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Local governmental accounting trends & techniques 1989

American Institute of Certified Public Accountants

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1989

Second Edition

Local Governmental Accounting Trends & Techniques

Annual Survey of Accounting Practices
Followed by 500 Local Governmental Units

AICPA
American Institute of Certified Public Accountants

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PREFACE

Accounting Trends & Techniques—1989, Second 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, footnotes and reports were presented as issued unless indicated. The reports surveyed were those of selected entities for fiscal periods ending between July 1, 1986 and June 30, 1987.

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 Susan Cornwall—(212) 575-3665.

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 and single audit reports of local governmental units 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.

Special acknowledgement is due to William A. Godla, CPA; Joseph M. Nestor, CPA; Joseph J. Soldano, Jr., CPA; and Hal G. Clark, CPA for their assistance in the analysis of the financial reports; and William C. Fanning and his staff at the U.S. Department of Commerce, Bureau of the Census for supplying us with many of the single audit reports and financial statements.

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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 the survey 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.

ENTITIES SELECTED FOR SURVEY

The reports analyzed for this study were prepared by the governmental units throughout the period July 1, 1986 through June 30, 1987.

The aim was to obtain governments whose financial statements were well dispersed geographically based on availability of reports submitted to the U.S. Department of Commerce, Bureau of the Census. The governments selected for this year's study are listed in Appendix A.

Of the 500 reports 114 were counties, 199 cities, 37 townships, 61 special districts, 89 were school districts and 4 were component units with separately issued financial statements.

THE GOVERNMENT SECTOR

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

> Governmental accounting is an integral branch of the accounting discipline. It is founded upon 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 1982 census observed the array of local governmental organizations shown in Table 1-1.

TABLE 1-1. LOCAL GOVERNMENTAL UNITS

Type of Government	1982	1972	1962
County	3,041	3,044	3,043
Municipal	19,076	18,517	18,000
Township	16,734	16,991	17,142
School district	14,851	15,781	34,678
Special district	28,588	23,885	18,323
Total local governments	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.

AUDITING STANDARDS FOR GOVERNMENT*

The audit of governmental units are to be made pursuant to at least three sets of audit requirements: (1) generally accepted auditing standards established for years by the American Institute of Certified Public Accountants, (2) government auditing standards initially published by the U.S. General Accounting Office, and (3) the Single Audit Act of 1984.

The application of generally accepted auditing standards in an examination of the financial statements of a governmental unit met the expectations of governmental officials, securities rating organizations, and the general public until the 1970's. But as federal assistance to state and local governments increased to $100 billion a year, federal managers were increasingly concerned about the management of these funds and the compliance by state and local governments with federal laws and regulations and desired to use the results of the annual audits to assist in the monitoring of local governments receiving this federal assistance.

To address the federal concerns the 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 Single Audit 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.

The Single Audit Act of 1984 requires that specific programs of federal assistance be tested by the auditor and that specific reports be prepared by the audit. The Act also incorporates by reference all of the requirements of the government auditing standards which in turn incorporates the generally accepted auditing standards of the profession.

*"Auditing Standards for Government" was written by Cornelius E. Tierney. Mr. Tierney is a partner of Ernst & Young and is the Chairman of the firm's Government Services Group.

A casual reading of the government auditing standards and the Act might lead the reader to conclude that both—the government standards and the Act—make reference to the same reports, which is not the case.

Reports Required by Government Audit Standards. The government auditing standards require that the reports of financial audits of a governmental organization, program, activity or function include the following:

1. A report that the audit of the financial statements of the governmental unit was made in accordance with generally accepted government auditing standards.
2. A written report that the audited governmental entity complied with laws and regulations that may have a material effect on the financial statements that contains a statement of positive assurance on those items which were tested for compliance and negative assurance on those items not tested.
3. A written report on the study and evaluation of internal accounting controls made as a part of the audit of the entity's financial statements.

Under the government audit standards, the reports on internal accounting controls and compliance with laws and regulations are a by-product of the testing and auditing procedures used in assessing the fairness of the governmental unit's overall financial statements. The GAO specifically states, in the government audit standards, that this reporting requirement does not necessitate any additional audit work 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 Single Audit Act. Considerable additional audit work is required to comply with the Single Audit Act and the related OMB Circular A-128, which are the federal regulations that implement the Act.

Audit Reports Required by the Single Audit Act. The following reports are required by the Single Audit Act and must be added to the above reports required by the government auditing standards 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 internal control systems to provide reasonable assurance that federal programs are being managed in compliance with laws and regulations;
3. A report that the audited governmental unit has complied with laws and regulations that may have a material effect upon each major federal assistance program;
4. A report or 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.

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,* to be effective for fiscal periods beginning on or after January 1, 1990. This SAS provides 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 (the GAO); and (3) the Single Audit Act (the Act of 1984 and OMB's Circular A-128, which is the implementing regulation for the Act).

The SAS gives more detailed guidance for meeting the heirarchical reporting requirements of government and changes the types of reports heretofore made by auditors to comply with the Single Audit Act of 1984 and OMB Circular A-128. Pursuant to this SAS the full reporting for a governmental entity would now include:

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

(2) For generally accepted *Government* Auditing Standards:

   a. Opinion on financial statements
   b. Report on internal controls
   c. Report on compliance
   d. Supplementary schedule for federal assistance programs

(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 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
   j. Report on fraud or illegal acts (when appropriate)

All of the above reports, those required by the government auditing standards and the Act, 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 several 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 report made by some governments.)

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 1990.

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	**1987**	**1986**
No oversight authority	90	55
Management not appointed or controlled by the reporting entity	86	33
Discrete government entity apart from the reporting entity	65	26
Not accountable for fiscal matters	61	30
Not a significant influence on operations	51	23
Not financially interdependent	50	29
Not funded by the reporting entity	50	20
Budgets not approved by the reporting entity	48	13
Not controlled by the reporting entity	46	24
Joint venture	24	7
Not administered by oversight authority	13	4
Not within scope of public service entity	7	2
Not part of taxing authority	6	3
Reasons not disclosed	4	10

TOWN OF CHAPEL HILL, NC (JUN '87)

A. Summary of Significant Accounting Policies [In Part]

1. Reporting Entity

The Town of Chapel Hill, North Carolina (the Town) is located in the north-central portion of North Carolina on the Piedmont Plateau. The Town has a council/manager form of government with a nine member elected Town Council comprising the governing body. The Town provides the following services to its citizens: public safety, public works, cultural, recreation and community development. The Town is also responsible for operating the Chapel Hill-Orange County-Carrboro Regional Landfill.

Although the scope of public service overlaps between the Town and each of the following organizations, they are not part of the Town of Chapel Hill and are excluded from the accompanying financial statements in accordance with the criteria set forth in NCGA Statement 3. The Town does not exercise significant oversight responsibility over any of the excluded entities, which is the primary criterion set forth in NCGA Statement 3 for inclusion in the general purpose financial statements. The specific elements of oversight responsibility considered in the decision to exclude the organizations were financial interdependency, the ability to significantly influence operations and accountability for fiscal matters. The nature of the Town's relationship with the excluded entities is as follows:

Chapel Hill Housing Authority—In accordance with the process outlined in the North Carolina General Statutes, the Mayor appoints members to the governing board and can remove members for cause. The Town exercises no other oversight responsibility. The Authority has complete legislative and administrative authority. The Town periodically contracts with the Authority to perform specific services, but the Authority's primary revenues come from rents and federal government subsidies. On July 13, 1987, the Authority was dissolved as an independent entity. The Town of Chapel Hill has assumed all powers, duties and responsibilities of the Authority.

Orange Water and Sewer Authority (OWASA)—OWASA is a separate governmental unit granted independent authority by the North Carolina General Statutes. Of the nine board members, five are appointed by the Mayor and Town Council of Chapel Hill. There is no further oversight responsibility exercised by the Town. OWASA has the ability to issue its own debt which is not an obligation of the Town and its operations are financed through water and sewer usage fees.

Chapel Hill-Carrboro City School System—The Town has no oversight responsibility over the school system. Members of the school system are elected in general elections. Funding for the school system comes from Orange County and from a school district tax levied by the County.

CLAY COUNTY MOORHEAD, MN (DEC '86)

1. Summary of Significant Accounting Policies [In Part]

A. Financial Reporting Entity

For financial reporting purposes the County's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations over which County officials exercise oversight responsibility. Oversight responsibility includes such duties as appointment of governing body members, budget review, approval of property tax levies, and the responsibility for funding deficits and outstanding debt secured by Clay County's full faith and credit or revenues.

As a result of applying the criteria for determining the reporting entity, certain organizations have been excluded from the County's financial statements:

Clay Soil and Water Conservation District—Clay County contributes financial support to the Soil and Water Conservation District on an annual basis. The County has no financial, operational, or managerial control over this organization.

Clay County Historical Society—Clay County appropriates funds to the Historical Society to carry out its goals but has no legal obligation to continue funding these activities. The County has no other financial, operational, or managerial control over this organization.

Clay County Development Achievement Center, Inc.—The Clay County Welfare Board is required by state statute to approve the annual budget but does not have any oversight responsibility for the expenditure of funds. The County has no other financial, operational, or managerial control over this organization.

Clay County Housing and Redevelopment Authority—The Authority has its own governing board which is appointed by the Clay County Board of Commissioners. Clay County has no other financial, operational, or managerial control over this organization.

The Fargo-Moorhead Metropolitan Council on Governments (METROCOG)—One Clay County Commissioner serves on the METROCOG board. Clay County appropriates funds annually to METROCOG. Clay County has no other financial, operational, or managerial control over this organization.

Clay-Wilkin Opportunity Council, Inc.—The Clay-Wilkin Opportunity Council is governed by a 15-member Board of Directors which includes two Clay County Commissioners. Clay County periodically appropriates Federal Revenue Sharing Funds to the Clay-Wilkin Opportunity Council for use in the Clay County Seniors Programs. The County has no other financial, operational, or managerial control over this organization.

Clay County Agricultural Society—Clay County contributes to the agricultural society yearly to assist with the payment of fair premiums and agricultural society activities. Clay County has no other financial, operational, or managerial control over this organization.

CITY OF BEVERLY HILLS, CA (JUN '87)

1. Summary of Significant Accounting Policies [In Part]

Reporting Entity

The accompanying combined financial statements include all accounts of the City and the Parking Authority of the City of Beverly Hills (Parking Authority), a related but separate legal entity, over which the City Council exercises significant oversight responsibility and authority. The Parking Authority is included based on its financial interdependency with the City, the absence of authoritative independence of its officials and the significant ability of the City Council to influence the Authority's operations and fiscal matters. No component units of the City have been excluded in the accompanying combined financial statements.

The Beverly Hills Unified School District is a separate legal entity unrelated to the governing body of the City of Beverly Hills. The School District is governed by an independently elected school board and shares no common members nor any administrative functions with the City. The lack of any interdependence with the City precludes the inclusion of the School District in this report.

CITY OF SIERRA VISTA, AZ (JUN '87)

NOTES TO FINANCIAL STATEMENTS [In Part]

1. Organization

The City of Sierra Vista was incorporated in May 1956. The City operates on a Council-Manager form of government and provides all municipal services, excluding water and electricity. All funds and entities related to the City of Sierra Vista that are controlled by the Mayor and Council are included in this report. This control is determined on the basis of budget adoption, taxing authority, and the ability to issue outstanding debt secured by revenues or which is a general obligation of the City.

Based upon this criteria, the Sierra Vista Municipal Property Corporation, an Arizona nonprofit corporation, which was organized and established for the purpose of financing the acquisition and construction of property for use by the City, is included in the accompanying financial statements in the Library Interest and Redemption Fund. The Sierra Vista School District, which provides education services to the community, however, was not included because the City does not exercise oversight responsibility as defined in paragraph 1 above.

CITY OF MEDFORD, OR (JUN '87)

1. Summary of Significant Accounting Policies [In Part]

Governmental Entities Included in the General Purpose Financial Statements

All significant activities and organizations with which the City exercises oversight responsibility have been included in the City's general purpose financial statements for the year ended June 30, 1987. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

- Financial interdependency—The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.
- Election of the governing authority—The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.
- Designation of management—The City Council appoints the City Manager and the Water Commissioner. The City Manager hires other members of City management and the Water Commissioner appoints a Water Commission manager who hires other members of the Water Commission management. The activities under the purview of management are within the scope of the reporting entity and management is accountable to the City Council for the activities being managed.
- Ability to significantly influence operations—The City Council has the statutory authority under the provi-

sions of the Oregon Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

- Accountability of fiscal matters—The responsibility and accountability over all funds is vested in the City management.

COUNTY OF LEBANON, PA (DEC '86)

1—Summary of Significant Accounting Policies [In Part]

F. Reporting Entity

The accompanying financial statements include data for all departments and agencies comprising the County of Lebanon, as a legal entity. There are separate legal entities which share the title "County of Lebanon," including the Lebanon County Library Board, Lebanon County Housing and Redevelopment Authority, Lebanon County Industrial Development Authority and County of Lebanon Transit Authority which are governed by local boards. These entities are autonomous organizations with their own governmental powers. They maintain their own financial records and issue financial statements separate and distinct of the County. The elected officials of Lebanon County have determined these entities do not meet the criteria of NCGA Statement 3 for inclusion in the County's financial statements.

CITY OF ALBEMARLE, NC (JUN '87)

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

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

For financial reporting purposes, in accordance with the criteria in NCGA Statement 3, the City of Albemarle includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or financially dependent upon the City, except as noted below. Control by or financial dependence was determined on the basis of obligation to the City to finance deficits, guarantee of debt, selection of governing authority, approval of budget, authority to make a public levy, ownership of assets, and scope of public service and special financing relationships where there was only partial or no oversight responsibility.

The following organization had positive responses to some of the above criteria, but is excluded from the accompanying financial statements:

City of Albemarle Housing Authority

The members of the governing body of the Housing Authority are appointed by the City but the City has no authority in selecting the management of the Authority. The City is not responsible for financing any deficits of the Authority, nor is it entitled to any surpluses. The City does not approve the budget of the Authority. The Authority does operate within the geographical boundaries of the City and is for the benefit of the residents of the City.

Although there is a positive response to some of the criteria, the City does not exercise sufficient control over the Housing Authority to warrant its inclusion as a part of the City reporting entity.

GASB PRONOUNCEMENTS*

While the GASB has not issued any final pronouncements since the publication of the 1988 *Local Governmental Accounting Trends & Techniques,* the GASB has not been idle. While undergoing its five-year review, the GASB has made significant progress on several major issues. Two exposure drafts of proposed statements have been issued—cash flow reporting and accounting and reporting on risk management activities; three discussion memoranda have been issued—defining the reporting entity, the measurement focus of business-type activities of governmental entities, and capital reporting; and one preliminary views document was issued on pension accounting by employers.

In September 1988 the FASB issued FAS 99, "Deferral of the Effective Date of Recognition of Depreciation by Not-for-Profit Organizations," to amend the effective date of FAS 93, "Recognition of Depreciation by Not-for-Profit Organizations." It deferred the effective date to the date of financial statements issued for fiscal years beginning on or after January 1, 1990. The FASB's action was in response to the concerns of the National Association of College and University Business Officers and others with regard to having two standard-setters for one industry—specifically, colleges and universities. Public colleges and universities were under the jurisdiction of GASB, while private colleges and universities were under the jurisdiction of the FASB. Additionally GAS 8, "Applicability of FASB Statement 93, 'Recognition of Depreciation by Not-for-Profit Organizations,' to Certain State and Local Governmental Entities," had already suspended the FAS 93 effective date for public colleges and universities. Because the Financial Accounting Foundation (FAF) had begun its five-year review of GASB and the structural agreement between GASB and FASB, the FASB decided to delay the effective date of FAS 93 until January 1, 1990, which is the target date for implementing any changes to the structural agreement as a result of the FAF review.

The following provides a brief summary of the documents issued by the GASB since June 30, 1988.

Cash flow reporting. As a result of the FASB's issuance of FAS 95, "Statement of Cash Flows," and the need for cash flow information about governmental activities, the GASB added a cash flow reporting project to its agenda in 1988. In November 1988, the GASB issued an exposure draft of a proposed statement, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting." If adopted as proposed, the statement will require a statement of cash flows as part of the financial statements for proprietary and nonexpendable trust funds and for governmental entities that in-

*The GASB Pronouncements portion of section 1 was written by Philip T. Calder and Deborah A. Koebele. Mr. Calder is a partner with Ernst & Young. Mrs. Koebele is a director with Ernst & Young.

clude such funds in their combined financial statements. The proposed statement requires that a statement of cash flows classify cash receipts and payments according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities. Further, the proposed statement encourages governmental enterprises to report cash flows from operating activities directly by showing major classes of operating cash receipts and payments, although the indirect method may be used. The proposed effective date for a final statement is for financial statements for fiscal years beginning after December 15, 1988. While the proposed statement applies only to proprietary funds, the proposed statement notes that the GASB recognizes that there may also be a need for reporting cash flow information for governmental funds and that the GASB will address cash flow reporting for all fund types as part of its reexamination of the financial reporting model in the financial reporting project.

Comments on the exposure draft were due to the GASB by January 17, 1989. A final statement is expected in the third quarter of 1989 with an effective date for fiscal years beginning after December 15, 1989.

Risk management activities. In December 1988 the GASB issued an exposure draft of a proposed statement, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." The risks of loss that would be within the scope of a final statement include torts, theft of, damage to, or destruction of assets, business interruption, errors or omission, job-related illnesses or injuries to employees and acts of God. Also included within the scope of a final statement would be accident and health, dental and other medical insurance plans that may or may not be covered by insurance contracts. The proposed statement would generally require public entity risk pools (cooperative agencies, not part of the reporting entity, established to assume liability for covered risks in place of the member governments) to follow the current accounting and financial reporting standards for similar business enterprises set forth in FAS 60, "Accounting and Reporting by Insurance Enterprises." State and local governmental entities other than public entity risk pools would be required to report an estimated loss from a contingency as an expenditure/expense and as a liability if it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. If a governmental entity other than a pool uses a single fund to account for its risk financing activities, that fund would be either the general fund or an internal service fund. The exposure draft proposes that if an internal service fund is used, the entity may use an actuarial funding method to calculate the amount that the internal service fund charges other funds of the entity. Charges made on that basis would be reported as revenue in the internal service fund and as expenditures/expenses in the other funds of the entity. Charges in excess of those amounts would be reported as interfund transfers. Any surplus fund balance in an internal service fund resulting from use of a provision for catastrophe losses would be reported as a designation of equity for future catastrophe losses. The exposure draft proposes that the effective date of a final statement for public entity risk pools would be for financial statements for periods beginning after June 15, 1990. The final statement for other than risk pools is proposed to be the same date that the GASB's final statement on measurement focus and basis of accounting for governmental funds is effective (see below for a status report on the GASB's measurement focus—governmental funds project).

Comments on the exposure draft were due to the GASB on March 17, 1989. A final statement is expected in the third quarter of 1989.

Entity definition and display. A discussion memorandum, "An analysis of Issues Related to the Financial Reporting Entity," was issued in June 1988. The discussion memorandum discusses both the reporting entity definition and possible means of display and reporting on the entity. Comments from respondents are currently being analyzed.

An exposure draft of a proposed statement is expected in the second quarter of 1989 and a final statement is expected in the fourth quarter of 1989.

Measurement focus of business-type activities. A discussion memorandum, "Measurement Focus of Governmental Business-Type Activities or Entities," was issued in September 1988. The discussion memorandum discusses whether the definition of enterprise funds should be changed and whether the measurement focus of the enterprise funds should be changed. Additionally, the discussion memorandum addresses questions related to issues that arise when a business-type activity issues separate reports as contrasted with reporting as a component of a governmental entity and the effect the form of reporting should have on the measurement focus and/or definition of business-type activities.

An exposure draft of a proposed statement is expected in the third quarter of 1989 and a final statement is expected in the fourth quarter of 1989.

Capital reporting. A discussion memorandum was issued in January 1989. The project is a result of the measurement focus/basis of accounting for governmental funds project and is the fourth phase of the financial reporting project. The purpose of the discussion memorandum is to solicit views on how general fixed assets and related long-term debt should be accounted for and displayed in governmental general purpose financial statements. Because the GASB has decided that the general long-term debt account group should report only debt related to the acquisition of fixed assets, there is an opportunity to explore a governmental plant fund concept, including various ways to combine the general long-term debt account group, the general fixed assets account group, debt service funds, and capital projects funds. The discussion memorandum presents and illustrates five versions of this concept, called a "capital account group" and a "capital fund." The discussion memorandum also discusses alternatives to current debt interest and principal recognition, including (a) recognizing principal when due and accruing interest over time and (b) accruing both principal and interest over time. Additionally, the unique characteristics of deep-discount debt and the special recognition problems it has created for the current model are discussed.

An exposure draft of a proposed statement is expected in the third quarter of 1989 and a final statement in the fourth quarter of 1989.

Pension accounting. In October 1988 the GASB issued a preliminary views document discussing major issues related to state and local governmental employers' accounting for pensions. The document presents both a majority and a minority view. The majority would use the principles of FAS 87, "Employers' Accounting for Pensions," with some modification to reduce volatility, to define a minimum net periodic pension cost and a liability for unfunded accumulated benefit obligation but would permit use of any actuarial funding method to define periodic pension cost as long as the employer's contribution required by the method adopted equals or exceeds that computed using the projected unit credit method. The minority view is that, as long as governmental employers are contributing to pension plans that are being funded in a systematic and rational manner that is in accordance with one of five specified methods, the actuarially determined pension contribution requirement should be used to measure the employer pension expenditure/expense. The specified methods could result in pension expenditure/expense less than that computed under the projected unit credit method.

Comments on preliminary views were due in February 1989. An exposure draft of a proposed statement is expected in the third quarter of 1989 and a final statement in the fourth quarter of 1989.

Measurement Focus and Basis of Accounting-Governmental Funds. This project, which will have a significant effect on the general funds of many governmental entities, has consumed a great deal of the GASB's time. An exposure draft was issued in December 1987. It is likely that there will be a re-exposure of the proposals because of the significance of the issues and concerns raised by respondents to the exposure draft and the decisions reached by the GASB in response to those concerns. Of greatest concern to respondents was the concept of a "fund liability" for non-capital related debt and other long-term liabilities—specifically, the recognition of a fund liability for compensated absences. While the GASB has re-affirmed its proposal that the measurement focus be the flow of financial resources (including inventories and prepayments) and that the basis of accounting be the accrual basis, its current discussions relate to modifying the revenue recognition criteria for income, sales and real estate taxes as well as to modifying the display of what would become fund liabilities.

A revised exposure draft is expected to be issued in the third quarter of 1989.

Capital Assets: Budget/Actual. This project was undertaken as a result of the GASB's deliberations on the capital assets project (discussion memorandum issued in August 1987) and considers whether disclosure of budget/actual information should be required for budgeted capital projects and, if presented, what information should be included.

An exposure draft is expected in the second quarter of 1989 and a final statement in the fourth quarter of 1989.

Five-Year Review. As indicated above, GASB has undergone its Five-Year Review. The results of that review indicate that GASB has done a "good job." Recommendations which have been made to FAF by the Five-Year Review Committee include, among others: that the GASB be an all full-time Board; that the position of director of research become separate from Board membership; that pronouncements issued by the FASB **not** be applicable to governmental entities *unless* the GASB takes specific action to state that they are applicable; and that for hospitals, utilities (gas, water and electric), and colleges and universities the FASB should be responsible for the standards applicable to the separately issued general purpose financial statements of those three groups and the GASB be responsible to promulgate requirements to present such additional information as the GASB determines is necessary in the interest of public accountability. FAF is presently considering the recommendations. It is anticipated that any changes would be implemented January 1, 1990.

GENERAL PURPOSE FINANCIAL STATEMENTS

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
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 Changes in Financial Position—All Proprietary Fund Types
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	**1987**	**1986**
Combined balance sheet	499	501
Combined statement of revenues, expenditures, and changes in fund balances—governmental fund types	447	401
Combined statement of revenues, expenditures, and changes in fund balances—budget and actual—governmental fund types	439	379
Combined statement of revenues, expenses, and changes in retained earnings—proprietary fund types	409	387
Combined statement of changes in financial position—proprietary fund types	395	313

*References to "GASB Code Section" are to the "Codification of Governmental Accounting and Financial Reporting Standards" as of June 15, 1987, Second Edition, published by the Governmental Accounting Standards Board. School districts and 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.

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. 1300.107-.108 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 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. 1300.104:

> 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
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. Claims and judgments
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. Contingencies
i. Joint ventures
j. Special termination benefits
k. Extinguishment of debt
l. Grants, entitlements, and shared revenues
m. Nature of total column use in combined financial statements
n. Methods of estimation of fixed asset costs
o. Fund balance designations
p. Interfund eliminations in combined financial statements not apparent from headings
q. Pension plans—in both separately issued plan financial statements and employer statements
r. Bond, tax, or revenue anticipation notes excluded from fund or current liabilities (proprietary funds)
s. Nature and amount of inconsistencies in financial statements caused by transactions between component units having different fiscal year-ends
t. Separate Summary of Significant Accounting Policies for discrete presentations
u. Relationship of component unit to oversight unit in

separately issued Component Unit Financial Reports or Component Unit Financial Statements

v. Deferred compensation plans

w. Reverse repurchase and dollar reverse repurchase agreements

x. Special assessment debt and related activities

y. Demand bonds

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 that 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 that are judged by management to be most appropriate in the circumstances to present fairly the financial position, changes in financial position, and results of operations 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 footnote 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 footnotes summarizing significant accounting policies—fund accounting, taken from various units' financial statements.

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

	Instances Observed	
Accounting Practices Reported	**1987**	**1986**
Basis of accounting	456	437
Description of fund accounting	409	357
Accounting policies specifically described for:		
depreciation	395	250
long-term liabilities	358	307
inventory	347	238
budget process	343	286
compensated absences	339	220
total columns	335	277
investment	334	231
encumbrances	268	136
reporting entity	214	204
budget reconciliation	122	22
changes in accounting principle or estimate	15	11

NILES TOWNSHIP, IL (MAR '87)

1. Summary of Significant Accounting Policies [In Part]

Niles Township, Illinois ("the Township"), was created in 1850 as a township under Chapter 139 of the Illinois Revised Statutes. The Township is included in the County of Cook, Illinois, and provides, in cooperation with other not-for-profit organizations, mental health, youth, senior citizens and general assistance programs.

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

Purpose of funds and account groups:

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. Township 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. Individual funds and account groups summarized in the accompanying financial statements are classified as follows:

Governmental Fund Types:

General Fund—used to account for an annual property tax levy, personal property replacement taxes and certain other revenues used for the operations of general governmental functions not specifically accounted for in any other fund.

General Assistance Fund—used to account for the proceeds of specific investment revenues and the costs of home relief and institutional care assistance for residents of the Township. The property tax levy for the general assistance fund was abated for the years 1978 through 1986.

Federal Revenue Sharing Fund—used to account for the Township's participation in the federal government's General Revenue Sharing program.

Account Groups:

General Fixed Assets Account Group:

Fixed assets used in governmental fund operations are capitalized in the General Fixed Assets Account Group rather than in the governmental funds. Fixed assets acquired are recorded as expenditures in the respective fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. Depreciation of general fixed assets, which is not required by generally accepted accounting principles applicable to local governmental units, is not provided.

PIMA COUNTY, AZ (JUN '87)

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

B. Basis of Presentation

Fund accounting: The financial transactions of the County are recorded in individual funds and account groups, each of which is considered a separate fiscal 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. Total columns on the Combined 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 is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. The FY 85-86 memorandum total columns on comparative statements have been restated to reflect the accounting changes disclosed in note 2: Accounting Changes.

The various funds and account groups are classified by category and type as follows:

GOVERNMENTAL FUNDS

General Fund

To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

To account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

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

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.

Internal Service Funds

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds

To account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

ACCOUNT GROUPS

General Fixed Assets

To account for the general fixed assets of the County, excluding fixed assets of the Proprietary Funds.

General Long-term Debt

To account for the general long-term debt of the County, excluding long-term debt of the Proprietary Funds.

SOUTH BURLINGTON SCHOOL DISTRICT, VT (JUN '87)

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

A. Fund Accounting

The accounts of the School District 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, revenue and expenditures. 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 three (3) generic fund types and two (2) broad fund categories as follows:

Governmental Funds

General Fund—The General fund is the general operating fund of the School District. 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) that are legally restricted to expenditures for specified purposes.

Fiduciary Funds

Agency Funds—Agency Funds are used to account for assets held by the School District as an agent for student clubs and other activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

CITY OF MANCHESTER, NH (DEC '86)

1. Summary of Significant Accounting Policies [In Part]

Fund Accounting

Financial transactions of the City are recorded in the following fund types and account group:

Governmental Fund Types

General Fund—An accounting for all transactions not properly accounted for in other prescribed funds and account groups.

Special Revenue Funds—An accounting for revenues legally restricted for specific operating expenditures, which include the following funds:

Federal Revenue Sharing
Department of Education Grants
Community Development Block Grants
Urban Development Action Grants
Departments of Transportation and Interior and Environmental Protection Agency Grants
Other State and Federal Grants

Capital Projects Funds—An accounting for financial resources used for the acquisition or construction of capital assets other than those financed by the enterprise funds.

Special Assessment Fund—An accounting for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Fiduciary Fund Types

Nonexpendable Trust Funds—An accounting for assets held by the City in its capacity as a trustee or as an agent for other funds.

Pension Trust—An accounting for the assets of the retirement system available for the payment of certain retired employee benefits and administrative expenses of the system.

Proprietary Fund Type

Enterprise Funds—An accounting for the operations of the City that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis will be recovered or financed primarily through user charges.

Account Group

General Long-term Debt Group of Accounts—An accounting for general obligation bonds, except for those accounted for in the enterprise funds.

COUNTY OF STRAFFORD, NH (DEC '86)

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

The accounting policies of the County of Strafford, New Hampshire, conform to generally accepted accounting principles as applicable to governmental units.

The following is a summary of the more significant policies:

A. Basis of Presentation

The accounts of the County 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 equities, revenues, and expenditures, or expenses as appropriate. The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the County:

Governmental Funds

General Fund—The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From this fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

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

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 special assessments or enterprise operations.

Proprietary Funds

Enterprise Fund—An Enterprise Fund (Riverside Nursing Home) is used to be 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.

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 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.

Fiduciary Funds

Agency Funds—Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal 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 and expendable trust 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.

General Fixed Asset Account Group—Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Asset Account Group. The values for the general fixed assets in Exhibit 1 are based on estimated historical costs as provided by County management. Additions to general fixed assets after January 1, 1977 are recorded at cost. No depreciation has been provided on general fixed assets.

General Long-Term Debt Account Group—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.

TOPICS DISCUSSED IN OTHER FOOTNOTES

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

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

	Instances Observed	
Topic	**1987**	**1986**
Fixed assets	463	418
Employee benefits/plan/retirement/pension	461	370
Pensions	443	366
Long-term debt	422	390
Commitments/contingencies	410	302
Investments	300	79
Interfund accounts/balances/commitments	295	204
Cash and investments	290	59
General obligation bonds	283	203
Litigation	275	160
Compensated absences	262	156
Property taxes	242	174
Capitalized lease obligations	216	133
Notes payable/receivable	209	164
Fund deficits	206	103
Segment information/enterprise funds	190	110
Property, plant, and equipment	180	138
Deferred compensation plan	177	55
Self-insurance	152	62
Subsequent events	120	68
Excess of expenditures	114	82
Restricted assets	112	62
Lease agreements/balances/commitments	108	59
Capital projects	105	46
Deferred revenues	97	75
Prior period adjustment	95	67
Budgetary basis of accounting	92	51
Changes in accounting principles	73	28
Due from governments	71	55

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND LEGAL COMPLIANCE

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

> 1. 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.
>
> 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.

