1989 CS-820 report.

Finding #3

We noted in a review of the October 1988, CS-800 Report that the amount reported as intracounty federal-unemployed collections was incorrectly recorded. The error was a transposition error. Since the CS-801, from which the CS-800 is prepared, bears the correct amount, it is likely that the error occurred when the handwritten draft of CS-800 was typed. The incentive claimed by the County was correct.

Implication

The CS-800 Report for October 1988 was inaccurate. Although the incentive claimed by the County was correct, the state claim reviewed recalculated the incentive based upon the incorrect amount of collections claimed. Thus, after the state erroneously adjusted the report, the incentive remitted to the County by the state was overstated by $5.85. Questioned costs: $5.85.

Recommendation

The County should have the final CS-800 Report compared after being typed to the handwritten draft to ensure no typing errors have occurred.

Response

Concur. Intracounty Federal-Unemployment Collections were reported as $6,108; the correct amount was $6,018. This difference, which was the result of a typographical error, was corrected on the October 1989 CS-800 report. In the future, an employee will run an adding machine total of the typed numbers to verify their accuracy.

Finding #4

We reviewed 30 case files and noted that in six cases the County had not utilized all local and state locate sources within 60 days of the case's application or referral to the County.

Implication

The County is not in compliance with federal requirements that all local and state locate sources be utilized within 60 days of application or referral.

Recommendation

We noted that the County's Child Support Enforcement, particularly the Locate Unit, is severely understaffed. This fact undoubtedly is a major contributor to the noncompliance. We acknowledge that the County is taking steps to add additional staff. As an additional measure, caseworkers should be reminded of the federal requirement and that compliance is a priority of the County's Child Support Enforcement.

Response

Concur. As noted by the auditors, the Family Support Division was significantly understaffed during the audit period. There were eleven vacancies which were not filled until September 1989. The newly hired case workers completed training in December 1989. In addition, a case opening unit has been established and will be responsible for seeing that the initial federal requirements for action have been met.

COMMUNITY DEVELOPMENT BLOCK GRANT—ENTITLEMENT GRANTS (14.218)

Finding #1

During our review of the Grantee Performance Report for 1989, we noted it was filed one day late.

Implication

The County is not in compliance with federal requirements.

Recommendation

The County should emphasize the timely filing of reports and address those problems which result in reporting delays.

Response

Concur.

JOB TRAINING PARTNERSHIP ACT (JTPA) (17.250)

Finding #1

While reviewing significant adjustments made to the general ledger, we noted one adjustment for amounts reimbursed to subrecipients for services rendered in fiscal year 1989, but which were reimbursed to the County and recorded on the general ledger for fiscal year 1990.

In this adjustment, $2,348 of the total adjustment was found to be unsupported. However, we note that this does not result in a questioned cost, as drawdowns of cash are separate from reported expenditures. Thus, it is not a questioned cost but rather an error in the preparation of the Final Status Report.

Implication

As it is unsupported, it appears that PIC has reported excess JTPA expenditures of $2,348 in fiscal year 1989.

Recommendation

We recommend that the PIC take care in making its end-of-year adjustments. We note that there is sometimes a time constraint due to close-out reports due; however, we feel that if the PIC reviewed its adjustments, the accuracy and propriety of these adjustments would be improved.

Response

Concur. A correction will be made on the next final status report.

Finding #2

We noted that ten of the JTPA programs administered by the PIC require the filing of quarterly status reports. We noted that the second quarter report for the State Education 8% program and the fourth quarter report for the Title II-B Summer Program were filed late.

Implication

The PIC is not in compliance with state reporting requirements.

Recommendation

The County should emphasize the timely filing of reports and address those problems which result in reporting delays.

Response

Concur. Adherence to reporting deadlines will be closely monitored in the future.

GENERAL FINDINGS

The following finding and recommendations relate to more than one major federal financial assistance program or to non-major programs:

Finding #1

The County's Social Service Department makes eligibility determinations for the Aid to Families with Dependent Children and Food Stamp programs. When monthly income eligibility reports are submitted to the County Social Service Department, the eligibility workers are required to review the reports, make any necessary changes to the case data system and document their review. During our compliance testwork, we noted one instance out of 40 cases reviewed in which eligibility workers did not sign the monthly income eligibility report as evidence of the performance of the review.

Implication

Failure to document the performance of control procedures may indicate that the control was either not performed or was performed incorrectly which may result in errors in determining eligibility and benefits a recipient is entitled to receive.

Recommendation

All monthly income eligibility reports should be reviewed and signed by the eligibility workers. On a test basis, supervisors should document and review cases to ensure the monthly income eligibility reports have been signed by the eligibility workers and the case data system updated to reflect the correct information.

Response

Concur. A reminder will be placed in the Monthly Bulletin issued to Eligibility Work Supervisors to review with the AFDC and Food Stamp workers the need to sign the CA-7 or document the receipt and review of the CA-7.

Finding #2

We noted that there was a transposition error between the amount claimed for the payroll department on the state-approved cost allocation plan and the amount actually allocated to different departments. As a result, the operating departments were overcharged $270. Questioned costs: $270.

Implication

The County's system of review over the cost allocation process is not functioning properly. This resulted in an overcharge to various departments and ultimately the federal government.

Recommendation

The County should compare the state approved cost allocation plan to the amounts actually allocated to the operating departments to ensure the allocations are proper.

Response

We concur that payroll costs allocated to all county departments were overstated by $270 in total. However, we do not concur with the implication that the federal government was overcharged $270 as a result. To begin with, less than 20% of County expenditures are funded by the federal government. Second, not all departments that receive federal funding use the cost allocation plan to identify costs chargeable under the grant. Finally, due to allocation limits/caps, not all costs charged to the federal government are reimbursed. Thus, it is our opinion that the actual amount overcharged to and reimbursed by the federal government was minimal, if not zero.

Finding #3

Our review of civil rights compliance for the fiscal year ended June 30, 1989 noted that there were 11 claims filed with the Equal Employment Opportunity Commission (EEOC) and two with the Department of Fair Employment & Housing (DFEH). Ten of the EEOC claims remained open at June 30, 1989. Both of the DFEH claims remained open at June 30, 1989.

Two of six cases noted during our prior year's examination remained open at June 30, 1989. Four were closed because the evidence did not support the claim or violate the related statute.

Implication

If it is determined that the above claims still outstanding at June 30, 1989 have merit, the County may be in violation of certain regulations with respect to civil rights.

Recommendation

The County should continue its current effort to ensure compliance with civil rights, including their investigation of all complaints filed.

Response

Concur. The County has and will continue to comply with federal, state and local civil rights requirements including the investigation of discrimination complaints filed with the County and with federal and state agencies.

Finding #4

The County does not separately maintain property records which show the title holder of property and the percentage of Federal participation in the cost of the property. Section 32 of the Common Rule prescribes property management procedures which require that title to federally owned non-expendable personal property remain vested in the federal government.

Implication

The County is not in compliance with federal requirements.

Recommendation

The County should modify its property management system in order to track federally purchased property separately. If the

County cannot comply, we recommend that the County obtain waiver from federal agencies.

Response

Concur. This finding is similar to that reported in our previous Single Audit Report. The County's corrective action plan, which was accepted by the State Controller's Office, indicated that fixed asset procedures would be modified in the 1989-90 fiscal year. These modifications will be implemented as scheduled.

Finding #5

The County does not have a procedure to properly identify federally funded property no longer in use. Current regulations require that the County report this information to the appropriate federal agency for disposition instructions.

Implication

The County is not in compliance with federal requirements.

Recommendation

The County should implement procedures to process unneeded federal property in accordance with federal regulations.

Response

Concur. This finding is similar to that reported in our previous Single Audit Report. The County's corrective action plan, which was accepted by the State Controller's Office, indicated that fixed asset procedures would be modified in the 1989-90 fiscal year. These modifications will be implemented as scheduled.

Finding #6

The County's Purchasing Department uses purchase orders for all purchases except where the individual county department chooses to use contracts. Purchase orders contain none of the contract provisions required by Section 36 of the Common Rule. The decision on whether to utilize contracts or purchase orders is left up to the individual County departments and the County does not centrally monitor compliance at the department level. The Common Rule prescribes certain contract provisions which must be included for all purchases, except for items purchased under the small purchases guidelines.

In addition, certain County departments have developed standard purchase contracts, including the Architectural Division of General Services and the Public Works Department. The Clean Air Act contract provision required under Section 36 of the Common Rule is not included in the standard contract.

Implication

The County is not in compliance with federal procurement guidelines.

Recommendation

We recommend that all department purchases be reviewed by the County's Purchasing Department to ensure compliance with federal regulations and that the contract provisions required by Section 36 of the Common Rule be included on all purchases which exceed the small purchases guidelines.

Response

Concur. This finding is similar to that reported in our previous Single Audit Report. The County's corrective action plan, which was accepted by the State Controller's Office, indicated that purchasing procedures would be modified in the 1989-90 fiscal year. These modifications will be implemented as scheduled.

COUNTY OF CONTRA COSTA, CALIFORNIA

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding	County Response	Present Status
FOOD STAMPS		
Late FNS-46 Report	Concur	Comment repeated
Late FNS-50 Report	Concur	Comment repeated
6.4% Error Rate	Concur	Resolved
AFDC		
Late Claims	Concur	Comment repeated
Review of Eligibility	Concur	Comment repeated
4.5% Error Rate	Concur	Resolved
Late Administrative Claims	Concur	Comment repeated
CSE		
No Follow-up	Concur	Comment repeated
Abide by Court Order	Concur	Resolved
Lost File	Concur	Comment repeated
CDBG		
No Corrective Action	Concur	Resolved
FOSTER CARE		
Late Claims	Concur	Comment repeated
Missing Documents	Concur	Comment repeated
Ineligible Payments	Concur	Comment repeated
Incomplete Case File	Concur	Comment repeated
Missing Signatures	Concur	Comment repeated
Missing Service Plans	Concur	Comment repeated
Late Service Plans	Concur	Comment repeated
Late Hearing	Concur	Resolved
No Updates	Concur	Comment repeated
JOB TRAINING PARTNERSHIP ACT		
Excess Cash	Concur	Resolved
GENERAL FINDINGS		
Civil Rights Statistics	Concur	Comment repeated
Separate Property Records	Concur	Comment repeated
Unneeded Federal Property	Concur	Comment repeated
Department Purchases	Concur	Comment repeated
Missing Signatures	Concur	Resolved

REPORT—COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

To the School Committee of the Amherst-Pelham Regional School District: October 13, 1989

In connection with our audit of the 1989 general purpose financial statements of the Amherst-Pelham Regional School District of the Commonwealth of Massachusetts (the "District"), and with our study and evaluation of the District's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, *Audits of State and Local Governments,* we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1989. As required by Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and any other special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the District's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those requirements.

This report is intended for the information of the school committee, management, and the Commonwealth of Massachusetts Department of Education (the cognizant audit agency). This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Your truly,

[Signature]
Certified Public Accountants

November 27, 1989

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO MAJOR AND NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

We have examined the general purpose financial statements of the Town of Machias, Maine, for the year ended June 30, 1989, and have issued our report thereon dated November 27, 1989. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Town of Machias, Maine, is responsible for the District's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the Town of Machias, Maine, has, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1989, the Town of Machias, Maine, administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested the Town of Machias, Maine, complies with the laws and regulations referred to in the second paragraph of our report, except as noted in the accompanying schedule of findings and questioned costs. Our testing was more limited than would be necessary to express an opinion of whether the Town of Machias, Maine, administered those programs in compliance, in all material respects, with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Town of Machias, Maine, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

TOWN OF MACHIAS, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED JUNE 30, 1989

Program	Findings/Noncompliance	Questioned Costs
1. Machias Softball Field U.S. National Park Service Passed through State Bureau of Parks and Recreation Project No.—23-00589	1. The town entered into an agreement with the National Park Service and the State Bureau of Parks and Recreation on July 11, 1985 to develop a softball field off U.S. Rte #1 on town property. The estimated project costs are as follows: Federal (Not to exceed 50% of project cost.) $15,650.00 Local Contributions 15,650.00 Total Project Cost $31,300.00	
	2. The town had in-kind contributions during FY 1987/1988 in amount of $6,993.00.	
	3. During FY 1988/1989 the town expended $8,103.11 of its remaining pledged contribution without having an article of approval for the source of this expenditure.	
	4. The amount of $8,103.11 is an unfunded cost and is reported on the General Fund Financial Balance Sheet asset section as: "Resources to be provided in future years."	$8,103.11
	5. Recommended corrections: Article in special town meeting or next regular meeting to approve source of funds for this already approved and completed project.	
2. Community Block Grant U.S. Department of HUD Passed through State Planning Office Federal CFDA number: 9024.2416 (pass through program No. 700549) Year two:	1. A Year II CBG Project of funding the transport of a "Blue Spruce" living tree from Henderson Property to Colonial Theatre parking lot was established for $1,400.00 this tree being donated by Champion.	
	2. A check was issued on January 20, 1989 for $1,400,00 to Evergreen Landscapes.	
	3. Whereas this project had not been performed the check was held and was outstanding as of close of fiscal year 6/30/89.	
	4. As of the closing of the fiscal year this item was considered a questioned cost of CBG Year II.	1,400.00
	5. Recommended correction: This project was completed subsequent to closing and therefore as of November 1989 is considered resolved. No further action is required.	
3. Community Block Grant U.S. Department of HUD Passed through State Planning Office Federal CFDA No. 9024.2416 (pass through program No. 700549) Year two:	1. A Year II CBG project of funding a design study production of a set of construction drawings and construction administration (as required) for a proposed bandstand was estimated for $3,000.00. The Rotary Club of Machias would be the materials and labor.	
	2. A check was issued on January 20, 1989 for $3,000.00 and was outstanding as of close of fiscal year 6/30/89.	

Program	Findings/Noncompliance	Questioned Costs
	3. Whereas controversy exists on the proposed location of a Machias Bandstand and	
	4. Whereas, the bandstand project remains unresolved, the check issued and processed as an expenditure. However, not released, is considered a questioned cost.	3,000.00
	5. Recommended Correction: a. Approval for original project at an agreed upon location and performance of project. b. Redirect the $3,000.00 questioned and recorded expenditure to another qualified project. c. Note: The issued check has not been released, therefore, is subject to cancellation as a "stale check" and is available for a new consideration.	
4. Prior year findings have been resolved.		-0-

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS IDENTIFYING ALL FINDINGS OF NONCOMPLIANCE AND QUESTIONED COSTS

Mr. Jack F. Quinn Jr., Supervisor
and Honorable Town Board
Town of Hamburg, New York:

We have audited the general purpose financial statements of the Town of Hamburg, New York for the year ended December 31, 1988, and have issued our report thereon dated February 27, 1989. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the *Standards for Audits of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments*, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Town of Hamburg, New York is responsible for the Town's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the Town of Hamburg, New York had, in all material respects, administered major programs, or executed nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and, the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended December 31, 1988, the Town of Hamburg, New York administered each of its major federal financial assistance programs in compliance in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected for nonmajor federal financial assistance programs indicate that for the transactions and records tested the Town of Hamburg, New York complied with the laws and regulations referred to in the second paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether the Town of Hamburg, New York administered those programs in compliance in all material respects with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Town of Hamburg, New York had not complied with laws and regulations.

[Signature]

February 27, 1989

TOWN OF HAMBURG, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED DECEMBER 31, 1988

Program Finding 1

Community Development Block Grant (14.218)

Condition: We found that the Town did not have complete supporting documentation for expenditures. In two cases, the purchase order (PO) was not attached to the voucher package. In one case the PO was attached, but was not signed by the department ordering the goods.

Criteria: All expenditures should be fully supported by complete underlying documentation.

Effect: The Town did not fully comply with their internal controls for disbursing funds.

Cause: Payment was made for expenditures that had incomplete (or no) PO's.

Recommendation: We recommend that the Town review all supporting documentation before an expenditure is paid. The documentation should be complete.

Auditee Response: The PO's should be complete and attached to the voucher package. In one case, the expenditure was for a newspaper announcement and the department sends a copy of the paper notorized in lieu of a PO, but the client agreed, they too should have a PO.

April 21, 1989

Board of Trustees
Charter Township of Delta
Lansing, Michigan

We have audited the general purpose financial statements of the Charter Township of Delta, Lansing, Michigan, for the year ended December 31, 1988, and have issued our report thereon dated April 21, 1989. Our audit was made in accordance with generally accepted auditing standards; the standards for financial audits contained in the *Government Auditing Standards*, 1988 revision, issued by the Comptroller General of the United States; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Charter Township of Delta, Lansing, Michigan, is responsible for the Township's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from the major federal financial assistance program and the nonmajor federal financial assistance program. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the Charter Township of Delta, Lansing, Michigan, had, in all material respects, administered its major program, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from the major federal financial assistance program disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the program to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended December 31, 1988, the Charter Township of Delta, Lansing, Michigan administered its major federal financial assistance program in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from the nonmajor federal financial assistance program indicate that for the transactions and records tested the Charter Township of Delta, Lansing, Michigan, complied with the laws and regulations referred to in the second paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether the Charter Township of Delta, Lansing, Michigan, administered this program in compliance in all material respects with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Charter Township of Delta, Lansing, Michigan, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]
Certified Public Accountants

CHARTER TOWNSHIP OF DELTA, LANSING, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED DECEMBER 31, 1988

Program	Finding	Questioned Cost
EPA #C262746-03	1) Certain reserves established under the terms of the contract agreements were set up for liquidated damages. As the contract settlements have accrued the remaining portion of these reserves have been used to off-set total construc-	

Program	Finding	Questioned Cost
	tion costs. These reserves have been used to off-set ineligible costs associated with the contracts. As the grant closes it may be determined that a portion of these costs would be related to eligible costs incurred which would then reduce the amount of reimbursable expenses associated with the grant. The total amount of the off-set in 1988 was $36,414.	$36,414
	2) The Township incurred costs totaling $40,900 which were deemed eligible under the terms of the contract but have not yet been included on the federal report.	
	3) One of the construction contracts previously closed out is expected to go to arbitration.	

Comments

As the final phase of the Wastewater Treatment Project is completed, minor adjustments are expected. The Township is aware of this and plans to correct these differences during the close out phase of the grant.

Recommendations

We recommend the Township continue its practice of updating the reimbursement requests as necessary when current and more accurate information becomes available. We further recommend the Township prepare a final project reconciliation detailing ail the expenditures of the project and reconciling them with the federal reports and reports compiled by the Department of the Army Corps of Engineers.

DELTA CHARTER TOWNSHIP

CORRECTIVE ACTION PLAN—FOR THE YEAR ENDED DECEMBER 31, 1988

Finding: EPA #C262746-03—Adjustments for completion of project and reporting of eligible costs

Action taken: The Township will continue to adjust the federal outlay report and request for reimbursement for construction programs (Federal Form 271) as the current activities dictate and as monitoring programs and analysis determine eligibility of costs. Furthermore, the Township has started accumulating and summarizing copies of supporting documentation to facilitate the final review and closing of the grant upon completion of the project. These procedures will include final adjustment of eligible costs.

[Signature]

CHARTER TOWNSHIP OF DELTA, LANSING, MICHIGAN

COMMENTS ON FINDINGS AND QUESTIONED COSTS FROM THE DECEMBER 31, 1987 SINGLE AUDIT REPORT

Program	Comments	Questioned Cost
EPA #C262746-03	1) Engineering invoices pertaining to certain phases of the construction project do not identify the portions of the costs which are eligible or ineligible under the terms of the grant. The Township has in the past estimated the eligible portion based on the related construction costs incurred. As the project nears completion, the Township has not included any of these costs as eligible in order to avoid requesting reimbursement for ineligible costs until an accurate determination can be made. As in 1987, none of these costs incurred during 1988 were included as eligible on the reimbursement requests.	
	2) In 1987, the Township included the wrong engineering contract as eligible under the terms of the grant and as a result under reported eligible expenses by $17,583.39. Also, during 1988 additional eligible engineering costs totaling $35,158 were not included on the federal reimbursement requests. As the project comes to a close and the Township nears the ceiling for reimbursement of engineering costs, the Township will review all of the engineering costs associated with the various phases of the grant and make a final reimbursement request which will include any additional eligible engineering costs not previously requested for reimbursement.	
	3) In 1987, the Board of Trustees approved a bid for construction work on a job which was partially	

(continued)

Program	Comments	Questioned Cost
	eligible under the terms of the grant. The original bid was for $443,625.25. Final costs on the job totaled $450,425.53 and was paid without an approved change order for the $6,800.28. The eligible portion reflected on the vendor invoice exceeded the amount initially approved by $8,884.07. This amount is expected to be eligible under the grant once the change order is processed which is now not likely to occur until the final close-out of the project.	$8,884.07
	4) As in 1987, our review of correspondence related to the EPA Grant turned up a report which indicates the eligible costs reflected by the Department of Natural Resources differs from that indicated on the Township's records. The report, completed by the Department of the Army Corps of Engineers, reflects differences totaling $74,305. These differences could be caused by unprocessed charge orders or differences in the way engineering costs have been classified.	$74,305
	5) In 1987, the Department of Natural Resources asked for actual dates to be provided pertaining to the construction, completion and project schedule dates. As of the date of this report the project is expected to be completed, including the final inspection by June 1989. This information was included in the report filed by the Department of the Army Corps of Engineers.	
	6) The EPA compliance supplement states grantees are not to include in their cash outlay report the amount of retainages withheld from construction contractor payments. However, State of Michigan P.L. 524 of 1980 requires public agencies to pay interest earned on contract retainages withheld to the construction contractor. Therefore, the Charter Township of Delta has reported retainages withheld on its cash outlay reports. This method of reporting has been approved by the Department of Army Corp of Engineers.	
	7) The Township *still* deposits the retainages with other Township funds in the Treasurer's Common Cash Fund. Maintaining these funds in a common pool provides a larger investment vehicle and, therefore, allows investments to earn higher interest rates. The Township does maintain a separate general ledger account for retainages and does pay interest on these retainages as required by the State of Michigan P.L. 524 of 1980. While a separate cash account is not maintained, the *intent* of the law is being complied with.	
FEMA	8) In 1987, the Township under-recorded accrued revenue and the federal reimbursement receivable due to untimely information being received by the Township's accounting department. The federal reimbursement receivable has been corrected in 1988.	

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO THE OFFICE OF CRIMINAL JUSTICE PLANNING

The Honorable Grand Jury and
Board of Supervisors
County of San Joaquin, California

We have audited the basic financial statements of the County of San Joaquin, California, as of and for the year ended June 30, 1989, and have issued our report thereon, dated December 14, 1989, which is qualified for various exceptions as described at pages 5 and 6. Our audit was made in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States; the *Office of Criminal Justice Planning Grants Audit Program,* dated May 13, 1982, and certain provisions of the *OCJP Subgrantee Handbook.* Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the County of San Joaquin, California, is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from the Office of Criminal Justice Planning Programs (OCJP). The purpose of our testing of transactions and records from the OCJP programs was to obtain reasonable assurance that the County of San Joaquin, California, had, in all material respects, administered the OCJP programs in compliance with laws and regulations, including those pertaining to financial reports and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from the OCJP programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying Schedule of OCJP findings.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1989, the County of San Joaquin, California, administered each of its OCJP programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

[Signature]

Stockton, California
December 14, 1989

COUNTY OF SAN JOAQUIN, CALIFORNIA

SCHEDULE OF FINDINGS—YEAR ENDED JUNE 30, 1989

Grants—All Grants

There were no findings for the fiscal year ended June 30, 1989.

COUNTY OF SAN JOAQUIN, CALIFORNIA

SCHEDULE OF PRIOR YEAR FINDINGS

Grants—All Grants

There were no findings for fiscal year ended June 30, 1988.

COUNTY OF SAN JOAQUIN, CALIFORNIA

SCHEDULE OF FINDINGS—YEAR ENDED JUNE 30, 1989

Grants—All office of criminal justice planning grants

Finding #1

The Office of Criminal Justice requires the grantee to file its form 201 by the tenth of the following month and the final form 201 is due within 120 days of the grants termination. The County continues to be delinquent on its filing of these forms, although significant improvements have been made since the previous year.

Recommendation:

The County of San Joaquin should continue to review its monitoring procedures and establish additional controls, as required, to ensure compliance with the State filing requirements.

Grantee's Response:

The Grantee concurs with the above recommendation and will institute a tickler file system to prompt timely completion (within 7 days) of the 201's upon availability of the monthly expenditure reports.

However, it should be noted that the Office of Criminal Justice will not accept 201's until a final Grant Control number is approved. The Office of Criminal Justice often does not issue these control numbers until three or four months into the grant period.

COUNTY OF SAN JOAQUIN, CALIFORNIA

SCHEDULE OF PRIOR YEAR FINDINGS

Grants—All office of criminal justice planning grants

Finding #1

The Office of Criminal Justice requires the grantee to file its form 201 by the tenth of the following month and the final form 201 is due within 120 days of the grants termination. The County continues to be delinquent on its filing of these forms, although significant improvements have been made since the previous year.

Recommendation:

The County of San Joaquin should continue to review its monitoring procedures and establish additional controls, as required, to ensure compliance with the State filing requirements.

Grantee's Response:

The Grantee concurs with the above recommendation and will institute a tickler file system to prompt timely completion (within 7 days) of the 201's upon availability of the monthly expenditure reports.

However, it should be noted that the Office of Criminal Justice will not accept 201's until a final Grant Control number is approved. The Office of Criminal Justice often does not issue these control numbers until three or four months into the grant period.

Status:

Refer to current year schedule to Office of Criminal Justice Planning Grant findings.

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of
New Hanover County
Wilmington, North Carolina

We have audited the general purpose, combining, individual fund and account group financial statements and schedules of New Hanover County, North Carolina, for the year ended June 30, 1989, and have issued our report thereon dated October 12, 1989.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act of 1984; the provisions of OMB Circular A-128, *Audits of State and Local Governments;* and the State Single Audit Implementation Act. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose, combining, individual fund and account financial statements and schedules are free from material misstatements.

The management of New Hanover County, North Carolina, is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal and state financial assistance programs, and certain nonmajor federal and state financial assistance programs. The purpose of our testing of transactions and records from those federal and state financial assistance programs was to obtain reasonable assurance that New Hanover County, North Carolina, had, in all material respects, administered major programs and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from májor federal and state financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1989, New Hanover County, North Carolina, administered each of its major federal and state financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal and state financial assistance programs indicate that for the transactions and records tested, New Hanover County, North Carolina complied with the laws and regulations referred to in the second paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether New Hanover County, North Carolina, administered those programs in compliance, in all material respects, with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that New Hanover County, North Carolina, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

This report is intended for the information of management, the cognizant audit agency, and other federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

Wilmington, North Carolina
October 12, 1989

NEW HANOVER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1989

Program	Findings/ Recipient Responses	Questioned Costs
Health and Human Services	*Finding*	
North Carolina Fiscal Reporting Requirements	1. Of four employees tested, two employees did not account for eight hour days on their monthly sheets. These two employees are reported at 100% on either Parts 1A, 1B or 1C of the DSS 1571 and accounted for only their direct program time.	1. None
	Recipient Response	
	1. Finding was also reported in the prior fiscal year. Per the SIS User's Manual Section 3.3, the day sheets	

Program	Findings/ Recipient Responses	Questioned Costs
Health and Human Services	*Finding*	
	should record all time of the employee including administrative leave and direct program time.	
	Beginning in the 1989-1990 fiscal year, an employee will reconcile day sheets to time sheets for one month out of each quarter.	
	Finding	
	2. Of twelve months 1571 reports reviewed, four reports were mailed twenty-one days after the end of the month or later. Reports are to be submitted to the State Office by the 7th working day, but no later than the 20th day.	2. None
	Recipient Response	
	2. County is aware of due date. Reports received from County Finance used to prepare the 1571 report were not received timely, therefore delaying the preparation of the report.	
	Finding	
	3. Of eight vendors for purchased services, a contract was not maintained by New Hanover County for Wilmington Transit Company, reported on Part IV of the 1571 report.	3. $3,772
	Recipient Response	
	3. A contract will be obtained with Wilmington Transit Authority for each fiscal year beginning with fiscal year 1989-1990.	
	Finding	
	4. Of twelve months 1571 reports reviewed, one	4. None

Program	Findings/ Recipient Responses	Questioned Costs
Health and Human Services	*Finding*	
	report had incorrectly reported occupancy costs. Per DHR, Division of Social Services, the excess depreciation of $33,278 related to the abandonment of a building is unallowable.	
	Recipient Response	
	4. A correction of this incorrect reporting was made on the June 1989 1571 report.	
	Finding	
	5. Twelve months 1571 reports reconciled to the general ledger result in a total under reporting. Almost all of the under reporting related to June, 1988, payroll accruals not picked up in fiscal years 1987-88 or 1988-89.	5. ($20,523)
	Recipient Response	
	5. Ledger and report reconciliations will be completed by the end of subsequent month and a quarterly review conducted to allow differences to be readily identified and corrections made immediately.	
	Finding	
	6. Of four cases tested, one case failed to document the time spent by an employee that had been reported on the employee's day sheet.	6. None
	Recipient Response	
	6. County personnel are aware that documentation should be in client files however, due to the existing workload	

(continued)

Program	Findings/ Recipient Responses	Questioned Costs
Health and Human Services	*Recipient Response*	
	documentation was overlooked. The Assistant Director has directed the supervisors to stress the importance of case documentation on day sheets.	
	Finding	
	7. Of twelve months 1571 Part IVs, the amount of reimbursement report for two vendors exceeded the amount of reimbursement per the vendor agreement (DSS-1292).	7. $750
	Recipient Response	
	7. Accounting/Fiscal Services will be the central filing point for vendor agreements and purchase contracts beginning in the fiscal year 1989-1990 to ensure proper monitoring.	
Health and Human Services	*Finding*	
AFDC (CFDA 13.780)	1. Of six profiles, two profiles had incorrect social security numbers identifying the members of the household. The social security number on the case profile did not agree with actual social security card. In the prior year, of ten profiles, two profiles had incorrect social security numbers and were not corrected during the fiscal year 1988-1989.	1. None
	Recipient Response	
	1. The correct data was keypunched per documents submitted, however profiles received from the State were incorrect. The errors should have	

Program	Findings/ Recipient Responses	Questioned Costs
Health and Human Services	*Finding*	
	been detected and corrected during the input verification process of the profiles. Employees are now being instructed to proof DSS-8124s and DSS-8125s against the profiles to ensure accurate data gets into the system. Additionally, extensive training on the use of the state terminals and the need for DSS-8128s will be started.	
	Finding	
	2. Of six cases tested, one case has not had a six month review completed for July, 1988, or thereafter.	2. Unknown
	Recipient Response	
	2. Although a review was not completed, the client continued to receive benefits. The eligibility of this client is unknown because reviews were not completed. To catch up on such reviews beginning in August, 1988, the department implemented group reviews and mailed out reviews. The department will monitor case management sheets to ensure that cases are reviewed on time.	
Health and Human Services	*Finding*	
Medical Assistance (CFDA 13.714)	1. Of four case files examined, two cases had been investigated and completed at June 30, 1989, however, Form 1657 which notifies the Division of Medical Assistance of public assistance overpayments, had not been completed and reported to the State.	1. None

Program	Findings/ Recipient Responses	Questioned Costs
Health and Human Services	*Finding*	
	Recipient Response	
	1. The supervisor of the DSS Investigative Unit will begin performing second party reviews of all cases investigated to ensure all forms are completed.	
Agriculture	*Finding*	
Food Stamps (CFDA 10.551)	1. The State of North Carolina conducts quality control reviews for this program. In statewide statistical samples completed to date for the County's fiscal year, the following errors were noted with respect to statewide sample cases relevant to New Hanover County (from which no statistical conclusion would be valid):	1. None
	PeriodJuly, 1988 to March, 1989 Cases sampled#27; $3,594 Overissuance errors (25% County)#4; $ 115 Underissuance errors (100% County)#1; $ 13	
	Recipient Response	
	1. The cases were reviewed by the County and settled/corrected as follows: Overissuance errors: (a) Client paid in full, March, 1989; $26 (b) Claim established April, 1989; $63 (c) Cases corrected, no claim established; $26 Underissuance errors: (a) Case restoration in progress; $13	
	Finding	
	2. Of twelve months FNS-250 reports filed, five months reported a value of issuance difference (line 23) resulting from under and over issuances by cashiers with a net under issuance.	2. ($3)
	Recipient Response	
	2. Department personnel are aware of controls over food stamp issuance. Under and over issuances are being monitored more closely and personnel have been informed that promotions and raises and continued employment will be affected by the number of errors. Increased monitoring has caused under and over issuances to decline.	
	Finding	
	3. Of twelve months FNS-250 reports filed, seven months reported reconciling differences resulting from erroneous issuances, such as double issuance by pick up and mail.	3. $1,349
	Recipient Response	
	3. "Erroneous" issuances occur usually for 1 or 2 reasons. The first occurs when the FSIS computer system is down and stamps are issued from a back-up log and then are later mailed out. The second occurs when stamps are issued from the back-up log and then the client returns later when the system is back up but the back-up issuances have not yet been keyed and they are issued a second time on line. Of	

(continued)

Program	Findings/ Recipient Responses	Questioned Costs
Agriculture	*Finding*	
	the $1,349 erroneous issuances, $443 of that amount was recouped from the clients involved. This recoupment is reported on a different form and does not show up on the FNS-250 to off-set the erroneous issuances. Again, erroneous issuances are being monitored more closely and personnel have been informed that promotions, raises and continued employment will be affected by the number of errors.	
Health and Human Services	*Finding*	
Women, Infants, Children (CFDA 10.557)	1. Of one month's transactions on DHS-3308 (manual food instrument log), one transaction failed to document a signature for the issuance of food instruments.	1. None
	Recipient Response	
	1. The WIC program manual requires the signature of the client or the agency, for the issuance of food instruments. Due to the workload of the WIC Unit, this was an oversight.	
	Finding	
	2. Of six computer food instrument logs, one transaction failed to document on DHS-3367 the hardship of the client as reason for mailing the food instrument.	2. None
	Recipient Response	
	2. Due to the workload of the WIC Unit, this was an oversight.	
	Finding	
	3. Twelve months of expenditure reports reconciled to the general ledger result in a total under reporting.	3. ($9,983)
	Recipient Response	
	3. The under reporting was determined by the Grants Coordinator who began filing the monthly expenditure reports in July, 1989. The August, 1988 and June, 1989 expenditure reports were amended in September, 1989. In October, 1989, the June, 1989 of $4,995 have been reimbursed to the County.	
Office of State Budget & Management	*Finding*	
Public School Building Capital Fund	1. Of twelve months activity reviewed, disbursements were made to the Schools prior to all costs being incurred. The amount authorized on the project was $562,500 of which costs of $103,876 had been incurred.	1. $458,624
	Recipient Response	
	1. Disbursements are made to the Schools, prior to costs being incurred, in order to reduce the County's administration time in tracking the cost of the project through the years.	
	Finding	
	2. Two monthly statements received from the State Treasurer's Office, were not returned to the State within the fifteen day period after receipt.	2. None
	Recipient Response	
	2. The County reconciled and returned the monthly statements within the fifteen day period after receipt.	

NEW HANOVER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1988

Status of Prior Year Findings and Questioned Costs

Program	Findings/Recipient Responses	Questioned Costs	Current Status
Health and Human Services	*Finding*		
North Carolina Fiscal Reporting Requirements	1. Of six employees tested, one direct time allocation and subsequent percent of direct time computation for grant payroll expenditures were not accurately computed. This resulted in a 3% of time over reported to Medicaid and 3% under reported to AFDC in Part 1B of the DSS-1571 report.	1. None	Finding not noted in fiscal year 1988-89. Supervisors are responsible for reviewing day sheets for accuracy.
	Finding		
	2. Of six employees tested, two employees did not account for eight hour days on their monthly day sheets as follows:		
	(a) Three employees are reported at 100% on either Parts 1A, 1B or 1C of the DSS 1571 and accounted for only their direct program time.	2. (a) None	Finding still present in fiscal year 1988-89. Per the SIS User's Manual Section 3.3, day sheets should record all time of the employee including administrative leave, and direct program time.
	(b) One employee is reported with two different function codes on Part 1A and accounted for only their direct program time.	(b) None	
	(c) Two employees are split between Parts 1A, 1B, or 1C and accounted for only their direct program time.	(c) Unknown	
	Finding		
	3. Of twelve months 1571 reports reviewed, one report was mailed twenty-one days after the end of the month. Reports are to be submitted to the State Office by the 7th working day, but no later than the 20th day.	3. None	Finding still present in fiscal year 1988-89. County is aware of due date. Reports used to prepare the 1571 Report were not received on a timely basis.
	Finding		
	4. Of eight vendors for purchased services, a contract was not maintained by New Hanover County for two vendors as follows:		Finding still present in fiscal year 1988-89. A contract was not obtained with Wilmington Transit Authority until fiscal year 1989-1990. A contract was obtained with Magdalene Roberts on November 8, 1988.
	(a) Wilmington Transit Company, report on Part IV of the 1571 report	4. (a) $10,906	
	(b) Magdalene Roberts, reported on Part IV of the 1571 report	(b) $7,983	
	Finding		
	5. Of twelve months 1571 reports reviewed, one report had incorrectly reported occupancy costs. Per DHR, Division of Social Services, additional costs of leased building should be capitalized as leasehold improvements and amortized over life of lease.	5. $62,400	Finding was corrected on the August, 1988 1571 report.

(continued)

Program	Findings/Recipient Responses	Questioned Costs	Current Status
Health and Human Services	*Finding*		
	6. Twelve months of 1571 Reports reconciled to the general ledger result in a total over reporting.	6. $260	Finding was corrected on June, 1989 1571 report.
Health and Human Services	*Finding*		
Medical Assistance (CFDA 13.714)	1. Of five cases tested, one case was incorrectly determined eligible for Title XIX transportation.	1. Unknown	Case was correctly reported during the 1988-89 fiscal year as eligible for Title XX transportation.
	Finding		
	2. Of five cases tested, one case was determined to be eligible for assistance for the period January 17th through 31st, however was not reported into the Eligibility Information System until March 31st.	2. Unknown	Case was corrected in June, 1988 for retroactive coverage for the period January 17th through 31st.
	Finding		
	3. A twelve months reconciliation of overpayments to the County and subsequent remittances to the State, we noted that several receipts from the year ending June 30, 1987 had not yet been remitted to the State as of June 30, 1988.	3. $220	These overpayments were cleared as follows: $145 was determined to be Food Stamp overpayments which have been reported to the State on FSIS. The remaining $75 was Medical Assistance overpayments and were remitted to the State on August 2, 1989.
Health and Human Services	*Finding*		
AFDC (CFDA 13.808)	1. The State of North Carolina conducts quality control reviews for this program. In statewide statistical samples completed for the federal fiscal year, the following errors were noted with respect to statewide sample cases relevant to New Hanover County (from which no statistical conclusion would be valid): Period — July 1987 to February 1988 Cases sampled — #22; $5,259 Overpayment errors (67% County) — #3; $143 Ineligibility errors (0% County) — #1; $225	1. None	These cases were reviewed by the County and settled as follows: (a) Two cases were client errors and were reported to the Investigative Unit of the County DSS. (b) Two cases were agency errors which have been reported to and cleared by the State.
	Finding		
	2. Of ten profiles, two profiles had incorrect social security numbers identifying the members of the household. The social security number on the case profile did not agree with actual social security card.	2. None	Case files were examined during the audit of fiscal year 1988-1989 and social security numbers have not been corrected.
Agriculture	*Finding*		
Food Stamps (CFDA 10.551)	1. The State of North Carolina conducts quality control reviews for this program. In statewide statistical samples completed for	1. None	These cases were reviewed by the County and settled as follows:

Program	Findings/Recipient Responses	Questioned Costs	Current Status
	the federal fiscal year, the following errors were noted with respect to statewide sample cases relevant to New Hanover County (from which no statistical conclusion would be valid): Period — July 1987 to February 1988 Cases sampled — #18; $2,030 Overissuance errors (75% County) — #3; $134		Overissuance errors: (a) Claim established June, 1988, case now suspended; $10 (b) Case submitted to Investigative Unit; $114 (c) Case corrected, no claim established; $10
	Finding 2. Of twelve months FNS-250 reports filed, five months reported a value of issuance difference (line 23) resulting from stolen food stamps and over issuances by cashiers.	2. $800	Finding still present in fiscal year 1988-1989. These differences have been reported to the State on FNS-250.
	Finding 3. Of twelve months FNS-250 reports filed, eight months reported reconciling differences resulting from erroneous issuances, such as double issuance pick up and mail.	3. $715	Finding still present in fiscal year 1988-1989. The erroneous issuances were reported to the State on FNS-250. As reported in fiscal year 1987-1988, $369 was recouped from the clients and reported to the State.
Health and Human Services Women, Infants, Children (CFDA 10.557)	*Finding* 1. Of five cases examined, one case had reported the participant received AFDC income, however participant was not eligible for AFDC during the period of application.	1. None	This case was terminated by the County in August, 1988
Health and Human Services Social Services Block Grant (CFDA 13.667)	*Finding* 1. Twelve months of expenditure reports reconciled to the general ledger result in a total under reporting of $328. Total expenditures exceeded the State budget, therefore the under reporting has no effect on the reimbursement.	1. None	County was aware of under reporting, however there was no effect on reimbursement because total expenditures exceeded the State budget for reimbursement.
Natural Resources & Community Development Community Development Block Grant (CFDA 14.219)	*Finding* 1. Per DNR & CD on June 20, 1988, the closeout procedures for CDBG grant #84-C-6878 require the County to expend $216,963 on community development activities benefiting low and moderate income persons. No payments have been made through June 30, 1988.	1. $216,963	During the fiscal year 1988-1989, the County budgeted expenditures of $194,997 and actually paid $35,897 for community development activities.

To the Honorable Mayor and
Members of the City Council
City of Sterling Heights, Michigan

We have audited the general purpose financial statements of the City of Sterling Heights, Michigan for the year ended June 30, 1989 and have issued our report thereon dated September 25, 1989. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the *Government Auditing Standards* (1988 revision), issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City of Sterling Heights, Michigan is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from the City's major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Sterling Heights, Michigan had, in all material respects, administered its major program and executed the tested nonmajor program transactions in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from the major federal financial assistance program disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the program to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1989, the City of Sterling Heights, Michigan administered its major federal financial assistance program in compliance in all material respects with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested, the City of Sterling Heights, Michigan complied with the laws and regulations referred to in the second paragraph of our report, except as noted in the accompanying schedule of findings and questioned costs. Our testing was more limited than would be necessary to express an opinion on whether the City of Sterling Heights, Michigan administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Sterling Heights, Michigan had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

September 25, 1989

CITY OF STERLING HEIGHTS, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1989

Findings	Questioned Costs
Federal Funds	None

1) Condition—Lack of Maintenance of Detailed Records of Property Purchased With Federal Funds

   Criteria—According to Office of Federal Revenue Sharing requirements, recipients are required to maintain detailed records of all property purchased with federal funds where the cost exceeds $1,000.

   Effect—No such records are maintained.

   Cause—Procedures used do no specifically identify property that has been purchased with federal funds.

   Recommendation—Procedures should be implemented to specifically identify property purchased with federal funds and records should be maintained as to the status of this property.

   Grantee's Response—A software system will be installed that will allow for specific identification of assets purchased with federal monies.

Community Development Block Grants	None

2) Condition—Lack of Submission of the Grantee Performance Report on a Timely Basis

   Criteria—Pursuant to HUD requirements, the Grantee Performance Report is required to be filed within 90 days of the program's year-end.

   Effect—The Grantee Performance Report was due on August 29, 1989 but was not filed until September 5, 1989.