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.

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 that are essential to the fair presentation of financial position and results of operations (and changes in financial position of proprietary funds and similar 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 are generally 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

Honorable Boards of Directors
County Sanitation Districts
of Los Angeles County

Directors:

The Comprehensive Annual Financial Report of the County Sanitation Districts of Los Angeles County (Districts) for the fiscal year ended June 30, 1987, is submitted herewith. The report was prepared by staff of the Districts' Accounting Department. We believe that the data presented is accurate in all material respects; that the report is presented in a manner designed to fairly set forth the results of operations of the Districts as measured by the financial activity of its various funds; that the report fairly presents the financial position of the Districts for the year then ended; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Districts' financial activities have been included.

FINANCIAL REPORTING ENTITY

The Districts have included in the accompanying financial statements all organizations, activities, and functions controlled by the Districts' Boards of Directors in accordance with the Governmental Accounting Standards Board's pronouncements related to "Defining the Reporting Entity." For the purposes of this evaluation, control was determined by the Boards' responsibility for: (1) adoption of budgets and user charges, (2) taxing authority, and (3) establishment of policies. The reporting entity and its services are described in further detail in Note 1 to the financial statements.

FINANCIAL REPORTING FORMAT

The format of the Districts' Comprehensive Annual Financial Report complies with the Governmental Accounting and Financial Reporting Standards as promulgated by the Governmental Accounting Standards Board. To assist the reader, this report is presented in three main sections: (1) an Introductory Section in which an overview of the Districts in both financial and functional terms is provided; (2) a Financial Section in which the combined financial statements and the financial statements of the individual Districts, landfills, and funds are presented; and (3) a Statistical Section which contains additional financial and general information about the Districts. This section also includes historical information that is helpful in performing trend analyses.

SYSTEM OF INTERNAL ACCOUNTING CONTROLS

In developing and evaluating the Districts' accounting and auditing systems, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide District management with reasonable assurance regarding: (a) the safeguarding of assets against loss from unauthorized use or disposition; and (b) the overall reliability of the financial records for financial statement purposes and for maintaining accountability and control over Districts' assets.

FISCAL CONTROL

All of the Districts' Boards of Directors have adopted a Uniform Purchasing Policy that delineates the purchasing standards that each District will follow. Annually, appropriations are established to record the current year's fiscal requirements for each District. Portions of these appropriations are set aside as purchase orders and/or contracts are awarded. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. To facilitate this determination, the Districts' accounting records are organized and maintained on a District-by-District "fund" basis and are further delineated by function and specific activity. In governmental accounting, the fund is the basic fiscal and accounting entity and is designated by type and classification as follows:

Fund Type	Fund Classification
Proprietary	Enterprise and Internal Service
Fiduciary	Trust and Agency

PROPRIETARY FUNDS

Proprietary funds are used to account for the Districts' ongoing activities. Generally accepted accounting principles that are used by a private commercial business are applicable to these funds. Accordingly, the accrual basis of accounting is utilized as explained in the notes to the financial statements. This basis allows for determination of net income, financial position, and the associated changes in financial position. The basic financial statements required are the balance sheet; the statement of revenues, expenses, and changes in retained earnings; and the statement of changes in financial position.

FIDUCIARY FUNDS

Trust and agency funds are maintained to account for assets held by the Districts in a trustee capacity or as an agent for individuals, businesses and/or other funds. Depending on the type of fund, either the accrual or cash basis is utilized.

HIGHLIGHTS OF THE YEAR

As shown in the various financial statements contained within this document, the Districts' major operations are primarily accounted for in Proprietary Fund Types. In general, the Districts' operations may be dichotomized into the functions of providing sewage and solid waste management services to the general residential and commercial population residing in a 750 square mile service area of metropolitan Los

Angeles County. While it is most important to keep in mind that each District is a separate legal, political, and fiscal entity, please note that the following discussions are based on the full consolidation of *all* Districts' enterprise fund activities.

SOURCES OF FUNDS

Total resources available this year and their percent of total enterprise fund resources are as follows (in thousands):

Enterprise Funds
Available Resources: 1986–87

	($000)	(%)
Refuse Tipping Fee	$ 58,775	(21.4)
Capital Grants	51,478	(18.8)
Service Charge	35,700	(13.0)
Lease Financing	34,647	(12.7)
Taxes	22,901	(8.4)
Connection Fee	22,660	(8.3)
I.W. Surcharge	18,659	(6.8)
Sale of Energy	11,098	(4.1)
Interest	10,647	(3.9)
Other	7,226	(2.6)
Total	$273,791	(100.0)

USES OF FUNDS

Total uses of funds and their percent of total enterprise fund uses are as follows (in thousands):

Enterprise Funds
Use of Resources: 1986–87

	($000)	(%)
Capital Additions	$121,034	(46.8)
Operation & Maintenance	103,038	(39.9)
Depreciation & Amortization	17,633	(6.8)
Other	6,941	(2.7)
Contract Fees	5,679	(2.2)
Debt Service	4,077	(1.6)
Total	$258,402	(100.0)

WASTEWATER MANAGEMENT

The Districts' sewerage system includes approximately 1,200 miles of sewers which convey wastewater generated within the Districts' service boundaries to one of 11 wastewater treatment plants strategically located within Los Angeles County (see District map). The Districts' Joint Water Pollution Control Plant is the main treatment facility. It is operated in concert with five smaller upstream water reclamation plants (WRPs) within the Los Angeles basin to form a large regional network commonly known as the Joint Outfall System. Five additional plants are operated to serve the wastewater management needs of those communities outside the Joint Outfall System's service area. In total, these 11 facilities and the sewer network are responsible for the collection, treatment, and disposal of more than 500 million gallons of wastewater per day.

JOINT WATER POLLUTION CONTROL PLANT

The Districts' largest treatment plant is the Joint Water Pollution Control Plant (JWPCP). It provides advanced primary treatment for an average flow of 360 million gallons per day (mgd) of which approximately 200 mgd additionally receives secondary treatment. The combined flow is then discharged to the ocean two miles off Whites Point. Solids from the five upstream WRPs are returned to the sewers and removed at the JWPCP, making it the central solids processing facility for the entire Joint Outfall System.

Energy requirements for a plant as large and complex as the JWPCP are enormous; however, operation of the Total Energy Facility at the JWPCP has significantly reduced the amount of energy that must be purchased from local utilities. This innovative facility produces electrical power by turbine combustion of methane gas produced by the anaerobic digestion of sewage solids. This facility provides nearly 80 percent of the JWPCP's electrical needs and nearly all the plant's heating requirements for the sewage treatment process.

Construction of another technologically advanced facility, the Carver-Greenfield Sludge Dehydration/Energy Recovery System (Carver-Greenfield) is currently under way. This system will utilize a highly efficient evaporation process to dry the solids (sludge) that remain after anaerobic digestion and use this dried material as a fuel to produce energy. When completed, Carver-Greenfield will dry about half of the total sludge generated at the JWPCP; the remainder will continue to be disposed of by composting and sale to a fertilizer supplier and by landfilling. The Carver-Greenfield project will cost an estimated $167 million; however, due to the innovative technology utilized, State and Federal grant funding has been obtained to offset over 90 percent of these costs.

Expansion of the digestion and sludge dewatering systems at the JWPCP is presently under design. Construction of additional odor control facilities is scheduled in 1988.

In conformance with Section 301(h) of the 1977 Clean Water Act, the Districts applied in 1979 for a waiver from full secondary treatment requirements at the JWPCP. The application was tentatively approved by the Environmental Protection Agency (EPA) in 1981. Because of the amount of time that had passed without a final decision, the EPA invited updated submittals and the Districts submitted a revised application in 1983.

On January 20, 1987, the Districts were notified that the EPA tentatively denied the revised waiver application. The regulations allow a one-time revision, and the Boards of Directors voted in February 1987 to have staff prepare a revised application, which is due in January 1988. Districts' staff believes that proceeding to full secondary treatment at the JWPCP will retard the burial of DDT-laden sediments which resulted from DDT discharges that were terminated in 1971, and that this would make more DDT available to the food chain. The burial of these sediments is now occurring through the discharge of nontoxic solids resulting from a portion of the flow receiving primary treatment.

Financial implications of the 301(h) decision are not paramount, but there are significant costs involved. Capital costs for full secondary treatment at the JWPCP are estimated to be about $200 to $225 million in 1986–87 dollars. Increased operating costs would be approximately $10 million per year, again in current dollars. As part of the 301(h) application, the Districts are considering some additional projects that would reduce ocean emissions from the JWPCP. These may include improvements at the JWPCP, as well as expansion of upstream plants which would reduce the total flow and emissions from the JWPCP. The Districts are seeking grant funding for improvements within the Joint Outfall System, plus sludge handling facilities at the JWPCP.

To ensure that any concerns of the surrounding communities over the JWPCP or these new facilities are properly addressed, a citizens advisory committee has been in existence for many years. Districts' staff and members of this committee meet to discuss the operations of the JWPCP in an effort to promote community involvement in the plant's activities.

INLAND WATER RECLAMATION PLANTS

The Long Beach, Los Coyotes, San Jose Creek, Whittier Narrows, and Pomona WRPs make up the balance of sewage treatment for the Joint Outfall System. These facilities provide primary, secondary, and tertiary treatment and collectively treat approximately 150 million gallons of wastewater per day. The Pomona WRP will be expanded during the next year from 10 to approximately 15 mgd to provide additional reclaimed water for water reuse.

OUTLYING PLANTS

Facility expansions are in various stages at four of the five outlying WRPs. The Lancaster and Palmdale WRPs are being expanded and upgraded. In 1984 the Santa Clarita Valley Districts, Nos. 26 and 32, entered into a joint powers agreement to allow expansion of treatment facilities and provide for central solids processing at the Valencia WRP. The Valencia WRP expansion is nearly complete, while work during the last year to upgrade the Saugus WRP to tertiary treatment has been completed. Each of these projects receives State and Federal grants.

In both the Antelope and Santa Clarita Valleys population growth is occurring rapidly. Therefore, planning has begun for the next phases of expansion at these facilities. Determination of the increments and timing of these expansions are currently under way.

The La Canada WRP treats 0.1 mgd of wastewater from the equivalent of approximately 425 single-family homes, thus making it the smallest WRP operated by the Districts. The reclaimed water from the WRP satisfies all of the irrigation needs for La Canada's country club and golf course.

WATER RECLAMATION

An important element of the Districts' wastewater management program is to encourage the reuse of as much reclaimed water as possible for groundwater recharge and various irrigation and industrial purposes. During this past fiscal year, the Districts sold slightly less than 52,000 acre feet of reclaimed water for these purposes. There are now approximately 75 sites receiving reclaimed water.

During 1987, the Districts' Whittier Narrows Water Reclamation Plant celebrated its silver anniversary. In its first twenty-five years of operation, the Whittier Narrows WRP has reclaimed over 350,000 acre feet of water. (One acre-foot equals water needed for a family of five for one year.)

The Whittier Narrows WRP is a unique and pioneering effort. During the first half of this century, sewage was generally treated as an "out of sight, out of mind" subject. Wastewater reclamation skeptics needed to see more than simply a set of plans; they needed to see results. This facility has been successful in changing this perception and has clearly demonstrated to the people of this large and arid metropolitan area that water reclamation is a practical, safe, and economical method of supplementing nature's own water supply. The need for, and benefit of, water reclamation becomes even more apparent when one considers Southern California's dry environment and the fact that a great deal of our water supply is imported from long distances.

From its inception, the entire water reclamation program has been closely scrutinized by both water quality and health authorities. These groups were aware of the source of the reclaimed water; therefore, they have put the treatment plants and recharge basins under very tight standards to insure water quality. Over the intervening quarter century, some of the most sophisticated and extensive water quality and health studies ever conducted have been carried out on the reclaimed water originating from the Whittier Narrows WRP and the more recently constructed San Jose Creek WRP. The result has been a "clean bill of health" for the entire program. As evidence of this success, in the past year the Regional Water Quality Control Board and the Department of Health Services approved a 50 percent increase in the amount of reclaimed water that may be recharged into the groundwater basin.

PRESERVATION OF SEWERS

The preservation of the structural integrity of the sewer system is also an important issue. In recent years the Districts have noted an accelerated rate of corrosion in concrete sewer pipes due to the presence of hydrogen sulfide, a sewage decomposition produce. It appears that the Federal program to reduce the amount of heavy metals entering the sewers may be having a detrimental effect on increased corrosion, since such metals also reduce generation of hydrogen sulfide, a gas which, in turn, forms sulfuric acid. In light of this, the Districts have conducted extensive research and monitoring programs to determine the effects that sulfide corrosion has had to date and to develop effective sulfide control techniques to ensure the long-term protection of the sewers. As a part of these efforts, a comprehensive plan to repair and rehabilitate the affected sewers is being developed. Several major construction contracts for sewer rehabilitation are anticipated to be awarded in 1988.

INDUSTRIAL WASTE AND WATER QUALITY CONTROL

Protecting the environment from toxins such as heavy metals and cyanides is an important role of the Districts, one that involves controlling, from the point of origin, the wastes that are put into the sewers. The Districts accomplish this through a comprehensive industrial waste regulatory program designed to prevent industrial users from discharging harmful quantities of toxic materials into the system. The Districts also maintain state-of-the-art laboratories to ensure that the treatment plants are properly operated, effluent standards are being met, and the receiving water is properly protected.

SOLID WASTE MANAGEMENT

During the past fiscal year the Districts' Solid Waste Management System accommodated the disposal of more than 22,500 tons per day (six days a week) of nonhazardous residential, commercial, and industrial refuse. This represents an increase of approximately 11 percent over the previous year. The Puente Hills, Spadra, Scholl Canyon, and Calabasas Sanitary Landfills, the South Gate Transfer Station, and the Commerce Refuse to Energy Facility are operated by the Districts to dispose of refuse in an environmentally safe manner while, at the same time, making sure that these facilities are "good neighbors" to the surrounding metropolitan areas. In addition to these active facilities, the Districts are responsible for the postclosure maintenance of two inactive landfills, Palos Verdes and Mission Canyon. As part of the Districts' long-term commitment to continued modernization and innovation, and the desire to maintain "good neighbor" community relations, the following steps are taken for all District facilities: (1) implementing state-of-the-art environmental control and monitoring technologies to prevent the migration of gas from sanitary landfills and to protect groundwaters in the vicinity of these sites; (2) landscaping all facilities to enhance the aesthetic nature of the sites; (3) providing for the long-term protection and the eventual recreational use of landfill sites after closure; and (4) conducting meetings with various neighborhood groups.

Highlights of the Solid Waste Management System's activities are presented below.

REFUSE TO ENERGY

The Districts and the City of Commerce have entered into a joint powers agreement which created the Commerce Refuse to Energy Authority. The Commerce Refuse to Energy Facility, the first major refuse-to-energy facility to become operational in California, is owned by the Authority and operated by the Districts. This facility accommodates about 320 tons of refuse per day, and produces approximately 10 megawatts of electrical energy that is sold to the Southern California Edison Company (SCE). Full commercial operation began in May 1987.

The Districts and the City of Long Beach have entered into a joint powers agreement which formed the Southeast Resource Recovery Facility (SERRF) Authority. The Authority is responsible for the development of a refuse-to-energy facility designed to burn 1,350 tons of refuse per day with an estimated electrical energy output of approximately 32 megawatts that will be sold to SCE. SERRF is currently under construction and is scheduled to be placed into operation in late 1988.

GAS TO ENERGY

The Puente Hills Energy Recovery from Gas (PERG) Facility commenced operation during November 1986 and began full commercial operation in January 1987 of this fiscal year. Since commencing full commercial operation, the PERG Facility has maintained an average on-line availability of 93 percent. PERG offers two significant benefits to the Districts: (1) beneficial use of landfill gas generated at the Puente Hills Landfill, which would otherwise be wasted; and (2) a source of revenue to the Districts from the sale of approximately 40 megawatts of energy to SCE. PERG represents the first time that a turnkey construction contract and private lease financing have been utilized by the Districts for either a sewage treatment or a solid waste management facility.

Construction began in July 1986 on a landfill gas-to-energy facility at the Palos Verdes Landfill, a site that ceased landfill operations in December 1980. Under a joint powers agreement with the County of Los Angeles, the Districts are maintaining this closed facility and will operate the landfill gas-to-energy facility when placed in operation during early 1988. Revenues generated by this facility from the sale of energy (13 megawatts initial capacity) to SCE will be used to finance and operate the facility and to maintain the landfill site itself. Any excess revenues will be distributed equally between the Districts and the County of Los Angeles. The turnkey construction contract and private lease financing of this project are similar to that used for the PERG Project.

SPADRA LANDFILL AND RESOURCE CONSERVATION PROJECT

The Districts consummated a cooperative agreement with the California Polytechnic University at Pomona (Cal Poly) and Los Angeles County which formed the Spadra Landfill and Resource Conservation Project. This project includes several specific elements, including an expansion of the Spadra Landfill, development and construction of a proposed gas-to-energy facility, and the use of reclaimed water from the Districts' Pomona WRP. Upon completion of various phases of the landfill operations, the finished areas will be turned over to Cal Poly. Under the agreement Cal Poly has developed a master plan for the landfill and adjacent properties owned by the University that will result in an innovative land resource laboratory to be called LandLab. With input from the Sanitation Districts, the County of Los Angeles, and the many diverse academic disciplines of the University, LandLab will be devoted to education and research in the sustainable use of resources. Additionally, the Districts and Cal Poly have entered into an agreement to finance research that will benefit both parties in the areas of solid waste management and the use of reclaimed water.

HAZARDOUS WASTE

The Districts have continued their partnership with the Los Angeles County Department of Public Works in cosponsoring the Los Angeles County Hazardous Waste Siting Project. This project is designed to locate and establish facilities that will treat hazardous wastes and to develop a repository for the environmentally safe disposal of the treatment residues. Major activities in the past year have been focused upon assisting prospective treatment plant operators, monitoring legislative and advocacy efforts, developing broad-based community support for a systematic approach to hazardous waste management, developing a program to manage household hazardous wastes, and assisting in the preparation of a new County Hazardous Waste Plan.

DEBT ADMINISTRATION

As of June 30, 1987, the total debt of the Enterprise Fund (sewerage and solid waste activities) amounts to $61,727,330. This amount represents a debt ratio of 7.4 percent.

INDEPENDENT AUDIT

The Districts are required to have an annual audit of the books of account, financial records, and transactions conducted by independent certified public accountants selected by the Boards of Directors. This requirement has been complied with and the opinion of the Districts' auditor, Peat, Marwick, Main & Co., has been included in this report.

CERTIFICATE OF ACHIEVEMENT

For the third time in as many years, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Districts for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1986.

The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting, and its attainment represents a significant accomplishment by a government unit and its management. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the June 30, 1987, Comprehensive

Annual Financial Report continues to conform to Certificate of Achievement Program requirements, and it is being submitted to GFOA to determine its eligibility for another Certificate.

ACKNOWLEDGMENTS

In submitting this 1986–87 Comprehensive Annual Financial Report, appreciation is expressed to the members of the Accounting Department and to the other departments that participated in the preparation of this report.

Very truly yours,

[Signatures]

SAMPLE TRANSMITTAL LETTER FROM A CHIEF EXECUTIVE OFFICER

The Chairman and Members
Board of Commissioners
Chatham County, Georgia

The Comprehensive Annual Financial Report of Chatham County, Georgia, as of December 31, 1987, and for the 1987 fiscal year is hereby transmitted. The accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, is the responsibility of the County. Management believes that the presented data is materially accurate and is designed to report the financial position and the results of operations as measured by the financial activity of the County's various funds. The necessary disclosures to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The development and evaluation of the County's accounting system must consider the adequacy of the internal accounting controls. I believe that the County's internal accounting controls, as discussed by the Finance Director in his accompanying transmittal letter, adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

This report has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (formerly the Municipal Finance Officers Association). The Government Finance Officers Association awards Certificates of Achievement for Excellence in Financial Reporting to those governments whose annual financial reports are judged to conform substantially with high standards of public financial reporting, including generally accepted accounting principles promulgated by the National Council on Governmental Accounting and adopted by the Governmental Accounting Standards Board. Chatham County was awarded a Certificate of Achievement for its annual financial report for the 1986 fiscal year. The Certificate of Achievement program requires the inclusion of all funds and account groups of the County. The financial statements for the year ended December 31, 1987 includes all of the Constitutional Officers and other agencies of the County in conformity with the National Council on Governmental Accounting Statement 3, "Defining the Governmental Reporting Entity." It is my belief that the accompanying fiscal year 1987 financial report will meet program standards and it will be submitted to the Government Finance Officers Association for review.

In accordance with the above mentioned guidelines, the accompanying report consists of four parts:

1. Introductory Section, including the Finance Director's letter of transmittal;
2. Financial Section, including the financial statements and supplemental data of the government accompanied by our independent auditors' report;
3. Statistical Section, including a number of tables of unaudited data depicting the financial history of the government for the past 10 years, information on overlapping governments, and demographic and other miscellaneous information; and
4. Single Audit Section, including various reports on internal controls, compliance with laws and regulations and their associated schedules, and a report on federal financial assistance and the associated schedule as required by the Single Audit; and a schedule of certain state grants which is required by state law.

State law requires that the financial statements of Chatham County be audited by a certified public accountant selected by the Board. This requirement has been complied with and our auditors' opinion is included in the Financial Section of this report.

The preparation of this Annual Financial Report could not have been accomplished without the dedicated effort of the Finance Director and his entire staff. Their efforts over the past years toward improving the financial report of the County have led substantially to the improved quality of the information being reported to the County Commission, state oversight boards, and the citizens of Chatham County.

Respectfully submitted,

[Signature]

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	
End of Fiscal Year	**1987**	**1986**
July '86	0	0
August '86	4	0
September '86	28	1
October '86	1	0
November '86	1	0
December '86	136	257
January '87	0	0
February '87	4	5
March '87	15	33
April '87	3	6
May '87	0	1
June '87	300	194
Other	8	7

Section 2: Selected Topics

CLAIMS AND JUDGMENTS

For Claims and Judgments GASB Cod. Sec. C20 requires adherence with FASB Statement 5, "Accounting For Contingencies." Specifically, FASB Statement 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. C50.112 explains that the amount of claims recorded as expenditures in governmental funds shall be the amount accrued during the year that would normally 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. 1500.107 requires that "contingent liabilities not requiring accrual should be disclosed in the notes to the financial statements."

Proprietary funds should follow FASB Statement 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 footnotes to the financial statements.

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

Cited Origin of Claims and Contingent Liabilities	Instances Observed 1987	1986
Possible disallowance or dispute related to federal contract or grant	182	119
Lawsuits:		
Specified	107	49
Unspecified	197	92
Discrimination/civil rights	71	36
Disputes—tax levies or assessed valuations	39	14
Contract dispute	30	6
Action of governmental personnel (e.g., accident by government driver, malpractice by government doctor, or improper arrest)	26	13
Claim for property damage	25	5
Compensation claim	18	17
Other descriptors	46	14

COMMITMENTS AND CONTINGENCIES

Many governments, in the footnotes to 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 footnotes 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 footnotes 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.

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

Nature of Disclosure	Instances Observed 1987	1986
No captions in balance sheet—footnote only	305	271
Caption between liabilities and equity section	36	18
Caption between total equity and total liability and equity	30	19
Reservation of fund balance/retained earnings	13	4
Other	18	2

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

MORAINE PARK VOCATIONAL, TECHNICAL AND ADULT EDUCATION DISTRICT, WI (JUN '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Commitments and Contingencies

Intergovernmental awards received by the District are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures which are subsequently disallowed, the District may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at June 30, 1987.

At June 30, 1987, the District had no material leases that were not capitalized.

PINELLAS COUNTY, FL (SEP' 86)

NOTES TO FINANCIAL STATEMENTS

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 $6.8 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.

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, 1986, were (dollars in thousands):

General Government	$16,088
Water System	1,187
Sewer System	2,835
Solid Waste System	2,464
	$22,574

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 $5,257,768 for the year ended September 30, 1986. The debt service portion of PFC for the next five fiscal years follows (dollars in thousands):

1987	$1,347
1988	1,347
1989	1,347
1990	1,348
1991	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. The following table summarizes the insurance coverages in force:

Area Covered	Limits of Outside Liability Coverage	Deductible Amount
Boiler & Machinery	$5,000 per accident	$5,000
Windstorm—Restaurant, Ft. DeSoto Park	$254,000 on the building with 90% of the amount of the loss payable in excess of the deductible.	$500
Windstorm	7,500,000 flood 7,500,000 earthquake	
Windstorm (Bathhouse) Sand Key	1) $254,000 with 90% of the amount of the loss in excess of the deductible.	$500
Windstorm (Maintenance Building)	2) $132,000 with 90% of the amount of the loss in excess of the deductible.	$500
Windstorm (Frame dwelling on)	3) $132,000 with 90% 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	N/A
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 $318,997 subject to deductible 2) Extension of coverage $127,599 3) Catastrophe $446,596	$1,000
EMS/Auto Liability & Physical Damage	$500,000 CSL	
EMS/General Liability (1st Layer)	$500,000 CSL	$5,000
EMS/General Liability (2nd Layer)	$5,000 CSL $1,000,000 Aggregate	N/A
Crime	$5,000 Faithful Performance Blanket Bond $4,000,000 Securities & Physical Damage all premises. $4,000,000 Securities & Physical Damage all messengers.	$1,000
Physician's Prof. Liability	$500,000 per person $1,500,000 total limit	N/A
Physician's Prof. Liability	$300,000 per person $900,000 total limit	
Physician's Prof.Liability	$10,000,000 CSL	
Watercraft Liability	$5,000,000	$100,000
Watercraft Hull Insurance	$177,000	$25,000
Bridge Property Damage	$10,679,000 P.D. $1,500,000 Business Interruption	1% 7 days
Sheriff's AD&D	$20,000 per person	
Flood	$130,000 on building (Park Ranger's residence)	$500
Vehicle Terminal	$7,500,000 Aggregate	$250,000 deductible
Property	$114,676,300 replacement value of buildings, contents and related structures is County insured for fire, windstorm and flood with $9.8 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.	

MONTGOMERY COUNTY, MD (JUN '87)

NOTES TO FINANCIAL STATEMENTS

VI. Summary Disclosure of Significant Contingencies

A) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving claims of tortious conduct, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of counsel, the estimated ultimate liability of the County in the resolution of these cases will not exceed $5,255,761, the amount of which has been presented in the General Long-term Obligations Account Group in accordance with the statements promulgated by GASB. In addition, there is a claim against the independent fire corporations totaling $10,000,000 for overtime pay under the Fair Labor Standards Act (FLSA) for work performed by approximately 500 firefighters for independent fire and rescue corporations. Montgomery County Government, through the Fire Tax Districts, finances the majority of the activities of the independent fire and rescue corporations through the budgetary process. At present, Montgomery County Government is not a party to this lawsuit.

Montgomery Community College is currently the defendant in several lawsuits including claims for contract disputes and alleged employment discrimination suits. It is the opinion of the College's management, after conferring with legal counsel, that the liability, if any, which might arise from these lawsuits would not have a material adverse effect on the College's financial position.

B) Grants, Entitlements, and Shared Revenues

Montgomery County Government and the component entities participate in a number of federal or State assisted grant and/or entitlement programs, principal of which are the General Revenue Sharing, Community Development Block Grant, and State health programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of most of these programs for or including the year ended June 30, 1987 have not yet been completed. Accordingly, noncompliance with applicable grant requirements, if any, will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the amount, if any, is expected to be immaterial.

In accordance with the provisions of the Single Audit Act of 1984 Circular A-128, issued by the Office of Management and Budget, Montgomery County Government, Montgomery County Public Schools, and Maryland-National Capital Park and Planning Commission participate in single audits of federally assisted programs. The Montgomery County Revenue Authority is not subject to the provisions of Circular A-128.

C) Debt Guarantees

Pursuant to Chapter 840 of the Laws of Maryland 1977, as amended, the County may by local law provide its full faith and credit guarantee of bonds issued by the Housing Opportunities Commission of Montgomery County (HOC) in principal amount not exceeding $25,000,000. By enactment of Chapter 36 of the Laws of Montgomery County 1978, as amended, the County has provided for the method of implementing this guarantee. On July 1, 1985, HOC issued $5,740,000 in Section B assisted Housing Development Bonds. The bonds were issued to provide permanent financing for a multi-family housing development which is the subject of a Housing Assistance Payments Contract by and between the mortgagor and the United States Department of Housing and Urban Development, pursuant to the provisions of Section 8 of the United States Housing Act of 1937, as amended. The bonds are limited obligations of the HOC, payable out of revenues and funds pledged for the payment thereof. The payment of the principal of and interest on the bonds is guaranteed by the County. The bonds mature July 1, 1986–July 1, 2010. The outstanding amount as of June 30, 1987 is $5,705,000. On December 1, 1985 HOC issued $4,095,000 in multi-family revenue bonds to provide permanent financing for a senior housing project. The bonds are limited obligations of the HOC, payable out of the revenues and funds pledged for the payment thereof. The payment of the principal of and interest on the bonds is guaranteed by the County. The bonds mature December 1, 1988–December 1, 2015.

On April 14, 1987, the Governor of Maryland signed into law (Chapter 101 of the Annotated Code of Maryland) enabling legislation that provides an increase in the debt guarantee from $25,000,000, as noted above, to $50,000,000. This law is effective July 1, 1987. The Montgomery County County Executive is in support of this change and a bill has been submitted to the County Council for enactment.

D) Self Insurance

Montgomery County Government and the Maryland-National Capital Park and Planning Commission for themselves and certain component entities maintain a self insurance fund under which participants share fire and theft, workmen's compensation, comprehensive general and automobile liability, professional liability, errors and omissions and other selected areas which require coverage. The fund also provides group health insurance to certain qualifying employers. In the opinion of management, the aggregate accruals recorded at June 30, 1987 are adequate to cover reported claims and incurred but unreported claims.

JEFFERSON PARISH, LA (DEC '88)

NOTES TO FINANCIAL STATEMENTS

Note M—Commitments and Contingencies

Future Bond Issues

In 1972 an independent contractor constructed a drainage canal, levee, and pumping facilities located in Consolidated Drainage District No. 1. Pursuant to resolutions adopted by the Jefferson Parish Council, the Parish must reimburse the contractor for the costs of construction, which amounted to approximately $425,000, out of the proceeds of future bond issues of Consolidated Drainage District No. 1. The resolution provides that the funds reimbursed from each bond issue shall be equal to that portion of the bond issue supported by the assessments on the property being drained by the pumping station until the contractor is fully reimbursed.

During 1978 and 1977, a developer reimbursed the Parish $110,540 for expenses incurred in the construction of a portion of a road. The developer will be repaid upon the issuance of bonds providing for the construction of the road.

Self-Insurance

The Parish has established Self-Insurance Trust Funds for the purpose of paying claims under Hospitalization, Workmens' Compensation, General Liability, and Property Damage Insurance Plans administered by the Parish. Excess liability insurance is provided through private insurance carriers. At December 31, 1986 an estimated liability of $1,506,581 was incurred but not reported claims.

Both West Jefferson Medical Center and East Jefferson General Hospital participate in the Louisiana Patient's Compensation Fund for medical malpractice claims created by Act 817 of the Louisiana Legislature. As a participant, the Medical Center and the Hospital have a statutory limitation of liability which provides that no award can be rendered against them in excess of $500,000 plus interest and costs. The Fund provides coverage on an occurrence basis for claims over $100,000 up to $500,000. The Medical Center and Hospital are self-insured for the $100,000 deductible.