   Cause—Current procedures do not include controls that ensure that information will be accumulated within the required 90 day period.

   Recommendation—Procedures should be developed and implemented that ensure that the Grantee Performance Report will be filed within 90 days of the program's year-end.

   Grantee's Response—The grantee will develop and implement procedures that will ensure that the Grantee Performance Report is filed within 90 days of the program's year-end.

Findings	Questioned Costs
Federal Funds	
Low-Rent Public Housing Grant	None

3) Condition—Lack of Submission of HUD Forms on a Timely Basis

   Criteria—Pursuant to HUD requirements, HUD forms (balance sheet, statement of operating receipts and expenditures, statement of income and expense and changes in accumulated surplus or deficit from operations) are required to be filed within 45 days of the program's year-end.

   Effect—The HUD forms were due on November 15, 1988 but were not filed until April 17, 1989.

   Cause—Current procedures do not ensure that the appropriate information will be accumulated and the proper forms prepared and filed with HUD within the required 45 day period.

   Recommendation—Controls should be developed and implemented that ensure that the HUD forms will be filed within 45 days of the program's year-end.

   Grantee's Response—The grantee will develop and implement procedures that will ensure that the HUD forms are filed within the 45 days of the program's year-end.

Community Development Block Grant	None

4) HUD monitoring visits noted noncompliance conditions that related to compliance features in the Compliance Supplement for Single Audits of State and Local Governments. Those instances of noncompliance conditions that were subsequently cleared by HUD are not included in this report. This includes HUD findings cleared subsequent to year-end. Any continued instances of those noncompliance conditions are repeated in this schedule of findings and questioned costs.

Various	None

5) The prior audit had several findings that were subsequently addressed by the grantee and resolved. Any continued instances of noncompliance conditions noted in the prior audit report are repeated in this schedule of findings and questioned costs.

The Honorable Mayor and
Members of the City Council
City of Tempe, Arizona

We have audited the general purpose financial statements of the City of Tempe, Arizona, as of and for the year ended June 30, 1989, and have issued our report thereon dated September 21, 1989. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the *Government Auditing Standards,* issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City of Tempe, Arizona, is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Tempe, Arizona, had, in all material respects, administered major programs, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, non-compliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from the major federal financial assistance programs disclosed instances of non-compliance with those laws and regulations. All instances of non-compliance that we found and the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of non-compliance referred to in the preceding paragraph, for the year ended June 30, 1989, the City of Tempe, Arizona, administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, non-compliance with which we believe could have a material effect on the allowability of program expenditures.

[Signature]
Certified Public Accountants

October 19, 1989

CITY OF TEMPE, ARIZONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1989

Current Year Finding

Program	Finding	Questioned costs
All Lower Income Housing Programs	1. The operating reserve reported on the Voucher for Payment of Annual Contributions and Operating Statement ("Operating Statement") for the 18 month period ended June 30, 1989 filed with the U.S. Department of Housing and Urban Development did not agree to the operating reserve per the general ledger. We recommend the Operating Statement as of and for the 18 month period ended June 30, 1989 be amended to correct the omission. *Response by the City* It is the intent of the City to amend the aforementioned report as soon as possible. In addition, the Accounting Division within the City has instituted a new review policy in an effort to prevent this situation from recurring.	$101,370

September 11, 1989

To the Board of Directors
Mountain Home School District #193
Mountain Home, Idaho 83647

We have audited the Mountain Home School District #193's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1989. The management of Mountain Home School District #193 is responsible for the School District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Mountain Home School District #193's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our testing of transactions and records selected from major federal financial assistance programs disclosed an instance of noncompliance with those laws and regulations. The District does not maintain records for general fixed assets. The standards for property management (Attachment N of Circular A-102) require that the School District maintain detailed records on equipment purchased with federal financial assistance.

In our opinion, subject to the effects of the ultimate resolution of those instances referred to in the preceding paragraph, Mountain Home School District #193, complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1989.

Sincerely yours,

[Signature]
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO MAJOR AND NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM

October 18, 1989

To the Board of Education
Lansing School District
Lansing, Michigan

We have audited the general purpose financial statements of Lansing School District, Lansing, Michigan, for the year ended June 30, 1989, and have issued our report thereon dated September 15, 1989. Our audit was made in accordance with generally accepted auditing standards; the standards for financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act of 1984; and the provisions of

OMB Circular A-128, *Audits of State and Local Governments* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Lansing School District, Lansing, Michigan, is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that Lansing School District, Lansing, Michigan, had, in all material respects, administered major programs, and executed the tested nonmajor program transitions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1989, Lansing School District, Lansing, Michigan, administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested, Lansing School District, Lansing, Michigan, complied with the laws and regulations referred to in the second paragraph of our report. Our testing was more limited that would be necessary to express an opinion of whether Lansing School District, Lansing, Michigan, administered those programs in compliance in all material respects with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that Lansing School District, Lansing, Michigan, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing to above.

[Signature]
Certified Public Accountants

LANSING SCHOOL DISTRICT, LANSING, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED JUNE 30, 1989

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Labor Passed through the Lansing Tri-County Employment Partnership, Youth Incentive Program, CFDA #17.246.50, Grantor #8155, #9155 and #8157.	From a sample of twenty-five participant files examined, the following errors or irregularities (and incidence of occurrence) were discovered: Five review and verification forms incomplete.	None

Recommendation:

Administrators and staff personnel should review all files to ensure that all applicable forms, files and applications are complete and contain correct information.

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Labor Passed through the Lansing Tri-County Employment Partnership, Youth Incentive Program, CFDA #17.246.50, Grantor #8155, #9155 and #8157.	From a sample of seven participant's time sheets examined, it was noted that none of the seven timesheets were signed by the participant, as required by the terms of the grant contract.	None

Recommendation:

Administrators and staff personnel should review all timesheets to ensure they are signed by participants before being forwarded to payroll. Administrators should also stress to the participants the importance of signing timesheets.

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Education Passed through Ingham Intermediate School District, EHA PPI/EMI/EI/LD, CFDA #84.027, Grantor #IISD-545	From a sample of fourteen student files examined, one IEPC Form was not prepared for the 1988-1989 school year, but an IEPC Form was prepared for the 1987-1988 school year.	None

Recommendation:

Administrators and staff personnel should make an effort to ensure that all application forms are completed for each file. We have not had this type of finding in this area previously and the missing form appears to be an isolated incident and that a corrective action plan on this matter is not considered necessary.

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Agriculture Passed through the Michigan Department of Education, National School Lunch, Sec. 4 and Sec. 11, CFDA #10.555, Grantor #1958, 1959, 1968, 1969	From a sample of three schools that were sent confirmations, it was determined that 3% of the free and reduced lunch applications were not being income verified.	None

Recommendation:

Administrators should review all schools on an annual basis to ensure that 3% of free and reduce lunch applications are being verified.

LANSING SCHOOL DISTRICT, LANSING MICHIGAN

COMMENTS ON RESOLUTION OF FINDINGS FROM JUNE 30, 1988 SINGLE AUDIT REPORT—ITEMS STILL OPEN

Finding: CFDA 17.246-50

Program forms (pre-application, application, worksite evaluation, etc.) were incomplete, missing from respective program files, improperly filled out, or not prepared on a timely basis.

Status:

All worksite evaluation forms and applications were complete, properly filled out, and prepared on a timely basis. Some review and verification forms were incomplete. The situation has improved.

Finding:

All other findings from the June 30, 1988 report have been resolved.

The Honorable Richard M. Daley, Mayor
and Members of the City Council
City of Chicago, Illinois:

We have audited the general purpose financial statements of the City of Chicago, Illinois, for the year ended December 31, 1988, and have issued our report, based in part on reports of other auditors, thereon dated June 15, 1989. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City of Chicago, Illinois, is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major Federal financial assistance program and certain nonmajor Federal financial assistance programs. The purpose of our testing of transactions and records from those Federal financial assistance programs was to obtain reasonable assurance that the City of Chicago, Illinois, had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major Federal financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended December 31, 1988, the City of Chicago, Illinois, administered each of its major Federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor Federal financial assistance programs indicate that, for the transactions and records tested, the City of Chicago, Illinois, complied with the laws and regulations referred to in the second paragraph of our report, except as noted in the accompanying Schedule of Findings and Questioned Costs. Our testing was more limited than would be necessary to express an opinion on whether the City of Chicago, Illinois, administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Chicago, Illinois, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

September 29, 1989

CITY OF CHICAGO, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED DECEMBER 31, 1988

INDEX TO 1988 SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED DECEMBER 31, 1988

Funding Agency and Program Name	CFDA No.	Page
General Compliance Procedures	Various	*
U.S. Department of Agriculture		
Child Care Food Program	10.558	*
U.S. Department of Health and Human Services		
Administration for Children, Youth and Families (Head Start)	13.600	*
Social Services Block Grant (SSBG)	13.667	*
Material and Child Health Services Block Grant	13.994	*
U.S. Department of Housing and Urban Development		
Community Development Block Grants (CDBG)	14.218	*
Urban Development Action Grants (UDAG)	14.221	*
U.S. Department of Transportation		
Highway Planning and Construction Program	20.205	*
Urban Mass Transportation Capital Improvement Grants	20.500	*
U.S. Department of Energy		
Weatherization Assistance for Low-Income Persons	81.042	*
1987 and 1986 Single Audit Systems or Internal Control Related Findings	Various	*

*Editor's Note—the asterisk refers to the page number in the original document.

GENERAL COMPLIANCE PROCEDURES—SPECIAL ACCOUNTING DIVISION—YEAR ENDED DECEMBER 31, 1988

Finding 1988—1:

Federal compliance requirements (OMB Circular A-87), allow grantees to use a cost allocation plan to support the distribution of joint costs related to grant programs and require that all costs included in the plan be supported by formal accounting records which substantiate the propriety of eventual charges.

The Cost Allocation Plan for the City of Chicago for 1987, which would have been used to allocate 1988 costs, was not completed until 1989; therefore rates from the 1986 Cost Allocation Plan were used for 1988. Due to the lack of current cost allocation rates, we were unable to determine whether fixed rates or specific amounts for indirect costs per grant agreements exceeded actual indirect costs for certain programs. In our comparison of allocations based on the 1986 plan and the grant agreements, no grant amount exceeded the plan allocation.

Recommendation

We recommend that the City prepare its Cost Allocation Plan in a timely manner to ensure a proper allocation of costs in accordance with OMB Circular A-87.

1988 Grantee Response

The City of Chicago has completed the preparation of the 1987, 1988 and 1989 Cost Allocation Plans. We are currently awaiting approval for these plans from our cognizant agency which is the U.S. Department of Housing and Urban Development.

Since we are current in the preparation of our cost allocation plans, we will be recovering current indirect costs in our grant programs. We will be completing our 1990 Cost Allocation Plan during the first quarter of 1990.

U.S. DEPARTMENT OF AGRICULTURE—CHILD CARE FOOD PROGRAM—CFDA NO. 10.558—CITY DEPARTMENT OF HUMAN SERVICES—YEAR ENDED DECEMBER 31, 1988

Finding 1988—2:

To remain in compliance with USDA regulations 226.17, the City is required by the Illinois State Board of Education to observe and monitor the meals served to children in the Child Care Food Program.

Seventeen (17) of twenty-five (25) monitoring reports tested were incomplete and five (5) were not signed by the site director. The reports indicated no evidence that the monitor had observed and documented the number of meals served, the quantity of the food and addressed all questions on the monitoring checklist.

We recommend that the City properly complete all documents prescribed by the state grantor.

1988 Grantee Response:

The Children Services Division plans further training of its Child Care Food Program monitors, in the proper completion of monitoring forms. It is the intention of the Department of Human Services to insure that all monitoring forms are completed properly.

We also plan to revise the monitoring form to better reflect monitoring needs.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES—ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES (HEAD START)—CFDA NO. 13.600—CITY DEPARTMENT OF HUMAN SERVICES—YEAR ENDED DECEMBER 31, 1988

Finding 1988—3:

OMB Circular A-102, Attachment H, requires that each grantee submit quarterly financial status reports (SF-269), for each program that draws down funds under the letter of credit reimbursement method. These reports are due within thirty (30) days after the end of each quarter.

We noted that the City did not submit the quarterly financial status report for the fourth quarter ended November 30, 1988, due December 30, 1988, until February 17, 1989, resulting in the report being forty-seven (47) days late.

We recommend that the City comply with prescribed Federal reporting requirements.

1988 Grantee Response:

The City has developed a program to properly comply with the reporting requirements. The City is currently submitting reports on a timely basis.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES—ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES (HEAD START)—CFDA NO. 13.600—CITY DEPARTMENT OF HUMAN SERVICES—YEAR ENDED DECEMBER 31, 1988

Finding 1988—4:

OMB Circular A-102, Attachment H, requires that a quarterly Federal cash transaction report be submitted fifteen (15) days after the end of the quarter.

These quarterly reports, for the Head Start Program, were submitted late as follows:

Quarter	Due Date	Date Received	Days Late
1	4/15/88	8/1/88	106
2	7/15/88	8/10/88	26
3	10/15/88	11/10/88	25
4	1/15/89	2/10/89	23

We recommend that the City comply with the prescribed Federal reporting requirements.

1988 Grantee Response:

The City has developed a program to properly comply with reporting requirements. The City is currently submitting reports on a timely basis.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES—SOCIAL SERVICE BLOCK GRANT (SSBG)—CFDA NO. 13.667—CITY DEPARTMENT OF HUMAN SERVICES—YEAR ENDED DECEMBER 31, 1988

Finding 1988—5:

The State of Illinois—Department of Children and Family Services, the state agency administering these Federal pass-through funds, requires monthly reporting of expenditures to be reported within forty-five (45) days after month-end.

The City Comptroller—Special Accounting Division did not report these expenditures in compliance with requirements. For eight (8) of the twelve (12) months examined, the expenditures were reported from nine (9) to sixty-eight (68) days after the required reporting date, as follows:

Reporting period	Report date due	Report filed	Number of days late
April, 1988	June 15, 1988	June 24, 1988	9
May, 1988	July 14, 1988	July 21, 1988	7
June, 1988	August 14, 1988	September 6, 1988	68
July, 1988	September 14, 1988	October 19, 1988	35
August, 1988	October 15, 1988	November 28, 1988	20
September, 1988	November 14, 1988	November 20, 1988	14
November, 1988	January 14, 1989	January 20, 1989	6
December, 1988	February 14, 1989	February 22, 1989	8

We recommend that the City Comptroller—Special Accounting Division report monthly expenditures, within forty-five (45) days of the month-end, in compliance with state reporting requirements.

1988 Grantee Response

The City will make every attempt in the future to comply with the State's forty-five (45) day requirement. However, in the future where the City cannot meet that deadline, we will contact Illinois Department of Children and Family Services and an extension will be requested in writing.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES—MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT—CFDA NO. 13.994—CITY DEPARTMENT OF HEALTH—YEAR ENDED DECEMBER 31, 1988

Finding 1988—6:

Federal compliance requirements (OMB Circular A-102, Attachment N), mandate that grantees adhere to the property management standards prescribed, or use its own property management standards and procedures, as long as the provisions of Attachment N, paragraphs 3 through 9 are included.

The Department does not have a system for complying with the regulations for Federal property management.

We recommend that the City establish a system to ensure compliance with prescribed Federal compliance regulations.

1988 Grantee Response:

Our cognizant agency, the Department of Housing and Urban Development, has cleared all similar findings that are related to the establishment of a fixed asset management system. The City of Chicago has documentation available for review by the U.S. Department of Health and Human Services upon request.

Finding 1988—7:

Federal compliance requirements (OMB Circular A-87), mandate that all grant expenditures be properly authorized and not prohibited under Federal, state or local laws or regulations.

In our test of twenty-five (25) expenditures, we noted that one (1) expenditure voucher, to the Near North Health Service Corporation, did not have a departmental approval. No cost is questioned in relation to this expenditure.

We recommend that the City establish procedures that ensure compliance with federal regulations.

1988 Grantee Response:

The City of Chicago's established procedure required that a voucher auditor review all documentation and prepare a voucher for typing. A second voucher auditor will approve the voucher for payment, after having checked for any possible errors. We also require that all vouchers be approved by an authorized individual at the Grant Operating Department or an authorized individual in the Comptroller's Office.

We will review our current procedures with all appropriate staff and provide additional training where necessary.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)—CFDA NO. 14.218—DEPARTMENT OF PURCHASING—YEAR ENDED DECEMBER 31, 1988

Finding 1988—8:

Federal compliance requirements (OMB Circular A-102, Attachment B), mandate that the City obtain a performance bond equal to the contract price for all construction contracts.

We reviewed twenty-five (25) contracts for this program, fourteen (14) of which required a performance bond. There were no performance bonds available for three (3) of the construction contracts tested, as follows:

Contractor	Project #	Purchasing Specification Number	Contract Amount
Department of Housing			
Action Wrecking Company	63238	70-85-26-01	$150,275
Department of Public Works			
Velas Construction	72998	80-63-87-160	440,839
Velas Construction	72999	80-63-87-159	376,200

The City's purchasing procedures required that the bid deposits received for each contract be retained until the performance bond has been received. The bid deposit was not retained for these three (3) contracts.

We recommend that the City follow its established purchasing procedures and obtain performance bonds for all construction contracts prior to the commencement of construction, in compliance with Federal regulations.

1988 Grantee Response:

There are sufficient procedures in place to meet statutory and funding agency requirements for performance bonds. A standard contract term inserted into every City contract requires that the contractor submit a performance bond within 13 days after contract award. The Department of Purchases, Contracts and Supplies does not release the contractor's copy of the contract to contractor until the bond is received. User departments are not to issue the Notice to Proceed until such time as an approved performance bond is on file. The exceptions noted in the audit report appear to be the result of inadvertent issuances of the Notice to Proceed.

The procedures have been refined to admonish user departments, in the Notice of Contract Award, that no Notice to Proceed should be issued until further notification is given that the required performance/insurance/state and federal concurrence bond has been received.

Further, the Department of Purchasing's Extended Purchasing System, an automated procurement system, will track receipt of performance bonds and will print on a weekly basis an exception report showing bonds not received within the stated time frame. This report will alert the contract administrators to promptly follow-up on bonds/certificates not received.

We believe that these revised procedures, conscientiously adhered to by all responsible personnel, are adequate to preclude a repeat of the exceptions noted.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)—CFDA NO. 14.218—CITY DEPARTMENT OF ECONOMIC DEVELOPMENT—YEAR ENDED DECEMBER 31, 1988

Finding 1988—9:

Federal compliance regulations (CFR 570.506 and 570.80) mandate that the City must accurately account for any program income generated from the use of CDBG fund and must return the income to the CDBG program.

The City does not have written collection policies and procedures for the repayment of CDBG loans; nor does the City adequately follow-up and monitor delinquent or potentially delinquent loans. As of December 31, 1988, sixteen (16) business development loans and twenty-three (23) direct micro loans were delinquent from thirty (30) to eleven hundred and fifty-four (1154) days as follows:

Project Name	Principal Loan Amount	Amount Delinquent	# of Days
Business Development Loans			
Everleigh Fashions	$ 90,000	$25,866	605
Fifth City Auto Service	50,000	39,153	1154
Hyde Park Theatres	150,000	8,088	92
K-Del Industries	30,000	1,725	93
Redex, Inc.	200,000	21,181	152
Midwest Auto Parts, Inc.	150,000	10,509	152
H & H Enterprises, Inc.	100,000	4,627	151
Gerald Gorski and Michael Esposito	104,719	4,107	90
Hi-Grade Paint Co.	100,000	1,983	30
Mike Taters, Inc.	175,000	4,528	59
Chicago Airlines, Inc.	200,000	31,579	575
Imperial Color, Inc.	75,000	4,537	152
ECO Partners, Inc.	100,000	4,449	91
Maya Romanoff Corp.	150,000	1,667	62
Babbit Auto Parts	150,000	3,524	120
37th Place Building Partnership	250,000	2,083	30
Direct Micro Loans			
June Haynes, d/b/a Class Plus Boutique	$ 12,500	$ 2,021	275
Jesse Avila, d/b/a J & J Silversmith	12,500	2,471	335
LaVerne Lewis, d/b/a Little Nickel Grocery	12,500	4,941	673
Marchand Decuir, Inc.	12,500	5,314	458
Pauline Burke Originals	12,500	674	92
Penny's Carpet Cleaning	5,000	4,949	1037
Gain's Barber College and Styling School	12,500	3,849	550
Poppies Pizza, Inc.	12,500	4,717	641
Palace Fashions	12,500	225	30
Chicks Auto Center, Inc.	12,500	225	30
Juan Carlos Unisex Hairstyling, Inc.	12,500	4,716	611
Robbins Clay Co	12,500	5,816	519
Hickman Construction Co.	12,500	2,920	397
Dallas Beecher Construction	12,500	3,369	458
Eddie's Enterprises, Inc.	12,500	5,453	457
1212 Market Place, Inc.	12,500	225	30
For Feets Sake	12,500	5,166	701
Max's For Italian Beef	12,500	4,941	671
Decima Musa, Inc.	12,500	1,347	184
Fiol Accounting Service	12,500	898	123
Dinero Financial Service	6,500	1,512	245
San Lorenzo Foods	12,500	1,396	182
Letagraf	12,500	224	30

Since collected funds are used to fund subsequent loans and programs, there is a risk that uncollected funds could cause the City to be unable to adequately fund future loans and programs.

We recommend that the City establish adequate monitoring and collection procedures for its loan projects.

1988 Grantee Response:

The Department of Economic Development is establishing a loan monitoring and collection unit and has prepared written collection policies and procedures to which it adheres. Our loan monitoring and collection policies have been reviewed and approved by HUD and our Office of Budget and Management. The monthly loan collection and monitoring process begins with (1) monthly loans billings and, (2) receipt of the Comptroller's Monthly Loan Status Report. All loans are billed monthly except coupon, UDAG and those for whom we have formal notification that bankruptcy has been filed. Past due amounts as well as the current payment due appears on the monthly bill.