Litigation

The Parish is a defendant in a number of claims and lawsuits resulting principally from personal injury, property damage, and construction claims. The Parish Attorney has reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the Parish and to arrive at an estimate, if any, of the amount or range of potential loss to the Parish. As a result of such review, the various claims and lawsuits have been categorized into "probable," "reasonably possible," and "remote" contingencies, as defined in National Council on Governmental Accounting Statement 4 for Claims and Judgments. Loss contingencies amounting to $3,013,000 categorized as "probable" have been accrued as other liabilities of East Jefferson Waterworks District Number One. Loss contingencies principally of the Special Revenue Funds amounting to $224,500 categorized as "probable" have not been provided for in the 1986 financial statements due to their immaterial effect on the statements taken as a whole and on the individual fund statements. The Parish's "reasonably possible" loss contingencies at December 31, 1986, for which an amount of liability can be estimated approximates $5,000,000.

Various suits and claims arising from alleged injuries, some for substantial amounts, are pending against the West Jefferson Medical Center, its insurers, and others. In accordance with Statement of Financial Accounting Standards No. 5, the West Jefferson Medical Center Enterprise Fund has provided in its financial statements for estimated losses from the aforementioned pending suits and claims at the lower amount of the range of potential loss estimated by counsel. The Medical Center does not believe that actual losses, if any, will materially exceed the amount provided. In connection with insurance coverage under Act 817 of the Louisiana Legislature, the West Jefferson Medical Center has pledged with the Louisiana Commissioner of Insurance $125,000 of its bank certificates of deposit. It also has deposited $100,000 with its general and professional liability insurer to cover the self-insured portion of claims that might be handled by that insurer. The Medical Center is self-insured up to $200,000 for workmen's compensation claims. Additionally, certain charges have been filed with the Equal Employment Opportunity Commission alleging discriminatory employment practices on the part of the West Jefferson Medical Center in violation of the Civil Rights Act of 1964. The Medical Center is of the opinion that these charges will be found by the Commission to have no basis in fact.

Hill-Burton Act Grant

In 1971 East Jefferson General Hospital received a grant of $3,284,000 under the Federal Hill-Burton Act for equipment and construction of the Hospital building subject to an agreement with the United States Government that if, during a period of 20 years, there is an unapproved change in ownership or the Hospital ceases to be a nonprofit entity, the grant will be repaid. The acceptance of this grant requires the Hospital to provide a reasonable amount of free or below-cost care to indigent patients.

The Hospital agreed with the Hill-Burton Agency to provide free or below-cost care of $174,000 for the year ended December 31, 1988. Management believes that the Hospital has complied with the applicable provisions of the grant and has no further obligation to provide uncompensated services.

Federally Assisted Programs

The Parish participates in a number of federally assisted programs which are audited in accordance with the Single Audit Act of 1984. Audits have not resulted in any disallowed costs, however, grantor agencies may provide for further examinations based on reported questioned costs. Based on prior experience, the Parish believes that further examinations would not result in any material disallowed costs.

The food stamp program is operated by the Parish under an agreement with the Louisiana Department of Health and Human Resources. Under this program, the Parish is responsible for the issuance of food coupons to eligible participants in the Parish. The value of food coupons on hand, received, and issued is not recorded in the accompanying statements. Activity for the year follows:

Balance at January 1, 1986	$ 5,479,531
Received during year	21,209,000
Issued during year	(24,604,583)
Balance at December 31, 1986	$ 2,083,948

Construction in Progress

As of December 31, 1986, West Jefferson Medical Center has incurred construction costs of $14,208,779 on projects with an estimated total cost of approximately $16,000,000. The projects will be financed primarily from part of the proceeds of the Medical Center Revenue Bonds (Series 1985).

During 1986, the East Jefferson General Hospital incurred costs of approximately $1,630,000 in connection with the construction and equipping of a Magnetic Resonance Imaging/Radiation Therapy facility. This project is expected to be completed in July 1987, and the total construction costs are expected to be approximately $2,150,000 and equipment costs are expected to be approximately $1,123,000.

Lease Commitments—East Jefferson General Hospital

On January 16, 1985, the Hospital entered into a capital lease arrangement for the acquisition of fixed equipment. The equipment is expected to be delivered in April 1987, at which time monthly payments of $38,388 will commence for a 60-month term. The long-term lease obligation is expected to be approximately $1,800,000, excluding imputed interest included in the monthly lease payments.

In December 1985, the Hospital granted a ground lease to East Jefferson General Hospital Foundation, and a second ground lease to a developer, for the development, construction, and operation of a parking garage and a medical office building, respectively. The developer of the medical office building is a limited partnership composed of a 5% general partner and medical staff physicians who will become tenants in the building as limited partners. Both leases are for 30-year terms commencing January 6, 1986 and ending December 31, 2015. The improvements constructed on the leased land will revert to the Hospital without cost upon termination of the leases. Rentals payable to the Hospital will commence June 1, 1987 in the amount of $66,430 per year, increasing every five years by an inflation factor.

On December 10, 1985, the Hospital also entered into a leaseback agreement with the Foundation to lease the parking garage. The leaseback agreement is for a 30-year term beginning the month following the day the garage is opened for business, which is expected to be March 1987. Annual base rentals of $962,250 are payable to the Foundation under the leaseback agreement. The long-term lease obligation is expected to be approximately $10,267,000, excluding imputed interest included in the annual rentals. The Foundation may charge the hospital additional amounts as may be necessary to reimburse the Foundation for the Hospital's share of any increase in operating and financing expenses, as defined in the agreement.

Effective March 10, 1986, the Hospital entered into a master sublease agreement with the developer for up to 35,000 square feet of space in the medical office building currently under construction, for a term of 10 years with two 10-year renewal options, expected to begin in mid-1987. Management anticipates that the Hospital will lease less than 10,000 square feet when the building is opened for occupancy. The rentals due under this sublease include an annual base rental of $15.60 per square foot. The developer may charge the Hospital additional amounts as may be necessary to reimburse the developer for the Hospital's share of any increase in operating and financing expenses, as defined in the agreement.

Fund Balance Designated for Contingencies

Included in the Fund Balance of the General Fund is $2,000,000 designated for contingencies relating to the purchase of the Elmwood Building. At the time the Elmwood Building was purchased in 1986, it was anticipated that the sale of the Donelon Building and leasing of three floors in the Elmwood Building would generate revenues for debt service on the Elmwood Building. The sale of the Donelon Building and Leasing of space in the Elmwood Building have not yet materialized.

LANE COUNTY, OR (JUN '87)

NOTES TO FINANCIAL STATEMENTS

7. Commitments and Contingencies

Grants received are subject to audit requirements. Any disallowed costs could become a liability of the recipient fund.

Lease Commitment—In January 1987, the County and various other municipal agencies entered into a master equipment financing agreement for the purchase of telephone equipment. As the sole signer on the debt instrument, the County is contingently liable for that portion of the lease obligation which is owed by the other participating agencies. Should all of the other participating agencies default on their obligations, the County would be liable for $781,037, plus accrued interest at 6.47 percent per annum. The County retains the right to complete recovery from the defaulting agencies.

Other Contingencies—There are other claims and litigation pending which are considered normal to the County's operation. After reviewing these actions and proceedings with County counsel, management believes that the outcome of such proceedings will have no material effect on the financial position or results of operations of the County.

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 employees 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 would normally be liquidated with expendable available financial resources.

Since 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 footnote 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:	**1987**	**1986**
General long-term debt account group	162	91
Enterprise funds	72	59
Internal service funds	29	10
General fund	23	31
Special revenue funds	17	9

Below are examples of footnote disclosures related to the liabilities for compensated absences.

CITY OF CHEYENNE, WY (JUN '87)

1. The Entity, Description of Funds and Account Groups, and Significant Accounting Policies [In Part]

City employees earn vacation leave at the following rates:

Years of Service	Vacation Days Earned Per Month
1–5	1.08
5–10	1.33
10–15	1.58
15–20	1.83
20–25	2.08

Employees may accumulate up to 30 days vacation. Sick leave accrues at the rate of 1.25 days per month and employees may accumulate up to 60 days sick leave. In accordance with NCGA *Statement 4,* the City has accrued the liability for these compensated absences in the accompanying financial statements. The City budgets current-year revenues for each year's anticipated expenditure for such absences and payments for excess vested sick leave. Therefore, compensated absence liabilities for governmental funds are recorded only in the General Long-term Debt Account Group. The liabilities for compensated absences for proprietary type funds are recorded in each fund's statements in accordance with Financial Accounting Standards Board Statement 43.

CITY OF ANDERSON, SC (JUN '87)

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

10. Compensated Absence

A total of 12 to 24 days vacation and 12 days of sick leave per year may be accumulated by each employee, however, employees are not paid for the accumulated sick leave upon retirement or other termination. The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the City has accrued a liability for vacation pay which has been earned but not taken by City employees. For governmental funds the liability for compensated absences is recorded in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with FASB Statement 43.

INDIAN RIVER COUNTY DISTRICT SCHOOL BOARD, FL (JUN '87)

1. Summary of Significant Accounting Policies [In Part]

I. Long-Term Debt and Compensated Absences

Compensated absences, i.e., paid absences for employee vacation leave and sick leave, are recorded in governmental fund types as an expenditure when used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. Compensated absences that exceed this amount at year-end are reported in the General Long-Term Debt Account Group and are not recorded as expenditures.

Changes in long-term debt for the current year are reported in a subsequent note.

COUNTY OF LEBANON, PA (DEC '86)

1—Summary of Significant Accounting Policies [In Part]

H. Accumulated Unpaid Vacation and Sick Pay

Accumulated unpaid vacation pay is accrued as incurred in all County funds in accordance with NCGA Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences."

Employees can earn annual vacation leave at the rate of 10 days per year for the first five years up to a maximum of 20 days per year after 15 years of service. There is no requirement that annual leave be taken, but the maximum permissible accumulation is 20 days for employees with less than 10 years of service. Employees with over 10 years of service may accumulate up to 30 days. At termination, employees are paid for any accumulated annual vacation leave. The liability for accumulated unpaid vacation leave at December 31, 1986 is $254,953 for Governmental Fund Types and $183,209 for Enterprise Funds.

Employees earn sick leave at the rate of 15 days per year. Sick days can be accumulated up to 140 days. Upon resignation or retirement, any outstanding sick leave is lost, therefore, sick pay is not recorded as an expenditure until paid.

WASHOE COUNTY, NV (JUN '87)

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

Compensated Absences:

Governmental Fund Types:

The current portion of the cost of compensated absences is recorded as a payroll expenditure in Governmental Funds. The long-term portion of these costs is reflected as a liability in the General Long-Term Obligations Account Group.

The current portion of the cost of the compensated absences is defined as those benefits actually paid or accrued as a result of employees who have terminated employment by June 30. The agreements with the various employees' associations provide for payment of total accrued compensatory and vacation time in all cases. Accumulated sick leave benefits are payable to those terminated employees who have accumulated fifteen years of service up to a maximum of three hundred hours.

Proprietary Fund Types:

Total payroll liabilities are recorded within the fund when incurred.

Note 11—Washoe County Obligations [In Part]

E. Compensated Absences:

Governmental Funds:

Under the provisions of the National Council on Governmental Accounting Statement No. 4, as adopted by the Governmental Accounting Standards Board, the current portion of accrued compensated absences are recorded within the fund in which they arose and the long-term portion is recorded in the General Long-Term Obligations Account Group.

Proprietary Funds:

The entire liability is recorded in the appropriate funds as it is incurred. Current and prior year information is as follows:

	Current Year			
	General Long-Term Obligations Account Group	Proprietary Funds	Total	Prior Year Total
Vacation	$2,384,062	$130,848	$2,514,910	$2,384,117
Sick Leave.....	2,594,781	49,878	2,644,659	2,325,092
Compensatory	77,977	8,250	86,227	39,217
Total......	$5,056,820	$188,976	$5,245,796	$4,748,426

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 13. A liability in the same amount should be recorded simultaneously in the general long term debt account group. When a capital lease represents the acquisition or construction of a general fixed asset, 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 receivable when a state or local government is the lessor in a lease situation. Only the portion of lease receivables that represents revenue/other financing sources that are measurable and available should be recognized as revenue/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 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 13 should be followed for financial reporting purposes. Of the units whose financial statements were surveyed, 135 provided a footnote disclosure relating to capital or noncancellable leases. Twenty-seven percent accounted for the related lease liability in the general long-term debt account group of their financial statements.

Section 3 "Balance Sheet" illustrates the manner in which some governments report these assets and liabilities. It also includes excerpts from footnotes 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 461 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, since many governmental units had more than one pension plan.

TABLE 2-4. ENTITIES HAVING CERTAIN TYPES OF PENSION PLANS

	Instances Observed	
Pension Plans	**1987**	**1986**
Multiple employers	328	283
Single employer...	158	59
Not determinable..	22	77

TABLE 2-5. NATURE OF PENSION PLANS

	Instances Observed	
Nature of Plan	**1987**	**1986**
Defined benefit	335	233
Defined contribution..	46	39
Money purchase	14	10
IRA..	3	3
Other (not disclosed or unclear)	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

*The GASB is currently working on a project on employer accounting for pensions. The decision to pursue a funding-oriented approach rather than a FASB Statement 87 approach was made after considering the responses to its *Preliminary Views* document. See section 1 "General" for a further discussion.

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 are only conducted for defined-benefit plans, because for defined-contribution plans both the current period contribution and expense are already 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 GASB Statement No. 5, paragraph 30 for fiscal years beginning after December 15, 1986 (earlier application is encouraged) actual 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 have been 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 142 survey units that disclosed the rates.

TABLE 2-6. RATE OF RETURN ON PLAN BENEFITS

Rate of Return Percentage	Instances Observed 1987	Instances Observed 1986
5	3	1
6	14	10
6.5	10	13
7	19	28
7.5	38	13
8	17	9
8.5	10	1
9	8	1
9.5	1	—
Over 9.5	1	—
Multiple rates	21	3

The actuarial cost method used for funding and/or expensing purposes is also 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*

Cost Method	Instances Observed 1987	Instances Observed 1986
Entry age normal cost method	36	18
Entry age actuarial cost method	14	4
Aggregate actuarial cost method	12	5
Frozen entry age actuarial cost method	6	2
Unit credit actuarial cost	4	2
Projection of actuarial cost forecast method	1	1
Others	20	7

*Some statements contained multiple plans.

For those 383 financial statements containing a pension footnote, 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 shown in the following table.

TABLE 2-8. BASIS OF INVESTMENT ASSETS

Basis	Instances Observed 1987	Instances Observed 1986
Market value	47	21
Cost	34	8
Cost, which approximates market value	2	2
Other basis	16	1

REFERENCE TO FASB AND GASB STATEMENTS

Few of the 461 governmental units with footnotes specifically made reference to FASB Statement of Financial Accounting Standards No. 35 or to GASB Statement No. 2 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 were observed.

TABLE 2-9. BENEFITS AND NET ASSETS DISCLOSURE*

Disclosure	Instances Observed 1987	Instances Observed 1986
Plan net assets available for benefits	204	122
Actuarial present value of both vested and nonvested accumulated plan benefits	128	78
Actuarial present value of credited projected benefits	47	6
Actuarial present value of vested accumulated plan benefits (only)	12	15
Actuarial present value of nonvested accumulated plan benefits (only)	3	4

*Instances observed related to the governmental units that have pension plan footnotes.

REFERENCE TO PENSIONS IN AUDITORS' REPORTS

In 11 of the 383 financial statements surveyed, the auditors' reports made reference to the pension area and contained qualifications related to pension accounting and reporting.

Where the auditors' reports contained a qualified opinion on the financial statements owing to pension circumstances, such qualifications included instances where the pay-as-you-go method was utilized for pension expense and funding and instances where the recorded pension expense was less than the actuarially calculated amount. Neither of these conditions is consistent with generally accepted accounting principles.

See the following illustrations of footnotes related to pension disclosures.

CITY OF PHILADELPHIA, PA (JUN '87)

NOTES TO FINANCIAL STATEMENTS

21. Pension Plans

The City has historically presented the financial statements of its pension plan in accordance with the official pronouncements of the National Council on Governmental Accounting (NCGA) and the Financial Accounting Standards Board (FASB).

In preparing the financial statements of the Municipal Pension Fund for Fiscal 1987, the City has considered the Governmental Accounting Standards Board (GASB) Statements 1 and 4. These statements list several pronouncements which provide alternate methods of acceptable accounting and reporting principles for public employee retirement systems and state and local government employers. Where practicable, the City has adopted the disclosure requirements of GASB Statement 5.

A. Municipal Pension Plan

(1) PLAN DESCRIPTION—The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS), as a single employer plan, covering all officers and employees of the City, and the officers and employees of certain other governmental and quasi-governmental organizations. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

(a) Accrued normal costs which are actuarially computed amounts necessary to be contributed to the pension fund to provide, in the future, the pension and survivor benefits earned by the work force during the year.

(b) Amortization in level installments (which include interest) over periods of 20 and 40 years, of certain unfunded prior service costs as ordered by the Court of Common Pleas of Philadelphia County in two class action suits brought by pension fund beneficiaries.

(c) Interest on the remaining unfunded accrued liability of the pension plans.

In Fiscal 1987 the city contributed the amounts prescribed in (a) and (b) above plus a scheduled amount sufficient to amortize (inclusive of interest) the remaining unfunded accrued liability over a 36 year period.

The schedule has been determined on the basis of a formula which produces amounts expected to be a level percentage of each year's aggregate payroll. The level percentage of payroll funding method is deemed actuarially sound and is in common use by public jurisdictions in the United States. Under this method, the unfunded accrued liability of $1.9 billion at June 30, 1987 will increase to $2.8 billion by the year 2005 as unpaid interest on that liability compounds. Scheduled payments through the year 2019 will reduce the liability to zero. At July 1, 1986 City Pension Plan membership consisted of:

(1) Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them........	24,758
(2) Current employees...............................	31,970
(3) Total Membership	56,728

The Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire are entitled to an annual retirement benefit, payable monthly for life.

(a) Uniformed Personnel (Police and Fire) who retire at or after age 45 are eligible to receive a service pension equal to 2½% of the employee's average final compensation multiplied by his years of credited service, subject to a maximum of 100% of average final compensation.

(b) Municipal employees who retire at or after age 55 are eligible to receive a service pension equal to the sum of: 2½% of the employee's average final compensation multiplied by his years of credited service to a maximum of 20 years; plus 2% of the employee's average final compensation multiplied by his years of credited service in excess of 20; limited to 80% of the employee's average final compensation.

Average final compensation is defined as follows:

(a) Uniformed Personnel—the highest of the total compensation received during the 12-month period which produces the highest figure; or the annual base rate of pay, excluding longevity payments, calculated from the final pay period; or the arithmetic average of the total compensation received during the five calendar years of employment which produces the highest average.

(b) Municipal Employees represented by the American Federation of State, County and Municipal Employee Union (AFSCME) and certain court employees—the arithmetic average of the total compensation received during the three calendar or anniversary years which produces the highest average.

(c) Elected and appointed officials and other positions not represented by a union—the arithmetic average of the total compensation received during the three calendar or anniversary years which produces the highest average.

Covered employees who participate in the Social Security System contribute 3¾% of his or her total compensation up to the taxable wage base and 6% of total compensation above the taxable wage base to the Retirement System. Each employee who does not participate in the Social Security System contributes 6% of his or her total compensation to the Retirement System.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

(a) Basis of Accounting—Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

(b) Method Used to Value Investments—Pension Plan securities are reported at cost; investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. The market value of Pension Fund investments held at June 30, 1987 totalled $1,456.0 million.

(3) 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, 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 to help users assess the Pension Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and 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 at July 1, 1986. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 9% per year compounded annually; (b) projected salary increases of 6% per year compounded annually; and (c) age 65 assumed retirement age.

At July 1, 1986 the unfunded pension benefit obligation was $1,583.7 million, as follows:

	(Amounts in Thousands)
Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$1,469,263
Current employees—	
Accumulated employee contributions including allocated investment income	290,850
Employer-financed vested	559,872
Employer-financed nonvested	498,137
Total pension benefit obligation	2,818,122
Net assets available for benefits, at cost value	1,234,432
Unfunded pension benefit obligation	$1,583,690

(4) CONTRIBUTION REQUIRED AND CONTRIBUTIONS MADE—The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are based on the unfunded accrued pension liability as determined by using the Entry Age actuarial cost method. This method differs from the Projected Unit Credit method which was used to determine the unfunded liability at June 30, 1986. The effect of this change is to increase the unfunded accrued liability and Fiscal 1987 contributions by $151.0 million and $7.5 million, respectively.

Contributions totalling $151.3 million were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1, 1985. These contributions consisted of (a) $64.9 million normal cost and (b) $95.3 million amortization of the unfunded actuarial accrued liability less $8.9 million credit for advance payments. However, the contributions do not meet the minimum requirement of Accounting Principles Board Opinion No.8—Accounting for the Cost of Pension Plans (APB Opinion No. 8) because the method used provides for increasing rather than level contributions as payroll increases. Under the provisions of APB Opinion No. 8, additional contributions of $72.7 million would be required in Fiscal 1987. Of this amount, $69.0 million applies to Governmental Fund Types. This amount has been recognized in long-term debt accounts as a long-term liability. The remaining $3.7 million is applicable to Proprietary and other accrual basis funds and has been recognized in those funds as a long-term liability.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation in (3) above.

(5) TEN-YEAR HISTORICAL TREND INFORMATION—Ten-year historical trend information designed to provide information about the Pension Plan's progress made in accumulating sufficient assets to pay benefits when due is presented following the notes to the financial statements.

B. Gas Works Pension Plan

(1) PLAN DESCRIPTION—The Gas Works has a noncontributory public employee retirement system (PERS) covering substantially all employees and providing for retirement payments at age sixty-five or earlier under various options. In accordance with resolutions of the Philadelphia Gas Commission, ordinance of City Council, and as prescribed by the Director of Finance, the plan is being funded with contributions from the Gas Works to the Gas Works Retirement Reserve Fund. In addition, current payments to retired employees and other beneficiaries are made directly by the Gas Works rather than from the assets of the Gas Works Retirement Reserve Fund.

At September 1, 1986 the Gas Works Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:	1,550
Current employees	2,669
Total Membership	4,219

The Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the greater of:

(a) 1.25% of the first $6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over $6,600, times Credited Service; maximum of 60% of the highest annual earnings during the last 10 years of Credited Service; applicable to all participants.

(b) 2% of total earnings received during period of Credited Service plus 22.5% of the first $1,200 of such amount; applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employee's average pay, over the highest 5 of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

Covered employees are not required to contribute to the Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

(a) Basis of Accounting—Pension Plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed.

(b) Method Used to Value Investments—Pension Plan equity securities are reported at book value. Fixed-income securities are reported as par value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. The market value of Pension Fund investments held at June 30, 1987 totalled $189.2 million.

(3) 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, 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 to help users assess the Pension Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS.

The pension benefit obligation was determined as part of an actuarial valuation at September 1, 1986. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) projected salary increases of 5% per year compounded annually, and (c) age 62 assumed retirement age.

At September 1, 1986 the unfunded pension benefit obligation was $92.5 million, as follows:

	(Amounts in Thousands)
Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$109,319.4
Current employees—	
Accumulated employee contributions including allocated investment income	None
Employer-financed vested	94,497.8
Employer-financed nonvested	58,776.7
Total pension benefit obligation	262,393.9
Net assets available for benefits, at cost value	169,935.5
Unfunded pension benefit obligation	$92,458.4

(4) CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE—The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Projected Unit Credit actuarial funding method.

Contributions totalling $16.8 million were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 1, 1985. These contributions consisted of (a) $8.2 million normal cost and (b) $8.6 million amortization of the unfunded actuarial accrued liability.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in (3) above.

(5) TEN-YEAR HISTORICAL TREND INFORMATION—Ten-year historical trend information designed to provide information about the Pension Plan's progress made in accumulating sufficient assets to pay benefits when due is presented following the notes to the financial statements.

C. School District Pension Plan

School districts in the Commonwealth participate in a State administered pension program established under legislative authority, which is a cost-sharing multiple-employer PERS. Under this program, contributions are made by each of three parties—The District, the Commonwealth and the employee. All the District's full-time employees, part-time employees salaried over eighty days and hourly employees working more than five hundred hours per year participate in the program. Currently, each party to the program contributes a fixed percentage of employees' gross earnings.

The pension program is wholly administered by the statewide, autonomous Public School Employees Retirement System (PSERS) with offices in Harrisburg, Pennsylvania. The School District has no responsibility or authority for the operation and administration of the pension program, nor has it any related liability except for the current contribution requirements.

There are approximately 200,000 contributing participants in the pension program and approximately 90,400 members including beneficiaries receiving benefits.

A brief statement of the terms of the pension plan follows:

(1) PENSION BENEFITS—A participant may retire with a normal retirement allowance at the age of sixty-two with one full year of service, age sixty with thirty or more years of service, or with thirty-five years of service regardless of age. The normal retirement allowance paid monthly for life and then to beneficiaries if certain options are exercised, equals 2% of the average of the highest three earning years multiplied by the number of years of credited service.

Early retirement is permitted at age fifty-five or older with twenty-five years or more of credited service with a reduction of 3% per year of normal retirement benefits.

(2) DEFERRED ALLOWANCE—A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

(3) DEATH BENEFITS—When a participant dies in active service after attaining normal retirement age and service, the beneficiary is entitled to a death benefit of the present value of the normal retirement allowance computed in (1) above. If a participant dies before attaining normal retirement age, but after ten years of credited service, the beneficiary is entitled to a death benefit as indicated above, but reduced by an early retirement factor provided by PSERS.

(4) DISABILITY BENEFITS—After five years of credited service a participant who becomes disabled and meets the PSERS medical standards is eligible for an annuity which equals 2% of the highest three years earnings multiplied by the number of years of credited service. The disability determination is subject to periodic review.

Both the School District's current-year payroll and its total current-year payroll for all employees amount to $639.8 million.

The School District's and the Commonwealth's percentages are equal and were 9.95% in Fiscal 1987 and were decreased to 9.77% on July 1, 1987. The employees rate was 5.25%, but on July 22, 1983, a State law was passed which increased the rate to 6.25% for employees hired after that date.

Total contributions made during Fiscal 1987 amounted to $887.7 million, of which $64.9 million was contributed by the School District and $39.4 million by School District employees. These contributions represented 10.02% and 6.15%, respectively, of covered payroll.

The amount of the total pension benefit obligation is based on standardized measurement established by Government Accounting Standards Board Statement #5 that, with some exceptions, must be used by a PERS. 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. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among PERS and among employers.

Total unfunded pension benefit obligation of the State PERS as of June 30, 1987 was as follows:

	(Amounts in Billions)
Total Pension Benefit Obligations	$14.9
Net Assets Available for Pension Benefits, At Market	9.5
Unfunded Pension Benefit Obligation	$ 5.4

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 1986. Net assets available to pay pension benefits were valued as of the same date.

The School District's 1987 required contribution to the State PERS represents 9.95% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

Ten-year historical trend information is presented in the 1987 State PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

During 1987 and as of June 30, 1987, the State PERS held no securities issued by the School District or other related parties.

D. Community College Retirement Benefits

Retirement benefits are provided for substantially all employees through payments to one of the following contributory pension plans: the Teacher's Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF), the Pennsylvania Public School Employees Retirement System (PSERS), or the State Employees Retirement System (SERS).

Type of Employee	TIAA-CREF	PSERS	SERS
Full-time faculty	10% of base contract	9.95% of all earnings	12.78% of all earnings
Visiting lecturers	5% of base contract	N/A	N/A
Part-time faculty	5% of all earnings	N/A	N/A
Administrators and other staff	10% of base contract	9.95% of all earnings	12.78% of all earnings
Others	8% of salary up to the FICA payroll base and 10% of all salary in excess of the FICA base	9.95% of all earnings	12.78% of all earnings

Contributions made by the College during Fiscal 1987 totalled $1.9 million.

E. Redevelopment Authority Retirement Benefits

The Redevelopment Authority has a defined benefit contributory pension plan covering substantially all full-time employees. Total pension expense of $443,689 is funded as incurred and is included in administrative expenses for the year. This amount includes amortization of past service costs over approximately 30 years. Employees contributed an additional $234,376. A summary of accumulated plan benefits and plan assets for the Authority's plan as of the most recent actuarial valuation date is as follows:

	(Amounts in Thousands) January 1, 1987
Present Value of Accumulated Plan Benefits:	
Vested	$18,003.9
Non-vested	668.7
Total Accumulated Benefits	$18,672.6
Net Assets Available for Plan Benefits	$26,888.2

The weighted average assumed rate of return used in determining the present value of accumulated plan benefits was 7%.

TOWNSHIP OF CLINTON, MI (MAR '87)

Note 6—Retirement Plans

The Township has a retirement plan which covers policemen and firemen. The Township's contribution to the plan for the year ended March 31, 1987, including approximately $233,000 of employee contributions, was approximately $954,000 which includes a provision for funding prior service costs in excess of fund assets on the basis of funding such excess over a remaining period of 19 years. Information as to the actuarial present value of accumulated plan benefits as of March 31, 1986, the latest valuation date, is as follows:

Vested benefits:	
Participants currently receiving payments	$1,238,100
Other participants	5,779,773
Total vested benefits	7,017,873
Nonvested benefits	849,246
Total actuarial present value of accumulated plan benefits	$7,867,119

The net assets available for benefits as of March 31, 1986 were $12,632,235 at cost (approximate market value $14,133,000).

Reserve Balances

The reserve for Police and Fire Retirement System Fund consists of the following:

	Reserve for Employee Contributions	Reserve for Employer Contributions	Reserve for Retired Benefit Payments	Total
Balances—April 1, 1986	$1,754,745	$ 9,649,770	$1,227,720	$12,632,235
Additions	233,103	2,721,246	—	2,954,349
Transfers	9,553	(365,652)	356,099	—
Deductions	(49,832)	—	(152,489)	(202,321)
Balances—March 31, 1987	$1,947,569	$12,005,364	$1,431,330	$15,384,263

The Township also participates in the Michigan Municipal Employees Retirement System (MERS), a defined benefit plan which covers substantially all Township employees, except policemen and firemen. The Township made contributions to this plan during the year ended March 31, 1987 of approximately $46,000. This contribution includes a provision for funding prior service costs in excess of fund assets on the basis of funding such excess over a remaining period of 20 years.

COUNTY OF LEBANON, PA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

8—Employee Retirement Plan (Pension Trust Fund)

Description of the Plan

The County has a contributory defined benefit plan covering substantially all employees. The Plan is governed by the County Pension Law, Act 96 of the General Assembly of the Commonwealth of Pennsylvania, as amended (The Act). In accordance with the terms of The Act, members are required to contribute from 5% to 7% of wages depending on the date the member entered the Plan. Accumulated members' contributions at January 1, 1985 was $4,510,017, including interest credited at an interest rate of 5½% compounded annually. The County's funding policy is to make contributions equal to annual pension cost accrued. Past service costs have been fully amortized. The County's cost of the Plan was $522,940 and $511,421, of which $261,470 and $511,421 was funded from the reserve for undistributed interest earnings in 1986 and 1985, respectively. Administrative costs of the plan are paid by the County's general fund.

The Act makes no provision for termination of the Plan.