All borrowers reported to be thirty (30) or more days delinquent in the Comptroller's Monthly Loan Status Report are contacted immediately upon receipt of the monthly report. Collection procedures include monthly telephone and/or collection letter contact. The Comptroller's report is reviewed to determine whether borrowers are adhering to payment arrangements. Telephone contact and a series of progressively strident collection letters are employed, culminating in the transmittal of the delinquent account to the Law Department when it becomes ninety (90) days past due and satisfactory repayment terms cannot be reached or the borrower is unresponsive. Delinquent borrowers are invited, encouraged to meet with Department officials to discuss and resolve their delinquent status. Every effort is made to reach a satisfactory repayment arrangement with a delinquent borrower in order to recover loan funds thereby reducing, limiting loan losses.

Our loan collection and monitoring activity to date has resulted in the payoff of two Direct Micro loans that were more than $9,100.00 delinquent at December 31, 1988, the receipt of $105,000 from delinquent borrowers and produced the results summarized in the tables below. All of the accounts which are ninety (90) days or more delinquent as of July 31, 1989 (1) have filed bankruptcy and have been referred to the Law Department, (2) have been transmitted to the Law Department for litigation and are in various stages of litigation (3) are on repayment plans and are adhering to the terms of the repayment plans.

July 31, 1989 status of loans reported as delinquent by Comptroller at December 31, 1988:

Direct Micro Loans

6	are current
4	have been paid off
2	have been referred to the Law Department for litigation
5	were at Law Department for litigation at December 31, 1988
1	restructured by Law Department; customer adhering to restructuring agreement
3	on payment plan; customers are adhering to payment plan terms
2	are thirty (30) days delinquent
23	

Business Development Loans

5	are current
4	have been paid off
1	has been referred to the Law Department for litigation
3	were at Law Department for litigation at December 31, 1988
3	are thirty (30) to sixty (60) days delinquent
16	

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)—CFDA NO. 14.218—CITY DEPARTMENT OF PUBLIC WORKS—YEAR ENDED DECEMBER 31, 1988

Finding 1988—10:

City procedures require the buyer department to receive "Interfund Settlement" vouchers for review, approval and subsequent submission for payment processing.

The Department of Public Works (DPW) approved and submitted for payment "Interfund Settlement" vouchers relating to the Department of Economic Development (DED)—CDBG projects, for which services were performed by the DPW. This practice interferes with the efficient control of project disbursements, budgets and monitoring, and could cause budget overruns. Based on our review, these vouchers were allowable costs. As a result, no costs are questioned in relation to these expenditures.

We recommend that the Department of Public Works adhere to the City's procedures for processing "Interfund Settlement" vouchers.

1988 Grantee Response:

The Department of Public Works will assure that all future Interfund Settlement Vouchers for services to client departments will be sent to the respective City departments for review and approval in accordance with the City's procedures. It has been noted that even though DPW did approve some Interfund Settlement Vouchers for DED's projects, the audit determined that these vouchers were for allowable costs.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)—CFDA NO. 14.218—CITY DEPARTMENTS OF HOUSING (DOH) AND ECONOMIC DEVELOPMENT (DED)—YEAR ENDED DECEMBER 31, 1988

Finding 1988—11:

Federal compliance requirements (OMB Circular A-128) mandate that construction projects financed by Federal assistance must comply with the provisions of the Davis-Bacon Act.

DOH does not adequately document its review of CDBG contractor's payrolls for compliance with the Davis-Bacon Act. Of the eight (8) payroll documents tested, none indicated evidence of such a review. Also, contractor's payrolls, for the following programs, were not reviewed for compliance with the Davis-Bacon Act by DOH or DED:

DOH

Abandonment Prevention Program

DED

Facade Rebate Program

Industrial Capitalization Assistance Program

We recommend that the City comply with Federal regulations and document the review of all CDBG contracts payrolls for compliance with the Davis-Bacon Act.

1988 Grantee Response:

Department of Housing

In order to comply with OMB Circular A-128, the Department of Housing has reviewed procedures for compliance with the Davis-Bacon Act provisions. The Contract Compliance unit will work with program personnel to ensure that the department complies with the Davis Act provisions.

Department of Economic Development

The Department of Economic Development implemented policies and procedures to comply with the provisions of the Davis-Bacon Act in May, 1989. The Mayor's Office of Employment and Training will monitor the department's facade rebate and industrial capital assistance programs for compliance with the Davis-Bacon Act. Program applicants are advised that they must comply with the Davis-Bacon Act and that the Mayor's Office of Employment and Training will monitor and report their compliance or noncompliance to the department. Beginning January 1, 1990, the department will begin to monitor the facade rebate and industrial capital assistance programs for compliance with the Davis-Bacon Act.

Finding 1988—12:

Federal compliance requirements (OMB Circular A-102, Attachment O, paragraph 14a-j), mandate that the grantee include certain specified provisions in all contracts and subgrants.

Contracts, for the following programs, in DOH and DED did not contain provisions required by paragraph 14c through i:

DOH

Abandonment Prevention Program

Housing Rehabilitation

DED

Facade Rebate Program

Industrial Capitalization Assistance Program

We recommend that the City comply with Federal regulations by including the provision of OMB Circular A-102, Attachment O, paragraph 14a-j in all contracts and subgrants.

1988 Grantee Response:

Department of Housing

In order to comply with Federal compliance regulations of OMB Circular A-102, Attachment O, paragraph 14 a-j, the Department of Housing has established a compliance system. All program managers have been notified in writing regarding the specific provisions which must be included in all contracts and subgrants. The Finance and Administration division will monitor compliance in this area.

Department of Economic Development

The Department of Economic Development will revise the contracts for the Facade Rebate and Industrial Capital Assistance programs to incorporate the applicable Federal regulations.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—URBAN DEVELOPMENT ACTION GRANTS (UDAG)—CFDA NO. 14.221—CITY DEPARTMENTS OF ECONOMIC DEVELOPMENT (DED) AND HOUSING (DOH)—YEAR ENDED DECEMBER 31, 1988

Finding 1988—13:

Federal compliance regulations (24 CFR 570.461(f)), mandate that the City submit a semi-annual progress report for each UDAG project and that the data contained therein be adequately supported by grantees records.

The semi-annual progress reports that were due on April 10, 1988, for the period ended March 30, 1988, were filed four days late by DED for fifteen (15) projects and were never submitted for nine (9) DED projects and one (1) DOH project. Data included in the semi-annual reports for the periods ending March 31, 1988 and September 30, 1988, was either unsupported by or not in agreement with the records of DED.

We recommend that the City submit the required semi-annual progress reports on a timely basis; prepare such reports based on adequate supporting records and documents and retain such records in compliance with Federal regulations.

1988 Grantee Response:

Department of Economic Development

In an internal memo, dated July 21, 1989, HUD indicated that the department is complying with semi-annual report requirements. The department has implemented procedures to make certain that the semi-annual reports are in agreement with department records which will be retained in compliance with Federal regulations.

Department of Housing

The Department of Housing does submit the semi-annual progress reports for each UDAG project on time. The one report in question concerned Burnham Park Plaza and was not completed because the department did not receive the HUD computer printout for the specific project. All semi-annual progress reports, prior and subsequent, have been completed and submitted by the established *deadlines*.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—URBAN DEVELOPMENT ACTION GRANTS (UDAG)—CFDA NO. 14.221—CITY DEPARTMENT OF ECONOMIC DEVELOPMENT (DED)—YEAR ENDED DECEMBER 31, 1988

Finding 1988—14:

Federal compliance regulations (24 CFR 570.461 (e)), mandate that program income generated from the use of UDAG grant funded activities must be accounted for and retained by the City and used to fulfill eligible program objectives as specified in the grant agreement.

There is no formal collection policy in place for repayment of UDAG loans administered by the Department of Economic Development. UDAG loan repayments can be received at three locations: the department which administers the project (loan), the Comptroller's Office, or directly by the City Revenue Department. Each month, the Comptroller's Office sends each of the three City departments that administers UDAG projects, a listing of their outstanding loans which show the dollar amount and number of days delinquent. Since repayments are not always received directly by the City Revenue Department, the Comptroller's information regarding the repayment status of UDAG loans is sometimes inaccurate and incomplete. Since collected funds are used to fund subsequent UDAG grant loan projects, there is a risk that uncollected funds could cause the City to be unable to adequately fund future loan projects. As of December 31, 1988, six (6) UDAG loans were delinquent as follows:

Project number	Project name	Principal loan amount	Amount delinquent (including interest)	Number of days delinquent
Department of Economic Development				
B-81-AA-17-0066	Arrow Services	$ 250,000	$149,274	1,582
B-81-AA-17-0053	Abbott Group	350,000	334,482	1,924
B-82-AA-17-0075	Exchange Center Phase II	4,000,000	*	726
B-84-AA-17-0161	Krantzen Studio	1,000,000	387,575	1,065
B-81-AA-17-0054	Borland Buildings	5,000,000	146,143	276
B-81-AA-17-0153	River City	3,000,000	157,488	458

*Information incomplete per "Loan Status Report."

We recommend that the City establish formal collection policies and procedures for the administering of UDAG loans.

1988 Grantee Response:

The Department of Economic Development is establishing a loan monitoring and collection unit and has prepared written collection policies and procedures to which it adheres. Our loan monitoring and collection policies have been reviewed and approved by HUD and our Office of Budget and Management. The monthly loan collection and monitoring process begins with (1) monthly loan billings and, (2) receipt of the Urban Development Action Grants Schedule of Outstanding Loans prepared by the Comptroller. All loans are billed monthly except coupon, UDAG and those for whom we have formal notification that bankruptcy has been filed. Past due amounts as well as the current payment due appears on the monthly bill. UDAG borrowers receive an amortization schedule and an explanatory letter summarizing loan repayment terms upon completion of the project's closeout report. Ordinarily, due to their size, sophistication and organizational structure, these borrowers are accustomed to debt servicing and do not require monthly reminders.

All borrowers reported to be thirty (30) days or more delinquent in the Urban Development Action Grants Schedule of Loans Outstanding, are contacted immediately upon receipt of the monthly schedule. Collection procedures include monthly telephone and or collection letter contact. The Comptroller's schedule of outstanding loans is reviewed to determine whether borrowers are adhering to payment arrangements. Telephone contact and a series of progressively strident collection letters are employed, culminating in the transmittal of the delinquent account to the Law Department when it becomes ninety (90) days past due and satisfactory repayment terms cannot be reached or the borrower is unresponsive. Delinquent borrowers are invited and encouraged to meet with Department officials to discuss and resolve their delinquent status. Every effort is made to reach a satisfactory repayment arrangement with a delinquent borrower in order to recover loan funds thereby reducing, limiting loan losses.

July 31, 1989 status of UDAG loans reported as delinquent by Comptroller at December 31, 1988:

2	bankruptcy filed at Law Department at December 31, 1988
1	in liquidation at Law Department
1	promissory note dispute; law advising how to proceed
1	loan terms require property transfer to City in lieu of first year's payment; terms and condition under review before final disposition is made
1	borrowers are delinquent on first mortgage; terms and conditions being renegotiated with FHA.
6	

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—URBAN DEVELOPMENT ACTION GRANTS (UDAG)—CFDA NO. 14.221—CITY DEPARTMENT OF HOUSING (DOH)—YEAR ENDED DECEMBER 31, 1988

Finding 1988—15:

Federal compliance requirements (OMB Circular A-128), mandate that construction projects financed by Federal assistance must comply with the provisions of the Davis-Bacon Act.

DOH does not adequately document its review of UDAG contractor's payrolls for compliance with the Davis-Bacon Act. Of the twenty-five (25) payroll documents tested, none indicated evidence of such a review.

We recommend that the City establish procedures to determine compliance with the Davis-Bacon Act and adequately document this determination.

1988 Grantee Response:

The Contract Compliance unit has the responsibility for review of UDAG contractor's payrolls for compliance with the Davis-Bacon Act. Although the payrolls were reviewed by staff, there was no documentation of the review. In order to comply, procedures have been modified to include the staff's initials on all payrolls reviewed.

U.S. DEPARTMENT OF TRANSPORTATION—HIGHWAY PLANNING AND CONSTRUCTION PROGRAM—CFDA NO. 20.205—CITY DEPARTMENT OF PUBLIC WORKS—YEAR ENDED DECEMBER 31, 1988

Finding 1988—16:

Federal compliance requirements (OMB Circular A-102, Attachment L), mandate the prompt submission of a final voucher following project completion for both construction and preliminary engineering projects.

During 1988, the City had procedures to close out construction projects in a proper and timely manner. However, per review of six (6) preliminary engineering projects that should have been closed, no such procedures were performed. Therefore, the City is not in compliance with Federal regulations for grant close-out procedures.

We recommend that the City comply with the prescribed Federal regulations.

1988 Grantee Response:

Procedures have been initiated to close-out preliminary engineering grants on a systematic basis. The Grantor agency has provided funding for an audit to be performed by a certified public accounting firm. The City of Chicago has contracted with a CPA firm for this audit to be performed in order that the City will be in compliance.

U.S. DEPARTMENT OF TRANSPORTATION—URBAN MASS TRANSPORTATION—CAPITAL IMPROVEMENT GRANTS—CFDA NO. 20.500—CITY DEPARTMENT OF PUBLIC WORKS—YEAR ENDED DECEMBER 31, 1988

Finding 1988—17:

OMB Circular A-102, Attachment H, requires that each grantee submit quarterly financial status reports (SF-269) for each program that draws down funds on a letter of credit. These reports are due within thirty (30) days after the end of each quarter.

We noted that the quarterly financial status reports were not timely filed as follows:

Quarter ended	Report due date	Date filed	Number of days late
03/31/88	04/30/88	05/27/88	27
06/30/88	07/30/88	08/30/88	30

We recommend that the City comply with the prescribed reporting requirements.

1988 Grantee Response:

The City developed procedures to properly comply with the reporting requirements as of the third quarter of 1988. Since then, the City has been submitting these reports on a timely basis.

Finding 1988—18:

Federal compliance requirements (OMB Circular A-102, Attachment N), mandate that all nonexpendable personal property, having a useful life of more than one (1) year and an acquisition cost of $300 or more per unit, purchased with Federal funds must be reflected on a property listing and that a physical inventory of property must be taken and the results reconciled with property records at least once every two (2) years.

The City does not maintain a listing of nonexpendable personal property purchased with Federal funds from the Urban Mass Transportation Capital Improvement Grants. It is, therefore, not possible to accurately determine the total amount of nonexpendable personal property purchased by the City with Federal funds.

We recommend that the City maintain the property records and establish other property management procedures required by Federal regulations.

1988 Grantee Response:

These findings relate to the bi-annual inventory of property/facilities purchases with UMTA capital funds and the bi-annual certification of use of project facilities.

All such facilities built or property purchased by the City with UMTA funds have been turned over to the Chicago Transit Authority (CTA) under written operating and maintenance agreements. The City is negotiating with the CTA to assure that these requirements are met in a timely manner.

Finding 1988—19:

Federal reporting requirements mandate, under specific compliance UMTA Order 5010.1, that the City must certify bi-annually as to the use of project facilities.

The City has not filed the required certified Facility Use Reports.

We recommend that the City comply with these prescribed reporting requirements.

1988 Grantee Response:

These findings relate to the bi-annual inventory of property/facilities purchases with UMTA capital funds and the bi-annual certification of use of project facilities.

All such facilities built or property purchased by the City with UMTA funds have been turned over to the Chicago Transit Authority (CTA) under written operating and maintenance agreements. The City is negotiating with the CTA to assure that these requirements are met in a timely manner.

U.S. DEPARTMENT OF ENERGY—WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS—CFDA NO. 81.042—CITY DEPARTMENT OF HOUSING—YEAR ENDED DECEMBER 31, 1988

Finding 1988—20:

Federal compliance requirements (OMB Circular A-102, Attachment L), mandate that Federal agencies must establish grant closeout procedures that provide for prompt payments by the grantor or prompt refunds by the grantee and final reports within ninety (90) days of completion. The Illinois Department of Commerce and Community Affairs (DCCA) grant agreement requires submission within forty-five (45) days, while circular A-102 requires that DCCA submit close-out material to the Department of Energy (DOE) within ninety (90) days of grant completion.

The grant close-out reports for the four (4) weatherization grants closed out in 1988 were not closed out within the prescribed time frame as follows:

Grant Number	Days Late
87-98125	5
87-425025	5
87-22125	5
87-422025	5

We recommend that the City comply with the prescribed state regulations.

1988 Grantee Response:

The Department of Housing has reviewed the procedures for completing the grant close-out reports for the Weatherization Program. The procedures will be modified in order to comply with the prescribed state regulations regarding timely submission of reports.

1987 AND 1986 SINGLE AUDIT SYSTEMS OR INTERNAL CONTROL RELATED FINDINGS—YEAR ENDED DECEMBER 31, 1988

Finding 1988—21:

The 1987 and 1986 Single Audit reports contained a total of 54 and 35 findings respectively, relating to administrative areas, specific and general major and nonmajor Federal financial assistance programs.

Some of these findings have been closed by the appropriate Federal agency; however, a total of 30 findings from 1987, 14 findings from 1986 and 10 findings from 1985 remain open at December 31, 1988. The City is awaiting approval from the appropriate Federal agency to remove these findings.

A Summary of Open 1987, 1986 and 1985 Findings and Questioned Costs is included on pages 70 through 76. Certain 1987 and 1986 findings relate to accounting and administrative system weaknesses or internal control weaknesses in the administration of Federal financial assistance programs. Because the conditions or weaknesses in internal control remain unresolved and, therefore, could impact transactions relating to 1988 Federal financial assistance programs, the 1987 and 1986 accounting and administrative findings are repeated as originally reported in an appendix and an updated response has been provided by the City. The original verbiage relating to 1987 and 1986 documentation type findings have not been included in this report. Also, procedural findings from 1987 and 1986 which could not result in 1988 questioned costs, have similarly been identified on the Summary of Open 1987 and 1986 Findings and Questioned costs and are not included in this report.

1988 Grantee Responses:

Finding 1987—32:

Department of Economic Development Control Over Loan Collections for CDBG Funds:

The Department of Economic Development is establishing a loan monitoring and collection unit and has prepared written collection policies and procedures to which it adheres. Our loan monitoring and collection policies have been reviewed and approved by HUD and our Office of Budget and Management.

Finding 1987—34:

Department of Public Works Improper Approval of Interfund Settlement Vouchers:

The Department of Public Works will assure that all future Interfund Settlement Vouchers for services to client departments will be sent to the respective City departments for review and approval in accordance with City's procedures. It has been noted that even though DPW did approve some Interfund Settlement Vouchers for DED's projects, the audit determined that these vouchers were for allowable costs.

Finding 1987—40:

Department of Economic Development Control Over Loan Collection for UDAG Funds:

The Department of Economic Development is establishing a loan monitoring collection unit and has prepared written collection policies and procedures to which it adheres. Our loan monitoring and collecting policies have been reviewed and approved by HUD and our Office of Budget and Management.

Finding 1986—13:

Department of Economic Development Control Over Loan Collections:

The Department of Economic Development is establishing a loan monitoring collection unit and has prepared written collection policies and procedures to which it adheres. Our loan monitoring and collecting policies have been reviewed and approved by HUD and our Office of Budget and Management.

Department of Housing Control Over Loan Collections:

The Department has established and implemented policies and procedure for controlling loan collections.

SUMMARY OF OPEN 1987, 1986 AND 1985 FINDINGS AND QUESTIONED COSTS—YEAR ENDED DECEMBER 31, 1988

			Nature of finding	
Finding No.	CFDA No.	U.S. Department	Documentation or procedural	System or control
1987-1	Open accounting and administrative finding	Not applicable		x
2	72.001	ACTION	x	
3	72.001	ACTION	x	
5	10.558	Agriculture	x	
6	13.600	Health and Human Services	x	
7	13.600	Health and Human Services	x	
8	13.600	Health and Human Services	x	
9	13.635	Health and Human Services	x	
10	13.635	Health and Human Services	x	
12	13.665	Health and Human Services	x	
13	13.665	Health and Human Services	x	
14	13.665	Health and Human Services	x	
17	13.667	Health and Human Services	x	
24	13.994	Health and Human Services	x	
26	13.994	Health and Human Services	x	
28	14.218	Housing and Urban Development	x	
31	14.218	Housing and Urban Development	x	
32	14.218	Housing and Urban Development		x
34	14.218	Housing and Urban Development		x
37	14.221	Housing and Urban Development	x	
39	14.221	Housing and Urban Development	x	
40	14.221	Housing and Urban Development		x
42	20.106	Transportation	x	
44	20.106	Transportation	x	
45	20.106	Transportation	x	
49	20.500	Transportation	x	
50	20.500	Transportation	x	
51	20.500	Transportation	x	
52	20.500	Transportation	x	
53	20.500	Transportation	x	
1986-1	Open accounting and administrative finding	Not applicable		x
2	11.300	Commerce	x	
4	13.667	Health and Human Services	x	
5	13.818	Health and Human Services	x	
7	13.994	Health and Human Services	x	
8	14.218	Housing and Urban Development	x	
10	14.218	Housing and Urban Development	x	
11	14.218	Housing and Urban Development	x	
12	14.221	Housing and Urban Development	x	
13	14.221	Housing and Urban Development		x
15	14.221	Housing and Urban Development	x	
31	21.300	Treasury	x	
32	21.300	Treasury	x	
33	21.300	Treasury	x	

(continued)

Finding No.	CFDA No.	U.S. Department	Nature of finding: Documentation or procedural	Nature of finding: System or control
1985-10	Accounting and administrative	Not applicable		x
31	13.633	Health and Human Services		x
32	13.633	Health and Human Services	x	
33	13.633	Health and Human Services	x	
38	13.667	Health and Human Services	x	
39	13.667	Health and Human Services	x	
48	13.994	Health and Human Services	x	
49	13.994	Health and Human Services	x	
61	14.218	Housing and Urban Development	x	
84	21.300	Treasury	x	

Note 1: Certain 1987, 1986 and 1985 findings were closed based upon review and notification by the appropriate Federal agency.