At December 31, 1986, the assets (at cost) of the Retirement Trust Fund exceed the actuarially computed value of plan benefits. Investments are held by the trust department of a local bank in the name of the Lebanon County Employee Retirement Fund. Investments by type are as follows:

	Cost	Market Value
Money market accounts	$ 709,603	$ 709,603
U.S. Treasury bills	2,930,891	2,991,864
Corporate bonds	100	100
Corporate stocks	9,621,113	10,149,511
	$13,261,707	$13,851,078

Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits, as follows, was determined by Huggins & Company, Inc., actuaries for the County, as of the Plan valuation date indicated.

	January 1, 1986
Actuarial present value of accumulated plan benefits	
Vested benefits	
Retired members	$ 2,305,076
Other members	6,376,528
	8,681,604
Nonvested benefits	368,509
	$9,050,113
Net assets available for benefits	$10,693,273

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6.0%.

Changes in Fund Balance

Changes in Fund Balance Reserve for Employees' Retirement System during the year were as follows:

	Total Reserved Fund Balance	Fund Balance Reserved for Employee Contributions	Fund Balance Reserved for Employer Contributions	Fund Balance Reserved for Membership Annuities	Fund Balance Reserved for Undistributed Interest Earnings
Balance, January 1, 1986	$10,693,273	$4,510,017	$3,039,221	$2,993,856	$ 150,179
Additions:					
Employee contributions	798,424	798,424			
County contribution	261,470		261,470		
Investment income	2,249,131				2,249,131
Total balance and additions	14,002,298	5,308,441	3,300,691	2,993,856	2,399,310
Transfers:					
Annuities awarded and actuarial adjustments		(233,264)	398,662	(165,398)	
County contribution paid from excess interest			261,470		(261,470)
Interest distribution		259,081	192,502	152,856	(604,439)
Total revised balances	14,002,298	5,334,258	4,153,325	2,981,314	1,533,401
Deductions:					
Expenditures—annuities	263,732			263,732	
Refunds—resignations	409,511	409,511			
Miscellaneous	113				113
Total deductions	673,356	409,511		263,732	113
Balance, December 31, 1986	$13,328,942	$4,924,747	$4,153,325	$2,717,582	$1,533,288

NATRONA COUNTY, WY (JUN '87)

NOTES TO FINANCIAL STATEMENTS

6. Retirement Commitments

Wyoming Retirement System

The County participates in the Wyoming Retirement System ("System"), a statewide cost-sharing multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 1987 was $6,536,898; the County's total payroll was $7,761,999.

Substantially all County full-time employees are eligible to participate in the System. Employees qualify for a retirement allowance if they are fifty years old and have at least four years of service, or they may retire at any age if they have twenty-five years of service. Individuals with creditable service prior to 1953 receive a monthly benefit of $2.50 for every year of service before April 1, 1953. A money purchase benefit structure is used to calculate benefits earned for service from April 1, 1953 to July 1, 1975.

For service prior to 1975, the benefits are calculated as above, and compared with a formula basis to determine the higher benefit to be received by the employee. The formula consists of multiplying the number of years of service prior to July 1, 1975 by 1½% by the final average salary. The final average salary consists of the three highest continuous years of service. Benefits for service after July 1, 1975 and before July 1, 1981 are calculated under both the money purchase method and a formula method with the retiree receiving the larger benefit. The benefit formula is 2% times the number of years of service times the final average monthly salary. The formula is the only calculation used for employees hired after July 1, 1981. The System also provides disability retirement to any employee who becomes permanently incapacitated, mentally or physically, and who cannot continue in the performance of his duties.

Currently, individual members contribute 5.57 percent of their total salary to the system. Employers contribute 5.68 percent of the member's total salary. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The County currently pays 100% of the required employees' contribution. The contribution requirement for the year ended June 30, 1987 was $736,365, which consisted of $371,784 for the County's required matching and $364,581 for the employees contribution which was also paid by the County.

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, which is the actuarial present value of credited projected benefits, 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 PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at January 1, 1987 for the System as a whole determined through an actuarial valuation performed as of that date was $955,956,000. The System's net assets available for benefits on that date (valued at market) were $984,759,785, leaving an unfunded pension benefit obligation of $221,505,000. The County's 1987 contribution represented .8 percent of total contributions required of all participating entities.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is not presented in the System's January 1, 1987 report on Actuarial Valuation. The System does not issue a separate comprehensive annual financial report other than the annual actuarial report.

Firemen's Pension

The Natrona County International Airport participates in the Wyoming Paid Firemen's Retirement Fund ("Fund"), a statewide cost-sharing multiple-employer paid firemen's retirement system. The payroll for employees covered by the Fund for the year ended June 30, 1987 was $311,288; the County's total payroll was $7,761,999.

Substantially, all paid firemen are eligible to participate in the Fund. The Fund is comprised of two separate plans. Plan A applies to members hired prior to July 1, 1981 and Plan B applies to members hired on or after July 1, 1981 (and any earlier hires who elect Plan B). Employees under Plan A qualify for a retirement allowance if they have twenty years of active service. The retirement benefit is based on the maximum monthly salary of a fireman first class. The benefit equals 50% of such salary for twenty years of service plus 1% of such salary for years of service in excess of twenty worked after July 1, 1981, up to a maximum of 60% of such salary. The plan also provides disability retirement to any fireman who becomes mentally or physically disabled, and who is rendered unfit for active duty.

Employees under Plan B qualify for a retirement allowance with the attainment of age fifty and at least ten years of credited service. The basic monthly benefit is equal to a percentage of the highest average monthly salary during any period of thirty-six consecutive months, with such percentage based on years of service. The percentage is equal to the sum of (i) 2% multiplied by the first twenty years of credited service, (ii) 2.5% multiplied by the next five years of credited service, and (iii) 1% multiplied by years of service in excess of twenty-five, up to a maximum of 60%. The basic monthly benefit is reduced by ⅓% for each month that the retiring member is under age 55, if any. The plan also provides disability retirement to any fireman who is not eligible for a service pension and is medically determined to have a physical or mental impairment which renders the member unable to function as a paid firefighter and is expected to last at least twelve months.

Currently, individual members under Plan A contribute 8% of their gross monthly salary up to the maximum monthly salary of a fireman first class. The state of Wyoming contributes 22½% of the salary paid to each fireman covered under this retirement plan. The Natrona County International Airport contributes for each paid fireman it employs, 43½% of the salary of a fireman first class reduced by the amount contributed by the State. Individual members under Plan B currently contribute 6% of their compensation and the Airport contributes 21% of the compensation of covered members. The combined contribution requirement of both plans for the year ended June 30, 1987 was $79,532, all of which was paid by the Airport.

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, which is the actuarial present value of credited projected benefits, is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The Fund does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at January 1, 1986 for the Fund as a whole determined through an actuarial valuation performed as of that date was $52,903,100. The Fund's net assets available for benefits on that date (valued at market) were $30,965,124, leaving an unfunded pension benefit obligation of $35,948,900. The Airport's 1987 contribution represented .2 percent of total contributions required of all participating entities.

Ten-year historical trend information showing the Fund's progress in accumulating sufficient assets to pay benefits when due is not presented in the Fund's January 1, 1986 report on Actuarial Valuation. The Fund does not issue a separate comprehensive annual financial report other than the semi-annual actuarial report.

Wyoming Medical Center Pension Plan

The Plan is a self-administered defined benefit pension plan covering substantially all employees of the Wyoming Medical Center (see footnote 11). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan year is the calendar year (December 31, 1986), rather than the fiscal year of June 30, 1987.

Benefits provided to members under the Plan are as follows:

Normal Retirement Benefit—An employee is eligible for a Normal Retirement Benefit after both attainment of age 65 and completion of ten years of service. The annuity payable for life is equal to:

a. 45% of Average Monthly Compensation less 50% of Primary Social Security Benefit, plus
b. 1% of Average Monthly Compensation for each year of service after 20 years.

The benefit is prorated if service is less than 20 years. The minimum pension is $50 per month or $10 per month per year of service.

Late Retirement Benefit—The annuity is computed by the normal retirement formula considering service and compensation to actual retirement.

Early Retirement Benefit—An employee who has attained age 55 and has completed ten years of service is eligible for an Early Retirement Benefit beginning immediately. The benefit is computed as for normal retirement considering Average Monthly Compensation and service to the date of retirement, but it is reduced for early payment at a rate of 1/15th per year for each of the first five years and 1/30th per year for each of the next five years by which the payment commencement date precedes normal retirement date.

Deferred Vested Benefit—An employee is 50% vested after 5 years of service in a deferred benefit to begin at his Normal Retirement Date. The vesting percentage increases by 10% for each additional year of service up to a maximum of 100% after 10 years. The benefit is computed as for normal retirement considering Average Monthly Compensation and service to date of termination, and is reduced in the same manner as the Early Retirement Benefit if commencement precedes the employee's Normal Retirement Date.

Cost-of-Living Benefit—The pensions for employees who retired prior to November 1, 1984 will be adjusted annually with changes in the cost-of-living as measured by the Consumer Price Index. The maximum adjustment is 3% per year, and the adjusted pension can never be reduced below its initial amount. Employees may elect to receive the value of their accumulated plan benefits as a lump-sum distribution upon retirement or termination, or they may elect to receive their benefits as a life annuity payable monthly from retirement.

Death Benefit

Pre-Retirement—If a vested employee dies prior to actual retirement, his spouse is entitled to a monthly benefit based on the benefit he would have earned had he retired on the date of his death with a 50% joint and survivor option provided the employee and spouse had been married one year.

Post-Retirement—Effective January 1, 1986 for terminations after September 2, 1974 for benefits commencing after December 31, 1985, the 50% joint and survivor benefit is automatic unless the employee elects otherwise prior to commencement of payments.

The Employer's funding policy is to make monthly contributions to the Plan in a total amount, such that, all employees' benefits will be fully provided for by the time they retire. This contribution is the amount necessary to pay normal cost plus a thirty year amortization of the unfunded frozen actuarial accrued liability. The Employer's contributions of $535,177 for calendar year 1986 exceeded the minimum funding requirements of ERISA. The Employer's contribution for the fiscal year ended June 30, 1987 was $563,773.

The funds of the Plan are held by the Travelers Insurance Company under Group Annuity Contract Number GR-13065 in pooled separate accounts of segregated assets.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' average monthly compensation during the five consecutive years of credited service which would result in the highest average. The accumulated plan benefits for active employees are based on an estimated past earnings history constructed using the valuations earning progression. Benefits payable under all circumstances—retirement, death, and termination of employment—are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary from William M. Mercer-Meidinger-Hansen, Inc. and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuations as of December 31, 1986 are (a) life expectancy of participants, (b) retirement age assumptions (the assumed average retirement age was 65), and (c) investment return. The 1986 valuation included an assumed average rate of return of 7.5%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial value of accumulated plan benefits.

Actuarial cost information for the Plan as of December 31, 1986, the date of the most recent valuation, is as follows:

Present value of vested benefits:	
Participants currently receiving payments	$1,538,131
Other participants	2,069,587
	3,607,718
Present value of non-vested benefits	376,945
Actuarial present value of accumulated benefits	$3,984,663

Following is a schedule of the changes in net assets available for benefits for the Plan year ended December 31, 1986:

Investment Income:	
Net appreciation in fair value of investments, including interest, dividends, realized and unrealized appreciation	$ 830,953
Less Investment Expenses	9,404
	821,549
Employer Contributions	535,177
Total Additions	1,356,726
Benefits paid directly to participants	516,090
Purchase of temporary contracts:	
1986 annuity benefits	54,833
1987 annuity benefits	170,207
Total Deductions	741,130
Net Increase	615,596
Net Assets Available for Benefits Beginning of Year	5,040,997
End of Year	$5,656,593

KING COUNTY, WA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note 6—Defined Benefit Pension Plans

All full-time King County employees participate in either the Public Employees' Retirement System (PERS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), or the Seattle City Employees' Retirement System. Employer contributions are paid monthly by the County in accordance with rates specified by the retirement systems. County deposits to the retirement system are current and King County has no direct unfunded liability. The payroll for employees covered by all systems for the year ended December 31, 1986 was $140,894,491; the County's total payroll was $155,154,886.

PERS

PERS is a cost sharing multiple-employer public employee retirement system; the benefit levels are established by State statute. All full-time County employees except for Law Enforcement Officers, Fire Fighters and some employees of the Public Health Department participate in PERS. Employees who established membership in PERS on or before September 30, 1977 were covered by PERS Plan I. Employees covered by this plan who retire with thirty years of service, or age 60 and five years of service, or age 55 and twenty-five years of service are entitled to an annual retirement benefit equal to 2% of the average final compensation (based on the greatest compensation during any two consecutive years) for each year of membership service. The annual retirement benefit may not exceed 60% of average final compensation. In addition 100% joint and survivor and 50% joint and survivor retirement benefit options are available on an actuarial equivalent basis. A member who terminates with five or more years of service to their credit may leave their accumulated contributions in the system and receive full retirement benefits at age 65 or a percentage of full benefits after reaching age 60. PERS Plan I also provides death and disability benefits. The payroll for employees covered by PERS Plan I for the year ended December 31, 1986 was $61,949,814 and the County's total payroll was $155,154,886.

The PERS Plan I member contribution rate is set at 6% of compensation by State statute. The employer rate is that rate required, in addition to the member contribution rate, to provide the proper funding of the system. As of December 31, 1986 that rate was set at 8.81% of compensation by the State Department of Retirement Systems. The contribution requirement for the year ended December 31, 1986 was $9,159,116, which consisted of $5,442,127 from the County and $3,716,989 from the employees; these contributions represented 8.76% of covered payroll for January through June and 8.81% of covered payroll for July through December for the County and 6% of covered payroll for the entire year for the employees.

All employees who established membership in PERS on or after October 1, 1977 are covered by PERS Plan II. Under the provisions of this plan the contribution rates for members and employers are equal except that the cost of amortizing the unfunded actuarial accrued liability for Plan I is borne by the employer. Employees covered by this plan who retire at age 65 with five years of service or at age 55 with twenty years of service are entitled to an annual retirement benefit equal to 2% of the member's average final compensation (based on the highest compensation during any consecutive five year period) for each year of service (for employees who retire prior to reaching age 65, the retirement benefit is actuarially reduced to reflect the period between the age at retirement and attainment of age 65). In addition 100% joint and survivor and 50% joint and survivor retirement benefit options are available on an actuarial equivalent basis. A member who terminates service with five or more years of service to their credit may leave their accumulated contribution in the system and receive a retirement allowance at age 65 or an actuarially reduced allowance at age 55 if they have twenty years of service. PERS Plan II also provides death and disability benefits. The payroll for employees covered by PERS Plan II for the year ended December 31, 1986 was $53,833,261 and the County's total payroll was $155,154,886.

The PERS Plan II member contribution rate as of December 31, 1986 is set at 4.83% of compensation. The employer rate as of that date is 7.97% of compensation. The contribution requirement for the year ended December 31, 1986 was $6,877,462, which consisted of $4,277,316 from the County and $2,600,146 from the employees. These contributions represented 7.92% of covered payroll for January through June and 7.97% of covered payroll for July through December for the County and 4.83% of covered payroll for the entire year for the employees.

The most recent actuarial valuation of PERS is as of December 31, 1985. The valuation of assets and liabilities of the system was performed by the Office of the State Actuary and is based on information provided by the Department of Retirement Systems and the State Investment Board. The actuarial valuations are based upon actuarial assumptions, methodology and techniques adopted by the Office of the State Actuary and do not conform to the valuation techniques of Statement No. 5 of the Government Accounting Standards Board. PERS does not make separate measurements of assets and pension benefit obligations for individual employers. The actuarial present value of projected benefits at December 31, 1985, for PERS Plan I as a whole, determined by the Office of the State Actuary, was $6,425.3 million. The PERS Plan I net assets available for benefits on that date (cash and short-term investments are valued at market, fixed income and equities are valued at average market value during the 18 month period preceding the valuation date) were $2,514.1 million leaving an unfunded actuarial present value of projected benefits of $3,911.2 million. The actuarial present values of projected benefits at December 31, 1985 for PERS Plan II as a whole, determined by the State Actuary, was $2,061.6 million. The

PERS Plan II net assets available for benefits on that date (valued as in Plan I) were $625.5 million, leaving an unfunded actuarial present value of projected benefits of $1,436.1 million.

Ten-year historical trend information showing PERS progress in accumulating sufficient assets to pay benefits when due is not available but it is expected to be made available for the December 31, 1987 year-end.

LEOFF

The LEOFF retirement system is a cost-sharing multiple-employer public employer retirement system; the benefit levels are established by State statute. Law Enforcement Officers and Fire Fighters who established membership in the system on or before September 30, 1977 are covered by LEOFF Plan I. Employees covered by this plan become eligible to receive a retirement benefit at age fifty with five years of service. The total annual allowance is computed based on the following: for members with at least twenty years of service, 2% of final average salary for each year of service; for members with ten to twenty years of service, 1.5% of final average salary for each year of service; and for members with five to ten years of service, 1% of final average salary for each year of service. The final average salary is defined as follows: a) for a member holding the same position or rank for a minimum of twelve months preceding the date of retirement, the basic salary attached to that position or rank at the time of retirement; or b) for any other member who has not served a minimum of twelve months in the same position or rank the average of the greatest basic salaries payable to such member during any consecutive twenty-four month period within the member's last ten years of service. For members hired after February 19, 1974, the service retirement may not exceed 60% of final average salary. A member who terminates service with five or more years of credited service may, in lieu of withdrawal of contributions, be eligible to receive a service retirement allowance, upon application, commencing the day following attainment of age 50. LEOFF Plan I also provided death and disability benefits. The payroll for employees covered by LEOFF Plan I for the year ended December 31, 1986 was $8,871,302 and the County's total payroll was $155,154,886.

The member contribution rate is set at 6% of compensation by State statute. The employer rate is set at 6% by State statute but it also includes an employer administrative expense component of .16 percent. The required cost of the system, in excess of those met by the contribution of employees and employers, is to be appropriated from the State General Fund. The contribution requirement for the year ended December 31, 1986 was $1,078,750, which consisted of $546,472 from the County and $532,278 from the employees; these contributions represented 6.16% of covered payroll for the County and 6% of covered payroll for the employees.

All Law Enforcement Officers and Fire Fighters who established membership in LEOFF on or after October 1, 1977 are covered by Plan II. Employees covered in this plan become eligible to receive a retirement benefit at age 58 with five years of service, or at age 50 with twenty years of service. The total annual allowance is 2% of the member's average final compensation for each year of service. Average final compensation is based on the highest compensation during any consecutive five-year period. The retirement allowance is actuarially reduced for those employees who retire prior to reaching age 58 to reflect the period between the age at retirement and attainment of age 58. A member who terminates service after having completed at least five years of credited service may remain a member during the period of his absence from service for the exclusive purpose only of receiving a retirement allowance under the provision of Plan II, if he does not withdraw his accumulated contributions. LEOFF Plan II also provides death and disability benefits. The payroll for employees covered by LEOFF Plan II for the year ended December 31, 1986 was $9,054,328 and the County's total payroll was $155,154,886.

The contribution rates for members and employers are developed as percentage of total costs of the system (the employees pay 50% of the cost, the employers 30% and the State 20%), except that the costs of amortizing the unfunded actuarial accrued liability for Plan I is borne by the State. The contribution requirement for the year ended December 31, 1986 was $1,148,994, which consists of $440,040 from the County and $708,954 from the employees; these contributions represented 4.86% of covered payroll for the County and 7.83% of covered payroll for the employees.

The most recent actuarial valuation of LEOFF is as of December 31, 1985. The valuation of assets and liabilities of the system was performed by the Office of the State Actuary and is based on information provided by the Department of Retirement Systems and the State Investment Board. The actuarial valuations are based upon actuarial assumptions, methodology, and techniques adopted by the State Actuary and do not conform to the valuation techniques of Statement No. 5 of the Governmental Accounting Standards Board. LEOFF does not make separate measurements of assets and pension benefit obligations for individual employers. The actuarial present value of projected benefits at December 31, 1985, for LEOFF Plan I as a whole, determined by the State Actuary was $2,906.6 million. LEOFF Plan I net assets available for benefits on that date (cash and short-term investments are held at market value, fixed income and equities are held at average market value during the 18 month period preceding the valuation date) were $1,142.1 million, leaving an unfunded actuarial present value of projected benefits of $1,764.6 million. The actuarial present value of projected benefits at December 31, 1985 for LEOFF Plan II as a whole, as determined by the State Actuary, was $433.1 million. LEOFF Plan II net assets available for benefits on that date (valued as in Plan I) were $92.1 million, leaving an unfunded actuarial present value of projected benefits of $341.0 million.

Ten-year historical trend information showing LEOFF progress in accumulating sufficient assets to pay benefits when due is not available but is expected to be made available for the December 31, 1987 year-end.

Seattle City Employees' Retirement System

County employees of the Public Health Department (those employees who work in the Seattle Division of the Department are considered employees of the City of Seattle) who have established membership in the Seattle City Employees' Retirement System (City Retirement) remain covered by the City Retirement System even if they have transferred to the County Division of the Department. From the point-of-view of the County, the City Retirement System is a cost-sharing multiple employer PERS. The benefit levels of this system are established by Seattle Municipal Code and City ordinance. Employees covered by this plan may retire after thirty years of service regardless of age, after age 52 with twenty years or more of service, after age 57 with ten or more years of service, and after age 62 with five or more years of service. Disability retirement is available after ten years of service but not beyond 65 years of age. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60%. The average salary for this plan is defined as the highest consecutive twenty-four months average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service and ranges from 1.2% at age 52 with twenty years of service to a maximum of 2% for each year of service. The maximum allowance a member can receive is the unmodified plan which has no provisions for beneficiary and at the member's death all payments stop. Several optional retirement benefit formulas exist which make provisions for beneficiaries with reduced monthly allowances. The payroll for employees covered by the City Retirement system was $7,185,786 and the County's total payroll was $155,154,886. County deposits to the retirement system are current and the County has no direct unfunded liability.

The City Retirement System member contribution rate is 8.03% of compensation except for members qualifying prior to June, 1972 for lower rates. The County's rate is 8.91% of the covered payroll. The contribution requirement for the year ended December 31, 1986 was $1,505,985, which consisted of $791,767 from the County and $714,218 from the employees.

The most recent actuarial valuation of the City Retirement System is as of December 31, 1985. The valuation was prepared in accordance with generally recognized and accepted actuarial principles, but they do not conform to the valuation techniques of Statement No. 5 of the Governmental Accounting Standards Board. The actuarial present value of nonforfeitable benefits for present and former members is $472.7 million. The actuarial value of assets (bonds are valued at price, common stocks, and equity real estate are valued at their market price on December 31, 1985, and other assets are valued at cost) available for benefits is $395.7 million, leaving an actuarial present value of nonforfeitable benefits yet to be funded of $77.0 million. The total unfunded actuarial liability for the system according to the entry age actuarial cost method is $165.6 million. This liability is being funded by present member and employer contributions and will be amortized over a thirty-six year period.

Ten-year historical information showing the City Retirement System progress in accumulating sufficient assets to pay benefits when due is not available, but most of the required information is expected to be made available for the December 31, 1987 year-end.

Note 7—Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all regular full and part-time County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employee or their beneficiaries until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plan and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) solely the property of the County, 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.

The following is a summary of the increases and decreases of the fund for the year ended December 31, 1986:

Fund Assets (At Market)—January 1, 1986	$13,218,682
Deferrals Of Compensation	2,344,166
Earnings And Adjustments To Market Value	2,079,492
Payments To Eligible Participants And Beneficiaries	(539,585)
Administrative Expenses	(49,859)
Fund Assets (At Market)—December 31, 1986	$17,052,896

WEST SENECA CENTRAL SCHOOL DISTRICT, NY (JUN '87)

NOTES TO FINANCIAL STATEMENTS

I.) General Long-Term Debt [In Part]

II.) Pension

The school district provides retirement benefits for substantially all its regular full-time teachers and employees, and its part-time teachers or employees who elect to participate, through contributions to the New York State Teachers', and Employees' Retirement systems, respectively. The systems provide various plans and options, some of which require employee contributions. The retirement systems compute the cost of retirement benefits based on their respective fiscal years: teachers—July 1 to June 30, and employees—April 1 to March 31.

The New York State Employees' Retirement System is a cost sharing multiple public employer retirement system. The system offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service.

The New York State Retirement and Social Security Law provides that all participants in each system are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the system. The systems are noncontributory except for employees who joined the Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Employee contributions are deducted by employers from employees' paychecks and are sent currently to the Employees' Retirement System.

The total payroll for all employees of the School District for fiscal year 1987 was $25,824,819, of which $4,992,218 was attributable to the Employees' Retirement System, and $20,691,430 to the Teachers' Retirement System. Contributions payable to the systems are billed on the basis of salaries paid during the systems' fiscal year endings and are made in accordance with funding requirements determined by the actuary of the systems. The $4,881,064 billed by the systems in the school's 1987 fiscal year related to the salaries paid from April 1, 1985 to March 31, 1986 for the Employees' Retirement System and July 1, 1985 to June 30, 1986 for the Teachers' Retirement System. This represented 99% of the covered payrolls.

Governmental Funds—It is the policy of the School District to fund pension costs as billed by the systems. Unbilled amounts reflecting employers' contributions owed from April 1, 1986 to June 30, 1987 aggregated an estimated

$4,977,771. This liability is recognized in the General Long-Term Debt Account Group.

The Pension Benefit Obligation (PBO) of credited projected benefits is 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 employees' service to date. The retirement systems do not make separate measurements for individual employers.

The PBO of credited projected benefits at March 31, 1987 for the Employees' Retirement System, determined through an actuarial valuation performed as of that date is $25,815 billion. The net assets available to pay benefits at that date is $32,398 billion. The school's employer contribution requirements for the system's year ended March 31, 1987 were *less than 1%* of total contributions required of all employer's participating in this system.

Historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is presented in the March 31, 1987 annual financial report of the system.

Similar information for the Teachers' Retirement System is not available and will not be required until after December 31, 1987.

CITY OF WATERTOWN, SD (DEC '86)

NOTES TO FINANCIAL STATEMENTS

II Stewardship, Compliance and Accountability [In Part]

B. LIABILITIES

RETIREMENT PLANS

1. Firemen's Pension Fund

A. Plan

Pursuant to South Dakota Codified Laws, the City Council approved Ordinance C-397 which provides that the City sponsor and administer the Firemen's Pension Fund, a Single Employer Public Employee Retirement System. Participants of the Firemen's Pension Fund include all firemen employed by the City. A Firemen's Pension Board, consisting of five members, is in charge of the administration, management and operation of the Pension Fund. The Firemen's Pension Fund is reviewed annually by the actuary firm of Gabriel, Roeder, Smith and Company.

The Fund is a defined benefit pension plan. Pursuant to Ordinance, participants contribute five percent of compensation. Participants' contributions and earned interest may be withdrawn upon termination of employment. At December 31, 1986, the liability for all participants' contribution and related earned interest was $267,413. A separate Pension Trust Fund is maintained for accountability. The recommended contribution, by the City, to the Plan as calculated by the Actuary was $37,595. The actual contribution for 1986 was $41,453.

Participants who retire at or after age 55 with twenty or more years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent times the first 25 years of service plus 1.5 percent times service in excess of 25 years. Maximum benefit is 75 percent of a first-class fireman's salary in the year of retirement. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by City ordinances.

B. Cash and Investments

Norwest Capital Management and Trust Company has been selected as the Investment Counsel for the Pension Plan. Cash and investments with Norwest Capital Management and Trust Company at December 31, 1986 were $1,951,047 which market value of the investments was $2,222,178. The City controls $135,413 of the Firemen's Pension Fund within the City Treasury which market value was $135,413 at December 31, 1986. (See III-A of the Notes to the Financial Statements for Schedule of cash and investments of the City of Watertown.)

C. Funding Status and Progress Pension Benefit Obligation

The amount shown 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. The measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the plan's 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 plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 1986. 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 6.0 percent per year compounded annually, (b) projected salary increases of 4.0 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.6 percent to 3.5 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

At December 31, 1986, the assets in excess of the pension benefit obligation were $517,388, determined as follows:

Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 444,249
Current employees—	
Accumulated employee contributions including allocated investment income	267,413
Employer financed—Vested	87,012
Employer financed—Non-vested	776,296
Total Pension Benefit Obligation	$1,574,970
Net assets available for benefits, at cost (market value was $2,228,077)	2,092,358
Assets in excess of the Pension Benefit Obligation	$ 517,388

During the year ended December 31, 1986 the plan experienced a net change of $224,743 in the pension benefit obligation. There were no changes in actuarial assumptions and no changes in benefit provisions during the year.

D. Actuarially Determined Contribution Requirements 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 designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability for the year ended December 31, 1986 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities were amortized as a level percent of payroll over a period of 10 years.

During the year ended December 31, 1986 contributions totaling $68,609—$41,453 employer and $27,156 employee—were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 1984. The employer contributions consisted of $74,285 for normal cost and $(32,832) for amortization of the unfunded actuarial accrued liability. Employer contributions represented 7.78 percent of projected covered payroll (projected payroll is equal to 1.06 times December 31, 1984 valuation payroll).

There were no changes in actuarial assumptions or methods or changes in benefit provisions affecting the December 31, 1984 actuarial valuation.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

E. Trend Information

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 80 of the City of Watertown Comprehensive Annual Financial Report. For the three years ended 1984, 1985 and 1986, respectively, available assets were sufficient to fund 100 percent of the pension benefit obligations. In addition, for the three years ended 1984, 1985 and 1986, the City's contributions to the Firemen's Pension Fund, all made in accordance with actuarially determined requirements, were 11.21, 10.17 and 7.78 percent respectively of annual covered payroll.

2. Employee's Retirement System-South Dakota Retirement System

Substantially all full-time employees, other than the City's Firemen, participate in a retirement plan administered by the South Dakota Retirement System, a Cost-Sharing Multiple Employer Public Employee Retirement System. The City does not maintain any administrative control over the plan or its assets. The retirement system has three participant categories: Class A participants include general municipal employees and Class B participants include municipal police employees. Class C participants include the Class B participants, except judges, who were hired after July 1, 1982. The payroll for employees covered by the system for the year ended December 31, 1986 was $3,602,382. The City's total payroll was $4,508,271 which includes participants in the Firemen's Pension Plan.

The retirement system is a defined benefit pension plan. Class A participants contribute 5 percent of their salaries; Class B participants 8 percent (with an increase of ⅛ percent each year until a 10 percent contribution rate is reached) and Class C participants 8 percent. Participants' contributions and earned interest may be withdrawn upon termination of employment. At December 31, 1986, the liability attributable to members' contribution and earned interest was $213,958,000. Employee contributions are matched by the City. Pension costs under this plan for the year ended December 31, 1986 and 1985 were $199,031 and $196,777, respectively. Required contributions by the members and employer have been made by the due date. Class A employees who retire at or after age 65 with five years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.2 percent of their final average salary times years of credited service. Class B employees who retire at or after age 55 with five years of credited service and Class C employees, who were hired after July 1, 1982 who retire at or after age 60 with five years of credited service, are entitled to a retirement benefit, payable monthly for life, equal to 2 percent times their final average salary times years of credited service. Final average salary is the employees average annual salary during the highest twelve consecutive quarters in the last forty quarters of membership in the System. Benefits are fully vested on reaching five years of service. The System also provides death and disability benefits. Benefits are established by South Dakota Codified Laws.

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

Computed Contribution Comparative Schedule

Fiscal Year Ending December 31	Valuation Date December 31	Computed Contribution Rates As Percents of Valuation Payroll	Valuation Payroll	Dollar Contribution For Fiscal Year: Computed*	Dollar Contribution For Fiscal Year: Actual
1977	1975	16.48%	$218,725	$36,046	$60,608
1978	1976	16.58	264,276	46,008	52,880
1979	1977	16.21	332,922	56,665	56,775
1980	1978	16.40	330,784	56,961	47,402
1981	1979@	13.15	350,837	48,903	43,543
1982	1980	12.24	379,201	49,199	52,562
1983	1981	11.45	424,115	51,475	55,762
1984	1982#	10.96	469,055	54,493	55,723
1985	1983	9.77	490,955	50,844	52,903
1986	1984	7.06	502,369	37,595	41,453

After changes in benefit provisions.