Note 2: The above 1987, 1986 and 1985 findings remain open at December 31, 1988.

City Federal funds accounting personnel indicate that most of the supporting documentation for 1987 and 1986 findings relating to missing documentation has been located and is available for review. The appropriate Federal agency must complete a review of the documentation to close the findings. These documentation type findings have not been repeated in the following section.

All 1987 and 1986 findings relating to system or internal control weaknesses which have not been closed are repeated in the following section with the exception of 1987-1 which only represented 1987 responses to 1986 and 1985 findings. An updated 1988 response has been provided for open 1987 and 1986 system and internal control findings in Finding 1988-21.

OPEN 1987 AND 1986 FINDINGS—SYSTEMS OR INTERNAL CONTROL RELATED—YEAR ENDED DECEMBER 31, 1988

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)—CFDA NO. 14.218—CITY DEPARTMENT OF ECONOMIC DEVELOPMENT—YEAR ENDED DECEMBER 31, 1988

Finding 1987—32:

The City does not have written collection policies and procedures for the repayment of CDBG loans; nor does the City adequately follow-up and monitor delinquent or potentially delinquent loans.

As of December 31, 1987, there were thirteen (13) business development loans and twenty-four (24) direct micro loans which were delinquent from fifteen (15) to eight hundred and twenty (820) days and thirty (30) to six hundred and seventy-one (671) days, respectively. Since collected funds are used to fund subsequent loans and programs, there is a risk that uncollected funds could cause the City to be unable to adequately fund future loans and programs.

We recommend that the City establish adequate monitoring and collection procedures for its loan projects.

1987 Grantee Response:

Currently, the City is addressing this deficiency by establishing a loan monitoring and collection division. This division will function in an oversight capacity, monitoring all City loans, addressing delinquent loans, assessing borrowers' payback potential as well as reporting on the status of our loans.

The City is also in the process of procuring the services of an independent financial institution to act as a one source collection center. The attainment of this service will increase reporting and accounting accuracy in addition to reducing confusion regarding loan repayments.

Once the City's loan monitoring and collection division is in operation, formal written collection policies and procedures will be established.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)—CFDA NO. 14.218—CITY DEPARTMENT OF PUBLIC WORKS—YEAR ENDED DECEMBER 31, 1988

Finding 1987—34:

City procedures require the buyer department to receive "Interfund Settlement" vouchers for review, approval and subsequent submission for payment processing.

The Department of Public Works (DPW) approved and submitted for payment "Interfund Settlement" vouchers relating to the Department of Economic (DED)—CDBG projects, for which services were performed by the DPW. This practice interferes with the efficient control of project disbursements, budgets and monitoring, and could cause budget overruns.

We recommend that the Department of Public Works adhere to the City's procedures for processing "Interfund Settlement" vouchers.

1987 Grantee Response:

The Department of Public Works agrees and does adhere to the City's procedure for processing "Interfund Settlement" vouchers. Further, it has established a control to prevent this type of incident in the future.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—URBAN DEVELOPMENT ACTION GRANTS (UDAG)—CFDA NO. 14.221—CITY DEPARTMENT OF ECONOMIC DEVELOPMENT (DED)—YEAR ENDED DECEMBER 31, 1988

Finding 1987—40:

Federal regulations 24 CFR 570.461 (e) mandate that program income generated from the use of UDAG grants funded activities must be accounted for and retained by the City and used to fulfill eligible program objectives as specified in the grant agreement.

There is no formal collection policy in place for repayment of UDAG loans administered by the Department of Economic Development. UDAG loan repayments can be received at three locations: the department which administers the project (loan), the Comptroller's Office, or directly by the City Revenue Department. Each month, the Comptroller's Office sends each of the three City departments that administers UDAG projects, a listing of their outstanding loans which show the dollar amount and number of days delinquent. Since repayments are not always received directly by the City Revenue Department, the Comptroller's information regarding the repayment status of UDAG loans is sometimes inaccurate and incomplete. Since collected funds are used to fund subsequent UDAG grant loan projects, there is a risk that uncollected funds could cause the City to be unable to adequately fund future loan projects. As of December 31, 1987, eight (8) UDAG loans were delinquent for the Department of Economic Development as follows:

Project number	Project name	Principal loan amount	Amount delinquent (including interest)	Number of days delinquent
Department of Economic Development				
B-81-AA-17-0066	Arrow Services	$ 250,000	$119,429	1,309
B-81-AA-17-0053	Abbott Group	350,000	276,080	1,558
B-82-AA-17-0075	Exchange Center Phase II	4,000,000	*	426
B-84-AA-17-0161	Krantzen Studio	1,000,000	254,692	699
B-84-AA-17-0135	Congress Center	5,500,000	*	*
B-84-AA-17-0196	Guernsey Deli	1,500,000	*	518
B-85-AA-17-0197	Continental Plaza Shopping Center	1,750,000	*	275
B-86-AA-17-0238	Newly Wed Food, Inc.	860,000	*	153

*Information incomplete per "Loan Status Report."

The administrative and accounting control for all of the Department of Planning's UDAG grants were transferred to the Department of Economic Development (DED). Due to the fact that DED is currently understaffed with experienced UDAG administrators, we recommend that the City take action to ensure that proper staff levels are made available to enable DED to effectively administer these grants. In addition, we recommend that the City establish a formal collection policy for the repayment of UDAG loans.

1987 Grantee Response:

Currently, the City is addressing this deficiency by establishing a loan monitoring and collection division. This division will function in an oversight capacity, monitoring all City loans, addressing delinquent loans, assessing borrower's payback potential as well as reporting on the status of loans.

The City is also in the process of procuring the services of an independent financial institution to act as a one source collection center. The attainment of this service will increase reporting and accounting accuracy in addition to reducing confusion regarding loan payments.

Once the City's loan monitoring and collection division is in operation, formal written collection policies and procedures will be established.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—URBAN DEVELOPMENT ACTION GRANTS (UDAG)—CFDA NO. 14.221—CITY DEPARTMENTS OF PLANNING, ECONOMIC DEVELOPMENT AND HOUSING—YEAR ENDED DECEMBER 31, 1988

Finding 1986—13:

There is no formal collection policy in place for repayment of the Urban Development Action Grants (UDAG) loans administered by the Departments of Planning, Economic Development, and Housing. UDAG loan repayments can be received at three (3) locations: the department which administers the project (loan), the Comptroller's Office, or directly to the City Revenue Department. Each month, the Comptroller's Office sends each of the three City departments that administers (UDAG) projects a listing of their outstanding loans which shows the dollar amount and number of days delinquent. Since repayments are not always received directly by the City Revenue Department, the Comptroller's information regarding the repayment status of UDAG loans is sometimes inaccurate.

The City should establish a formal collection policy for the repayment of UDAG loans. It should also be noted that the City intends to transfer by December 31, 1987, the administrative and accounting control for all of the Department of Planning's UDAG grants to the Department of Economic Development. Due to the fact that the DED is currently understaffed with experienced UDAG administrators, we believe the City should take action to ensure that proper staff levels are made available to enable DED to effectively administer these additional grants.

1986 Grantee Response:

The 1988 budget request includes funds that will permit the City to establish formal administration procedures for UDAG loans, including billing, verification and collection. We will currently take measures to ensure that the repayments are received directly at the City Revenue Department.

REPORT ON FRAUD, ABUSE, OR AN ILLEGAL ACT

Standards for Audit issued by the GAO require that all errors, irregularities, or illegal acts, whether material or not, that come to the attention of the auditor should be covered in a separate written report. Examples of the report follow:

REPORT ON FRAUD

During the year ended December 31, 1985 it was discovered that embezzlement of Township funds had occurred in the Sewer Revenue Fund. The funds embezzled were strictly local township funds and no federal funds were involved. A special fraud audit was conducted and it was determined that approximately $28,000 was embezzled over a two year period. The amount of funds that were misappropriated were not material to the operation of the Sewer Revenue Fund, taken as a whole. The person responsible for this fraud has been dismissed from township employment and found guilty of embezzlement of public funds in a court of law. The township has significantly increased its internal accounting and administrative controls in this area since the discovery of the embezzlement.

[Signature]

October 16, 1986

Honorable Members of County Council

During the examination of the general purpose financial statements of the County, for the year ended June 30, 1986, it came to our attention through inquiry of the County Administration and the County Attorney there were certain fraudulent acts perpetrated during the fiscal year. The following fraudulent acts were disclosed to us during our examination:

Magistrate—During the course of the fiscal year it was determined that personnel in the Magistrate's office incurred significant delays in depositing collected funds into the bank. This discrepancy was further examined by the State Auditors office.

Parks, Recreation and Tourism—The neglect of a former County employee to properly secure collections taken in at the County Park resulted in alleged break-ins and theft of County Park funds.

In a separate incident, a county park employee misappropriated funds by substituting unreceipted checks for cash.

We have performed no additional audit procedures in connection with the acts and are reporting them in accordance with the Single Audit Act of 1984.

[Signature]

Appendix A

List of Governmental Entities Whose Financial Statements Were Included in the Survey

State	Census Bureau Number	Entity Name
Alabama	01 2 008 001	City of Anniston
	01 2 028 028	City of Gadsden
	01 2 030 004	City of Russellville
	01 2 045 001	City of Huntsville
	01 2 049 004	City of Mobile
	01 2 061 004	City of Lincoln
Alaska	02 1 006 002	Fairbanks North Star Borough
	02 2 002 001	Municipality of Anchorage
	02 2 006 001	City of Fairbanks
	02 2 008 001	City and Borough of Juneau
	02 2 013 003	City of Wasilla
	02 2 016 001	City of Craig
Arizona	03 1 007 007	Maricopa County
	03 2 002 004	City of Sierra Vista
	03 2 003 001	City of Flagstaff
	03 2 007 010	City of Phoenix
	03 2 007 012	City of Tempe
	03 2 008 601	Lake Havasu City
	03 2 010 001	City of South Tucson
	03 2 010 002	City of Tucson
	03 2 013 002	City of Prescott
	03 2 014 003	Wellton-Mohawk Irrigation and Drainage District
	03 5 010 012	Sahuarita Unified School District No. 30
Arkansas	04 2 060 004	City of Little Rock
	04 2 066 003	City of Fort Smith
	04 5 060 001	Little Rock School District of Pulanski County
	04 5 066 001	Fort Smith School District #100
California	05 1 001 001	County of Alameda
	05 1 004 004	County of Butte
	05 1 007 007	County of Contra Costa
	05 1 030 030	County of Orange
	05 1 034 034	County of Sacramento
	05 1 039 038	County of San Joaquin
	05 1 043 042	County of Santa Clara
	05 1 048 047	County of Solano
	05 1 054 053	County of Tulare
	05 1 056 055	County of Ventura
	05 2 019 007	City of Beverly Hills
	05 2 019 016	City of Gardena
	05 2 019 017	City of Glendale
	05 2 019 018	City of Glendora
	05 2 019 041	City of Santa Monica
	05 2 019 514	City of Commerce
	05 2 019 523	City of Rosemead
	05 2 024 006	City of Merced
	05 2 030 001	City of Anaheim
	05 2 030 010	City of Laguna Beach
	05 2 030 504	City of Westminster
	05 2 033 002	City of Beaumont
	05 2 038 001	City and County of San Francisco

State	Census Bureau Number	Entity Name
	05 2 043 012	City of San Jose
	05 4 001 612	Association of Bay Area Governments
	05 4 007 031	Housing Authority of the County of Contra Costa
	05 4 019 025	County Sanitation Districts of Los Angeles County
	05 4 023 602	Community Development Commission of Mendocino County
	05 4 038 002	Golden Gate Bridge, Highway and Transportation District
	05 4 056 901	South Coast Area Transit
	05 5 019 024	Covina-Valley Unified School District
	05 5 034 701	Los Rios Community College District
	05 5 043 702	West Valley—Mission Community College District
Colorado	06 1 001 001	Adams County
	06 1 003 003	Arapahoe County
	06 1 007 007	Boulder County
	06 1 022 021	Freemont County
	06 1 030 029	Jefferson County
	06 1 043 042	Montrose County
	06 1 049 048	Pitkin County
	06 1 062 061	Weld County
	06 2 001 004	City of Commerce City
	06 2 001 006	City of Thornton
	06 2 003 003	City of Englewood
	06 2 003 501	City of Aurora
	06 2 021 002	City of Colorado Springs
	06 2 023 003	City of Fountain
	06 2 023 002	City of Glenwood Springs
	06 2 051 001	City of Pueblo
	06 2 054 003	City of Steamboat Springs
	06 4 039 606	Walker Field, Colorado, Public Airport Authority
	06 5 001 001	Adams County School District 14
	06 5 001 701	School District No. 12, Adams County
	06 5 003 011	Arapahoe County School District Number Six
	06 5 007 503	Boulder Valley School District RE-2
	06 5 016 001	School District No. 1 in the City and County of Denver
	06 5 021 021	El Paso County School District No. 20
	06 5 030 001	Jefferson County School District, No. R-1
	06 5 051 002	Pueblo County School District No. 70
Connecticut	07 2 002 002	City of Hartford
	07 2 002 003	City of New Britain
	07 2 005 005	Borough of Naugatuck
	07 2 005 501	City of Milford
	07 3 001 004	Town of Darien
	07 3 001 014	Town of Sherman
	07 3 001 015	Town of Stratford
	07 3 002 003	Town of Bloomfield
	07 3 002 010	Town of Farmington
	07 3 002 014	Town of Manchester
	07 4 001 908	Norwalk Transit District
	07 4 002 011	Housing Authority of the City of Hartford
	07 4 002 901	Greater Hartford Transit District
	07 5 005 501	Regional High School District No. 5
Delaware	08 1 001 001	Kent County
	08 1 002 002	New Castle County
	08 2 003 013	City of Milford
Florida	10 1 013 013	Metropolitan Dade County
	10 1 029 029	Hillsborough County
	10 1 044 044	Monroe County
	10 1 052 052	Pinellas County
	10 2 005 502	City of Palm Bay
	10 2 006 004	City of Fort Lauderdale
	10 2 013 013	City of Miami
	10 2 016 003	City of Jacksonville

State	Census Bureau Number	Entity Name
	10 2 017 001	City of Pensacola
	10 2 031 003	City of Vero Beach
	10 2 037 001	City of Tallahassee
	10 2 050 023	City of West Palm Beach
	10 4 037 902	Tallahassee Housing Authority
Georgia	11 1 022 022	Carroll County
	11 1 025 025	Chatham County
	11 1 026 026	Chattahoochee County
	11 1 033 033	Cobb County
	11 1 067 067	Gwinnett County
	11 1 121 121	Richmond County
	11 2 060 002	City of Atlanta
	11 2 092 004	City of Valdosta
	11 4 011 002	Housing Authority of the City of Macon
	11 5 106 001	Muscogee County School District
Hawaii	12 2 002 001	City and County of Honolulu
Idaho	13 2 001 001	Boise City
	13 2 003 009	City of Pocatello
	13 2 010 002	City of Idaho Falls
	13 2 035 003	City of Lewiston
	13 5 020 006	Mountain Home School District #193
Illinois	14 1 007 007	Calhoun County
	14 1 069 069	Morgan County
	14 1 098 098	Whiteside County
	14 2 016 016	City of Chicago
	14 2 016 027	City of Evanston
	14 2 022 017	City of Wheaton
	14 2 058 003	City of Decatur
	14 2 084 022	City of Springfield
	14 2 099 007	City of Joliet
	14 3 016 018	Oak Park Township
	14 3 092 005	Danville Township
	14 4 016 030	Chicago Transit Authority
	14 4 072 805	Greater Peoria Mass Transit District
Indiana	15 2 002 001	City of Fort Wayne
	15 2 071 003	City of Mishawaka
Iowa	16 1 077 077	Polk County
	16 2 057 003	City of Cedar Rapids
Kansas	17 1 023 023	Douglas County
	17 1 087 087	Sedgwick County
	17 2 008 005	City of El Dorado
	17 2 031 001	City of Junction City
	17 2 056 005	City of Emporia
	17 2 080 501	City of Andover
	17 2 087 014	City of Wichita
	17 4 083 701	Wet Walnut Creek Watershed Joint District No. 58
Kentucky	18 1 056 056	Jefferson County Fiscal Court
	18 1 059 059	Kenton County
	18 2 034 001	Lexington-Fayette Urban County Government
	18 4 019 901	Transit Authority of Northern Kentucky
	18 5 009 002	Paris Independent Board of Education
	18 5 056 002	Jefferson County Board of Education
	18 5 074 001	McCreary County School District
Louisiana	19 1 009 009	Caddo Parish Commission
	19 1 052 050	St. Tammany Parish
	19 2 009 003	City of Shreveport

State	Census Bureau Number	Entity Name
	19 2 017 002	City of Baton Rouge and Parish of East Baton Rouge
	19 2 028 004	City of Lafayette
	19 2 029 003	City of Thibodaux
	19 2 032 002	City of Denham Springs
	19 2 051 004	City of Morgan City
	19 2 057 001	City of Abbeville
	19 4 036 601	Regional Transit Authority
	19 5 010 001	Calcasieu Parish School Board
	19 5 017 001	East Baton Rouge Parish School Board
Maine	20 2 003 001	City of Portland
	20 2 010 001	City of Bangor
	20 2 010 002	City of Brewer
	20 2 016 002	City of Saco
	20 3 010 037	Town of Lincoln
	20 3 010 048	Town of Orono
	20 3 013 018	Town of Madison
	20 3 015 026	Town of Machias
	20 4 016 801	Sanford Housing Authority
	20 5 002 708	School Administrative District No. 45
	20 5 010 701	Maine School Administrative District 22
Maryland	21 1 002 002	Anne Arundel County
	21 1 003 003	Baltimore County
	21 1 016 015	Montgomery County
	21 2 011 004	City of Frederick
	21 2 013 002	Town of Bel Air
	21 2 015 002	Town of Chestertown
	21 2 016 010	City of Rockville
	21 2 017 007	City of College Park
	21 2 022 004	City of Hagerstown
	21 2 023 006	City of Salisbury
Massachusetts	22 2 011 001	City of Quincy
	22 3 011 003	Town of Braintree
	22 3 011 022	Town of Stoughton
	22 4 005 601	Merrimack Valley Regional Transit Authority
	22 4 007 601	Pioneer Valley Transit Authority
	22 5 008 501	Amherst-Pelham Regional School District
Michigan	23 1 014 014	Cass County
	23 1 050 050	Macomb County
	23 2 033 002	City of East Lansing
	23 2 050 801	City of Sterling Heights
	23 2 082 802	City of Romulus
	23 3 023 006	Charter Township of Delta
	23 3 025 007	Charter Township of Flint
	23 3 039 007	Charter Township of Kalamazoo
	23 5 033 021	Lansing School District
	23 5 039 030	Schoolcraft Community Schools
	23 5 041 050	Grand Rapids Public Schools
	23 5 073 020	Buena Vista School District
Minnesota	24 1 027 027	Hennepin County
	24 2 002 007	City of Coon Rapids
	24 2 003 003	City of Detroit Lakes
	24 2 018 002	City of Brainerd
	24 2 019 901	City of Eagan
	24 2 027 001	City of Bloomington
	24 2 055 004	City of Rochester
	24 4 019 801	Housing and Redevelopment Authority of South St. Paul
	24 5 002 002	Anoka-Hennepin Independent School District No. 11
	24 5 003 032	Independent School District No. 22
	24 5 007 027	Independent School District No. 70
	24 5 018 003	Independent School District No. 181

State	Census Bureau Number	Entity Name
	24 5 027 039	Independent School District No. 281
	24 5 062 001	Independent School District No. 625 St. Paul Public Schools
Mississippi	25 2 024 001	City of Biloxi
	25 2 025 004	City of Jackson
	25 2 026 002	City of Durant
	25 2 041 004	City of Tupelo
	25 4 041 513	Housing Authority of the City of Tupelo
Missouri	26 1 010 010	Boone County
	26 1 039 039	Greene County
	26 1 095 095	St. Louis County
	26 2 010 002	City of Centralia
	26 2 016 001	City of Cape Girardeau
	26 2 036 011	City of Washington
	26 2 039 003	City of Springfield
	26 2 046 002	City of West Plains
	26 2 109 006	City of Nevada
	26 4 048 901	Kansas City Area Transportation Authority
	26 5 011 011	School District of St. Joseph
	26 5 048 017	Consolidated School District No. 2
Montana	27 2 007 003	City of Great Falls
	27 2 025 002	City of Helena
	27 2 056 001	City of Billings
	27 4 032 607	Missoula Urban Transportation District
Nebraska	28 2 001 002	City of Hastings
	28 2 027 002	City of Fremont
	28 2 028 004	City of Omaha
	28 2 055 007	City of Lincoln
	28 4 028 026	Housing Authority of the City of Omaha
Nevada	29 2 002 001	City of Henderson
	29 2 002 002	City of Las Vegas
	29 2 002 003	City of North Las Vegas
	29 2 016 001	City of Reno
	29 5 003 001	Douglas County School District
New Hampshire	30 1 007 007	County of Merrimack
	30 1 009 009	County of Strafford
	30 2 005 501	City of Lebanon
	30 2 006 001	City of Manchester
	30 2 007 001	City of Concord
	30 2 008 001	City of Portsmouth
	30 2 009 001	City of Dover
	30 2 009 003	City of Somersworth
	30 3 005 017	Town of Hanover
	30 3 008 008	Town of Derry
	30 4 008 902	Newmarket Housing Authority
	30 5 006 003	Merrimack School District
	30 5 006 018	Milford School District
	30 5 008 019	Londonderry School District
New Jersey	31 5 004 701	Township of Cherry Hill School District
New Mexico	32 1 015 015	Incorporated County of Los Alamos
	32 2 001 001	City of Albuquerque
	32 2 003 004	City of Roswell
	32 2 007 002	City of Las Cruces
	32 2 008 002	City of Carlsbad
	32 2 013 002	City of Hobbs
	32 5 001 001	Board of Education, Albuquerque
	32 5 003 005	Roswell Independent School District
	32 5 007 003	Las Cruces School District No. 2

State	Census Bureau Number	Entity Name
New York	33 1 013 012	Delaware County
	33 1 015 014	County of Erie
	33 1 028 026	County of Monroe
	33 1 030 028	County of Nassau
	33 1 036 033	County of Orange
	33 1 046 041	County of Saratoga
	33 1 052 047	Suffolk County
	33 1 060 055	Westchester County
	33 2 001 001	City of Albany
	33 2 015 005	City of Buffalo
	33 2 028 008	City of Rochester
	33 2 035 004	City of Geneva
	33 2 057 001	City of Glens Falls
	33 2 060 014	City of New Rochelle
	33 3 014 014	Town of Poughkeepsie
	33 3 015 015	Town of Hamburg
	33 3 036 017	Town of Wallkill
	33 5 005 019	Randolph Central School District
	33 5 015 023	Kenmore-Town of Tonawanda Union Free School District
	33 5 054 020	Tioga Central School District
North Carolina	34 1 006 006	Avery County
	34 1 014 014	Caldwell County
	34 1 060 060	Mecklenburg County
	34 1 065 065	New Hanover County
	34 1 092 092	County of Wake
	34 2 007 005	City of Washington
	34 2 025 003	City of New Bern
	34 2 026 001	City of Fayetteville
	34 2 036 009	City of Mount Holly
	34 2 039 002	City of Oxford
	34 2 041 002	City of Greensboro
	34 2 045 001	City of Hendersonville
	34 2 065 003	City of Wilmington
	34 2 068 002	Town of Chapel Hill
	34 2 070 001	City of Elizabeth City
	34 2 092 008	City of Raleigh
	34 2 095 002	Town of Boone
	34 2 098 007	City of Wilson
	34 4 026 002	Fayetteville Metropolitan Housing Authority
	34 4 033 002	Housing Authority of the City of Rocky Mount
	34 4 041 003	Greensboro Housing Authority
	34 4 060 001	Housing Authority of the City of Charlotte
North Dakota	35 1 009 009	Cass County
	35 1 030 030	Morton County
	35 1 039 039	Richland County
	35 1 045 045	Stark County
	35 1 051 051	Ward County
	35 2 008 001	City of Bismarck
Ohio	36 1 018 018	County of Cuyahoga
	36 2 004 002	City of Ashtabula
	36 2 018 014	City of Cleveland
	36 2 025 003	City of Columbus
	36 2 029 008	City of Xenia
	36 2 085 015	City of Wooster
	36 4 048 802	Toledo Area Regional Transit Authority
	36 4 050 801	Western Reserve Transit Authority
	36 4 077 801	Metro Regional Transit Authority
Oklahoma	37 2 014 004	City of Norman
	37 2 053 003	City of Nowata
	37 2 055 012	City of Midwest City

State	Census Bureau Number	Entity Name
	37 2 055 015	City of Oklahoma City
	37 2 060 006	City of Stillwater
Oregon	38 1 003 003	Clackamas County
	38 1 015 015	Jackson County
	38 1 024 024	Marion County
	38 1 026 026	Multnomah County
	38 1 034 034	Washington County
	38 2 015 007	City of Medford
	38 2 020 004	City of Eugene
	38 2 021 701	City of Lincoln City
	38 2 034 002	City of Beaverton
	38 4 006 015	Oregon International Port of Coos Bay
	38 4 020 901	Lane Transit District
	38 4 021 008	Housing Authority of Lincoln County
	38 4 027 804	Polk County Housing Authority and Urban Renewal Agency
	38 5 003 040	Clackamas County School District No. 62
	38 5 006 008	Coos County School District No. 8
	38 5 020 501	South Lane School District No. 45J3
	38 5 024 901	Marion Education Service District
	38 5 026 018	School District No. 1, Multnomah County
	38 5 031 009	Union County School District No. 1
	38 5 034 005	Beaverton School District 48J
Pennsylvania	39 1 002 002	County of Allegheny
	39 1 009 009	County of Bucks
	39 1 022 022	County of Dauphin
	39 1 038 038	County of Lebanon
	39 1 043 043	County of Mercer
	39 1 046 046	County of Montgomery
	39 1 067 066	County of York
	39 2 002 056	City of Pittsburgh
	39 2 022 006	City of Harrisburg
	39 2 028 001	Borough of Chambersburg
	39 2 040 035	City of Wilkes-Barre
	39 2 045 002	Borough of East Stroudsburg
	39 3 002 029	Municipality of Penn Hills
	39 4 036 526	Lancaster Airport Authority
	39 5 001 015	Gettysburg Area School District
Rhode Island	40 2 003 001	City of Newport
	40 2 004 005	City of Woonsocket
	40 3 004 008	Town of North Providence
	40 3 005 004	Town of Narragansett
	40 5 005 701	Exeter-West Greenwhich Regional School District
South Carolina	41 1 004 004	Anderson County
	41 1 008 008	Berkeley County
	41 1 023 023	Greenville County
	41 1 032 032	County of Lexington
	41 1 037 037	Oconee County
	41 1 040 040	Richland County
	41 2 002 005	City of North Augusta
	41 2 004 001	City of Anderson
	41 2 010 001	City of Charleston
	41 2 016 002	City of Hartsville
	41 2 017 003	Town of Latta
	41 2 021 007	Town of Timmonsville
	41 2 023 002	City of Greenville
	41 2 024 001	City of Greenwood
	41 2 026 005	City of Myrtle Beach
	41 2 043 003	City of Sumter
	41 4 023 601	Greenville Transit Authority
	41 4 040 701	Richland-Lexington Airport District
	41 5 002 001	Consolidated School District of Aiken County

State	Census Bureau Number	Entity Name
	41 5 013 001	Chesterfield County School District
	41 5 021 001	Florence School District One
	41 5 042 002	Spartanburg County School District Two
South Dakota	42 1 050 049	Minnehaha County
	42 1 052 051	Pennington County
	42 2 007 001	City of Aberdeen
	42 2 015 005	City of Watertown
	42 2 018 002	City of Mitchell
	42 5 020 011	Clear Lake School District No. 19-2
Tennessee	43 1 028 028	Giles County
	43 1 075 075	Rutherford County
	43 1 079 079	Shelby County
	43 2 016 002	City of Tullahoma
	43 2 063 001	City of Clarksville
	43 2 079 005	City of Memphis
	43 4 033 001	Chattanooga Housing Authority
Texas	44 1 043 043	Collin County
	44 1 062 062	DeWitt County
	44 1 101 101	Harris County
	44 2 015 010	City of San Antonio
	44 2 057 007	City of Dallas
	44 2 058 002	City of Lamesa
	44 2 123 001	City of Beaumont
	44 2 152 002	City of Lubbock
	44 2 178 003	City of Corpus Christi
	44 2 227 001	City of Austin
	44 2 235 001	City of Victoria
	44 4 015 601	Via Metropolitan Transit
	44 5 014 007	Killeen Independent School District
	44 5 015 011	Randolph Field Independent School District
	44 5 028 002	Luling Independent School District
	44 5 031 003	Harlingen Consolidated Independent School District
	44 5 034 002	Atlanta Independent School District
	44 5 049 005	Gainesville Independent School District
	44 5 101 015	Katy Independent School District
Utah	45 1 003 003	Cache County
	45 1 021 021	Sevier County
	45 1 023 023	Tooele County
	45 1 026 026	Wasatch County
	45 1 027 027	Washington County
	45 1 029 029	Weber County
	45 1 012 004	City of Nephi
	45 2 025 008	City of Orem
	45 2 025 011	Provo City Corporation
	45 5 018 004	Salt Lake City School District
Virginia	47 1 007 007	Arlington County
	47 1 008 008	County of Augusta
	47 1 024 024	County of Culpeper
	47 1 044 044	County of Henrico
	47 1 087 087	County of Smyth
	47 2 018 001	Town of Hillsville
	47 2 054 003	Town of Leesburg
	47 2 115 001	City of Hampton
	47 2 121 001	City of Newport News
	47 2 122 001	City of Norfolk
	47 2 127 001	City of Richmond
	47 2 132 001	City of Virginia Beach
	47 2 134 001	City of Williamsburg
	47 4 002 901	Charlottesville-Albemarle Airport Authority
	47 4 115 601	Peninsula Transportation District Commission

State	Census Bureau Number	Entity Name
Washington	48 1 006 006	Clark County
	48 1 017 017	King County
	48 2 003 003	City of Kennewick
	48 2 006 002	City of Camas
	48 2 017 021	City of Seattle
	48 2 034 701	City of Lacey
	48 4 005 014	Public Utility District No. 1 of Clallam County
	48 4 011 008	Franklin County Public Utility District No. 1
	48 4 014 016	Public Utility District No. 1 of Grays Harbor County
	48 4 020 010	Public Utility District No. 1 of Klickitat County
	48 5 029 002	Burlington-Edison School District No. 100
West Virginia	49 4 006 901	Tri-State Transit Authority
Wisconsin	50 1 005 005	Brown County
	50 1 013 013	County of Dane
	50 1 014 014	County of Dodge
	50 1 032 032	La Crosse County
	50 1 036 036	Manitowoc County
	50 1 037 037	Marathon County
	50 1 039 039	Marquette County
	50 1 041 041	County of Milwaukee
	50 1 052 052	County of Racine
	50 1 054 054	Rock County
	50 1 068 068	Waukesha County
	50 2 005 003	City of Green Bay
	50 2 008 002	City of Chilton
	50 2 030 001	City of Kenosha
	50 2 037 014	City of Wausau
	50 2 041 009	City of Milwaukee
	50 2 060 010	City of Sheboygan
	50 5 005 602	Green Bay Area Public School District
Wyoming	51 1 013 013	Natrona County
	51 1 020 020	Teton County
	51 5 005 007	Converse County School District No. 1
	51 5 009 011	Hot Springs County School District No. 1
	51 5 019 002	Sweetwater County School District No. 2

Appendix B

Introduction to the Governmental Unit Annual Report File and the Accounting and Auditing Literature File of the National Automated Accounting and Research System

The American Institute of Certified Public Accountants (AICPA) established the Natioinal Automated Accounting Research System (NAARS) as a means of information retrieval. NAARS is the accounting research library in Mead Data Central's LEXIS® service. LEXIS® is a complete, computer assisted legal research service that offers additional services of interest to the accounting professional. NAARS is one of those additional services.

LEXIS®/NAARS can be accessed by subscribing to LEXIS through Mead Data Central or if you are an AICPA member, through the AICPA's Total On-line Tax and Accounting Library (TOTAL). For information on TOTAL call Hal G. Clark at (212) 575-6393.

NAARS contains authoritative and semi-authoritative accounting literature, annual reports from more than 20,000 companies and comprehensive annual financial reports from more than 2,000 local governmental units subject to the Single Audit Act of 1984.

The Governmental Unit Annual Report file is a new file in NAARS. Each document contains the general purpose financial statements, the schedule of federal financial assistance and the full-text of the notes to the financial statements of a local governmental unit. It also contains the full text of the reports submitted under the Single Audit Act of 1984 for that entity. The reports are:

For the entity itself:

- A report on the examination of the general purpose financial statements covered by the audit;
- A report on the internal accounting controls based solely on the study and evaluation made as a part of the audit of the general purpose financial statements;
- A report on compliance with laws and regulations that may have a material effect on the general purpose financial statements.

For the entity's federal financial assistance programs:

- A report on the schedule of federal financial assistance;
- A report on internal accounting and administrative controls used in administering federal financial assistance programs;
- A report on compliance with laws and regulations identifying all findings of noncompliance and questioned costs;
- Schedule of identified compliance exceptions, commonly referred to as questioned costs.

The distribution of entity types are:

	85/86 File	86/87 File	87/88 File	88/89 File
Counties	90	114	125	125
Cities	200	199	225	225
Townships	25	37	25	25
Special Districts	108	61	50	50
School Districts	77	89	75	75
Total	500	500	500	500

A file year consists of entities with year-ends from July 1 through June 30, (i.e., the 88/89 file contains the financial statements and auditors' reports for 500 entities with year-ends between July 1, 1988 and June 30, 1989).

USING THE GOVERNMENTAL UNIT ANNUAL REPORT FILES

To effectively use the Governmental Unit Annual Report File, the researcher should understand how to formulate a search and how files are organized.

SEARCH FRAMES

Search the government reports by using a key word or phrase in the search frame transmitted. However, a particular accounting concept may be difficult to find by using a key word or phrase. For example, the subject "Accounting Changes" is sometimes difficult to identify in a governmental unit annual report. A particular report may refer to an accounting change simply by saying, "In the current year, the management of the City elected to change the accounting for...," which is a simple example to find. The search frame to transmit may be constructed as follows:

CHANG! W/5 PRINCIPLE OR ACCOUNTING

In this case, the researcher instructs the computer to search the governmental unit annual reports for any form of the word CHANGE (the exclamation point is a wild card) to appear within five words of either PRINCIPLE or ACCOUNTING.

However, a report that discloses an accounting change in a manner that does not use the word change can be difficult to find. For example, "The District adopted the depreciation method of accounting for property and equipment in fiscal 1989..." This disclosure implies there was a change in the method of accounting but does not use any form of the word change.

The AICPA staff indexes the notes to make it possible to find such examples. A CPA reads each of the notes to be entered into the data base. These professionals identify accounting concepts contained within a note. The accounting concepts contained within the note are indexed by applying one or more acronyms at the beginning of each note. When the report is entered into the data base, the acronym becomes part of the note. The acronym is called a descriptor. (A list of all the descriptors used in the Governmental Unit Annual Report files is presented later in this appendix.) The descriptor that identifies a change in accounting principle is GACCTPRN.

The second example would have been retrieved by adding the descriptor to the search frame, as follows:

GACCTPRN OR CHANG!
W/5 PRINCIPLE OR ACCOUNTING

Here the researcher instructs the computer to first find examples of note disclosure, where the note contains the descriptor GACCTPRN or any form of the word CHANGE. Next, find examples where PRINCIPLE or ACCOUNTING are contained. Finally, from these two sets of note disclosures, select notes that contain GACCTPRN or any form of the word CHANGE within five words of PRINCIPLE or ACCOUNTING.

The researcher may also use descriptors together with a key word or phrase to find examples of specific kinds of changes. For example, the following search frame would provide examples of a reclassification from non-operating revenues to contributed capital in compliance with the Standards of the Governmental Accounting Standards Board Statement No. 6:

GACCTPRN W/SEG GRECLAS W/SEG
(STATEMENT OR STANDARD OR GASB W/3 6)

The W/SEG (within segment) is a connector that instructs the computer to find the search frame within the same segment, or in this case, the same note disclosure. (A list of connectors and all segments used in the Governmental Unit Annual Report file is also presented later in this appendix.)

While these search frames may appear intimidating at first glance, formulating a search becomes easier with experience. To provide new users with a quick start, the AICPA offers a self-study course on formulating searches and using this data base. The first course is entitled *Learning LEXIS/NEXIS/NAARS* and is available from the AICPA Order Department, which can be reached at 1-800-334-6961 (in New York, 1-800-248-0445). Search frames used for this publication are presented in Appendix C.

If you have questions about subscribing to the NAARS data base through AICPA TOTAL (Total On-line Tax and Accounting Library), call Hal G. Clark at (212) 575-6393. To subscribe to TOTAL, call the Order Department number listed above.

SEGMENTS AND DESCRIPTORS

Segments:

Segments are naturally occurring divisions in a document. You can use segments to:

- Limit your search to one or more segments
- View or print selected parts of documents
- Conduct a search for documents based upon arithmetic values.

Using segments

A typical segment search follows this format:

name of segment search

nm/unt (detroit)

Using the nm/unt (name-of-governmental unit) segment tells the LEXIS® service to look for reports that are about *detroit*. It would not find reports that simply mentioned *detroit*.

Choosing connectors for segment searches

Use OR to connect words or descriptors in any part of a document.

Use AND to connect words or descriptors in all group segments, except for the FTNT or FNDG group segments.

Use W/SEG or W/n to connect words or descriptors in all other segments, including the FTNT and FNDG segments.

Group segments

A group segment combines related segments for convenience in searching or viewing documents. Note that the OR and AND connectors can connect words or descriptors in separate segments in a group segment, but that the W/n and W/SEG cannot. Which connectors you select depends on your search objective, e.g.,

To find: A governmental annual report with a balance sheet segment (b/s) that had the *gnocapbs* descriptor and the word *payroll*.

TRANSMIT: *b/s (gnocapbs* AND *payroll)*

Remarks: Use the AND connector. The *gnocapbs* descriptor is in the TITLE-BS segment of the B/S group segment, and the word *payroll* is in another segment within the B/S group segment. The AND connector must be used to cross the individual segment boundaries within a group segment.

To find: A note with both the *gcommt* and *gdeprec* descriptors.

TRANSMIT: *gcommt* W/SEG *gdeprec*

Remarks: Although FTNT (notes to the financial statements) is a group segment, each individual note in an annual report is a separately searchable segment. You want to find annual reports with *both* descriptors in the *same* note. The W/SEG connector requires this, whereas the AND connector would find annual reports with the *gcommt* and *gdeprec* descriptors in different notes. You do not need to use parentheses, as these descriptors are only found in the FTNT segment.

Arithmetically searchable segments

Segments indicated with an * are arithmetically searchable. This allows you to specify that an arithmetic value in the segment concerned be equal to, greater than, or less than, some other value.

To find: Governmental unit annual reports with a total dollar number of federal financial assistance in excess of $10,000,000.

TRANSMIT: *tl/asst 10,000,000*

Remarks: The last three zeroes are *not* omitted from numerical values in the GR file. The files containing corporate annual reports (such as AR) *do* omit the last three zeroes from numerical values.

*Indicates arithmetically searchable segments

Segment organization

Name-of-governmental unit ....NM/UNT
Name-of-state ....NM/ST
Census Bureau number.....................BUR/NO
Type of governmental unit ....TYP/UNT
Auditor(s) ....AUD
Scope of audit................................SCOP/AUD
Fiscal year ended—Date of balance
  sheet..DB/S*
Date of auditor(s) report of General Purpose Financial Statements...............D/REPRT*
Elapsed time between fiscal year-end and date of auditor's report (nearest whole month) ....ELPSD*
Fund types presented ....FND/TYP
Type of Financial Statements ....TYP/FS
Top City Ranking ....CTYRNK*
Top County Ranking.........................CNTYRNK*
Population ....TL/POP*
Total Assets ....TL/ASET*
Total Liabilities...............................TL/LIA*
Total Fund Balance ....TL/FBAL*
Total Revenue
  GOVERNMENTAL FUND TYPES ....TL/REV*
Excess Revenues Over Expenditures
(Excess Expenditures Over Revenues)
  GOVERNMENTAL FUND TYPES ....N/REV*
Total Revenue
  PROPRIETARY FUND TYPES ....PTL/REV*
Total Net Income
  PROPRIETARY FUND TYPES ....PTL/NI*
Total dollar value of compliance findings TL/FNDG*
Total number of compliance findings.....NBR/FDG*
Total dollar value of federal financial
  assistance.................................TL/ASST*
Comments ....COM
Auditor's Reports............................REPRT
Schedule of federal financial assistance..FDLASST
Auditor's report on compliance............RPT/CMPL
Auditor's report on internal control.......RPT/IC
Combined Balance Sheet ....B/S (group segment)
Combined Statement of Revenues, Expenditures and Changes in Fund Balances ....RECFB (group segment)
Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget vs. Actual ....B/A (group segment)
Combined Statement of Revenues and Expenses and Changes in Retained Earnings...................................RECR/E (group segment)
Combined Statement of Changes in Financial Position ....SCF/P (group segment)
Notes to General Purpose Financial Statements................................FTNT (group segment)
Schedule of compliance findings..........FNDG (group segment)

Fund types presented (FND/TYP)

Governmental Fund Types
  General ....GGENL
  Special Revenue ....GSPECREV
  Debt Service...GDBTSVS
  Capital Projects ....GCPROJ
  Special Assessment ....GSPASMNT
Proprietary Fund Types
  Enterprise ....GNTRPRZ
  Internal Service ....GINTSVC
Fiduciary Fund Types
  Trust and Agency..GFIDU
  Expendable Trust ....GXPNDTST
  Nonexpendable Trust......................................GNXPNDTST
Account Groups
  General Fixed Asset ....GGAFA
  General Long-term Debt ....GLTD
Memorandum Totals:
  Current and prior years...................................GCURPRI
  Current year only ....GCURONLY

Group segment	Segment name	Short name
B/S	Title—(Combined Balance sheet)..........	TITLE-B/S
B/S	Assets	ASET
B/S	Liabilities.....................................	LIAB
B/S	Fund Balance	FNDBL
RECFB	Title—(Combined Statement of Revenues, Expenditures and Changes in Fund Balances)............................	TITLE-RECFB
RECFB	Revenues.....................................	RVNUE
RECFB	Expenditures.................................	XPND
RECFB	Revenues over (under) expenditures	N/RVNU
RECFB	Other financing sources	OSRC
RECFB	Other financing uses	OUSE

Group segment	Segment name	Short name
RECFB	Other financing sources/uses (net)	OSRCUSE
RECFB	Excess revenues over (under) expenditures including other financing sources/uses	NTCHG
RECFB	Fund balance	RE/FBAL
B/A	Title—(Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget vs. Actual)	TITLE-B/A
B/A	Revenues	BA/RVNUE
B/A	Expenditures	BA/XPND
B/A	Revenues over (under) expenditures	BAN/RVNU
B/A	Other financing sources	BA/OSRC
B/A	Other financing uses	BA/OUSE
B/A	Other financing sources/uses (net)	BA/OSRCUSE
B/A	Excess revenues over (under) expenditures including other financing sources/uses	BA/NTCHG
B/A	Fund balance	BA/REFBAL
RECR/E	Title—(Combined Statement of Revenues, Expenses and Changes in Retained Earnings)	TITLE-RECR/E
RECR/E	Operating revenues	OP/REV
RECR/E	Operating expenses	OP/EXP
RECR/E	Operating income (loss)	OP/NTREV
RECR/E	Non operating revenues (expenses)	NOP/REV
RECR/E	Operating transfers income	OP/TRNS
RECR/E	Net income (loss)	N/INC
RECR/E	Change in Retained Earnings/Fund Balances	CHG/RE
SCF/P	Title—(Combined Statement of Changes in Financial Position)	TITLE-SCF/P
SCF/P	Sources	PROV
SCF/P	Uses	USD
SCF/P	Components of Change	COMP
SCF/P	Sources/uses—cash basis	PROV/USD
FTNT	Title—(Notes)	TITLE-FTNT
FTNT	Notes (Segments)	
	Note-1 thru Note-48 Also Note A-Z	NOTE-1 THRU NOTE-48
	Auditor's Report	REPRT
	Schedule of federal financial assistance	FDLASST
	Auditor's report on compliance	RPT/CMPL FNDG
FNDG	Title—(Schedule of compliance findings)	TITLE-FNDG
FNDG	Schedule of compliance findings	FNDG-1 THRU
	Finding-1 thru Finding-20 Also finding A-U	FNDG-20
	Report on internal control	RPT/IC

Descriptors:

Descriptors are abbreviated terms added to annual reports by the AICPA to identify accounting concepts. Descriptors allow the researcher to focus on a specific concept and narrow the search to individual notes or auditors' comments.