@ After changes in actuarial assumptions or methods.

* Computed dollar contribution is equal to the contribution percent times the valuation payroll projected to the appropriate fiscal year. The current projection factor is equal to 1.06.

of employee service to date. The measure, which is the actuarial present value of credit projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulated sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at June 30, 1986, for the System as a whole, determined through an actuarial valuation performed as of that date was $550,371,590 for vested benefit earned and $10,534,278 for non-vested benefits. The assumed rate of return used in determining the actuarial present value of benefits earned was 7 percent.

The 1986 South Dakota Legislature enacted major changes to plan provisions. These changes were:

- The basic retirement benefit formula for Class A members increased from 1.1 percent to 1.2 percent of final compensation for each year of credited service;
- No early retirement penalty if the member is at least age 60 and the combination of age plus service equals or exceeds 85;
- The interest rate on contributions refunded has been increased from 5 percent to 90 percent of the average interest rate paid on 91-day Treasury Bills for the immediately preceding calendar year (with a maximum of 10 percent and a minimum of 5 percent);
- A cost-of-living allowance equal to the rate of inflation (up to a maximum of 3 percent) has been introduced for deferred benefits;
- The annual cost-of-living adjustment for retired workers has been increased from 50 percent to 100 percent of the rate of inflation (up to a maximum of 3 percent);
- Death benefits paid by the South Dakota Retirement System will only be reduced by the amount of the family's primary Social Security whereas prior to July 1, 1986 all benefits from public sources were deducted;
- The post-retirement benefit has been improved to include remaining contributions of the employer; and,
- A guaranteed disability benefit of 6 percent of salary or $600 per annum, whichever is greater, has been established for all eligible members regardless of benefits from other programs.

The net effect of these changes was to increase the present value of benefits earned at June 30, 1986 by approximately 24.5 percent.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits is presented in the System's June 30, 1986 Comprehensive Biennial Financial Report.

DEFERRED REVENUE

Deferred revenue at December 31, 1986 consists of the following:

Property taxes:	
General Fund	$1,103,777
Pension Trust Fund	17,125
Special Assessments:	
General Fund	217,221
Special Assessment Funds	114,503
TOTAL	$1,452,626

CITY OF FENTON, MI (JUN '87)

Note 3

III. Detail Notes on All Funds and Account Groups [In Part]

1. Pension Plan

The City of Fenton participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the state of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the state of Michigan. The City has no fiduciary responsibility for the plan.

All full time employees of the City are eligible to participate in the plan immediately upon employment. As of June 30, 1987, the City had 41 covered employees and 69 total employees. Covered and total payrolls for the year then ended were $1,029,448 and $1,136,699, respectively.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service.

Election of early retirement is subject to reduction of benefits as outlined below. Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by the sum of 1.2% times the first $4,200 of their 5-year final average compensation (F.A.C.) plus 1.7% times the portion of F.A.C. over $4,200. The retirement allowance is reduced ½% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The City contributes the necessary amounts to fund the actuarial determined benefits. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. During the year ended June 30, 1987, no contributions were made because plan assets were in excess of accrued liabilities. Employees do not contribute to the plan. Benefit provisions and contribution obligations have been established by the City Council.

The Pension Benefit Obligation (PBO), which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure 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. The disclosure of the PBO is not presented because the actuary did not provide this information in the December 31, 1985, actuarial study.

At December 31, 1985, the latest actuarial study made, the assets in excess of the actuarial accrued liabilities were $547,843, determined as follows:

Value of vested benefits:	
Retirees and beneficiaries currently receiving benefits	$ 258,554
Terminated employees not yet receiving benefits	23,014
Current employees—	
Employer financed—vested	569,889
Employer financed—nonvested	205,170
Actuarial accrued liabilities	1,056,627
Net assets at market value available for benefits	1,604,470
Assets in excess of accrued liabilities	$ 547,843

The amounts and types of securities comprising the $1,604,470 of net assets at market value available for benefits at December 31, 1985, was not provided in the December 31, 1985, actuarial study. MERS had no loans outstanding to the City of Fenton at June 30, 1987.

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows: (1) An individual attained age actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) An 8% rate of return on investment of present and future assets was used based on an estimated long-term yield considering (a) the nature and mix of current and expected investments; (b) the basis used to value those assets; and (3) projected salary increases are based on raises for merit and seniority as well as a 6.5% inflation rate. Increases for merit and seniority range from 4.2% at age 20 to 9% at age 65.

Selected financial data with respect to the plan is presented in a three-year historical trend summary below:

Fiscal Year June 30	Valuation Date December 31	Contribution Rates as Percents of Valuation Payroll	Valuation Payroll	Dollar Contribution For Fiscal Year	
				Computed	Actual
1985	1983	5.05%	$725,002	$36,613	$38,928
1986	1984		844,687		
1987	1985		854,164		

During the year ended June 30, 1987, no contributions were required in accordance with the actuarial determination as of December 31, 1985.

METROPLAN, AR (DEC '86)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6: Pension Plan

Metroplan sponsors a defined contribution pension plan for its employees who have had at least two and one-half years of continuous service. Pension plan costs are funded on a monthly basis. All participating employees become fully vested upon their entrance into the plan. Metroplan contributions for the year ended December 31, 1986 totaled $34,638.

TRANSIT AUTHORITY OF NORTHERN KENTUCKY, KY (JUN '87)

NOTES TO FINANCIAL STATEMENTS

Note 7—Pension Plan:

TANK has a defined contribution pension plan covering substantially all salaried and hourly employees. Contributions to the plan are paid directly to Peoples Liberty Bank & Trust Co., as trustee of the plan. Contributions to the plan by TANK are included in labor and fringes expense in the accompanying financial statements and amounted to $116,441 and $114,031, for the years ended June 30, 1987 and 1986, respectively.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MD (JUN '87)

(1) Organization and Summary of Significant Accounting Policies [In Part]

Pension Plan

All eligible employees of the Commission participate in the defined-contribution pension plan of the County. Assets and liabilities arising from contributions by Commission employees are considered assets and liabilities of the County and are not recorded by the Commission. There are no past service liabilities of Commission employees, who are vested over time in accordance with the plan in Commission payments.

The retirement expense was $588,136 and $536,356 for the years ended June 30, 1987 and 1986, respectively.

PITKIN COUNTY, CO (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note I—Pension Plan Obligations

Effective January 1, 1983, and October 1, 1986, the library withdrew from Social Security and the Colorado County Officials and Employees Retirement Association (CCOERA) and formed a replacement retirement plan, the Pitkin County Public Employees Retirement Plan (PCPERP). All full-time employees of the County, the Housing Authority, the Transit Agency (beginning in 1984), and the library (beginning in 1986) participate in the plan after six months of employment. The County contributed 12.52% of participants' compensation to the plan during 1986 and purchased replacement insurance coverage for Social Security's life, disability and survivor benefits at a cost of 1.48% of participants' compensation. However, the combined 14% cost to the County was offset by a 7% reduction in participants' salaries so that the net cost to the County was 7%, approximately the same as for Social Security. Participants vest immediately in 50% of the County's contribution and thereafter at the rate of an additional 10% per year of employment. Upon termination of employment, a participant's unvested share is forfeited back to the County. The PCPERP is included in the accompanying financial statements as the Pension Trust Fund.

Prior to October 1, 1986 the employees of the library participated in CCOERA. All full-time, permanent employees were eligible and required to participate in the program after one year of employment with the library. A minimum of four percent to a maximum of ten percent of the employees' compensation was withheld and remitted to the association, along with a payment from the County of four percent of the employees' compensation. CCOERA is a state-wide plan and is not included in the County's financial statements since the County has no fiduciary responsibility for the plan. Both CCOERA and PCPERP are "defined contribution" plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. During 1986, the County contributed $514,132 to PCPERP and $4,727 to CCOERA.

CHARTER TOWNSHIP OF CLAYTON, MI (DEC '86)

NOTES TO FINANCIAL STATEMENTS

A. Assets and Liabilities: [In Part]

5. Retirement Plan

The Township has a single employer defined contribution pension plan administered by Manufacturer's Life Insurance Company, covering substantially all full-time employees. Ten percent of projected base wages plus administrative costs is contributed to the plan by the Township at the beginning of the year. The employee also has an option of contributing an additional ten percent. Total payroll for the year ending December 31, 1986, was $67,742, and total covered projected payroll was $61,420. The Township's policy is to fund pension costs accrued on an annual basis. Employer contributions for the year were $6,804. No employee contributions were made. The pension, as established, does not recognize prior service costs as it is based exclusively on current compensation earned by participants.

HARRIS COUNTY, TX (FEB '87)

NOTES TO THE FINANCIAL STATEMENTS

9. Retirement Plans

All officials and permanent employees (employees) of the County are members of the Texas County and District Retirement System, a money-purchase, defined contribution pension plan established by State legislation. Under the plan, both the County and employee are required to contribute an amount equal to 7% of the employee's monthly earnings. An employee is required to participate in the plan if he/she is less than 60 years of age and received compensation from the County for at least 900 hours of service during the year. Employees over the age of 60 may elect to participate. The County's contribution for each employee, including interest allocated to the employee's account, are fully vested after 10 years' continuous service. Forfeited County contributions and related interest are allocated to the remaining plan participants pending vesting.

The County's total payroll for fiscal year 1987 was $259,747,722, of which $240,444,272 was covered by the plan. Both the County and the participating employees made the required 7% contribution of $16,831,099 each for a total of $33,662,198.

In addition to providing pension benefits, the County provides certain health care and life insurance benefits for retired employees. Substantially all of the County's employees may become eligible for those benefits if they reach normal retirement age while working for the County. The cost of retiree health care and life insurance benefits is recognized when paid. For 1987, those costs were not material.

CITY OF FORT COLLINS, CO (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note 7: Pension Plans

Defined Benefit Plans

The Policemen's Pension Plan is a single-employer plan covering police officers hired prior to April 8, 1978. The contribution rates for members of the plan for 1986 were 8% each for employer and employee. The plan is accounted for in the Policemen's Pension Fund. City contributions to the plan were $160,452 during 1986.

The Employees' Retirement Plan is a single-employer noncontributory plan covering all permanent nonuniformed employees. The City's contribution for 1986 was 3.553% of compensation. The plan is accounted for in the Employees' Retirement Pension Plan Fund. City contributions to the plan were $613,081 during 1986.

The Colorado Fire and Police Pension Association Retirement Plan is a multiple-employer statewide cost-sharing plan covering police officers hired after April 8, 1978. The contribution rates for members of the plan for 1986 were 8% each for employer and employee. City contributions to the plan were $120,913 during 1986.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees through the International City Managers Association Retirement Corporation (ICMA), 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 unforseeable emergency at which time it is taxable to the employee or other beneficiary. As an incentive to employees, the City matches contributions up to 3% of participants' annual base compensation. The plan is accounted for in the Deferred Compensation Fund. City contributions to the plan during 1986 were $471,823.

All amounts of compensation deferred under the plan, the City's contributions to 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 City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the city in an amount equal to the fair market value of the deferred account for each participant.

The City has the duty of due care in selecting the plan administrator to manage the plan investments. The City believes that it is unlikely that it will use the plan assets to satisfy the claims of general creditors in the future.

Defined Contribution Plan

The City offers its nonclassified employees a defined contribution money purchase plan created in accordance with Internal Revenue Code Section 401(a). Contributions made by the City are not taxed until they are withdrawn. Employee contributions are made with after-tax dollars, but the earnings on City and employee contributions are untaxed until withdrawn. The plan is accounted for in the Deferred Compensation Fund. City contributions to the plan were $7,407 during 1986.

Actuarial Information

Actuarial information for the City's defined benefit pension plans as of the date of the most recent actuarial studies, using the entry age normal actuarial cost method is as follows:

	Policemen's Pension Fund	Employees' Retirement Plan Pension Fund
Date of actuarial information	1/1/86	1/1/86
Number of members included in valuation:		
—Active members	41	599
—Vested terminated members	—	29
—Retired members and beneficiaries	9	51
Total	50	679
Annual earnings for active employees	$1,379,716	$14,511,138
Total normal cost for year as of valuation date	$ 111,409	$ 486,401
Total normal cost as a percentage of normal cost payroll	8.315%	3.375%
Unfunded actuarial liability as of valuation date	$ 0	$ 0
Required City contributions to pay normal cost and amortize unfunded actuarial liability (over 40 years for Policemen's Pension; 30 years for General Employees Retirement)	$ 111,409	$ 486,401
Accumulated plan benefits (assuming a 7.5% rate of return):		
Actuarial present value of benefits of:		
—Retired members and beneficiaries	$ 278,410	$ 1,155,040
—Terminated vested members	—	154,301
—Active members with vested rights	2,015,514	3,258,694
—Total vested benefits	2,293,924	4,568,035
—Nonvested benefits	116,599	704,015
Total	2,410,523	5,272,050
Net assets available for benefits:		
Cash	6,659	16,639
Investments		
—Repurchase agreements	3,792,556	8,991,556
—U.S. Government securities	605,623	1,139,880
—Corporate bonds	116,914	529,881
Receivables	54,448	107,669
Less: payables	—	(21)
Net assets available for benefits	4,576,200	10,785,604
Excess of net assets available for benefits over actuarial present value of accumulated plan benefits	$2,165,677	$ 5,513,554

continued

	Policemen's Pension Fund	Employees' Retirement Plan Pension Fund
Changes in net assets available for benefits for the period from 1/1/85 to 1/1/86 were as follows:		
Fund balance reserved for employee benefits—1/1/85	$3,781,211	$ 9,009,662
Additions:		
—Employee contributions	113,865	—
—Employer contributions	154,117	692,894
—Interest and other	575,555	1,223,048
	4,624,748	10,925,604
Deductions:		
—Benefits	48,548	134,011
—Other	—	5,989
	48,548	140,000
Fund balance reserved for employee benefits—1/1/86	$4,576,200	$10,785,604

Firemen's Pension Fund

In 1982, the City Firemen's Pension Fund was transferred to the Poudre Fire Authority with no equity interest being reflected in the City's financial statements. Total City contributions to the Firemen's Pension Fund in 1986 were $84,000. The City remains responsible for the unfunded liability of the Firemen's Pension Fund which was $1,118,794 at January 1, 1986.

NEW HANOVER COUNTY, NC (JUN '87)

NOTES TO FINANCIAL STATEMENTS

Note 3: Detail Notes On All Funds and Account Groups [In Part]

B. Liabilities

1. Pension Plan Obligations

The County participates in the following retirement systems.

Local Governmental Employees' Retirement System of North Carolina

The North Carolina Local Governmental Employees' Retirement System (NCLGERS) is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to this cost sharing multiple employer public employer defined benefit plan.

The system provides, on a uniform state-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Contributions to the system are determined on an actuarial basis by the firm of George B. Buck Consulting Actuaries, Inc. The latest available actuarial study was for the two (2) year period ended December 31, 1984, and included a 7.5 percent investment return assumption.

The number of governmental entities participating in the system on December 31, 1984 was 613. The number of employee members, including those retired, on that date was 70,020. The unaudited assets of the system as of December 31, 1984 were $1,178,709,710 and the actuary determined unfunded accrued liability of the system on December 31, 1984, was $95,965,789. The unaudited increase in current assets of the system for the calendar year 1984 was $161,945,614.

New Hanover County joined the system on April 1, 1967. According to the December 31, 1984 actuarial valuation, the unfunded accrued liability attributable to New Hanover County ($1,793,907) will be liquidated June 30, 1991, assuming that the County continues to contribute annually 8.29 percent of its eligible payroll (6.88 percent for law enforcement officers only). Employee members contribute six percent of their individual compensation.

Contribution to the LGERS for the year ended June 30, 1987 consisted of:

	General	Proprietary
County Share	$1,042,104	$ 70,617
Employee Share	768,427	52,282
	$1,810,531	$122,899

The County's payroll for employees covered by the system for the year ended June 30, 1987 was $13,678,326, the County's total payroll was $16,417,524.

Law Enforcement Officers Special Separation Allowance

New Hanover County is required by North Carolina, General Statutes, effective January 1, 1987, to provide qualified law enforcement officers with a separation allowance equal to .85 percent of the annual equivalent of the officers' most basic rate of compensation for each year of creditable service (credit allowed under NCLGERS, provided at least 50% of the service is as a law enforcement officer).

To qualify the officer shall have:

- completed thirty or more years of creditable service or attained age 55 and completed five or more years of creditable service and
- not attained 62 years of age and
- completed at least five years of continuous service as a law enforcement officer immediately preceding service retirement

The law enforcement separation allowance technically constitutes a defined benefit pension plan; however, due to immateriality, an actuarial study has not been performed. The County is not currently funding this retirement system but making payments as they come due to retirees. Presently the County employs approximately 110 law enforcement officers. No officers were receiving the separation allowance at June 30, 1987.

Law Enforcement Officers Supplemental Retirement Income Plan

Effective January 1, 1986, $1.25 of each cost of court receipt is divided among all local officers and placed in the Supplemental Retirement Income Plan by the State of North Carolina, in the name of the officers, a defined contribution plan. Previously, similar contributions were made into the Special Annuity Accounts of the former Law Enforcement Officers' Retirement System; however, as of January 1, 1986, Special Annuity Accounts were transferred to the Supplemental Retirement Income Plan. No past service costs were assessed against the employer.

Effective July 1, 1987, the State of North Carolina is redirecting the $1.25 per court case and adding an additional $.50 per court case and remitting this amount to the County. The County will contribute 2% of gross salaries to the plan.

HARRIS COUNTY, TX (FEB '87)

NOTES TO THE FINANCIAL STATEMENTS

9. Retirement Plans

All officials and permanent employees (employees) of the County are members of the Texas County and District Retirement System, a money-purchase, defined contribution pension plan established by State legislation. Under the plan, both the County and employee are required to contribute an amount equal to 7% of the employee's monthly earnings. An employee is required to participate in the plan if he/she is less than 60 years of age and received compensation from the County for at least 900 hours of service during the year. Employees over the age of 60 may elect to participate. The County's contribution for each employee, including interest allocated to the employee's account, are fully vested after 10 years' continuous service. Forfeited County contributions and related interest are allocated to the remaining plan participants pending vesting.

The County's total payroll for fiscal year 1987 was $259,747,722, of which $240,444,272 was covered by the plan. Both the County and the participating employees made the required 7% contribution of $16,831,099 each for a total of $33,662,198.

In addition to providing pension benefits, the County provides certain health care and life insurance benefits for retired employees. Substantially all of the County's employees may become eligible for those benefits if they reach normal retirement age while working for the County. The cost of retiree health care and life insurance benefits is recognized when paid. For 1987, those costs were not material.

CHARTER TOWNSHIP OF FLINT, MI (DEC '86)

Note 3

III. Detail Notes on All Funds and Account Groups

A. Assets and Liabilities [In Part]

4. Retirement Plans

The Township has two separate pension plans, one for the firemen and policemen, and one for all other employees.

Firemen's and Policemen's Pension Trust:

The Township has two single employer Defined Benefit Plans which cover substantially all full time firemen and policemen. The plans were established in accordance with the State of Michigan's Public Act 345 of 1937. Each plan is administered by a five member Board of trustees comprised of two members of the Township's administration and three other Township employees. Investments of the plan are made through Genesee Merchants Bank Trust Department.

Employees who retire at or after age 60, regardless of years of credited service, or those members with 25 years credited service, regardless of their age, are entitled to a retirement benefit. The firemen's retirement benefit is generally equal to 2.5% of the participant's final average compensation, based on the last three years of credited service and including any lump sum payments for unused sick-leave payment, plus 1% of the final average compensation for any years of service in excess of 25. The policemen's retirement benefit is generally equal to 5% of the participant's 5 year final average compensation, plus 1% of the final average compensation for any years of service in excess of 25. These benefits are payable for life. Benefits fully vest on reaching 10 years of service with the benefit payable at age 60. The plan also provides death and disability benefits.

Covered employees are required to contribute to the plan 7% of their salary. The Township contributes remaining amounts necessary to pay benefits when due. These contributions are based on actuarially determined percentages of payroll required to fund normal costs plus prior service costs which are being amortized over a period of 31 years. Based on the actuarial valuation at June 30, 1986, the Township's annual contribution requirements amount to $12,164 and $47,237 for firemen and policemen plans, respectively.

At June 30, 1986, unfunded accrued service costs amounted to $901,622 and $46,732 for firemen and policemen plans. Pension costs paid by the Township under this plan amounted to $62,866 and $63,131 for firemen and policemen plans, for the year ended December 31, 1986.

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, which is the actuarial present value of credited projected benefits, is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement plans.

A summary of the pension benefit obligation at June 30, 1986, the date of the latest actuarial report, is as follows:

	Amounts in Thousands		
	Fire	Police	Totals
Pension benefit obligation	$1,575	$381	$1,956
Net assets available for plan benefits (valued at cost, which approximates market)	673	334	1,007
Unfunded pension benefit obligation	$ 902	$ 47	$ 949

A summary of combined plan assets as of December 31, 1986, is as follows:

	Cost	Market	Cost as % of Total Plan Assets
Money Market funds	$ 238,736	$ 238,736	21.8
Government bonds	318,710	362,748	29.0
Corporate bonds	4,314	3,990	0.4
Common stock	488,568	478,818	44.5
Investment funds	47,287	48,474	4.3
	$1,097,615	$1,132,766	100.0

The rate of investment return used for purposes of the actuarial valuation was 7.5 percent per annum, compounded annually. The mortality table used to measure post-retirement mortality was the 1971 Group Annuity Mortality Table, set back zero years for men and five years for women.

General Pension Plan:

The pension plan for all other employees is a money purchase plan. The Township contributes 10% of the employee's wages and the employee contributes five percent. Substantially all of the Township's full time employees, except firemen and policemen, are covered by this plan. Contributions are 100% vested. Total payroll for all employees, excluding firemen and policemen, was $789,945, and total covered payroll was $554,368. Employer contributions under this plan amounted to $58,291 for the year ended December 31, 1986.

CAPITALIZATION OF INTEREST

Many governmental units provided footnote disclosures of their procedures relating to capitalization of interest. FASB Statement 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 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 21, "Interest on Receivables and Payables"; and interest related to a capital lease determined in accordance with FASB Statement 13, "Accounting for Leases." Under FASB Statement 34, the amount of interest cost to be capitalized for qualifying assets is intended to be 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.

Later, FASB Statement 62 amended FASB Statement 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.

Examples for the disclosure of capitalization of interest follow.

DOUGLAS COUNTY SCHOOL DISTRICT, NV (JUN '87)

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

Construction Period Interest

Interest costs related to construction are capitalized as a part of construction costs in the General Fixed Assets Group. During the current year, these capitalized interest costs amounted to $1,240, and are reflected in construction in progress.

CITY OF JACKSON, MS (SEP '86)

(1) Summary of Significant Accounting Policies [In Part]

(j) Interest Expense

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Statement No. 62—*Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants.* See Note (3) for the amount of interest capitalized during the year ended September 30, 1986.

COBB COUNTY, GA (SEP '86)

NOTES TO FINANCIAL STATEMENTS

(5) Capitalized Interest:

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, 1986 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.

HARFORD COUNTY, MD (JUN '87)

NOTES TO FINANCIAL STATEMENTS

11. Proprietary Funds [In Part]

(G) Capitalization of Interest

The Financial Accounting Standards Board issued Statements of Financial Accounting Standards (FASB) No. 34 requiring capitalization of interest cost for all assets that are constructed for an enterprise's use. The amount of interest to be capitalized is that portion of the interest incurred during the assets' acquisition period which theoretically could have been avoided if expenditures for the asset had not been made.

In fiscal year ended June 30, 1986, $1,686,098 in construction expenditures were made. During this same period, Federal and State grants of $545,072 were recorded as revenue.

The GANS funds were invested prior to disbursement for construction expenditures and interest income collected thereon was in excess of the County's interest costs. FASB, No. 34 specifically prohibits any attempt to impute interest on equity funds to add to the construction cost. No interest has been capitalized on construction costs because of the above reasons.

CITY OF LACY, WA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note 6—Long-Term Debt [In Part]

c. Proprietary Fund Fixed Assets

During 1986, the City capitalized $72,468.95 of net interest costs for funds borrowed to finance the construction of proprietary fund fixed assets. Interest costs of $178,187.28 were offset by interest income of $105,718.33.

COMPLIANCE, STEWARDSHIP, AND ACCOUNTABILITY

Several of the surveyed governments provided a grouping of footnote disclosures under the heading "compliance, stewardship, and accountability." This footnote 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 footnote.

TOWN OF POUGHKEEPSIE, NY (DEC '86)

NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance, Accountability

Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of $946,858 at December 31, 1986. The principal reason for the deficit is that individual project budgets do not contain a sufficient amount to meet payment requirements. The deficit will eventually be eliminated through bond proceeds.

CHARTER TOWNSHIP OF CLAYTON, MI (DEC '86)

NOTES TO FINANCIAL STATEMENTS

II. Stewardship, Compliance, and Accountability

Expenditures over Budget:

The following individual funds incurred expenditures in excess of appropriations:

	Budget	Actual	Actual Over Budget
All governmental fund types:			
General Fund:			
General Government:			
Township Board	$49,252	$50,430	$1,178
Other functions:			
Zoning Board	4,585	5,195	610

continued

	Budget	Actual	Actual Over Budget
Special Revenue Funds:			
Lighting Districts:			
Public Service	5,200	5,385	185
Community Development Fund:			
Public Service	—	2,452	2,452
Solid waste:			
Sanitation..............	77,000	78,412	1,412
Debt Service Fund:			
Principal payments...	65,122	65,156	34
Interest and fiscal charges............	99,109	99,133	24

CLAY COUNTY, MN (DEC '86)

NOTES TO THE FINANCIAL STATEMENTS

2. Stewardship, Compliance and Accountability

A. Individual Fund Deficits of Equity Accounts

Ditch Special Assessment Fund

Fifteen out of 53 drainage systems have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance as of December 31, 1986:

	1986
Account balances	$189,690
Account balances (deficits)..................................	(171,772)
Fund Balance	$17,918

B. Excess of Expenditures Over Budget

The following is a summary of individual funds which had expenditures in excess of budget for the year ended December 31, 1986.

	Expenditures	Budget	Excess
Special Revenue Funds			
Road and Bridge Fund	$4,507,065	$3,927,377	$ 579,688
Welfare Fund	9,938,348	8,167,378	1,770,970
County Building Fund	176,993	100,000	76,993
Juvenile Detention Center Fund	202,523	195,820	6,703
River Oaks Fund	1,464		1,464

CITY OF ALBEMARLE, NC (JUN '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance and Accountability

Compliance with North Carolina General Statutes

The requirement of G. S. 159-26(b)4 to inventory and account for fixed assets had not been completed by June 30, 1987. The City is currently working to meet this requirement. An engineering firm has been employed to assist with this work.

CITY OF YUMA, AZ (JUN '87)

NOTES TO FINANCIAL STATEMENTS

II. Stewardship, Compliance and Accountability

A. Compliance with Revenue Bond Indentures

The Water and Sewer revenue bonds contain requirements for funding a Current Debt Service reserve and a Production Asset Replacement reserve. The status of these reserved funds is presented below.

The purpose of the Current Debt Service reserve is to restrict cash in order to pay the next scheduled interest and principal payment. The amount in this reserve, $49,565, equals the required balance.

The purpose of the Production Asset Replacement reserve is to accumulate and restrict funds for utility system asset repairs, replacements or extensions. Two percent of the monthly utility gross revenues is deposited into this reserve until the balance is equal to 2% of the system's tangible assets. At June 30, 1987, the required balance was $958,685 and the reserve balance was $665,698. The variance will be funded by the restriction of funds described above and through interest earned on investment of the reserved funds.

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 these 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 footnotes related to encumbrances.

CITY OF BEVERLY HILLS, CA (JUN '87)

1. Summary of Significant Accounting Policies [In Part]

Encumbrances

Purchase commitments are recorded in governmental fund types as encumbrances when purchase orders or contracts are issued. These encumbrances represent an allocation of fund balance. When the related goods or services are received, the encumbrance is reversed and an expenditure and liability for payment to the vendor are recorded. The City's policy requires additional budget appropriations to be made in the following fiscal year for subsequent expenditures on encumbrances outstanding at year end.

CITY OF SIERRA VISTA, AZ (JUN '87)

2. Summary of Significant Accounting Policies [In Part]

E. 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 in the General Fund, Special Revenue Funds, Capital Projects Funds and Enterprise Funds. Encumbrances outstanding at year end within governmental fund types are reported as reservations of fund balance and are not recognized expenditures for budgetary or generally accepted accounting principle purposes. Further, these unfulfilled obligations of the current year budget are reappropriated in the succeeding year.

F. Reserved Fund Balance

In addition to the reservation for encumbrances mentioned above, 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.

CITY OF NEW BERN, NC (JUN '87)

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

D. Budgetary Data

Encumbrances

As required by the General Statutes, the City maintains encumbrance accounts which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts 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.

ST TAMMANY PARISH, LA (DEC '86)

(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 LONG BEACH, CA (JUN '87)

Note 1—Description of Funds and Account Groups and Summary of Significant Accounting Policies [In Part]

Accounting for Encumbrances

The City utilizes an encumbrance system of accounting wherein encumbrances outstanding at year end are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The City Charter requires recording an encumbrance as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received as required by generally accepted accounting principles. Adjustments to convert actual expenditures on the modified accrual basis to the budgetary basis are reflected in the accompanying Combined Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balances—Budget (Non-GAAP Budgetary Basis) and Actual—All Governmental Fund Types.

JOINT VENTURES

Governmental units commonly have joint agreements with other units to provide services to their respective constituents. These arrangements might include, 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 reported utilizing 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 footnotes relating to joint ventures.

CITY OF SANTA MONICA, CA (JUN '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

(19) Joint Venture

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 member, thereby eliminating the need for commercial excess insurance protection. As a result, each member's share of 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 little serious claims activity.

In order to provide funds to pay claims, ACCEL collects a deposit from each member. The deposits will be credited with investment income at the rate earned on the Authority's investments. Based on information received from ACCEL at June 30, 1987, the City had $695,024 on deposit with ACCEL out of a total of $3,596,915.

The following municipalities are also members of ACCEL: Palo Alto, Santa Barbara, Visalia, Modesto, Ontario, Bakersfield, Anaheim, Gardena and Burbank. 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.

Due to the formation of ACCEL on April 1, 1986, financial information required to be disclosed in accordance with NCGA Statement No. 7 was not currently available.

CHARTER TOWNSHIP OF CLAYTON, MI (DEC '86)

III. Detail Notes On All Funds and Account Groups

6. Joint Venture

In April 1980, the Charter Township of Clayton entered into a joint venture with the City of Swartz Creek to create the Swartz Creek Area Fire Department. The purpose of this joint venture was to obtain adequate fire protection for residents of the Township. The agreement calls for the quarterly accumulation of expenses and then billing to each participating governmental unit on the basis of fire runs. The agreement provides Clayton Township a half interest in the vehicles, office, and operating equipment maintained by the Swartz Creek Area Fire Department. The Swartz Creek Area Fire Department submits each governmental unit's share of the annual operating budget before their respective governing boards for approval.