Further discussion of segments and descriptors can be found in the TOTAL or Mead reference manuals. Segments and descriptors are for use in the GR files of the NAARS service. They will not work in any of the other annual report files in the NAARS service, nor will segments and descriptors from other files work in the GR files.

Many of the accounting concepts found in the GR files are similar to those in corporate annual reports. However, in the GR files, descriptors used to identify those concepts are preceded by the letter g.

Descriptors in the GR files are found in the following segments:

Name of segment	short title
Scope of audit	(SCOP/AUD)
Combined balance sheet	(B/S)
Notes to general purpose financial statements	(FTNT)
Schedule of federal financial assistance	(FDLASST)
Schedule of compliance findings	(FNDG)
Fund types presented	(FND/TYP)
Combined statement of revenues, expenditures and changes in fund balance	(RECFB)
Auditor reports	(REPRT)
Auditor's report on compliance	(RPT/CMPL)
Auditor's report on internal controls	(RPT/IC)

Scope of audit (SCOP/AUD)

	Descriptor
Combined Balance—All Fund Types and Account Groups	GBALSHT
Combined Statement of Revenues, Expenditures and Changes in Fund Balance—All Governmental Fund Types and Expendable Trust Funds	GRECBG
Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General and Special Revenue Fund Types	GRECBBAG
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances—All Proprietary Fund Types and Similar Trust Funds	GREREPR
Combined Statement of Changes in Financial Position—All Proprietary Fund Types and Similar Trust Funds	GCHGFPPR

Combined balance sheet (B/S)

Reporting of commitments and contingencies	
No caption in balance sheet NOTE DISCLOSURE ONLY	GNOCAPBS
Caption between liabilities and equity section	GBETLEQU
Reservation of fund balance or retained earnings	GRESRVD
Caption between equity total and (total liability and equity)	GBETTOT
Other (i.e., caption following total liabilities and equity caption, part of total liabilities)	GFOLTTLS

Combined statement of revenues, expenditures and changes in fund balances—all governmental fund types and expendable trusts (RECFB)

	Descriptor
Expenditures grouped by	
Program or function	GPROFUNC
Character (current, capital, debt)	GXPNDCHAR
Organization or department	GXPNDDPT
Other financing sources (uses)	
Separately identified	GOTHSRCUSE

Auditor's report on general purpose financial statements (REPRT)

	Descriptor
Type of auditor examining f/s	
Certified Public Accountant	GCRTFDPBL
State Audit Agency	GGOVTAGCY
Municipal Accountant	GMUNIAUD
Other	GOTHRAUD
More than one auditor:	
Two or more CPA firms	GMNYPBLC
Govt Auditor and CPA firm	GGOVTPBLC
Report of secondary auditor	GSNDAUD
F/S covered by auditor's opinion	
Combined Financial Statements (General Purpose F/S)	GGPFSONLY
General Purpose, Combining, Individual Funds and Account Groups F/S	GALLTYP
General Purpose and Combining F/S	GGPFSCBNG
Other	GOTHCVRG
Auditing standards employed	
Generally Accepted	GGAAS
State Standards	GSTSTD
Single Audit and A-128	GSNGLACT
GAO Financial and Compliance (Generally Accepted Government)	GGAOSTDS
Other audit criteria	GOTHCRIT
No audit performed	GNOAUD
Accounting principles used in f/s	
Generally Accepted	GGNLYACC
State Government	GSTGPRIN
Some other basis	GOTHBASIS
Nature of auditor's opinion	
Unqualified	GUNQUAL
Qualified:	
Departure from GAAP (Requires additional descriptor)	GGAAP
Accounting principles not consistently applied	GCONST
Litigation	GLITGAT
Scope limitation	GSCOP
Contingent liabilities other than litigation	GCONTG
Informative disclosure	GINFDIS
Disclaimer	GDISCL
Adverse	GADVER
Reliance on other auditor	GRELYAUD
Change of auditor	GCHGAUD
More than one report	
Same auditor only	GMNYREP

Note: GMNYREP will be given to each report. INFDIS may also be given to each report. Auditing standards employed will be given only if different from first report. No other descriptors should be given.

Additional descriptors for departure from GGAAP

Fixed asset accounting or valuation	GPROP
Method of accruing revenues or expenditures	GREVREC
Pension	GPENS
Cash basis of accounting	GCASH
Incomplete f/s (identify with additional GGAAP descriptor, if possible)	GNCOMPLE
Compensated absences	GABSCOMP
Reporting entity	GENTYP
Inventory valuation accounting	GINVENT
Interest capitalization	GINTCAP
Internal control limitation	GINTCONT
Other departure from GAAP	GOTHDEPT

Schedule of federal financial assistance (FDLASST)

Basis of accounting	
Cash	GCASH
Accrual	GACRU
Modified Accrual	GMOACRU
Basis not disclosed/determined	GBASND
Tabular Presentation	
Different columns for revenues and expenditures	GDIFCOL
Prior year data	GPRIYRD

Auditor's report on compliance (RPT/CMPL)

More than one report	
Same auditor	GMNYREP
Note: GMNYREP must be given to each report	
More than one auditor	
Two or more CPA firms	GMNYPBLC
Govt Auditor and CPA firm	GGOVTPBLC
Report of secondary auditor	GSNDAUD
Nature of Auditor's Opinion	
Reliance on other auditor	GRELYAUD

Schedule of compliance findings and questioned costs (FNDG)

	Descriptor
Program or Agency	
Department of Education	GDEDU
Department of Agriculture	GDAGR
REA Policy on Audits	GDAGRR
Women, Infants and Children	GDAGRW
Farmers Home Administration	GDAGRF
Department of Commerce	GDCOM
Department of Energy	GDENE
Health and Human Services	GDHEA
Housing and Urban Development	GDHOU
Department of the Interior	GDINT
Department of Justice	GDJUS
Department of Labor	GDLAB
Department of Transportation	GDTRA
Department of the Treasury and Revenue Sharing	GDTRE
Community Services Administrator	GDCOSE
Environmental Protection Agency	GDENV
Criteria for reporting a finding	
Unallowable costs	GCUNA
Undocumented costs	GCUDC
Unapproved costs	GCUNPP
Unreasonable costs	GCUNR
Davis-Bacon Act	GCDBA
Discrimination/Affirmative Action (DBE, MBE)	GCVLRGHT
Untimely reporting/reporting requirements	GCTIM
Improper cut-offs	GCIMP
Mathematical errors/erroneous reporting	GCMAT
Cash/Financial management	GCCAS
Other	GCOTH

Auditor's report on internal controls (RPT/IC)

More than one report	
Same auditor	GMNYREP
Note: GMNYREP must be given to each report	
More than one auditor	
Two or more CPA firms	GMNYPBLC
Govt Auditor and CPA firm	GGOVTPBLC
Report of secondary auditor	GSNDAUD
Nature of Auditor's Opinion	
Reliance on other auditor	GRELYAUD

Disclosure of pension plans

	Descriptor
Types of pension plans	GPENS
Single employer	GSNGLPLN
Multiple employer—cost sharing	GMLTIPLNC
Multiple employer—agent	GMLTIPLNA
Multiple employer—cost basis not disclosed	GMULTNDET
Type of plan not determinable	GPENTYPND
Nature of pension plan	
Defined benefit	GDEFBEN
Defined contribution	GDEFCON
Not determinable	GNTDTRMN
Actuarial cost method for funding purposes	
Entry age normal cost method	GNTRNORM
Entry age actuarial cost method	GNTRACT
Aggregate actuarial cost method	GAGGRACT
Frozen entry age actuarial cost method	GFZNTRACT
Projection of actuarial cost/forecast method	GPRJACT
Unit credit actuarial cost—projected	GUCRCTP
Unit credit actuarial cost—not projected	GUCRCTNP
Individual-level actuarial cost	GINDACT
Others	GOTHMTH
Not disclosed	GMTHNTDIS
Basis of investment assets	
Cost, which approximates market value	GCSTAPRX
Cost	GCST
Market value	GMKTVL
Other basis	GOTHBAS
Lower of cost or market	GLCMKT
Cost based (equity securities at cost; fixed-income securities at amortized cost)	GCSTBSED
Not disclosed	GBASNTDIS
Plan and net assets disclosure	
Plan net assets available for benefits	GNAAVAIL
Actuarial present value of vested accumulated plan benefits	GPVVSTD
Actuarial present value of nonvested accumulated plan benefits	GPVNVSTD
Actuarial present value of both vested and nonvested accumulated plan benefits	GPVVSTD, GPVNVSTD
Actuarial present value of credited projected benefits	GPVCRPB
Not disclosed	GNANTDIS
Discount rate method	
Expected rate of return on present and future assets	GEXPROR
Current settlement rate	GCSTLMNT
Others	GOTHRATE
Not disclosed	GRTNTDIS

Origins of liabilities for claims and contingent liabilities

Possible disallowance or dispute related to federal contract or grant	GFDLCON
Discrimination/civil rights	GCVLRGHT
Action of governmental personnel (i.e., accident by government driver, malpractice by government doctor, or improper arrest)	GGVTEMPL
Claim for property damage	GPRPDMG
Disputes—tax levies or assessed valuations	GTXDSPU
Contract dispute	GCONDSPU
Lawsuits:	
Specified	GSPFIED
Unspecified	GUNSPFIED
Compensation claim	GCOMPENCL
Unemployment liability	GUNMPLIA
Other description	GOTHORGN

Note: These descriptors should be given with GLITGAT or GCOMMT

Reasons cited for excluding governmental functions and organizations from disclosures related to entities reported in the financial statements

	Descriptor
Not controlled by the reporting entity	GNCONTRL
Management not appointed or controlled by the reporting entity	GMGTNAPT
Discrete government entity apart from the reporting entity	GSEPENT
Budgets not approved by the reporting entity	GBDGNAPR
Not funded by the reporting entity	GNTFNDED
Not a significant influence on operations	GNOINFLU
Not accountable for fiscal matters	GNTACTBL
No oversight authority	GOVRSIHT
Not administered by oversight authority	GNTADM
Not financially interdependent	GNTDEPND
Not part of taxing authority	GNOTXATH
Not within scope of public service entity	GNTWISCOP
Joint venture	GJNTVENT
Privately owned	GPVTOWND
Other reasons	GOTHREAS
Reasons not disclosed	GXCLNTDIS

Note: These descriptors should be given with GENTYP

Other footnote descriptors alphabetically arranged by concept

	Descriptor
Basis of accounting	GACCTBAS
Budget vs. GAAP reconciliation	GBDGREC
Budgetary accounting	GBUDGAC
Capital lease—lessor (sales type)	GSTLSEOR
Capital leases—lessee	GCAPLSE
Capitalization of interest	GINTCAP
Change in accounting estimate	GACCTEST
Change in accounting principle	GACCTPRN
Change in fiscal year	GFYCHG
Commitments and contingencies (can be given in addition to GLITGAT)	GCOMMT
Compensated absences	GCOMPEN, GABSCOMP
Compensation and special termination benefits	GCOMPEN
Debt disclosure (See Addendum)	GDEBTAC
Defeasance of debt	GDEFEZE
Deferred charges and credits (unidentified)	GDEFERC
Deficit fund balances or retained earnings of individual funds	GNEGBAL
Depreciation	GDEPREC
Depreciation not recorded	GNODEPREC
Designation reported as part of unreserved fund balance	GDESUFB
Discontinued operations	GDISCOP
Discrete entity separate summary of significant acctg policies	GDSCRET
Encumbrances	GNCUMBR
Excess of expenditures over appropriations in individual funds	GXCES
Extraordinary items	GXTRA
Fund accounting	GFNDACCT
Guaranteed debt	GCOMMT, GDEBTAC
Inconsistencies caused by transactions between component units having different fiscal year-ends	GFYDIF
Intangible assets	GINTANG
Interfund payables and receivables	GINTFND
Interfund transfers	GTRNSFR
Internal control	GINTCONT
Inventory	GINVENT
Investments, including repurchase agreements (excludes cash equivalents)	GNVSTMT
Joint ventures	GJNTVEN
Leveraged leases	GLEVRGL
Line-of-business/Major customer	GLOBU
Litigation	GLITGAT
Long-term debt (See Addendum)	GLGTRM
Long-term construction commitments	GCONTR
Operating lease—lessee	GOPLSE
Operating lease—lessor	GOPLSR
Pension or retirement plans	GPENS
Prior period adjustments	GPRIPER
Property or fixed asset policy	GPROP
Property taxes	GPTXREV
Receivables	GREC
Reclassifications	GRECLAS
Related party transactions (Other than governmental entity)	GINSIDR
Relationship of component unit to oversight unit in separately issued component unit financial report or statement	GSEPCUFR
Reporting entity	GENTYP
Revenue recognition	GREVREC
Safe Harbor Leases	GPROP, GCONTR, GREVREC, GSTLSEOR
Subsequent event	GSUBEV
Summary of significant acctg policies	GPRACT
Supplementary information	GSUPINF
Total columns	GTOTCLMN
Violations of legal provisions	GVIOPROV

Other footnote descriptors alphabetically arranged by descriptor

GABSCOMP	Compensated absences
GACCTBAS	Basis of accounting
GACCTEST	Change in accounting estimate
GACCTPRN	Change in accounting principle
GADVREF	Advance refunding of debt or early extinguishment
GBDGREC	Budget vs. GAAP reconciliation
GBUDGAC	Budgetary accounting
GCAPLSE	Capital leases—lessee
GCOMMT	Commitments and contingencies (can be given in addition to GLITGAT)
GCOMPEN	Compensation and special termination benefits
GCONTR	Long-term construction commitments

Descriptor	
GDEBTAC	Debt disclosure (see addendum)
GDEFERC	Deferred charges and credits (unidentified)
GDEFEZE	Defeasance of debt
GDEPREC	Depreciation
GDESUFB	Designation reported as part of unreserved fund balance
GDISCOP	Discontinued operations
GDSCRET	Discrete entity separate summary of significant acctg policies
GENTYP	Reporting entity
GFNDACCT	Fund accounting
GFYCHG	Change in fiscal year
GFYDIF	Inconsistencies caused by transactions between component units having different fiscal year-ends
GINSIDR	Related party transactions (Other than governmental entity)
GINTANG	Intangible assets
GINTCAP	Capitalization of interest
GINTCONT	Internal control
GINTFND	Interfund payables and receivables
GINVENT	Inventory
GJNTVEN	Joint ventures
GLEVRGL	Leveraged leases
GLGTRM	Long-term debt (see addendum)
GLITGAT	Litigation
GLOBU	Line-of-business/major customer
GNCUMBR	Encumbrances
GNEGBAL	Deficit fund balances or retained earnings of individual funds
GNODEPREC	Depreciation not recorded
GNVSTMT	Investments, including repurchase agreements (excludes cash equivalents)
GOPLSE	Operating lease—lessee
GOPLSR	Operating lease—lessor
GPENS	Pension or retirement plans
GPRACT	Summary of significant acctg policies
GPRIPER	Prior period adjustments
GPROP	Property or fixed asset policy
GPTXREV	Property taxes
GREC	Receivables
GRECLAS	Reclassifications
GREVREC	Revenue recognition
GSEPCUFR	Relationship of component unit to oversight unit in *separately issued component unit financial report* or statement
GSTLSEOR	Capital lease—lessor (sales type)
GSUBEV	Subsequent event
GSUPINF	Supplementary information
GTOTCLMN	Total columns
GTRNSFR	Interfund transfers
GVIOPROV	Violations of legal provisions
GXCES	Excess of expenditures over appropriations in individual funds
GXTRA	Extraordinary items

Addendum
Application of long-term debt (GLGTRM)

In summary of Significant Accounting Policies (GPRACT) note:

Given for accountability of long-term debt. For example, long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group.

If the actual long-term debt is described, GDEBTAC is also given. For example, long-term debt payable as of June 30, 1986, consisted of $500,000 1980 Sewer System general obligation bonds maturing in 1996.

In other footnotes, GLGTRM will be given only in addition to GDEBTAC when the actual long-term liability is described (as in the preceding paragraph).

IMPORTANT NOTE: GLGTRM can be given once in the PRACT footnote and only once for all remaining footnotes (usually given in the first long-term debt footnote).

USING THE ACCOUNTING AND AUDITING LITERATURE FILES

The Accounting and Auditing Literature files of the NAARS library contain the full-text of authoritative and semi-authoritative accounting and auditing literature, including the following:

FASB Statements, Concepts, Interpretations and Technical Bulletins; Emerging Issues Task Force of the FASB Issues Summaries and Minutes of Meetigs; GASB Statements, Interpretations, Technical Bulletins, and Concepts; APB Opinions, Statements, and Interpretations; AICPA Statements on Auditing Standards, Auditing Interpretations; Accounting Standard Executive Committee Pronouncements; Issues Papers; Industry Audit and Accounting Guides; Statements on Standards for Accounting and Review Services, and Interpretations; Statement on Quality Control and Interpretation; Statement on Management Advisory Service; Statement on Standards for Accountants' Services on Prospective Financial Information; Statement on Standards for Attestation Engagements; Accounting Research Bulletins; Terminology Bulletins; International Accounting Standard Committee Pronouncements; AICPA Ethics—Concepts, Rules of Conduct, Interpretations, and Ethics Rulings—Technical Information Service Inquiries and Replies; International Federation of Accountants Committee Pronouncements (Auditing); Cost Accounting Standards Board Pronouncements; S.E.C. Staff Accounting Bulletins, Accounting Series Releases, Financial Reporting Releases, and Accounting and Auditing Enforcement Releases; Office of Management and Budget Circulars and Standards for Audit of Governmental Organizations & Functions; President's Council on Integrity and Efficiency: State Network Block Grants.

Documents in the literature files are divided into the following SEGMENTS (with brief descriptions):

AUTHORITY (Issuing authority)

TITLE (Title of document)

DATE (Date of issuance)

TEXT (Full text of document)

AFFECTED-BY (Lets you know when the document you are viewing has been updated by a later document)

FOOTNOTES (To display the footnotes in the documents retrieved)

LENGTH (Length of document in words)

The literature files also have descriptors. The descriptors, located in the TITLE segment, identify the literature by document type. For example, Statements of Financial Accounting Standards have the descriptor FASBS added in the TITLE segment. The following is a list of descriptors used in the literature files and the document type identified by each:

DESCRIPTOR	LIT DOCUMENT TYPE
FASBS	Statements of Financial Accounting Standards
FASBI	FASB Interpretations
FASBT	Financial Accounting Standards Board Technical Bulletins
FASBC	Statements of Financial Accounting Concepts
FEITFIS	FASB Emerging Issues Task Force Issue Summaries
FEITFM	FASB Emerging Issues Task Force Minutes of Meetings
SAS	Statements on Auditing Standards
AUI	Auditing Interpretations
APBO	Accounting Principles Board Opinions
APBS	ABS Statements
APBI	Accounting Interpretations
ISUPAP	Issues Papers
ARB	Accounting Research Bulletins
SOP	Statements of Position—Accounting Standards Executive Committee
SOP	Statements of Position—Auditing Standards Division
SSARS	Statements on Standards for Accounting and Review Services
SSARSI	Statements on Standards for Accounting and Review Services Interpretations
SSASPFI	Statements on Standards for Accountants' Services on Prospective Financial Information
SSAE	Statements on Standards for Attestation Engagements
SMAS	Statements on Standards for Management Advisory Services
QCS	Statements on Quality Control Standards
QCSI	Interpretations of Quality Control Standards
QCP	Quality Control Policies & Procedures
AAG	Audit and Accounting Guides
AUG	Industry Audit Guides
GUD	Guides (Other)
IAS	International Accounting Standards
IAUG	International Auditing Guidelines
GASB-COD	GASB Codification
GASBS	Statements of the Governmental Accounting Standards Board
GASBI	GASB Interpretations
GASBT	GASB Technical Bulletins
GASBC	Concepts Statements of the Governmental Accounting Standards Board
CASB	Cost Accounting Standards Board Pronouncements (available soon)
AAER	Accounting and Auditing Enforcement Releases
ATB	Accounting Terminology Bulletins
FRR	Financial Reporting Releases
ASR	Accounting Series Releases
SAB	Staff Accounting Bulletins
SK	Regulation S-K
SX	Regulation S-X
OMB	Office of Management and Budget Circulars
GAO	Standards for Audit of Gvt Organizations, Programs, Activities and Functions
PCIE	President's Council on Integrity and Efficiency Single Audit Committee
SNBG	State Network on Block Grants
TIS	AICPA Technical Practice Aids
ET	Code of Professional Conduct
ETBYLAW	Bylaws of the American Institute of Certified Public Accountants
ASECPB	ACSEC Practice Bulletins

SINGLE AUDIT REFERENCE MATERIAL

Search frames can also be added to obtain currently effective authoritative and semi-authoritative guidance from any of the aforementioned sources in the literature files on specific accounting or auditing matters. The following two search frames were used to obtain effective authoritative and semi-authoritative guidance for governmental accounting and auditing, including single audits.

The first search frame was:

TITLE (GASB-COD OR GASBS OR GASBI OR GASBT OR GASBC OR OMB OR GAO OR PCIE OR SNBG)

The following publications were obtained:

GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Codification of Governmental Accounting and Financial Reporting Standards

STATEMENT NO. 13 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Accounting for Operating Leases With Scheduled Rent Increases

STATEMENT NO. 12 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers

STATEMENT NO. 11 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements

STATEMENT NO. 10 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues

STATEMENT NO. 9 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting

STATEMENT NO. 8 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Applicability of FASB Statement No. 93, Recognition of Depreciation by Not-for-Profit Organizations, to Certain State and Local Governmental Entities

STATEMENT NO. 7 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Refundings Resulting in Defeasance of Debt

STATEMENT NO. 6 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Accounting and Financial Reporting for Special Assessments

STATEMENT NO. 5 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers

STATEMENT NO. 4 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Applicability of FASB Statement No. 87, "Employers' Accounting for Pensions," to State and Local Governmental Employers

STATEMENT NO. 3 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements

STATEMENT NO. 2 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457

STATEMENT NO. 1 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide

GOVERNMENTAL ACCOUNTING STANDARDS BOARD, CONCEPTS STATEMENT NO. 1, Objectives of Financial Reporting

GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Technical Bulletin No. 87-1, Applying Paragraph 68 of FASB Statement 3

GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Technical Bulletin No. 84-1; Purpose and Scope of GASB Technical Bulletins and Procedures for Issuance

GOVERNMENTAL ACCOUNTING STANDARDS BOARD, Interpretation No. 1, Demand Bonds Issued by State and Local Governmental Entities, An Interpretation of NCGA Statement 1 and NCGA Interpretation 9

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-21, Subject: Cost Principles for Educational Institutions

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-50 REVISED, Audit Followup

OFFICE OF MANAGEMENT AND BUDGET CICULAR NO. A-87, Cost Principles for State and Local Governments

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-88 REVISED, Indirect Cost Rates, Audit, and Audit Followup at Educational Institutions

OFFICE OF MANAGEMENT AND BUDGET PROPOSED CIRCULAR NO. A-88 REVISED, Coordinating Audits and Negotiating Indirect Cost Rates at Educational Institutions

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-110, Subject: Uniform Administrative Requirements for Grants and Other Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-122, Subject: Cost Principles for Nonprofit Organizations

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-122, Subject: Cost Principles for Nonprofit Organizations; Lobbying

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-123 REVISED, Subject: Internal Control Systems

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-127, Subject: Financial Management Systems

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-128, Audits of State and Local Governments

OFFICE OF MANAGEMENT AND BUDGET, Compliance Supplement for Single Audits of State and Local Governments—Uniform Requirements for Grants to State and Local Governments—Compliance Supplement (Revised)

FINANCIAL MANAGEMENT DIVISION, Cognizant Agency Assignments

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY, Federal Cognizant Agent Audit Organization Guidelines

STATE NETWORK ON BLOCK GRANTS, Audit Follow-Up for the Financial and Compliance Audits of the Block Grants

STATE NETWORK ON BLOCK GRANTS, Issues Associated with State Plans to Audit Block Grants

The second search frame was:

SINGLE AUDIT ACT 1984

The following publications were obtained:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, STATEMENT ON AUDITING STANDARDS NO. 63, Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, STATEMENT ON AUDITING STANDARDS NO. 54, Illegal Acts by Clients

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, STATEMENT OF POSITION 90-9, The Auditor's Consideration of the Internal Control Structure Used in Administering Federal Financial Assistance Programs Under the Single Audit Act

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, STATEMENT OF POSITION 89-6, Auditors' Reports in Audits of State and Local Governmental Units

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, AUDIT AND ACCOUNTING GUIDE, Audits of State and Local Governmental Units

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-128, Audits of State and Local Governments

GENERAL ACCOUNTING OFFICE, GOVERNMENT AUDITING STANDARDS, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY, OCTOBER, 1985, President's Council on Integrity and Efficiency Single Audit Committee, Federal Cognizant Agency Audit Organization Guidelines

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, TECHNICAL PRACTICE AIDS, Section 6950, State and Local Governmental Units

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, TECHNICAL PRACTICE AIDS, Section 6955, Single Audit Act of 1984

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, TECHNICAL PRACTICE AIDS, Section 9110, Compliance Reports

An authoritative document not retrieved by both searches but should be mentioned because it is closely related to Statement on Auditing Standards No. 54, Illegal Acts By Clients, is:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, STATEMENT ON AUDITING STANDARDS NO. 53, The Auditor's Responsibility to Detect and Report Errors and Irregularities

Appendix C

List of NAARS Search Strategies Used to Compile the Tables*

TABLE 1-2. REASONS CITED FOR EXCLUDING GOVERNMENTAL FUNCTIONS AND ORGANIZATIONS FROM DISCLOSURES RELATED TO ENTITIES REPORTED IN FINANCIAL STATEMENTS

Reasons Cited	Search Strategy
Not a significant influence on operations	GNOINFLU
Not funded by the reporting entity	GNTFNDED
Not accountable for fiscal matters	GNTACTBL
No oversight authority	GOVRSIHT
Discrete government entity apart from the reporting entity	GSEPENT
Budgets not approved by the reporting entity	GBDGNAPR
Management not appointed or controlled by the reporting entity	GMGTNAPT
Not controlled by the reporting entity	GNCONTRL
Not financially interdependent	GNTDEPND
Joint venture	GJNTVENT
Not part of taxing authority	GNOTXATH
Not within scope of public service entity	GNTWISCOP
Not administered by oversight authority	GNTADM
Reasons not disclosed	GXCLNTDIS

TABLE 1-3. TYPE OF COMBINED FINANCIAL STATEMENTS

Combined Financial Statement	Search Strategy
Combined balance sheet	GBALSHT
Combined statement of revenues, expenditures, and changes in fund balances—governmental fund types	GRECBG
Combined statement of revenues, expenditures, and changes in fund balances—budget and actual—governmental fund types	GRECBBAG
Combined statement of revenues, expenses, and changes in retained earnings—proprietary fund types	GREREPR
Combined statement of changes in financial position—proprietary fund types	GCHGFPPR
Combined statement of cash flows	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS)

TABLE 1-4. ACCOUNTING PRACTICES CITED IN FOOTNOTES IN THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Practices Reported	Search Strategy
Basis of accounting	GPRACT W/SEG GACCTBAS
Description of fund accounting	GPRACT W/SEG GFNDACCT
Accounting policies specifically described	
depreciation	GPRACT W/SEG GDEPREC
compensated absences	GPRACT W/SEG GABSCOMP
long-term liabilities	GPRACT W/SEG GLGTRM
budget process	GPRACT W/SEG GBUDGAC
inventory	GPRACT W/SEG GINVENT
total columns	GPRACT W/SEG TOTCLMN
reporting entity	GPRACT W/SEG GENTYP
investment	GPRACT W/SEG GNVSTMT
encumbrances	GPRACT W/SEG GNCUMBR
budget reconciliation	GPRACT W/SEG GBDGREC
changes in accounting principle and estimate	GPRACT W/SEG GACCTEST OR GACCTPRN

*Appendix C lists only those tables derived through NAARS searches. All the other tables were tabulated manually. The tabulations in this book are from the G88 file.

TABLE 1-5. PARTIAL LISTING OF TOPICS DISCUSSED IN OTHER NOTES TO THE FINANCIAL STATEMENTS OF GOVERNMENTAL UNITS

Topic	Search Strategy
Pensions*	GPENS NOT W/SEG GPRACT
Long-term debt	GLGTRM NOT W/SEG GPRACT
Employee benefits/plan/retirement/pension	GPENS W/SEG (RETIREMENT OR PENSION) W/2 PLAN) OR (GCOMPEN W/SEG BENEFIT PLAN) NOT W/SEG GPRACT
Fixed assets	GPROP W/SEG FIXED ASSET NOT W/SEG GPRACT
Investments	GNVSTMT NOT W/SEG GPRACT
Interfund accounts/balances/commitments	GINTFND NOT W/SEG GPRACT
Cash and investments	FTNT (CASH W/2 INVESTMENT) NOT W/SEG GPRACT
General obligation bonds	GDEBTAC W/SEG GENERAL OBLIGATION W/4 BOND NOT W/SEG GPRACT
Compensated absences	GABSCOMP NOT W/SEG GPRACT
Lease agreements/balances/commitments	GCAPLSE OR GSTLSEOR OR GOPLSE OR GOPLSR NOT W/SEG GPRACT
Commitments/contingencies	GCOMMT W/SEG COMMITMENTS OR CONTINGENCIES NOT W/SEG GPRACT
Litigation	GLITGAT NOT W/SEG GPRACT
Capital lease obligations	GCAPLSE NOT W/SEG GPRACT
Property taxes	GPTXREV NOT W/SEG GPRACT
Deferred compensation plan	GCOMPEN W/SEG DEFERRED COMPENSATION NOT W/SEG GPRACT
Segment information/enterprise funds	GNTRPRZ AND GLOBU W/SEG ENTERPRISE NOT W/SEG GPRACT
Fund deficits	GNEGBAL NOT W/SEG GPRACT
Notes payable/receivable	(GDEBTAC W/SEG NOTE PAYABLE) OR (GREC W/SEG NOTE RECEIVABLE) NOT W/SEG GPRACT
Subsequent events	GSUBEV NOT W/SEG GPRACT
Self-insurance	FTNT (SELF INSURANCE) NOT W/SEG GPRACT
Property, plant, and equipment	GPROP W/SEG PROPERTY W/2 PLANT W/2 EQUIPMENT NOT W/SEG GPRACT
Restricted assets	FTNT (RESTRICTED ASSET) NOT W/SEG GPRACT
Excess of expenditures	GXCES NOT W/SEG GPRACT
Deferred revenues	GREVREC W/SEG DEFERRED W/4 REVENUES NOT W/SEG GPRACT
Prior period adjustments	GPRIPER NOT W/SEG GPRACT
Capital projects	GPROP W/SEG CAPITAL PROJECTS NOT W/SEG GPRACT
Due from governments	GREC W/SEG (DUE W/2 GOVERNMENT) NOT W/SEG GPRACT
Changes in accounting principles	GACCTPRN NOT W/SEG GPRACT
Budgetary basis of accounting	GBUDGAC NOT W/SEG GPRACT

*Includes IRAs and Money purchase pension plans

TABLE 1-6. FISCAL YEARS OF THE GOVERNMENTAL UNITS SURVEYED

Year-end	Search Strategy
July	DB/S (JUL 1988)
August	DB/S (AUG 1988)
September	DB/S (SEP 1988)
October	DB/S (OCT 1988)
November	DB/S (NOV 1988)
December	DB/S (DEC 1988)
January	DB/S (JAN 1989)
February	DB/S (FEB 1989)
March	DB/S (MAR 1989)
April	DB/S (APR 1989)
May	DB/S (MAY 1989)
June	DB/S (JUN 1989)

TABLE 2-1. ORIGINS OF LIABILITIES FOR CLAIMS AND CONTINGENT LIABILITIES

Cited Origin of Claims and Contingent Liabilities	Search Strategy
Possible disallowance or dispute related to federal contract or grant	GFDLCON
Lawsuits:	
Specified	GSPFIED
Unspecified	GUNSPFIED
Discrimination/civil rights	GCVLRGHT
Disputes—tax levies or assessed valuations	GTXDSPU
Compensation claim	GCOMPENCL
Action of governmental personnel (e.g., accident by government driver, malpractice by government doctor, or improper arrest)	GGVTEMPL
Claim for property damage	GPRPDMG
Contract dispute	GCONDSPU
Other descriptions	GOTHORGN

TABLE 2-2. REPORTING OF COMMITMENTS AND CONTINGENCIES IN COMBINED BALANCE SHEETS

Nature of Disclosure	Search Strategy
No captions in balance sheet—footnote only	GNOCAPBS
Caption between equity total and total liability and equity	GBETTOT
Caption between liabilities and equity section	GBETLEQU
Reservation of fund balance/retained earnings	GRESRVD
Other	GFOLTTLS

TABLE 2-4. ENTITIES HAVING CERTAIN TYPES OF PENSION PLANS

Pension Plans	Search Strategy
Multiple employers	GMLTIPLNC OR GMLTIPLNA OR GMULTNDET
Single employer	GSNGLPLN
Not determinable	GPENTYPND

TABLE 2-7. ACTUARIAL COST METHOD FOR FUNDING PURPOSES

Cost Method	Search Strategy
Entry age normal cost method	GNTRNORM
Entry age actuarial cost method	GNTRACT
Aggregate actuarial cost method	GAGGRACT
Unit credit actuarial cost	GUCRCTP OR GUCRCTNP
Frozen entry age actuarial cost method	GFZNTRACT
Projection of actuarial cost/Forecast method	GPRJACT
Others	GOTHMTH

TABLE 2-8. BASIS OF INVESTMENT ASSETS

Basis	Search Strategy
Market value	GMKTVL
Cost	GCST
Cost, which approximates market value	GCSTAPRX
Other basis	GOTHBAS

TABLE 2-9. BENEFITS AND NET ASSETS DISCLOSURE

Disclosure	Search Strategy
Plan net assets available for benefits	GNAAVAIL
Actuarial present value of both vested and nonvested accumulated plan benefits	GPVVSTD W/SEG GPVNVSTD
Actuarial present value of credited projected benefits	GPVCRPB
Actuarial present value of vested accumulated plan benefits (only)	GPVVSTD NOT W/SEG GPVNVSTD
Actuarial present value of nonvested accumulated plan benefits (only)	GPVNVSTD NOT W/SEG GPVVSTD

TABLE 2-5. NATURE OF PENSION PLANS

Nature of Plan	Search Strategy
Defined benefit	GDEFBEN
Defined contribution	GDEFCON
Money purchase	GPENS WISEG MONEY PURCHASE
IRA	GPENS W/SEG IRA OR INDIVIDUAL RETIREMENT
Other (not disclosed or unclear)	GNTDTRMN

TABLE 3-1. FUND TYPES AND ACCOUNT GROUPS REPORTED BY GOVERNMENTAL UNITS IN THE COMBINED BALANCE SHEET

Fund Types Reported	Search Strategy
Governmental funds:	
General fund	GGENL
Special revenue funds	GSPECREV
Capital projects funds	GCPROJ
Debt service funds	GDBTSVS
Special assessment funds	GSPASMNT
Proprietary funds:	
Enterprise funds	GNTRPRZ
Internal service funds	GINTSVC
Fiduciary funds:	
Trust and agency funds	GFIDU
Expendable Trust	GXPNDTST
Nonexpendable Trust	GNXPNDTST
Account groups:	
General fixed assets account group	GGAFA
Long-term debt account group	GLTD

TABLE 4-1. FORMAT OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

Format Observations	Search Strategy
Governmental units whose general-purpose financial statement included a combined statement of revenues, expenditures, and changes in fund balances	GRECBG
Governmental fund types identified:	
General fund	GGENL AND RVNUE (GENERAL)
Special revenue funds	SPECREV AND RVNUE (SPECIAL W/20 REVENUE)
Capital project funds	GCPROJ AND RVNUE (CAPITAL /20 PROJECT)
Debt service funds	GDBTSVS AND RVNUE (DEBT W/20 SERVICE)
Expendable trust	GXPNDTST AND RVNUE (EXPENDABLE)
Special assessment funds	GSPASMNT AND RVNUE (SPECIAL/20 ASSESSMENT)
Memorandum totals:	
Current and prior year	GRECBG AND GCURPRI
Current year only	GRECBG AND GCURONLY
Expenditures, grouped by:	
Character (current, capital, debt)	GXPNDCHAR
Program/function	GPROFUNC
Organization/department	GXPNDDPT
Other financing sources (uses) separately identified	GOTHSRCUSE

TABLE 4-2. OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—FOR GOVERNMENTAL FUNDS

Fund Comparisons—Budget and Actual	Search Strategy
Governmental units whose general purpose financial statement included a combined statement of revenues, expenditures, and changes in fund balances—budget and actual—for governmental funds	GRECBBAG
Governmental fund types identified:	
General fund	GGENL AND BA/RVNUE (GENERAL)
Special revenue funds	SPECREV AND BA/RVNUE (SPECIAL W/20 REVENUE)
Capital project funds	GCPROJ AND BA/RVNUE (CAPITAL /20 PROJECT)
Debt service funds	GDBTSVS AND BA/RVNUE (DEBT W/20 SERVICE)
Trust	GXPNDTST OR GFIDU AND BA/RVNUE (TRUST OR AGENCY)
Special assessment funds	GSPASMNT AND BA/RVNUE (SPECIAL /20 ASSESSMENT)
Memorandum totals:	
Current and prior year	GRECBBAG AND GCURPRI
Current year only	GRECBBAG AND GCURONLY
Expenditures, grouped by:	
Character (current, capital, debt)	GRECBBAG AND GXPNDCHAR
Program/function	GRECBBAG AND GPROFUNC
Organization/department	GRECBBAG AND GXPNDDPT
Other financing sources (uses) separately identified	GRECBBAG AND GOTHSRCUSE

TABLE 5-1. OBSERVATIONS RELATING TO THE STATEMENT OF CHANGES IN FINANCIAL POSITION

Data in Changes in Financial Position Statement	Search Strategy
Units whose report contained a change in financial position statement	GCHGFPPR
Proprietary fund data:	
Enterprise funds	GCHGFPPR AND GNTRPRZ AND SCF/P (ENTERPRISE)
Internal service funds	GCHGFPPR AND GINTSVC AND SCF/P (INTERNAL W/8 SERVICE)
Fiduciary fund data:	
Pension trust funds	GCHGFPPR AND SCF/P (PENSION)
Nonexpendable trust funds	GCHGFPPR AND GNXPNDTST AND SCF/P (NONEXPENDABLE OR (NON W/8 EXPENDABLE))
Reports with memo columns:	
Current and past years	GCHGFPPR AND GCURPRI
Current year only	GCHGFPPR AND GCURONLY

TABLE 5-2. OBSERVATIONS RELATING TO THE STATEMENT OF CHANGES OF CASH FLOWS

Date in Statement of Cash Flows	Search Strategy
Units whose report contained a statement of cash flows	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS)
Proprietary fund data:	
Enterprise funds	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS) AND GNTRPRZ AND SCF/P (ENTERPRISE)
Internal service funds	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS) AND GINTSVC AND SCF/P (INTERNAL W/8 SERVICE)
Fiduciary fund data:	
Pension trust funds	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS) AND SCF/P (PENSION)
Nonexpendable trust funds	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS) AND GNXPNDTST AND SCF/P (NONEXPENDABLE OR (NON W/8 EXPENDABLE))
Reports with memo columns:	
Current and past years	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS) AND GCURPRI
Current year only	TITLE-SCF/P (STATEMENT W/2 CASH FLOWS) AND GCURONLY

TABLE 6-1. TYPE OF AUDITOR EXAMINING GOVERNMENTAL FINANCIAL STATEMENTS

Type of Auditor	Search Strategy
Certified public accountants	GCRTFDPBL
State audit agency	GGOVTAGCY
Two or more public accounting firms	REPRT (GMNYPBLC)
Municipal accountant or auditor	GMUNIAUD
Government auditor and CPA firm	REPRT (GGOVTPBLC)

TABLE 6-2. ACCOUNTING PRINCIPLES USED IN FINANCIAL STATEMENT PRESENTATION

Accounting Principles	Search Strategy
Generally accepted accounting principles (GAAP)	GGNLYACC
State government principles	GSTGPRIN
State principles and other basis	GSTGPRIN W/SEG GOTHBASIS
Other basis of presentation	GOTHBASIS

TABLE 6-3. FINANCIAL STATEMENTS COVERED BY THE BASIC AUDITOR'S OPINION

Level of Primary Audit Responsibility	Search Strategy
Combined financial statements (GPFS)	GGPFSONLY
GPFS and, where applicable, combining, individual fund, and account group financial statements	GALLTYP
GPFS and combining financial statements	GGPFSCBNG
Other	GOTHCVRG

TABLE 6-4. NATURE OF THE AUDITOR'S OPINION FOR SURVEYED FINANCIAL STATEMENTS

Nature of Auditor's Opinion for Surveyed Financial Statements That Contained an Audit Report	Search Strategy
Unqualified	GUNQUAL
Qualified:	
departure from GAAP	GGAAP
scope limitation	GSCOP
litigation	REPRT (GLITGAT)
accounting principles not being consistently applied	GCONST
contingent liabilities, other than litigation	GCONTG
disclaimer	GDISCL

TABLE 6-5. ANALYSIS OF QUALIFICATIONS WITH REFERENCE TO DEPARTURES FROM GAAP

Basis of Departures	Search Strategy
Fixed asset accounting or valuation	REPRT (GPROP NOT W/SEG GNCOMPLE)
Incomplete financial statements	REPRT (GNCOMPLE)
Reporting entity	REPRT (GENTYP)
Pension liability	REPRT (GPENS)
Method of accruing revenues and expenditures	REPRT (GREVREC)
Inventory valuation accounting	REPRT (GINVENT)
Compensated absences	REPRT (GABSCOMP)
Cash basis of accounting	REPRT (GCASH)
Other reasons	REPRT (GOTHDEPT)

TABLE 7-1. CRITERIA FOR REPORTING A FINDING

Criteria	Search Strategy
Untimely reporting/reporting requirements	GCTIM
Unallowable costs	GCUNA
Cash/Financial management	GCCAS
Undocumented costs	GCUDC
Unapproved costs	GCUNPP
Davis-Bacon Act	GCDBA
Discrimination/Affirmative Action (DBE, MBE)	GCVLRGHT
Improper cut-offs	GCIMP
Unreasonable costs	GCUNR
Mathematical errors/erroneous reporting	GCMAT

INDEX

G

I

J

L

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