The following is a summary of selected financial information of the Swartz Creek Area Fire Department:

	Year Ended Dec. 31, 1986
Total assets	$460,401
Total vehicles, office & operating equipment	440,521
Total liabilities	16,185
Total fund equity	444,216
Total revenues	109,691
Total expenditures	116,687

The Charter Township of Clayton's interest in vehicles, office, and operating equipment as of December 31, 1986, was $220,261.

CITY OF NEPHI, UT (JUN '87)

NOTES TO THE FINANCIAL STATEMENTS

4. Investment In Joint Venture

In September 1980, Nephi City joined with seven other municipalities to create the Utah Municipal Power Agency (UMPA). UMPA was created under the Interlocal Co-operation Act to evaluate, finance, construct and operate facilities for the generation, transmission and distribution of electric power for governmental units and their citizens and customers.

During September 1985, Payson City and Springville City withdrew from UMPA, thus increasing the remaining members' percentage of liabilities. The remaining Agency members and their respective percentages of liabilities are as follows:

Member	Percentage
Manti City Corporation	2.164%
Nephi City Corporation	5.839
Provo City Corporation	80.540
Salem City Corporation	1.446
Spanish Fork City Corporation	9.409
Town of Levan	0.602
	100.000%

The Agency is governed by a Board of Directors comprised of a number of directors equal to the number of members. Each member appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Interlocal Co-operation Agreement where votes shall be by number of megawatt hours sold.

The unaudited financial position of UMPA at June 30, 1987 is as follows:

	Total	Nephi City (5.839%)
Assets		
Current Assets	$ 1,639,161	$ 95,711
Restricted Assets	9,573,697	559,008
Net Utility Plant and Equipment	35,640,326	2,081,038
Deferred Charges and Other Assets	9,452,800	551,949
	$56,305,984	$3,287,706
Liabilities and Members' Equity		
Liabilities:		
Current Liabilities	$ 12,509	$ 730
Liabilities Payable from Restricted Assets	2,190,125	127,881
Long-Term Liabilities	54,100,000	3,158,899
Total Liabilities	56,302,634	3,287,510
Members' Equity:		
Members' Contributions	3,350	196
Total Liabilities and Members' Equity	$56,305,984	$3,287,706

UMPA bills members at rates sufficient, but only sufficient, to cover the costs of operating and maintaining the Agency and the costs of debt service, but not items such as depreciation and amortization. Thus, any gain or loss results in a decrease or increase in subsequent billings to the members, rather than increasing or decreasing member's equity as would normally be expected. The current member's equity only reflects the original investment from members, less the amount returned to Payson City and Springville City at the time of their withdrawal.

Total operating revenues and net costs to be recovered from future billings to members for the year ended June 30, 1987 were $21,731,426 and $6,930,616, respectively.

Gross revenues and net loss for the year ended June 30, 1986 were $5,400,020 and $57,374, respectively.

CLAY COUNTY, MN (DEC '86)

5. Summary of Significant Contingencies and Other Items [In Part]

E. Joint Ventures

Not shown on the combined financial statements is the County's proprietary interest in the following joint venture with surrounding counties:

Area Agency on Aging

Douglas, Becker, Clay, Grant, Ottertail, Pope, Stevens, Traverse and Wilkin Counties entered into a joint powers agreement to administer all aspects of the Older Americans Act pursuant to Minn. Stat. § 471.59 (1986).

TOWNSHIP OF CLINTON, MI (MAR '87)

NOTES TO FINANCIAL STATEMENTS

Note 10—Joint Venture

The Township is a member of the Grosse Pointes-Clinton Refuse Disposal Authority joint venture. The Township Board appoints two members to the joint venture's governing board, which then approves its annual budget. The following financial information of the joint venture, obtained from audited financial statements, is as of June 30, 1986:

Total assets	$11,896,432
Total liabilities	7,049,136
Total equity	4,847,296
Total revenues	4,109,795
Total expenditures	3,818,609
Increase in fund balance	291,186
Total joint venture's outstanding debt	6,395,000

The Township has pledged its full faith and credit for the Grosse Pointes-Clinton Refuse Disposal Authority Incinerator Bonds—Series I, II, III and IV. These bonds are payable from the net revenues of an incinerator plant, as well as by each member of the authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The obligation to pay a proportionate share of the principal and interest is a general obligation of each constituent municipality. Each member is authorized and obligated to levy a tax without limitation as to rate or amount for the prompt payment of its respective shares of the obligation. The Township has elected to pay its share of the debt through user charges, in lieu of levying a tax. The proportionate share of the debt service for the Township is included in sanitation expenditures for the year. The Township's proportionate share, as based on refuse tonnage, is approximately 52 percent at March 31, 1987.

CITY OF JACKSON, MS (SEP '86)

(1) Summary of Significant Accounting Policies

(a) Reporting Entity [In Part]

Jackson Metropolitan Library System

The Jackson Metropolitan Library System (the System) operates under a joint agreement between Jackson and participating counties. The City Council appoints four members of the ten member Board of Trustees. The Board of Trustees submits a budget to the City Council for purposes of obtaining necessary funding for the ensuing year. The Council has authority only to approve the total budget amount and levy an annual tax to provide for budgeted expenditures. All buildings used by the System within the City of Jackson are owned and maintained by the City and, as such, have been included in general fixed assets. The percentage share of the joint venture applicable to the City is not available. The summary operating data of the System is included in footnote 12.

The contract which created the Jackson Metropolitan Library System ceased to exist as of September 30, 1986, and the Jackson Metropolitan Library System no longer exists after that date. At that date a public entity known as the Jackson Metropolitan Library System Interim Board of Trustees was established for a close-out period not to exceed forty-five days in order to complete certain functions of the Jackson Metropolitan Library System regarding public facilities, processing of data and protection of funds. Expenses associated with these close-out functions are to be paid from remaining Jackson Metropolitan Library System funds. After completion of the duties of the Interim Board, all remaining assets are to be turned over to successors of the Jackson Metropolitan Library System namely the Jackson/Hinds County Library System, the Vicksburg/Warren County Library

System and the Central Mississippi Regional Library System in pro rata shares to be agreed upon.

(12) Joint Ventures

The following provides the summary financial information of the Jackson Metropolitan Library System as of September 30, 1986 (in thousands of dollars):

	Jackson Metropolitan Library System[1]
Total assets	$ 723
Total liabilities	$ 25
Total fund equity	$ 698
Total revenues	$2,878
Total expenditures	$3,003
Net decrease in fund balance	$ 125
Total debt	$

[1]The percentage share of the joint venture applicable to the City of Jackson is not available.

CITY OF FORT COLLINS, CO (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note 1: Reporting Entity [In Part]

Joint Ventures

Certain entities which are not part of the City's reporting entity but were, in part, created by the City for special purposes, are accounted for as joint ventures. All joint ventures are reported in the notes to the financial statements rather than in the financial statements under the equity method of accounting. Additional information regarding the City's joint ventures is provided in Note 9. The following are joint ventures in which the City participates:

Fort Collins/Loveland Airport is owned 50% by the City of Loveland and 50% by the City of Fort Collins. The Airport is governed by an ad hoc committee appointed by both City Councils.

Fort Collins/Loveland Airport Authority is owned 50% by the City of Loveland and 50% by the City of Fort Collins. The Authority is organized under the Colorado Airport Authority Act and is governed by a six-member board with three members being appointed by each City. The governing board appoints its own management and approves its own budget.

Poudre Fire Authority was created by an intergovernmental agreement between the City of Fort Collins and the Poudre Fire Protection District. The agreement conveyed all fire protection property of the City and the District to the Authority from January 1, 1982, to December 31, 1987. The Authority is empowered by laws common to the City and the District as provided by state law. The Authority Board consists of five members—two appointed by City Council, two appointed by the District's Board of Directors and a fifth member appointed by the other four members. The Authority appoints its own management and approves its own budget (after approval of such budget by the City Council and the District Board). Both the City and the District contribute funding for the Authority which is determined on an annual basis.

Platte River Power Authority was created by an intergovernmental agreement between the Cities of Fort Collins, Estes Park, Loveland, and Longmont to supply their wholesale electric power and energy requirements. Each of the four participating municipalities has a residual interest in the Authority's assets and liabilities upon dissolution which is proportional to the total revenue received from each since the Authority was organized. Based on electric revenues billed from inception to December 31, 1986, the four cities have residual equity interests in the Authority of 46.53%, 6.12%, 21.07% and 26.28%, respectively. The governing Board of the Authority consists of two members from each municipality. Under Colorado law, the Authority's Board of Directors has the exclusive authority to establish electric rates.

The City has not invested any funds in the Authority since inception and has only a residual equity interest as mentioned above. Because the City is not an investee in the Authority, the equity method is not considered appropriate for this joint venture.

Note 9: Joint Ventures/Related Party Transactions

Condensed financial information for joint ventures in which the City has an interest (except the Fort Collins—Loveland Airport, for which no recent information is available) in thousands of dollars, is as follows:

	Fort Collins—Loveland Airport Authority	Poudre Fire Authority	Platte River Power Authority
Balance sheet date	12/31/86	12/31/85	12/31/86
Total assets	$ 67	$12,636	$941,713
Total liabilities			
—Current	12	227	9,536
—Long-term	8	751	792,880
Total equity	47	11,658	139,297
Total revenues	152	6,833	157,091
Total expenses/expenditures	425	5,646	145,956
Net increase (decrease) in equity	(2)	1,550	11,135

Related Party Transactions

Due to the nature of the relationships, the City has related party transactions with various entities. The following transactions have occurred during 1986:

Fort Collins—Loveland Airport—In 1982, the City of Fort Collins issued sales and use tax revenue bonds, $2,360,000 of which was used to finance Airport operations and improvements. These bonds were refunded along with several other debt issues with the City's 1986 Sales and Use Tax Refunding and Improvement Bonds. The City of Loveland is responsible for one-half of the debt service on the Airport portion of the bonds based on the original debt service schedule.

Fort Collins—Loveland Airport Authority—A lease agreement between Fort Collins and Loveland and the Airport Authority calls for semi-annual payments of $137,890 (half to each city) over five years or a total of $1,378,900. Because the Authority has not generated sufficient revenue to make these payments, and likely will not be able to make such payments in the future, the City of Fort Collins has adopted a resolution to forgive its share of the lease payments and intends to forgive such payments in the future, if the Authority is unable to meet their obligation. The City forgave $137,890 of lease payments during 1986.

Poudre Fire Authority—As mentioned in the summary of significant accounting policies, the City provides funding for the Authority. During 1986, such funding amounted to $4,137,972 for operations and $260,000 for capital construction. In addition, the City contributed $84,000 to the Authority for its Firemen's Pension Fund. The City provided accounting and administrative services to the Authority at no charge.

The City of Fort Collins Downtown Development Authority leased office space and land to Poudre Fire Authority during 1986. Payments of $22,215 were made in accordance with the lease agreements in 1986.

Platte River Power Authority—The Light and Power Fund purchases all of its electrical power from the Authority. During 1986, these purchases amounted to $20,741,312 of which $1,873,827 is included in accounts payable at December 31, 1986.

City of Fort Collins Housing Authority—The Community Development Block Grant Fund contributes to the Authority and to programs sponsored by the Authority. During 1986, payments amounting to $364,748 were made.

NEW FUNDS

Some governmental units found it necessary to establish new funds and provided that disclosure in the footnotes to the financial statements. The following illustrates excerpts from the footnotes of several surveyed financial statements.

LANDER COUNTY SCHOOL DISTRICT, NV (JUN '87)

NOTES TO FINANCIAL STATEMENTS

Note 12—Fund Changes:

New Funds:

Three new funds were created in fiscal year 1986–87:

Capital Projects Fund:

Lander County School District Construction Fund

Special Revenue Funds:

P.L. 94-142 CTC Service
P.L. 94-142 Teacher Training

The above Capital Projects Fund was created to account for the construction of the new Austin school. The Special Revenue Funds are for the accounting of new state grant programs.

Closed Funds:

Funds were closed as of July 1, 1986, as follows:

Special Revenue Funds:

Vocational educational program equipment
Rural assistance
Other one-time improvements
Retention Incentive

The above Special Revenue Funds represent federal grant programs that have been terminated effective July 1, 1986 and which have fully expended all grant monies received in prior years.

CITY OF JACKSONVILLE, FL (SEP '86)

NOTES TO FINANCIAL STATEMENTS

16. Establishment of New Funds and Changes

The City established three new agency funds for the fiscal year ended September 30, 1986 as follows:

- Tax Collector Agency Fund—To account for assets held by the Tax Collector as an agent for individuals, other governments, private organizations and/or other funds.
- Clerk of the Circuit Court—To account for assets held by the Clerk of the Circuit Court as an agent for individuals, other governments, private organizations, and/or other funds.
- Deferred Compensation—To account for employee contributions to the City's deferred compensation plan.

The Self-Insurance Fund, Group Hospitalization Fund and the Miscellaneous Insured Programs Fund were changed from nonexpendable trust fund types to proprietary-internal service fund types to more appropriately account for the funds' activities.

The Special Assessment Funds accounts, which were primarily related to demolition liens, were transferred to the General Fund, as of October 1, 1985, as a residual equity transfer.

CHATHAM COUNTY, GA (DEC '86)

NOTES TO COMBINED FINANCIAL STATEMENTS

(15) Fund Changes

The County previously maintained two Special Assessment funds. The Paving Assessment fund is used to account for the construction and financing of street paving and, the Street Lighting services. The Governmental Accounting Standards Board Statement 6 issued in January 1987 eliminated the special assessment fund type and recommends that all previously used special assessment funds be accounted for in the fund type that best reflects the nature of the transactions. Based on this criteria Chatham County now reports all the transactions for its Paving Assessment fund and the Street Lighting fund in the Special Revenue fund type.

Two new funds were created in 1986, one in the proprietary fund type and another the fiduciary fund type. The Self-Insurance Internal Service fund has been established to account for the County's group health and life insurance expenses. The Employees Deferred Compensation Agency fund has been established to account for employees deferred compensation in accordance with the Internal Revenue—Code (IRC) Section 457.

Effective this fiscal year, the County has included the activity of the Civil Defense Special Revenue fund in its annual financial report. The Civil Defense Special Revenue fund is funded by Chatham County and the State of Georgia and is responsible for providing emergency services in the event of any disaster. The Internal Service fund used for vehicle replacement was terminated in 1986 and all the fixed amounts have been transferred to the County's General Fixed Asset Account Group and the liability for capital leases to be retired from the general fund.

KING COUNTY, WA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note 3—Fund Changes

Eleven new funds/account groups were created in 1986. Four of these were created to report what were Special Assessment Funds in conformity with Governmental Accounting Standards Board Statement 6 (GASB 6) Accounting and Financial Reporting For Special Assessments. These funds/account groups are described in a following section of this note which describes the elimination of the Special Assessment Fund Type.

In addition, five new Capital Projects funds were created to account for revenue and expenditures related to new capital projects. Two of the funds are reported in the Capital Projects Fund Group; the Zoo Development Fund and the District Courts Acquisition and Construction Fund. Two Capital Projects funds are reported with the Stadium Enterprise, they are the Stadium Public Facilities Acquisition Fund and the Stadium Loges and Restaurant Construction Fund. The Energy Resource/Recovery Fund is reported with the Solid Waste Enterprise.

Two new Expendable Trust funds were created, the Dental Benefit Plan Fund accounts for activity in the County's self-insured dental benefit plan program, and the Life Insurance Fund accounts for activity in the County's life insurance program.

One fund was reclassified. The Road Improvement Guaranty Fund was reclassified to Debt Service from Expendable Trust. The fund's assets are used for debt service shortfalls in Road Improvement District Debt Service Funds.

Six funds were closed in 1986 which resulted in Residual Equity transfers. Two Special Revenue Funds were closed. On December 31, 1986, the Retention/Detention Facilities Management Fund and the Surface Water Utility Fund were closed and their assets and liabilities (liabilities exceeded assets) were transferred to the new Surface Water Management Fund which begins operations on January 1, 1987. Four Wastewater Sewer Enterprise funds were closed. The Sewer and Drainage District 3 Maintenance Fund, Sewer and Drainage District 3 Bond Fund, Sewer and Drainage District 4 Maintenance Fund and Appletree Lane Utility Local Improvement District Construction Fund were closed because the five County-operated sewer systems were transferred to local sewer districts as a result of a series of ordinances passed by the King County Council in 1985. The Sewer Utility Enterprise will continue to collect the assessments levied and retire the debt outstanding as of the date of divestment. The elements of the divestment are:

Current Assets	
Cash	$ 348,439
Accounts Receivable	41,422
Assessments Receivable—Maintenance	49,362
Total Current Assets	439,223
Fixed Assets	1,375,397
Contributions	(1,359,366)
Residual Equity Transfer	$ 455,254

The Special Assessment Fund Type is eliminated beginning with this financial report. The various funds in what was the Special Assessment Fund Type are being reported in the fund type appropriate to the activity recorded in the funds using guidelines from GASB 6.

Road improvement district maintenance assessments activity is reported in the Road Improvement Districts Maintenance Fund, a Special Revenue Fund. There are twelve districts collecting assessments for street lighting purposes. The road improvement district capital improvement activity is reported in the Road Improvement Districts Construction Fund, a Capital Projects Fund. There are seven districts' activity reported in this fund and all are financed by short-term debt (interest bearing warrants or revenue notes) that is repaid with assessments and long-term bonds when construction is completed. Capital improvement assessments and long-term debt service activity is reported in the Road Improvement District (Special Assessment) Debt Redemption Fund, a Debt Service Fund, and the Road Improvement District (Special Assessment) Long-term Debt Account Group. The debt is primarily the obligation of the benefited property owners. The County collects the assessments as they are due and delinquent assessments are foreclosed after two years. The County is authorized to establish a guaranty fund and this fund is reported with the Debt Service Fund Group. This fund is used to pay special assessment debt when there is no other source. There are twenty-two road improvement districts with special assessment long-term debt.

Presented below is the effect of the reclassification of the Special Assessment Fund Type and the Road Improvement Guaranty Fund on combined fund group fund balances as of December 31, 1985 (January 1, 1986):

	Special Assessments	Special Revenue	Debt Service	Capital Projects	Long-Term Debt	Expendable Trust
Fund Balance—December 31, 1985	$(3,826,486)	$14,840,629	$11,347,575	$86,486,912	$	$2,456,394
Road Improvement Districts Maintenance Fund	(27,381)	27,381				
Road Improvement Districts (Special Assessment) Debt Redemption Fund	(980,664)		980,664			
Road Improvement Districts Construction Fund	3,658,531			(3,658,531)		
Road Improvement Districts (Special Assessment) Long-term Debt (a)	1,176,000				(1,176,000)	
Road Improvement Guaranty Fund	-0-		817,068			(817,068)
Fund Balance—January 1, 1986	-0-	$14,868,010	$13,145,307	$82,828,381	$(1,176,000)	$1,639,326

(a) Long-term Debt Group of Accounts has no fund balance, the adjustment is the amount of long-term bonds in what was the Special Assessment Fund Group.

ELKO COUNTY, NV (JUN '87)

NOTES TO FINANCIAL STATEMENTS

Note 14—Fund Changes:

New Funds

There were no new funds established for the year ended June 30, 1987.

Closed Funds

The following funds were closed for the fiscal year ending June 30, 1987:

General County
Special Revenue Fund:
Assistance to Victims of Domestic Violence Fund

Town of Jackpot
Capital Projects Fund
Airport Capital Construction Fund

HARFORD COUNTY, MD (JUN '87)

NOTES TO FINANCIAL STATEMENTS

(17) New Fund

The Community Services Trust Fund was established in October 1986 as an expendable trust fund to account for monies collected as admissions or from sales of publications for programs of interest to the general public. Funds collected defray the costs of the programs presented.

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 footnotes to the financial statements. The following illustrates several examples of these disclosures.

COUNTY OF ERIE, NY (DEC '86)

NOTES TO THE FINANCIAL STATEMENTS

G. Leases and Contractual Commitments

Operating lease obligations are primarily for computer equipment. The annual payment requirements of those tabulated by the County are:

	(000's omitted)
1987	$1,215
1988	1,185
1989	1,069
1990	305
1991	73
	$3,847

CITY OF POCATELLO, ID (SEP '86)

NOTES TO FINANCIAL STATEMENTS

C. Operating Leases

The following is a schedule by years of future minimum rental payments required under operating leases in excess of one year as of September 30, 1986.

Year Ending September	
1987	$ 121,830.60
1988	121,830.60
1989	121,830.60
1990	121,830.60
Later years	1,096,475.22
	$1,583,797.62

In 1977, the City entered into an operational agreement for a waste water treatment facility with J.R. Simplot Corporation. Compliance with the agreement was held in abeyance until 1983.

Under the terms of the agreement, the City and Simplot constructed a water treatment facility which is operated by the City. The City and Simplot both supply effluent to be treated in the plant. The City then sells the water for irrigation purposes.

Receipts from sales of water in excess of operating costs are split ⅔ to the City and ⅓ to Simplot. Operating costs in excess of receipts are allocated between the City and Simplot based on a percentage of each party's effluent transported by the system.

The City pays Simplot rent for sufficient treatment capacity to treat its effluent.

NATRONA COUNTY, WY (JUN '87)

NOTES TO FINANCIAL STATEMENTS

11. Lease Commitments

On August 11, 1986, the Wyoming Medical Center, Inc., a Wyoming not-for-profit corporation, entered into an Operating Lease between the Board of Trustees of Memorial Hospital of Natrona County, Wyoming (Landlord) with the approval and consent of the Board of County Commissioners of Natrona County, Wyoming. The transactions for the period July 1, 1986 through August 11, 1986 are included in these financial statements.

The lease provides the Hospital Net Assets, those being the sum of the assets minus the sum of the liabilities at December 31, 1985 be leased to the Center. The Center may apply to Natrona County at any time for mill levy funds for capital additions or one cent sales tax. These funds shall be added to Hospital Net Assets. The Center may transfer any assets in its possession to its subsidiaries and may invest any assets in its possession in any other ventures as long as such transfers and investments will not cause Tenant Net Assets to be less than 95% of Hospital Net Assets.

Tenant Net Assets are defined as the sum of the assets minus the sum of the liabilities of the Center and its subsidiaries, excluding those assets and related liabilities which a political subdivision cannot legally own unless those items are subject to a Buy-Sell agreement for conversion of such assets into assets which could be legally owned by Landlord.

The lease shall be for a primary term of 10 years with two optional 5 year renewals. In the event of expiration or termination of the lease, the Center shall deliver to the lessor all of Tenant Net Assets as defined above.

Under this net lease, the Center is responsible for all costs, expenses and obligations of every kind and nature relating to the use and occupancy of the Leased Premises.

In consideration of the lease, the Center agrees to provide medically necessary hospital care without charge to residents of Natrona County, Wyoming, who have no means to pay for such care for as long as the amount of such indigent care services furnished by the Center together with the premiums paid by the Center for property insurance do not exceed, on an annual basis, five percent (5%) of the gross hospital operating revenues of the Center (rental cap). Under these circumstances, the payment of insurance premiums and the providing of indigent care by the Center shall fulfill the rental obligation.

The lease provides for events of default which would terminate the agreement. These events of default can be summarized as follows:

a. failure to discharge its public service mission
b. refusal to provide indigent care
c. the attempted sale of a majority of the leased premises
d. attempted merger, consolidation, reorganization, amendment to the Articles of Incorporation or change in fiscal year without approval
e. declaration or act of Bankruptcy
f. any violation or default of the conditions of the lease, or
g. decrease in Tenant Net Assets to an amount less than 90% of Hospital Net Assets.

The operating lease provides that the following actions by Wyoming Medical Center, Inc. require the approval of the Board of Trustees of Memorial Hospital of Natrona County and the Board of County Commissioners of Natrona County, Wyoming.

a. Mortgage, pledge or hypothecation of all or a portion of its leasehold interest or all or any portion of the leased premises.
b. Assignment of all or any portion of the leasehold interest or subletting all or any portion of the leased premises.
c. Create any lien or encumbrance or in any manner bind the interest or estate of the County in the leased premises.

Under the terms of the operating lease, the Hospital Net Assets are as follows at June 30, 1987:

Hospital Net Assets, as established by Exhibit A to the Operating Lease at December 31, 1985	$27,520,100
Additions to Hospital Net Assets per Section 1.2.2 of the Operating Lease from January 1, 1986 through June 30, 1987	474,696
Hospital Net Assets, June 30, 1987	$27,994,796

Under the terms of the operating lease, the Tenant Net Assets are as follows at June 30, 1987:

Total Net Assets	$30,417,259
Other Assets	239,499
Tenant Net Assets, June 30, 1987	$30,177,760

CITY OF PITTSBURGH, PA (DEC '86)

(2) Determination of the Reporting Entity [In Part]

Pittsburgh Water and Sewer Authority (Water and Sewer Authority)

The Water and Sewer Authority was incorporated in February 1984 under the Municipality Authorities Act of 1945 of the Commonwealth of Pennsylvania pursuant to Resolution No. 36 of the Council of the City of Pittsburgh. The Water and Sewer Authority entered into a lease and management agreement effective May 1, 1984 (agreement) with the City. Under the terms of the lease, the Water and Sewer Authority assumed responsibility for the operation and rehabilitation of the water and sewer system of the City.

The agreement provides for the Water and Sewer Authority to lease the water and sewer system (system) from the City and then contract the City to operate and maintain the system for a 50-year period. Under the agreement, the Water and Sewer Authority reimburses the City for the direct operating costs of, and indirect costs allocated to, the system; debt service on existing City debt related to the system prior to the effective date of the lease and management agreement, and an "additional payment" in consideration of the lease which is determined by the City each year. The "additional payment" is limited to a maximum of $3,091,000 in 1986 increased by 7% annually through 1989 and by a specified price index thereafter. The "additional payment" also includes up to 600 million gallons of water to be provided to the City annually at no charge. The agreement also requires the Water and Sewer Authority to reimburse the City for payments to other non-City water agencies representing the differences in rates between the City and those agencies related to water provided to City customers by those non-City water agencies. Payments under the agreement, with the exception of direct costs, are subordinated to the Water and Sewer Authority's obligations under its trust indenture.

The Water and Sewer Authority accounts for the lease as an operating lease. Costs related to the management agreement and the lease are recognized as operating expenses by the Water and Sewer Authority based upon billings by the City. Future obligations of the Water and Sewer Authority in consideration of the lease are the payment of the City's debt and the "additional payment," which are treated as operating transfers. The "additional payment" can vary annually based on the City's discretion subject to certain limitations discussed above. For 1987, the "additional payment" has been budgeted at $1,025,714. Debt service obligations of the City which are to be funded by the Water and Sewer Authority are as follows:

Year ended December 31,	Amount
1987	$ 3,866,000
1988	3,794,000
1989	3,745,000
1990	3,610,000
1991	3,338,000
Later years	43,475,000
Total minimum future lease payments	$61,828,000

The City is also responsible to hold the Water and Sewer Authority harmless against any claims or judgments against the City or the Water and Sewer Authority related to the operation and maintenance of the system.

The Water and Sewer Authority is a component unit of the City's reporting entity. Its operations are included in the Enterprise Fund.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MD (JUN '87)

NOTES TO FINANCIAL STATEMENTS

(6) Lease—Montgomery County

The Commission entered into a lease with the County for the offices of its headquarters at 10400 Detrick Avenue, Kensington, Maryland, effective April 1, 1987. Formerly, the Commission had been occupying the building under a Memorandum of Understanding between the Commission and the County. The lease is being accounted for as an operating lease and is for a 10-year period with a 10-year renewal option. Rental expense for the year ended June 30, 1987 was $29,606. Future minimum rentals under the lease are as follows:

1988	$ 118,425
1989	118,425
1990	118,425
1991	118,425
1992	118,425
1993 through 1997	562,519
Total	$1,154,644

KING COUNTY, WA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note 9—Leases [In Part]

Operating Leases

The County has numerous operating lease commitments for office space and data processing equipment. The Systems Services Operating Fund leases computer hardware and data entry equipment. These leases include maintenance agreements. The annual lease payments for the operating leases as of December 31, 1986 are as follows:

Year	Office Space	Equipment	Total
1987	$1,026,228	$881,294	$1,907,522
1988	698,373	778,707	1,477,080
1989	400,298	250,628	650,926
1990	148,129		148,129
1991	132,897		132,897
Later Years	500,155		500,155

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 footnotes to the statements of some of the surveyed governmental units of related party transactions.

CITY OF SACO, MA (JUN '87)

NOTES TO FINANCIAL STATEMENTS

10. Related Party Transaction

The Lucia Kimball Deering Trust is related to Kimball Health Center through common directorships. Beginning in May, 1986, the amount due to the Trust from the Kimball Health Center was being reimbursed at the rate of $500 per month. No interest is charged on this loan.

GALLATIN COUNTY, MT (JUN '87)

NOTES TO FINANCIAL STATEMENTS

13. Related Party Transactions

The County has made loans to certain rural special improvement districts from its Revolving Fund for use in meeting current obligations on bonds and warrants issued. Such loans are authorized by State law, which also requires repayment of such loans with interest from future district resources. Whenever a loan is made to any rural special improvement district fund from the Revolving Fund, the Revolving Fund shall have a lien on the land within the district which is delinquent in the payment of its assessments, on all unpaid assessments and installments of assessments on such district, and on all money thereafter coming into the district fund. On June 30, 1987, the rural special improvement districts owed the County $697,030 for such loans, which represents principal only. Interest is computed upon repayment. This amount is also disclosed in Note 11 to the Financial Statements concerning amounts due from and due to other funds.

CITY OF PITTSBURGH, PA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

(13) Related Party Transactions

In April 1986, the Stadium Authority issued $21,000,000 of Guaranteed Funding Bonds, Series 1986, $20,000,000 of which was paid to the City in consideration of past and future grants by the City to the Stadium Authority. The City included this receipt in its 1986 General Fund budget. This receipt has been classified as intergovernmental revenue in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual Data on the Budgetary Basis—General and Special Revenue Fund Types.

The City, in turn, disbursed $20,000,000 to the Urban Redevelopment Authority of Pittsburgh (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 City treated amounts to be disbursed to the URA as expenditures in its 1986 General Fund budget. This transaction has been classified as an expenditure for community, recreation and cultural programs in the foregoing financial statements. Of the $20,000,000 received from the Stadium Authority, $14,342,697 is recorded as a return of capital (an equity transfer) in the General Fund as it is both nonroutine and nonrecurring. Prepayment of future grants totaling $5,657,303 is recorded as a liability of the General Fund (advance from Stadium Authority). The transaction is not reflected in the Enterprise Fund as the transaction took place after the end of the Stadium Authority's 1986 fiscal year.

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 8H). The sale of the Stadium to private owners did not take place in 1986. Accordingly, no amounts were due under (a) above.

CITY OF BEVERLY HILLS, CA (JUN '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

10. Interfund and Related Party Transactions [In Part]

The Parking Facilities Enterprise Fund leases various parking structures from the Parking Authority Enterprise Fund under a capital lease ($37,119,952 in 1987; $17,551,552 in 1986). The Parking Facilities Enterprise Fund also leases a parking structure from the Civic Center Lease Trust Fund under a capital lease ($9,187,624). The City leases the fire department headquarters facility from the Civic Center Lease Trust Fund under a capital lease, the obligation for which ($11,249,281) is recorded in the General Long-Term Obligation Account Group. These capital leases are reflected in the interfund capital lease obligation and interfund capital lease receivable accounts on the accompanying combined balance sheet.

Sale/leaseback transactions

In November 1984 the Parking Authority paid the City $6,500,000 in consideration for certain land to be used as the site for the construction of a new parking structure. Upon completion in August 1986, the City leased the parking facility from the Parking Authority. The sale of the land has been accounted for as a sale/leaseback transaction.

CITY OF SIERRA VISTA, AZ (JUN '87)

NOTES TO FINANCIAL STATEMENTS

18. Related Party Transaction

Pursuant to the financing arrangement structured for the acquisition and construction of a public library, the City has leased to the Sierra Vista Municipal Property Corporation land on which the library was constructed to January 1, 1996 in consideration for the Corporation's issuance of 1981 bonds. The Corporation, in turn, leases the land with improvements to the City for annual rental payments equaling the current year debt service requirements of the Series 1981 Bonds.

For financial reporting purposes, these lease payments are being recognized as an operating transfer from the Special Revenue Funds to the Debt Service Funds which, in 1987, totalled $79,181.

SELF-INSURANCE

Many of the surveyed governments self-insured certain risks. The areas of self-insurance varied and included risks related to 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 footnotes related to some of the reported self-insurance programs appear as follows.

CLAY COUNTY, MN (DEC '86)

NOTES TO THE FINANCIAL STATEMENTS

5. Summary of Significant Contingencies and Other Items [In Part]

Self-Insurance

The County entered into a joint powers agreement with other participating counties to form the Minnesota Counties Insurance Trust (MCIT). MCIT has created a property and casualty division self-insurance pool to offer property, motor vehicle, general liability, and public officials liability coverages to eligible subdivisions. As of January 1, 1986, the County is participating in all of these coverages.

The property and casualty pool is a total risk and cost sharing pool for all participants. The amount of any liabilities in excess of assets may be assessed to participating members. Stop loss insurance is provided to protect against catastrophic losses. Liability of the pool for any one incident or occurrence shall not exceed ten percent of the annual premium volume during the most recent fund year, plus 20 percent of its surplus. All liability of the pool in excess of the restricted amounts shall be assumed by the stop loss insurer(s) under contract with MCIT.

Premiums are paid by the General Fund and are reimbursed from other funds for their share. The County does not have any claim liability in addition to premiums unless an assessment is made by MCIT.

CITY OF LONG BEACH, CA (JUN '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 13—Self Insurance Programs

The City has adopted a self-insurance program for workers' compensation and general liability claims. At June 30, 1987,

$25,901,000 has been accrued for workers' compensation and general liability claims representing estimates of amounts to be paid for reported claims and incurred but not reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 1987 is dependent on future developments, based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses.

CITY OF BEVERLY HILLS, CA (JUN '87)

1. Summary of Significant Accounting Policies [In Part]

Self-Insurance

Various self-insurance (internal service) funds are used to account for the City's insurance programs. Operating revenues of these funds comprise payments from other City funds and are based upon estimated umbrella insurance policy premiums expense, self-insurance losses and other operating expenses.

The City is self-insured for the first $250,000 of each workers' compensation claim and for all liability claims excluding $1 million insurance coverage for the Parking Authority. Workers' compensation in excess of $250,000 up to $10 million is covered by insurance.

It is the City's policy to charge to expense amounts of claims which are reasonably determinable and where the existence of the City's liability is probable.

CITY OF SIERRA VISTA, AZ (JUN '87)

NOTES TO FINANCIAL STATEMENTS

13. Reserve for Self-Insurance

The City maintains three self-insurance programs with varying risk-retention provisions. The Health and Accident program was established in 1981 and under its current stop loss policy the City pays claims up to $25,000 per individual. Funding is provided through billings to departments for estimated costs. The Self-Insurance Retention program (liability coverage) was established by Council in the current fiscal year with the City responsible for claims up to $50,000 per incident and the excess covered by an umbrella policy. Funding is provided by Council-authorized operating transfers from the General Fund. Unemployment Insurance program benefit claims are fully self-insured by the City with the fund currently being self-sustaining.

Management has no knowledge of unreported claims incurred for which a liability has not been recognized. Current balances reserved for self-insurance are as follows:

Health and Accident Insurance	$379,506
Unemployment Insurance	150,256
Self-Insured Retention	237,501
	$767,263

HARFORD COUNTY, MD (JUN '87)

NOTES TO FINANCIAL STATEMENTS

(12) Self-Insurance Fund

The Self-Insurance Fund was established on July 1, 1982, for the administration and management of all Harford County insurance coverage and claims. The County pays claims based on self-insurance retentions and pays for insurance coverage above the retention levels. The County is required to maintain a reserve fund of $750,000 for worker's compensation claims, according to Article 101, Section 16 of the Code of Public General Laws of Maryland.

Coverage	Self-Insured Retention or Deductible	Limit Per Occurrence
Property		
Building & Contents	$ 50,000[1]	$ 1,000,000
Boiler & Machinery	2,500	10,000,000
Public Employee's Blanket	500	1,000,000
Worker's Compensation	750,000	5,000,000[2]
		1,000,000
Automobile Property	50,000[1]	1,000,000

[1]$1,000,000 on flood and earthquake—limit.
$250,000 on valuable papers—limit.

Date Processing	45 S. Main—limit
Equipment	$545,000
Media	200,000
Information	25,000/mo, $100,000 limit

[2]$5,000,00—Worker's Compensation
$1,000,000—Employer's Liability (each accident or each employee)

PORT AUTHORITY OF ALLEGHENY COUNTY, PA (JUN '87)

1. Summary of Significant Accounting Policies [In Part]

Self-Insurance—The Authority provides for a self-insurance portion of public liability, property damage and workers' compensation claims, as more fully described in Note 9.

9. Public Liability, Property Damage and Workers' Compensation Claims:

The Authority's public liability, property damage and workers' compensation claims are insured by commercial insurance carriers, all of which are subject to the prior use of the Authority's self-insurance deductibles, and vary by type of coverage and date of accident and range from $750,000 to $2,000,000 per occurrence. For public liability and property damage claims, relating to the Authority's transit operations, coverage is maintained for $4,000,000 per occurrence and in the aggregate, after the Authority utilizes its self-insurance deductible amount. For public liability and property damage claims, relating to the Authority's commuter rail service, coverage is maintained up to an $8,000,000 annual aggregate limit after the Authority utilizes its self-insurance deductible amount per occurrence. The Authority recognizes a liability for its self-insured portion, based on management estimates of the future payments for claims made. As required by the Department of Labor of the Commonwealth of Pennsylvania, the

Authority has obtained a $2,000,000 surety bond from an insurance company to guarantee its ability to pay workers' compensation claims.

It is possible for an event to occur that would not be fully covered under the Authority's present risk-transferring insurance coverage, which could adversely impact the Authority's operations and financial position as a result of potential losses to be sustained. The Authority may, in certain circumstances, be able to rely upon its financial position, rather than risk-transfer insurance coverage, to satisfy possible financial responsibility requirements. During Fiscal 1987, a certain legal case involving personal injury (tort) claims was ruled on by the Commonwealth Court of Pennsylvania whereby the Authority was held to be a local agency under the Political Subdivision Tort Claims Act. The court ruling is subject to appeal to the Supreme Court of Pennsylvania and to date no cases have been argued at the appellate court level. Under the preliminary lower court ruling, the Authority's liability was limited to $500,000 per occurrence. If this position is upheld at the appellate and higher court levels, the Authority's liability for future personal injury claims may be reduced.

In the opinion of management, the Authority maintains adequate insurance policies and coverages to provide for business risks inherent in the Authority's operations, given the high cost of insurance coverage in the current market.

The provision for the self-insured portion of the public liability and property damage claims amounted to $1,769,917 and $1,983,772, respectively, for the Fiscal years 1987 and 1986. The corresponding accrued liabilities recorded in the accompanying Balance Sheet as of June 30, 1987 and 1986 were $5,409,637 and $5,924,883, respectively. The provision for workers' compensation claims amounted to $3,363,089 and $3,606,612, respectively, for the Fiscal years 1987 and 1986. The corresponding accrued liabilities, for workers' compensation claims, recorded in the accompanying Balance Sheet as of June 30, 1987 and 1986 were $2,265,940 and $2,189,940, respectively.

SUBSEQUENT EVENTS

In certain instances events affecting the financial data disclosed by governments, most often related to debt, occurred subsequent to the close of the fiscal year. Because these events affect the financial data reported, disclosure of significant events is required. Excerpts of footnotes related to subsequent events are as follows.

WASHOE COUNTY, NV (JUN '87)

NOTES TO FINANCIAL STATEMENTS

Note 24—Subsequent Events:

On August 18, 1987, Washoe County issued a General Obligation Interim Warrant for a total of $477,627 on behalf of Special Assessment Districts 11B—Scarlett Area and 11D—Weems Way. The proceeds of the warrant were allocated to the two districts in the amount of $448,721 and $28,906 for Scarlett Area and Weems Way, respectively. Valley Bank of Nevada, Reno, Nevada, purchased the warrant at an interest rate of 8.15 percent. The warrant is due on or before August 18, 1988, and is expected to fund the cost of street and water improvements in the two special assessment districts.

On September 11, 1987, Washoe County exercised an option to accelerate the payment of a $300,000 note from First Interstate Bank of Nevada, N.A., which would have required monthly payments at an interest rate of 8.78 percent through 1989. The County paid $165,817 in principal to extinguish the obligation with an interest savings of approximately $18,330.

NATRONA COUNTY, WY (JUN '87)

NOTES TO FINANCIAL STATEMENTS

13. Subsequent Event

Subsequent to September 25, 1987, the Wyoming Medical Center was notified that there would be a revision in the method of computing the Medicaid TEFRA Target Base Rate as a result of a Health Care Financing Administration review of the inpatient hospital reimbursement of Wyoming Medicaid. The TEFRA base year computation for all hospitals in Wyoming Medicaid for the years 1984, 1985, 1986 and 1987 will be recomputed.

The method of calculating the TEFRA Target Base Rate is subject to interpretation of the applicable regulations. TEFRA also allows changes in this Base Rate for such items as change in patient mix, distinct part units, and other adequate and sufficient reasons.

The Center's administration has recorded an estimate of the liability for the period involved. However, the actual liability is subject to interpretation of the Medicaid regulations.

CITY OF DOVER, DE (JUN '87)

NOTES TO FINANCIAL STATEMENTS

24. Subsequent Events:

In July, 1987 the City issued $1,000,000 of General Obligation Bonds, of which $455,074 will be used for "Constitution Place" project and $509,708 will be used for street repaving program. The rest of the amount together with the interest earnings will be used for bond issuance expenses. This bond issue received an A1 rating from Moody's Investors Service.

CITY OF SIERRA VISTA, AZ (JUN '87)

NOTES TO FINANCIAL STATEMENTS

20. Subsequent Events

On December 2, 1987, the Sierra Vista Municipal Property Corporation closed on $3,275,000 of Municipal Facilities Revenue Bonds. These bonds are for the express purpose of constructing Avenida Cochise from South Highway 92 to Buffalo Soldier Trail by the City. These bonds are secured by a pledge of all future excise taxes of the City plus a leasehold interest of City Hall. This issue is in a series; therefore, we expect both the Property Corporation and the City to authorize additional bonds for the project which may be up to an additional $2 million.

HARFORD COUNTY, MD (JUN '87)

NOTES TO FINANCIAL STATEMENTS

(20) Subsequent Events

Harford County Bill #87-19 provided, effective August 17, 1987, for the surcharge and special user benefit assessment to cover the cost of bonds and other costs, including the cost of design and construction of County water and sewer systems, and to provide for the payment of debt associated with these systems as provided for in Section 256-25 of the Harford County Code. The surcharge established on every water and sewer connection shall be $450 per ⅝ inch equivalent area connection charge for water and $100 per ⅝ inch equivalent area connection charge for sewer. The user benefit assessment shall be an annual rate of $35 per ⅝ inch equivalent area connection charge for water and sewer connections.

PORT AUTHORITY OF ALLEGHENY COUNTY, PA (JUN '87)

NOTES TO FINANCIAL STATEMENTS

11. Subsequent Event:

On July 28, 1987, the Authority entered into a Note Purchase Agreement providing for the issuance and sale by the Authority of $15,500,000 of 4.97% Grant Anticipation Notes (the Notes), Series A of 1987. The Notes are dated as of August 4, 1987 with principal due on August 1, 1988 and interest payable on February 1 and August 1, 1988. In connection with the Notes, an irrevocable letter of credit was entered into by the Authority for an amount equal to the outstanding principal and the interest to be accrued on the 1987 Notes, to secure the Authority's obligations under such Notes. This letter of credit is collateralized by the Authority's rights under certain grant agreements and expires August 15, 1988. A portion of the Note proceeds was used to pay off the outstanding balance of the Authority's short-term note payable as described in Note 4.

COUNTY OF LEBANON, PA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

11—Subsequent Event

On January 15, 1987, the County of Lebanon issued a tax anticipation note in the amount of $4,600,000 through the investment group of Corestates Financial at a stated interest rate of 4.35%. The note, due December 31, 1987, is to be repaid based on projected future tax revenues. The proceeds of the issue were immediately invested in certificates of deposit and money market accounts at interest rates ranging from 6.03% to 6.40% to provide maximum benefit until such time as the funds would be required to satisfy County obligations.

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*	**1987**	**1986**
Governmental funds:		
General fund	452	411
Special revenue funds	427	380
Capital projects funds	367	220
Debt service funds	328	280
Special assessment funds*	119	117
Proprietary funds:		
Enterprise funds	378	364
Internal service funds	178	82
Fiduciary funds:		
Trust and agency funds	398	296
Agency funds	196	125
Trust funds	81	54
Account groups:		
General fixed assets account group	379	306
Long-term debt account group	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	**1987**	**1986**
Cash	200	285
Cash and investments	177	110
Cash with additional wording[1]	63	109
Cash and cash equivalents[2]	63	48
Cash with fiscal agent	57	NC[3]
Certificates of deposit	18	NC

[1]Includes cash on hand, cash in bank, cash in checking, or petty cash.
[2]Includes cash and equivalents, cash and cash investments, certificates of deposits or other time deposits.
[3]Not compiled.

CITY OF PITTSBURGH, PA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

(4) Cash and Investments

Cash and investments of the City and its component units are classified into three categories to give an indication of the level of risk assumed at year-end. Category 1 includes investments insured or registered or securities which are held by a City entity or its agent in a City entity's name. Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust department or agent in a City entity's name. Category 3 includes uninsured and unregistered investments with the securities held by the counterparty or by its trust department or agent but not in a City entity's name.

A. Governmental Funds, Expendable Trust Funds and Agency Funds

Cash balances available for investment by most City funds are maintained in pooled bank and investment accounts to improve investment opportunities. Income from investment of pooled cash is recorded in the general fund. Certain unrestricted and restricted cash and short-term investment balances in the accompanying combined balance sheet represent the undivided interest of each respective fund in the pooled accounts.

Under the Pittsburgh City Code, the Director of Finance is responsible for the overall management of the investment program. Policies established by the Director of Finance permit the City to invest in the following:

1. U.S. Treasury Securities (bills, notes, bonds).
2. Obligations of specific agencies of the Federal Government where principal and interest is guaranteed by the U.S. Government.

3. Fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations accepted as depository institutions under the Pittsburgh City Code.
4. Money market mutual funds authorized by City Council whose portfolio consists of government securities issued by the U.S. Government and that are fully guaranteed as to principal and interest.
5. Local government investment pools and or trusts as approved by the state legislature or Pittsburgh City Council from time to time.
6. Repurchase agreements collateralized by U.S. Treasury Securities and marked to market. In order to participate in the repurchase agreement market, a depository must execute the Public Securities Association Master Repurchase Agreement Contract with the City.

To ensure adequate liquidity, at least 10% but no more than 40% of the portfolio shall be in overnight repurchase agreements, money market funds, or other secure and liquid forms of acceptable investments. Unless specifically matched to a cash flow at least 20% of the portfolio shall mature within 91 days with the maximum maturity of any investment to be no longer than one year from the date of purchase unless specifically approved in writing by the Director of Finance.

The cost of all investments and uninvested cash balances at December 31, 1986 for all governmental funds (except the funds of the Equipment Leasing Authority included in the special revenue and debt service funds), expendable trust and agency funds (except deferred compensation assets of $5,172,590) is presented in the accompanying table. Underlying balances are predominantly short-term investments.

	Category			Carrying
	1	2	3	amount
Cash	$ 4,526,671	—	—	$ 4,526,671
Certificates of deposit	90,357,000	—	—	90,357,000
Deposits	94,883,671	—	—	94,883,671
Repurchase agreements	—	—	$16,153,000	16,153,000
Money market trust funds	—	$10,957,600	—	10,957,600
U.S. government and agency obligations	—	16,000,078	—	16,000,078
Cash and short-term investments	94,883,671	26,957,678	16,153,000	137,994,349
U.S. government and agency obligations	144,000	1,897,264	—	2,041,264
	$95,027,671	28,854,942	16,153,000	140,035,613

Cost approximates market for all of the foregoing investments, and all short-term investments mature within one year.

The City's cash and certificates of deposit at year end were entirely covered by federal depository insurance or by collateral held by the financial institutions' trust departments or custodial agents for the benefit of the City. Certificates of deposit and time accounts are fully collateralized pursuant to agreements with substantially all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to Act No. 72 of the Commonwealth of Pennsylvania, August 6, 1971.

The City maintains compensating balances with its depository banks to offset specific charges for check clearing and other services.

B. Equipment Leasing Authority

Trust indentures authorize the Equipment Leasing Authority to invest in obligations of the U.S. Government; repurchase agreements for government obligations; and certificates of deposit, fully insured or collateralized. Throughout the year ended December 31, 1986, the Equipment Leasing Authority invested its funds in only one or more of the above authorized investments.

The cost of all investments and uninvested cash balances at December 31, 1986 for the funds of the Equipment Leasing Authority included in special revenue funds and debt service funds is presented in the accompanying table. Underlying balances are predominantly short-term investments.

	Category			Carrying
	1	2	3	amount
Cash	$(1,507,148)	—	—	$(1,507,148)
Certificates of deposit	—	$ 4,980,849	—	4,980,849
Deposits	(1,507,148)	4,980,849	—	3,473,701
Repurchase agreements	—	—	$100,000	100,000
Money market trust funds	—	7,824,227	—	7,824,227
U.S. government and agency obligations	—	13,941,760	—	13,941,760
Cash and short-term investments	$(1,507,198)	26,746,836	100,000	25,339,688

Cost approximates market for all of the foregoing investments and all investments mature within one year.

C. Enterprise Funds

The trust indentures authorize the Water and Sewer Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities; certificates of deposit, fully insured or collateralized; commercial paper of the highest rating; and repurchase agreements. Throughout the year ended December 31, 1986, the Water and Sewer Authority invested its funds in only one or more of the above authorized investments.

The Water and Sewer Authority's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

	Category 1	Category 2	Category 3	Carrying amount	Market value
Repurchase agreements	$—	—	113,597,000	113,597,000	113,597,000
U.S. Government securities	—	378,781,000	—	378,781,000	377,872,000
Commercial paper	—	16,979,000	—	16,979,000	16,979,000
Certificates of deposit	—	26,235,000	—	26,235,000	26,235,000
Total investments	$—	421,995,000	113,597,000	535,592,000	534,683,000

Deposits and investments of the Stadium Authority were not classified into these categories in its separately issued financial statements which predate the City's transition to the disclosures required by Statement 3 of the Governmental Accounting Standards Board.

D. Pension Trust

The Pension Trust Funds, whose deposits and investments are held separately from those of the City, are assigned to professional money managers with certain restrictions as to investment alternatives.

Cash and investments of the Pension Trusts at December 31, 1986 were comprised of the following:

	Category 1	Category 2	Category 3	Carrying amount	Market value
Cash	$2,392,608	—	—	2,392,608	2,392,608
Certificates of deposit	4,115,000	—	—	4,115,000	4,115,000
Repurchase agreements	—	—	2,700,000	2,700,000	2,700,000
Money market trust funds	—	13,801,905	—	13,801,905	13,801,905
Cash and short-term investments	6,507,608	13,801,905	2,700,000	23,009,513	23,009,513
Preferred and common stocks	—	8,056,261	—	8,056,261	8,803,108
U.S. government and agency obligations	—	15,647,535	—	15,647,535	17,074,486
Corporate and other obligations	—	2,075,929	—	2,075,929	2,014,313
Investments	—	25,779,725	—	25,779,725	27,891,907
	$6,507,608	39,581,630	2,700,000	48,789,238	50,901,420

CITY OF BEVERLY HILLS, CA (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum only)	
	General	Special revenue	Capital Projects	Enterprise	Internal service	Trust and agency	General fixed assets	General long-term obligation	June 30, 1987	June 30, 1986
Assets										
Cash and equivalents, principally short-term interest-bearing securities (Note 1)	$7,140,263	$23,172,554	$7,190,544	$33,507,681	$7,929,390	$ 743,134	$—	$—	$79,683,566	$75,054,736
Investments (Note 1)	—	—	—	—	—	6,969,637	—	—	6,969,637	5,241,433

1. Summary of Significant Accounting Policies [In Part]

Cash and Investments

Cash and investments which are stated at cost at June 30, 1987 consisted of the following:

Cash	$ (572,728)
Certificates of deposit	50,724,660
Pooled investments	91,853,937
Cash and investments in deferred compensation plan	6,890,510
Total cash and investments	$148,896,379

The City maintains a cash and investment pool for all funds except those of the Civic Center Lease Trust Fund and certain restricted assets of the Parking Authority Enterprise Fund, which are held separately at the Bank of America as trustee for the City, and the Deferred Compensation Fund which are held by ICMA Retirement Corporation (ICMA). Investment income is generally allocated to the various funds based upon the funds' average cash and investment balances.

All cash and time deposits are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits.

The City may waive collateral requirements for deposits which are fully insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC).

The surplus funds of the City may be invested in any of the following list of eligible securities. This list is drawn from the approved investments contained in the California Government Code Sections 53600 et seq., limited further by the investment policy adopted by City Council.

Type	Dollar limits	Maximum term	Liquid
General instruments			
Local Agency Investment Fund (LAIF)	$10 million	Available on demand	Yes
U.S. Treasury Bonds, Notes and Bills	None	5 years	Yes
U.S. Government Agencies	None	5 years	Yes
Collateralized investments			
Reverse Repurchase Agreements	$15 million	6 months	By agreement
Time Deposits—Banks and Savings Associations	$15 million	1 year	No
Financial options	$15 million	60 days	Yes
Uncollateralized instruments			
Negotiable Certificates of Deposit	30% of total portfolio	5 years	Yes
Certain Corporate Medium Term Notes	15% of total portfolio	5 years	Yes
Commercial Paper	30% of total portfolio	90 days	Yes
Bankers Acceptances	30% of total portfolio	180 days	Yes

At year end, the carrying amount of the City's investments was $142,578,597 with a market value of $142,569,102.

The City's investments are shown by type, carrying amount, market value and level of risk assumed in the holding of the various securities.

The levels of risk assumed in the various investments are categorized as follows:

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 bank'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 bank or dealer, or by its trust department or agent but not in the City's name.

	Category 1	Category 2	Category 3	Total cost	Total market
U.S. Government Securities	$ —	$ 44,699,054	$4,995,312	$ 49,694,366	$ 49,415,814
Bankers' Acceptances	—	9,850,091	—	9,850,091	9,850,091
Certificates of Deposit	1,000,000	55,025,680	5,000,000	61,025,680	61,303,197
Corporate Term Medium Notes	—	4,008,460	—	4,008,460	4,000,000
Commercial Paper	—	10,000,000	—	10,000,000	10,000,000
	$1,000,000	$123,583,285	$9,995,312	134,578,597	134,569,102
Investment in State Treasurer's investment pool				8,000,000	8,000,000
				$142,578,597	$142,569,102

Reverse Repurchase Agreement

On June 1, 1987 the City entered into a reverse repurchase agreement with First Interstate Bank, Los Angeles. In this agreement the City put up a $5,000,000 U.S. Treasury note with a coupon rate of interest of 6.375% as collateral for a loan of $5,000,000 at 6.5% for thirty days. The loan proceeds were used to purchase a $5,000,000 Imperial Savings Certificate with an interest rate of 7.1% which matures on July 1, 1987.

CITY OF LONG BEACH, CA (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	June 30, 1987	June 30, 1986
Assets											
Pooled Cash and Investments (Note 4)	$18,247	$17,774	$54,982	$ 2,778	$21,688	$74,674	$238,925	$—	$—	$429,068	$367,327
Non-Pooled Cash and Investments	—	239	68	25,300	—	—	16,181	—	—	41,788	39,764

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 4—Pooled Cash and Investments

The City maintains a general cash and investment pool for the purpose of maximizing investment returns. Each fund type's portion of this pool is displayed on the Combined Balance Sheet under the caption entitled "Pooled Cash and Investments." In addition, several of the City's funds hold separate investments. Investments of the Deferred Compensation Agency Fund are held by outside providers, and those of the Water Enterprise Fund, the Marina Nonexpendable Trust Fund, the Redevelopment Agency and the SERRF and Civic Center Authorities are held by their respective independent fiscal agents in the City's name

At year end, the City's demand deposit bank balance was $4,070,000, of which $152,000 was covered by Federal Depository Insurance, and the balance of $3,918,000 was uninsured and uncollateralized.

The City is authorized to invest in obligations issued or guaranteed by the Federal Government, its agencies and instrumentalities, as well as in 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, bank certificates of deposit, and the State Treasurer's Local Agency Investment Fund.

The City's investments at June 30, 1987 are categorized in the following table by maturity date (in thousands). All investments are insured or registered or are held by the City or its agent in the City's name with the exception of the reverse repurchase agreement described below. At June 30, 1987, the aggregate market value of the City's investment portfolio was below the carrying value (amortized cost basis) by approximately .7%.

	Maturity Period				Total Carrying Amount	Market Value	Purchased Interest
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years			
U.S. Government Securities	$ 45,382	$35,366	$30,806	$27,448	$139,002	$135,256	$163
Bankers' Acceptance	122,992	—	—	—	122,992	122,992	—
Repurchase Agreements	77,308	—	—	—	77,308	77,308	—
Negotiable Certificates of Deposit	48,676	56,351	23,089	5,933	134,049	134,181	119
Commercial Paper	68,507	—	—	—	68,507	68,516	
Non-Negotiable Time Deposits	6,100	—	—	—	6,100	6,100	—
Reverse Repurchase Agreement	(18,022)	—	—	—	(18,022)	(18,022)	—
Total Amortized Cost	$350,943	$91,717	$53,895	$33,381	$529,936	$526,331	$282

A reconciliation of the pooled cash and investments per the Combined Balance Sheet—All Fund Types and Account Groups to amortized cost of the investment portfolio at June 30, 1987, is as follows (in thousands):

	Pooled	NonPooled	Total
Cash and Investments	$429,068	$ 41,788	$470,856
Add: Amounts Included in Restricted Assets:			
Gas Enterprise Fund	1,611	—	1,611
Water Enterprise Fund	8,735	—	8,735
Solid Waste Management Enterprise Fund	813	113,977	114,790
General Services Internal Service Fund	—	5,449	5,449
Miller Expendable Trust Funds	616	—	616
Tideland Operating Nonexpendable Trust Fund	3,728	—	3,728
Marina Nonexpendable Trust Fund	2,290	6,238	8,528
Tideland Oil Revenue Nonexpendable Trust Fund	—	1,308	1,308
Subsidence Nonexpendable Trust Fund	43,719	25,390	69,109
Harbor Nonexpendable Trust Fund	16,332	463	16,795
	77,844	152,825	230,669
Less: Amounts Held by Fiscal Agents or in Separate Bank Accounts:			
Housing Assistance Special Revenue Fund	—	(19)	(19)
Redevelopment Capital Projects Fund	—	(68)	(68)
Redevelopment Debt Service Fund	—	(25,300)	(25,300)
Solid Waste Management Enterprise Fund	—	(113,977)	(113,977)
General Services Internal Service Fund	—	(507)	(507)
Marina Nonexpendable Trust Fund	—	(6,238)	(6,238)
Harbor Nonexpendable Trust Fund	—	(463)	(463)
Deferred Compensation Agency Fund	—	(16,181)	(16,181)
	—	(162,753)	(162,753)
Less: Cash On Hand and In Bank:			
On Hand	(117)	—	(117)
In Bank	(4,070)	—	(4,070)
	(4,187)	—	(4,187)
Less: Accrued Interest Receivable	(4,053)	(596)	(4,649)
Total Investments At Carrying Value	$498,672	$ 31,264	$529,936

Nonpooled cash and investments are invested in accordance with City policy and debt agreements.

Reverse Repurchase Agreement

At June 30, 1987, the City had entered into a reverse repurchase agreement investment transaction for $18,022,000 to mature August 17, 1987. In this transaction the City, as the seller-borrower, transferred securities to an investment firm for cash and promised to repay cash plus interest for the return of the same securities. The cash obtained in this transaction was used to purchase other securities which concurrently mature with the agreement's due date. Because of the complexities involved in allocating the effect of such temporary reverse repurchase agreements among the City's various funds and the immaterial nature of the transaction when compared to the total investment portfolio, the City has not separately recorded the asset and related liability; rather, such investment has been netted for financial statement purposes.

PORT AUTHORITY OF ALLEGHENY COUNTY, PA (JUN '87)

Balance Sheet [In Part]

Assets	1987	1986
Current Assets:		
Cash (Note 8)	$4,697,984	$3,296,866
Investment securities at cost, which approximates market (Note 8)—		
Unrestricted	6,287,031	4,356,154
Restricted	9,719,416	3,508,127
Escrow for notes payable—advance construction funds (Note 5)	—	39,733,780

NOTES TO FINANCIAL STATEMENTS

8. Deposits and Investments:

Office of Management and Budget Circular A-102 (Attachment A)—"Uniform Requirements for Assistance to State and Local Government" and the Second Class County Port Authority Act set forth certain standards governing the use of banks and other institutions as depositories of grant funds advanced to the Authority.

The Authority has established investment procedures that require that monies be deposited with FDIC-insured banks in demand deposit accounts or certificates of deposit (which are required to be 100% collateralized by separately identified U.S. obligations, if not covered by FDIC insurance). Investments are limited to United States obligations and repurchase agreements. Repurchase agreements must be purchased from banks located within Pennsylvania and the underlying collateral securities must have a market value of at least 100% of the cost of the related repurchase agreement. The Authority's investment procedures do not require the delivery of the underlying securities to the Authority, however, it is the obligation of the bank to deposit the pledged obligations with either the Federal Reserve Bank, the trust department of the financial institution issuing the repurchase agreement or another bank, trust company or depository satisfactory to the Authority. In the opinion of management, the deposit and investment policy of the Authority adheres to the Federal and state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either the Federal or state statutes or the policy of the Authority.

For the Authority's Fiscal 1987 and 1986 repurchase agreement transactions, the maximum invested balances were $16,219,000 and $13,125,000, the average invested balances during each year were $8,531,000 and $2,958,000, and the average interest earning rates for each year were 5.71% and 6.72%, respectively.

The Authority's cash deposits and investments are classified into three categories to give an indication of the level of risk assumed by the Authority at year-end. *Category 1* includes insured or registered deposits and investments or securities or collateral which are held by the Authority or its agent in the Authority's name. *Category 2* includes uninsured and unregistered deposits and investments, with the securities or collateral held by the counterparty's trust department or agent in the Authority's name. *Category 3* includes uninsured or unregistered deposits and investments, with the securities or collateral held by the counterparty or by its trust department or agent but not in the Authority's name.

The Authority's cash and investments at June 30, 1987 consist of the following at cost, which approximates market:

	Category			Total	Interest
Description	1	2	3	at Cost	Rate
Cash—unrestricted	$1,484,580	$	$2,612,417	$4,096,997	— %
Cash—restricted	214,381		386,606	600,987	— %
Total cash				$4,697,984	
Unrestricted investments:					
U.S.A. Treasury Bills—due August 6, 1987	$ 542,031	$	$	$ 542,031	5.42%
Repurchase Agreement (Union National Bank)—due July 1, 1987, secured by $3,200,000 of Federal National Mortgage Association Bonds	—	—	3,200,000	3,200,000	6.35%
Repurchase Agreement (Union National Bank)—due July 2, 1987, secured by $1,855,000 of Federal National Mortgage Association Bonds	—	—	1,855,000	1,855,000	6.25%
Certificate of Deposit (Mellon Bank N.A.)—due July 8, 1987	—	—	690,000	690,000	6.50%
Total unrestricted investments				$6,287,031	
Restricted investments:					
U.S.A. Treasury Bills—due July 23, 1987	$971,693	$	$	$ 971,693	5.44%
U.S.A. Treasury Bills—due August 20, 1987	754,175	—	—	754,175	5.57%
U.S.A. Treasury Bills—due August 27, 1987	748,548	—	—	748,548	5.51%
Repurchase Agreements (Mellon Bank N.A.)—due July 1, 1987, secured by Government National Mortgage Association Bonds Pool #040437	—	—	3,520,000	3,520,000	6.20%
Repurchase Agreement (Mellon Bank N.A.)—due July 1, 1987, secured by Government National Mortgage Association Bonds Pool #040437	—	—	1,130,000	1,130,000	6.20%
Certificate of Deposit (Mellon Bank N.A.)—due August 3, 1987	100,000	—	1,495,000	1,595,000	6.85%
Certificate of Deposit (Union National Bank)—due February 29, 1988	100,000	—	900,000	1,000,000	6.00%
Total restricted investments				$9,719,416	

The Authority's cash and investments are available for the following purposes: unrestricted cash and investments are available for general operating purposes; restricted cash and investments are available for acquisition of assets under capital projects, development activities associated with the Port of Pittsburgh and as security deposits to guarantee payment of obligations arising from public liability and workers' compensation claims.

COOS COUNTY SCHOOL DISTRICT NO. 8, OR (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types		Fiduciary Fund Type	Account Group	
	General	Special Revenue	Mable E. Ulett Scholarship Trust	General Fixed Assets	Totals (Memorandum Only)
Assets					
Cash (Note 1)	$988,589	$103,053	$130	$—	$1,091,772

(1) Summary of Significant Accounting Policies [In Part]

C. Cash and Investments

The District maintains merged bank accounts and investments for its funds in a central pool of cash and investments. This pool was comprised of the following at June 30, 1987:

Cash:	
Demand deposits—bank	$ (25,849)
Cash with Coos County Treasurer's Office	132
Total cash	(25,717)
Investments:	
Oregon State Treasury—Local Government Investment Pool	$ 960,045
Coos County Treasurer's Office—Investment Pool	157,444
Total investments	1,117,489
Total cash and investments	$1,091,772

The investment policy of the District is as follows:

The District's policy is to invest in the Local Government Investment Pool and in the Coos County Treasurer's Office Investment Pool and transfer resources to the general checking account as the need arises.

This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations.

All cash and investments are carried at cost which equals market value.

All bank demand deposits and certificates of deposit are held in the name of the District and are collateralized by:

A) $100,000 FDIC insurance, and

B) Financial institution certificates of participation in accordance with ORS 295.015 which requires that the depository maintain on deposit with its custodians securities having a value of not less than 25% of the certificates of participation issued by its pool manager.

Investments in the Oregon State Treasury Local Government Investment Pool are made under the provisions of ORS 294.810. These funds are held in the District's name and are not collateralized.

Investments in the Coos County Treasurer's Office Investment Pool are made under the provisions of ORS 294.035. These funds are held in the District's name and are subject to the collateralization requirements of ORS 295.015.

The District did not hold any type of investments during the fiscal year other than those shown above.

ST TAMMANY PARISH, LA (DEC '86)

ALL FUND TYPES AND ACCOUNT GROUPS—COMBINED BALANCE SHEET [IN PART]

	Governmental Fund Type					Proprietary Fund Type		Account Groups		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Special Assessment Funds	Enterprise Funds	Internal Service Funds	General Fixed Asset	General Long-Term Debt	December 31, 1986	December 31, 1985
Assets											
Cash and Temporary Cash Investments (Note 10) .	—	$2,457,677	$321,922	$4,909,919	$252,911	$21,637	$25,591	$	$	$7,989,657	$7,713,376
Cash with fiscal agent	—	—	15,975	—	67	—	—	—	—	16,042	17,018

NOTES TO FINANCIAL STATEMENTS

(10) Cash and Temporary Cash Investments

The Parish maintains a pooled cash and investment account that is available for use by all funds, except those restricted by statutes or other legal reasons. Each fund's positive equity in the pooled cash and investment account is presented as "Cash and Temporary Cash Investments" on the balance sheets. Likewise, negative equity balances are reflected as negative amounts in this caption. Interest income is allocated to the various funds based upon their average equity balances. As of December 31, 1986, interest income allocated to the various funds was $596,920.

Investments are stated at cost, which approximates market. Interest is accrued as earned.

All cash deposits of the Parish are held at a single financial institution. At year-end, the carrying amount of the Parish's deposits was $113,437 and the bank balance was $404,464. The difference is primarily due to outstanding checks at December 31, 1986. All deposits are insured or collateralized with appropriate securities held in the Parish's name by the financial institution.

Statutes authorize the Parish to invest in the following types of securities:

1. Fully-collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
2. Direct obligations of the U.S. government, including such instruments as treasury bills, treasury notes and treasury bonds.
3. Obligations of U.S. Government agencies that are deliverable on the Federal Reserve System.
4. Repurchase agreements in government securities in (2) and (3) above made with the 36 primary dealers that report and are regulated by the Federal Reserve Bank of New York.

At year-end, the Parish had the following investments:

	Carrying Amount	Market Value
Repurchase agreements	$4,836,220	$4,836,220
U.S. Government securities	3,040,000	3,040,000
Total investments	$7,876,220	$7,876,220

All of the above securities are uninsured investments for which the securities are held by the dealer's trust department in the Parish's name.

CITY OF SPRINGFIELD, OH (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types					Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessments	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	1986	1985
Assets and Other Debits:												
Pooled cash and investments	$2,476,993	$1,383,815	$15,050	$1,710,651	$52,376	$10,478,722	$97,183	$1,560,910	—	—	$17,775,700	$15,734,644

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

3. Cash and Investments

At December 31, 1986, pooled cash and investments and restricted cash and investments were invested as follows:

	Carrying Amount	Market Value
Deposits:		
Demand deposits:		
Interest bearing, 5.3%	$ 784,115	$ 784,115
Non-interest bearing	93,487	93,487
Certificates of deposit, 5.5% to 6.3%, maturing January 2, 1987 to April 9, 1987	9,944,222	9,944,222
	10,821,824	10,821,824
Investments:		
U.S. Government securities, 5.4% to 12.4%, maturing January 23, 1987 to May 15, 1993	12,766,542	12,807,223
Municipal bonds, 5% to 9%, maturing June 11, 1987 to December 1, 2001	197,192	197,191
State Treasury Asset Reserve of Ohio (STAR Ohio), 6.7%	2,399,885	2,399,885
Bankers' Acceptances, 5.7%, maturing February 27, 1987 to March 27, 1987	496,198	496,198
U.S. Government Trust Funds............	825,374	825,374
Common stocks	116,600	132,872
Corporate bonds............................	90,647	89,723
	16,892,438	16,948,466
	27,714,262	27,770,290
Less restricted cash and investments	9,938,562	9,979,049
	$17,775,700	$17,791,241

Deposits

Except for items in-transit, the carrying value of deposits by the respective depositories equates to the carrying value by the City. All deposits are collateralized with eligible securities, as described by the City's Investment and Deposit Policy, in amounts equal to at least 110% of the City's carrying value of the deposits (demand deposits and certificates of deposit). Such collateral, as permitted by the State of Ohio and the City Investment and Deposit Policy, is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds.

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, this collateralizing process, therefore, is categorized by GASB Statement No. 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements,* as being collateralized with securities held by the pledging financial institution or its agent but not in the entity's (the City's) name.

Investments

Pursuant to the City's Investment and Deposit Policy, which includes certain diversification requirements, the City is authorized to invest in bonds or other obligations of the United States Treasury, agencies and instrumentalities (except obligations of the Federal Farm Credit System and the Small Business Administration); bankers' acceptances issued by domestic commercial banks meeting established performance ratios; commercial paper rated "prime" (P-1) by Moody's Investors Service and (A-1) by Standard & Poor's and secured by an irrevocable letter of credit; and the State Treasury Asset Reserve of Ohio ("STAR Ohio"), a State investment pool for the exclusive use of political subdivisions within the State of Ohio. The Snyder Park Endowment Fund Investment Advisory Board is also authorized to invest in corporate bonds and stocks.

The City's investments are categorized below to provide an indication of the level of risk assumed by the entity at December 31, 1986. Category A 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 B 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.

	Category		Carrying Amount
	A	B	
U.S. Government securities ..		$12,766,542	$12,766,542
Municipal bonds................	$197,192	—	197,192
Bankers' acceptances..........	—	496,198	496,198
Common stocks	116,600	—	116,600
Corporate bonds................	90,647	—	90,647
	$404,439	$13,262,740	13,667,179
State Treasury Asset Reserve of Ohio (STAR Ohio)			2,399,885
U.S. Government trust funds			825,374
			$16,892,438

The Synder Park Endowment Fund owns approximately 51 percent and 1 percent of the investments in categories A and B, respectively.

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY, VA (JUN '87)

BALANCE SHEET [IN PART]

Assets		
Current assets:		
Cash and cash equivalents:		
Operating unrestricted	$601,117	
Capital projects	864,940	$1,466,057

Note 4—Cash and Investments:

Deposits

At year end the carrying value of the Authority deposits with banks was $1,464,997 and the bank balance was $1,476,678. Of the bank balance, $1,476,678, was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FSLIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Of the bank balance no funds were uninsured and uncollateralized in banks not qualifying under the Act at June 30, 1987. All bank deposits are thus categorized as Class "A" in accordance with Governmental Accounting Standards Board (GASB) Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

COUNTY OF NASSAU, NY (DEC '86)

COMBINED BALANCE SHEETS—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		(Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Total
Assets and Other Debits								
Cash—restricted		$ 83		$ 634				$ 717
Cash—unrestricted		13,867	$ 2,590	706	$ 7,937			25,100
Investments (Note 2)	$37,200	69,450	178,257	2,400	33,425			320,732

2. Pooled Cash and Cash Equivalents and Investments

A. Pooled Cash and Cash Equivalents

Cash and investments are pooled for efficient cash management in the sewage disposal district maintenance funds (special revenue funds) and the sewage disposal district capital project funds. Interest earned on pooled cash and investments is allocated to funds based on the pro-rata composition of the amounts pooled by the respective funds.

B. Investments

To the extent authorized by law, the County invests in time deposits, certificates of deposit, and money market accounts with various commercial banks, in repurchase agreements with various commercial banks and investment firms as approved by the New York State Comptroller, and in obligations of the United States Government, of New York State, and of its various municipal subdivisions. All such deposits and investments are fully collateralized by securities as required by law. As required by GASB Statement Number 3, certificates of deposit are collateralized by securities held by the County or its agent, and repurchase agreements are collateralized by United States Treasury bonds, notes or bills held by the County's agent in the name of the County. The County also invested in United States Treasury bills during the year.

The County's investments at December 31, 1986 at cost and at market value were as follows:

	(Dollars in Thousands) Cost	Market Value
Certificates of deposit	$ 5,383	$ 5,383
Repurchase agreements	314,917	319,450
Deferred Compensation Plan assets	5,182	5,182
Total investments per portfolio	325,482	330,015
Add: Community College Fund investments at August 31, 1986	7,000	7,100
Less: Community College Fund investments at December 31, 1986	(11,750)	(11,920)
Total Investments per Combined Balance Sheets	$320,732	$325,195

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 may also 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 the manner in which some governmental units accounted for and reported various types of receivables are shown as follows.

TABLE 3-3. CURRENT RECEIVABLE

Account Title	Instances Observed 1987	Instances Observed 1986
Taxes receivable[1]	340	288
Accounts receivable[2]	315	305
Interest receivable[3]	200	153
Other receivables	135	109
Special Assessments	132	NC[4]
Notes receivable	75	54
Grants receivable	43	36
Receivables	32	26

[1]Includes all taxes receivable.
[2]Includes net and allowances.
[3]Includes accrued interest.
[4]Not compiled.

OREGON INTERNATIONAL PORT OF COOS BAY, OR (JUN '87)

COMPARATIVE BALANCE SHEET [IN PART]

	1987	1986
Assets:		
Current Assets:		
Receivables (net of allowance for uncollectibles)	414,706	335,804

Notes to Financial Statements

3. Receivables:

Receivables at June 30, 1987 and 1986 consist of:

	1987	1986
Accounts Receivable:		
Annual moorage rentals	$117,195	$ 87,267
Dry storage rentals	12,997	8,280
Transient moorage rentals	28,303	24,788
Operating lease rentals	8,772	1,111
Miscellaneous operating	—	8,157
	167,267	129,603
Less: Allowance for doubtful accounts	63,322	50,784
Estimated collectible accounts receivable	103,945	78,819
Taxes receivable	215,018	209,440
Grants receivable	62,943	4,390
Other receivables	32,800	43,155
	$414,706	$335,804

The allowance for doubtful accounts includes subsequent credits issued for moorage cancellations after the year end and a provision for bad debts.

CITY OF ABERDEEN, SD (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt
Assets								
Cash	$ 630	$ 130				$ 13,202		
Passbook Savings						40,243		
Money Market Savings	1,105,966	2,754,312	$1,527,965	$1,403,157	$247,110	321,113		
Savings Certificates						74,836		
Cash with Fiscal Agent						2,262,822		
Receivables								
Taxes—Current	2,415,000	61,174	1,074,000					
Taxes—Delinquent	121,297	95,538	35,704					
Sales Tax	64,429	39,865						
Accounts	13,105	13,935			31,299	82		
Unbilled Accounts					217,244			

1. Summary of Significant Accounting Policies [In Part]

Property Taxes Receivable

Property taxes attach as an enforceable lien as of January 1. Taxes are collected by the county in two equal installments which are payable without penalty and interest no later than May 1 and November 1.

The city is permitted by state law to levy a general tax not to exceed forty-five mills on each dollar of taxable valuation. Levies in addition to the forty-five mill limit may be levied for principal and interest, judgments or emergency replacement or repair. The combined tax rate to finance municipal services other than the payment of principal and interest on long-term debt in the debt service funds for the year ended December 31, 1986 was $17.94 per $1,000 of taxable valuation.

CITY OF NEWBERRY—NEWBERRY, SC (JUN '87)

COMBINED BALANCE SHEET–ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund	Account Groups	Totals
			Enterprise Funds		Type and Trust	General	(Memorandum
	General	Special Revenue	Utility Sys.	Parking Fac.	Agency	Fixed Assets	Only)
Assets							
Cash & US Treasury Obligations..	$760,932	$617,505	$606,764	$4,782	$25,816		$2,015,799
Receivables (net of allowances for uncollectibles):							
Taxes	45,804						45,804
Accounts	6,555		185,233				191,788
Due from Community Development Loans	69,771						69,771
* * *							
Liabilities and Fund Equity							
Liabilities:							
* * *							
Fund Equity							
* * *							
Fund Balances:							
Reserve for inventory	$ 283,435						$283,435
Reserve for notes receivable	69,771						69,771

1. Summary of Significant Accounting Policies [In Part]

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

ANNE ARUNDEL COUNTY, MD (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)	
		Special	Capital	Debt		Internal	Trust and	General Long-Term	General Fixed	Higher Education	June 30,	June 30,
	General	Revenue	Projects	Service	Enterprise	Service	Agency	Debt	Assets	Funds	1987	1986
Assets												
Receivables												
Property taxes (less allowance for doubtful accounts of $551,220).	$ 888,862	—	—	—	—	—	—	—	—	—	$ 888,862	$ 855,138
Local sales taxes	1,663,516	—	—	—	—	—	—	—	—	—	1,663,516	1,731,341
State shared revenues	5,356,327	—	—	—	—	—	—	—	—	—	5,356,327	4,891,506
Due from other governmental agencies	7,099,499	$1,623,453	$4,538,491	—	—	$15,386	$80,227	—	—	—	13,357,056	7,109,184
Local income tax	11,463,232	—	—	—	—	—	—	—	—	—	11,463,232	8,412,199
Service billings receivable..	—	—	—	—	$7,412,544	—	—	—	—	—	7,412,544	9,493,598
Other, net	1,474,675	570,832	1,531,810	$61	—	7,880	208,723	—	—	$920,392	4,714,373	4,490,426

1. Summary of Significant Accounting Policies [In Part]

(G) Property Taxes Receivable

The County's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the County. At that time, a lien is placed against the property. Assessed values are established by the Maryland State Department of Assessments and Taxation at predetermined percentages of estimated market value. A revaluation of all property is required to be completed every three years. Payments are due by September 30. Beginning October 1, interest is charged each month on taxes that remain unpaid. Property represented by delinquent taxes is sold at a public auction during June.

CITY OF OKLAHOMA CITY, OK (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types					Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
Assets and other debits												
Sales taxes receivable	$13,456,569	—	—	—	—	—	—	—	—	—	$13,456,569	$13,388,314
Property taxes receivable	—	—	$3,744,643	—	—	—	—	—	—	—	3,744,643	3,519,448
Special assessments receivable	—	—	—	—	$180,519	—	—	—	—	—	180,519	256,167
Accounts receivable	1,682,714	$109,007	—	—	—	$11,255,699	—	$85,273	—	—	13,132,693	13,423,064
Allowance for uncollected accounts receivable	—	—	—	—	—	(1,394,500)	—	—	—	—	(1,394,500)	(1,729,276)
Interest receivable	1,083,678	589,781	2,037,010	$1,143,777	—	681,376	—	700,613	—	—	6,236,235	4,996,491
Due from Federal government	—	392,388	—	—	—	1,408,172	—	—	—	—	1,800,560	2,564,445
Due from other funds	202,809	211,000	19,831	1,666,180	—	3,461,642	$514,927	386,870	—	—	6,463,259	10,784,102
Notes receivable	723,120	—	—	—	—	—	—	—	—	—	723,120	918,808

NOTES TO FINANCIAL STATEMENTS

2. Property Taxes Receivable

Property taxes receivable are recorded in the Debt Service Fund fifteen days after the debt service budget is approved by the Excise Board. At the end of the fiscal year, the receivables represent delinquent and escrowed paid-under-protest taxes. Approximately $1.75 million of the receivable is comprised of payments to Oklahoma County (which acts as the City's tax collection agent) made under protest. Paid-under-protest and delinquent taxes recorded as receivable, but not paid within 60 days of year-end, are recorded as deferred revenue.

* * *

4. Notes Receivable

General Fund

A note receivable of $723,120 is due from the Oklahoma City Housing Authority. This note represents revenue that is not available for current expenditures and is therefore recorded as deferred revenue.

Wastewater Fund

The note receivable of $16,105,442 is due from Spitz Development Oklahoma City Limited Partnership to the Wastewater Fund through the Oklahoma City Municipal Improvement Authority. The note receivable represents a loan which was previously due to the Oklahoma City Development Trust as repayment for the proceeds of the OCDT Sanitary System Bonds, Series 1984. These bonds were defeased by proceeds of the Oklahoma City Municipal Improvement Authority Water and Sewer System Revenue Bonds Refunding, Series 1986B and as a result the loan agreement was amended April 22, 1987, to transfer payment to the OCMIA. The note bears interest at 9.75% payable monthly. The principal is due monthly in amounts varying from $48,800 to $180,929 through August, 1998.

TOWN OF RIDGEFIELD, CT (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Fiduciary Fund Type		Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Trust	Agency	General Fixed Assets	General Long-Term Debt	June 30, 1987	June 30, 1986
Assets									
Cash	$1,488,855	$195,569	$16,944	$ 93,186	$528,736			$2,323,290	$1,015,659
Investments	5,701,822			2,648,785				8,350,607	6,217,738
Uncollected Property Taxes and Use Charges (less allowance of $600,000 for uncollectibles)	932,684	4,602						937,286	1,268,437
Other Receivables	166,375	1,847,928			5,236			2,019,539	138,319

1. Summary of Significant Accounting Policies [In Part]

Receivables

Property taxes are assessed as of October 1st and billed on the following July 1st. Property taxes receivable are recorded on the date of billing subject to an allowance for doubtful accounts. Revenues from property taxes are recognized to the extent that they have been collected in the year of billing or will become available to pay current year obligations within 60 days after the Town's year end.

Property taxes that are not recognized as revenue in the current year are shown in the balance sheet as deferred revenue. Such deferred revenue is recognized to the extent property taxes are collected in subsequent years.

Generally, other receivables for the General Fund and Special Revenue Funds, except for State and Federal grants and Revenue Sharing entitlements, are not considered to be available and measurable; therefore, they are not shown in the balance sheet as assets.

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	**1987**	**1986**
Due from other funds[1]	348	282
Due from other governments[2]	252	221
Advance to other funds	50	26
Due from federal government	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 BEAUMONT, TX (SEP '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1985

	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	1986	1985
Assets											
Cash and cash equivalents	$ 822,077	$ 914,625	$ 336,162	$ 190,986	$ 296,698	$ 42,180	$ 159,015			$ 2,761,743	$ 3,584,831
Investments	5,011,527	—	986,254	14,769,803	7,532,339	495,634	594,990	—	—	29,390,547	17,252,674
Receivables, net of allowance for uncollectibles:											
Property taxes, delinquent	2,218,746	—	1,157,739	—	—	—	—	—	—	3,376,485	3,178,239
Notes	—	1,172,803	—	—	—	—	—	—	—	1,172,803	1,184,097
Utilities	—	—	—	—	1,388,813	—	—	—	—	1,388,813	1,379,808
Accrued interest	42,580	—	108,492	—	72,776	832	9,865	—	—	234,545	78,702
Other	793,708	17,735	—	—	51,149	—	2,515	—	—	865,107	1,124,788
Note receivable from other fund	—	—	—	—	—	—	—	—	—	—	361,576
Due from other funds	1,614,021	73,287	91,568	460,542	905,091	129,468	2,678,237	—	—	5,952,214	7,514,294
Due from other governments	24,612	745,046	—	788,716	1,404,367	—	—	—	—	2,962,741	3,239,990
Liabilities and fund equity											
Liabilities:											
Accrued payroll	$ 401,867	$ 15,025	$ —	$ —	$ 168,914	$ 15,482	$ —	—	—	$ 601,288	$ 586,780
Accounts payable	533,753	94,962	—	—	372,874	170,353	589,107	—	—	1,761,049	1,834,037
Contracts payable	—	—	—	520,437	356,936	—	—	—	—	877,373	1,751,603
Due to bank	—	—	—	—	—	—	1,367,546	—	—	1,367,546	—
Due to other funds	1,975,189	560,276	98,339	58,223	2,818,333	1,737	440,117	—	—	5,952,214	7,514,294
Due to employees	—	—	—	—	—	—	1,517,594	—	—	1,517,594	1,199,744

NOTES TO FINANCIAL STATEMENTS

9. Interfund Transactions [In Part]

Individual fund interfund receivables and payables (Due To/Due From Other Funds) at September 30, 1986, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$1,614,021	$1,975,189
Special Revenue Funds:		
Federal Revenue Sharing Fund	—	254,199
Hotel-Motel Tax Fund	12,913	—
HUD Community Development Fund	—	171,733
Public Safety Fund	—	30,364
WIC Program Fund	—	60,678
Transportation Grants Fund	—	21,948
Maternal and Child Health Fund	—	16,653
Other Funds	60,374	4,701
Debt Service Fund	91,568	98,339
Capital Projects Funds:		
General Improvements Fund	$ 396,692	$ 56,950
Street Improvements Fund	36,168	1,075
Drainage Improvements Fund	27,682	198
Enterprise Funds:		
Water Utilities Fund	15,342	2,261,057
Municipal Transit Fund	9,944	367,709
Solid Waste Fund	389,843	17,591
Landfill Fund	489,962	171,976
Internal Service Funds:		
Fleet Fund	128,254	84
Central Stores Fund	1,214	1,653
Trust Funds:		
Retired Employees Insurance Trust Fund	142,228	—
Library Trust Fund	—	36
Insurance Fund	395,781	46,002
Other Funds	81,140	85
Agency Funds:		
Payroll Fund	737,862	374,505
Accounts Payable Fund	1,302,936	1,199
Employees Deferred Compensation Fund	18,290	18,290
	$5,952,214	$5,952,214

TOWN OF EAST LONG MEADOW, MASS (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Trust and Agency	Long-Term Debt	1987	1986
Assets							
Cash (Schedule E)	$ 4,933,129	$ 451,038		$254,073		$ 5,638,240	$ 5,351,562
Investments (Schedule F)				5,299		5,299	5,299
Accounts Receivable:							
Property Taxes (Schedule G)	178,857					178,857	157,642
Excise Taxes (Schedule H)	24,051					24,051	50,821
Tax Liens (Schedule I)	48,354					48,354	39,428
Deferred Property Taxes (Schedule G)	2,922					2,922	3,061
Departmental (Schedule J)	2,235					2,235	793
User Charges (Schedule K)		174,228				174,228	181,290
Special Assessments (Schedule L)		258				258	462
Special Assessments Not Yet Due		239,070				239,070	308,992
Less: Allowance for Uncollectible Accounts (Note 1E-4)	(121,534)					(121,534)	(113,460)
Due from Other Funds (Note 1E-6)		1,380,563	$ 394,662			1,775,225	1,331,398
Due from Other Governments (Note 1E-5)		23,609	157,816			181,425	542,024
* * *							
Liabilities:							
Warrants Payable (Note 1E-8)	835,157					835,157	668,926
Employee Withholdings	98,578					98,578	66,961
Deferred Revenue: (Note 1E-4)							
Property Taxes	1,761					1,761	2,817
Excise Taxes	24,051					24,051	50,821
Other (Note 1E-4)	62,491	413,556	157,816			633,863	1,014,024
Due to Other Funds (Note 1E-6)	1,771,162			4,063		1,775,225	1,331,398

Summary of Significant Accounting Policies [In Part]

6. Interfund Receivables and Payables

Due from/Due to Other Funds arise during the course of the operations from the pooling of cash and as funds provide services to each other.

FLORENCE SCHOOL DISTRICT ONE, SC (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise Fund	Agency Fund	General Long-Term Debt	1987	1986
Assets									
Cash and investments—(Note E)	$3,412,161	$212,983		$686,634		$247,062		$4,558,840	$4,602,136*
Receivables									
Property taxes, less allowance for doubtful accounts—$364,929	312,045		$116,690					428,735	498,516*
Accrued interest				1,041				1,041	1,562
Other	155,439	359		38,000				193,798	239,107
Due from other funds—(Note D)	490,060	395						490,455	565,844*
Due from other governments	413,586	336,862			$189,458			939,906	1,165,984
* * *									
Liabilities									
Accounts payable	374,489	81,828		59,649	1,206			517,172	1,032,526
Contracts and retainage payable	—			64,973				64,973	200,156
Employee compensation	2,088,562	19,945		2,788	377			2,111,672	1,712,261*
Due to other funds—(Note D)	—	206,391		1,041	209,492			416,924	516,573
Due to general fund & student groups	—					247,062		247,062	212,795*
Due to State government	23,644	4,999						28,643	38,309

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

Interfund Borrowings

Interfund borrowings shown as "due from or to other funds" in the financial statements represent fund transfers of a non-mandatory nature and are not interest bearing. Amounts due between funds have no specified time for repayment; however, those amounts are anticipated to be repaid within one year.

Certain interfund borrowings are presented as assets and liabilities within the same balance sheet. This occurs in instances where assets or liabilities are due to or from certain components within a fund group and the right of offset does not necessarily exist.

CITY OF LONG BEACH, CA (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	June 30, 1987	June 30, 1986
Assets											
Pooled Cash and Investments (Note 4)	$18,247	$17,774	$54,982	$2,778	$21,688	$74,674	$238,925	—	—	$429,068	$367,327
Non-Pooled Cash and Investments	—	239	68	25,300	—	—	16,181	—	—	41,788	39,764
Property Taxes Receivable, Net	3,332	—	—	1,127	—	—	—	—	—	4,459	4,525
Other Receivables, Net	1,705	9,315	302	252	9,115	21	27,131	—	—	47,841	34,852
Due from Other Governments	396	3,311	993	—	332	—	4	—	—	5,036	6,870
Due from Other Funds (Note 16)	1,654	185	641	—	1,609	—	109	—	—	4,198	3,999
Advances to Other Funds (Note 16)	2,081	—	—	—	6,186	—	—	—	—	8,267	20,551
* * *											
Liabilities and Fund Equity											
Liabilities:											
Accounts Payable	$ 1,887	$ 4,850	$ 1,867	3	$13,453	$ 3,619	$ 3,910	—	—	$ 29,589	$ 33,817
Accrued Wages and Benefits (Notes 1, 11, and 12)	2,690	503	36	—	407	39,496	2,119	—	—	45,251	39,920
Accrued Interest Payable	—	—	—	—	1,357	672	3,561	—	—	5,590	5,469
Self-Insurance Liabilities (Note 13)	—	—	—	—	—	25,901	—	—	—	25,901	23,311
Due to Other Governments	—	—	—	—	4,022	—	56,848	—	—	60,870	15,216
Due to Other Funds (Note 16)	5	—	1,333	—	921	418	1,521	—	—	4,198	3,999
Advances from Other Funds (Note 16)	—	2,081	—	—	6,186	—	—	—	—	8,267	20,551

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 16—Interfund Receivables and Payables

The following schedules reconcile interfund receivables and payables for the year ended June 30, 1987 (in thousands):

	Due To						
Due From	General Fund	Recreation Fund	Gas Tax Revenue Fund	General Capital Projects Fund	Gas Fund	Harbor Fund	Total Due From
General Fund	—	$ 5	—	—	—	—	5
Redevelopment Capital Projects Fund	$ 662	30	—	$ 641	—	—	$1,333
Solid Waste Management Fund	574	—	—	—	$ 347	—	921
General Services Fund	418	—	—	—	—	—	418
Tideland Operating Fund	—	—	—	—	1,262	—	1,262
Tideland Oil Revenue Fund	—	—	—	—	—	$109	109
Harbor Fund	—	—	$150	—	—	—	150
Total Due To	$1,654	$35	$150	$641	$1,609	$109	$4,198

(continued)

	Advanced From: General Fund	Advanced From: Gas Fund	Total Advanced To
Advanced To			
Health Fund	$2,000	—	$2,000
Belmont Shore Parking Meter Revenue Fund	81	—	81
Solid Waste Management Fund	—	$6,186	$6,186
Total Advanced From	$2,081	$6,186	$8,267

The amounts due to/from other funds are for normal and recurring interfund charges, except for the $1,262,000 due to the Gas Enterprise Fund for an energy plant funded from Gas Utility Bond proceeds and sold to the Tideland Operating Nonexpendable Trust Fund, with payment due over the remaining life of the Gas Utility Revenue Bonds.

The $2,000,000 was advanced to the Health Special Revenue Fund and the $81,000 was advanced to the Belmont Shore Parking Meter Revenue Fund from the General Fund to fund their operations, and will be repaid from their future operating revenues. These advances have been fully reserved in the General Fund fund balance.

The Gas Enterprise Fund advanced the Solid Waste Management Enterprise Fund $6,186,000 at varying interest rates for design, engineering and construction costs of SERRF. This balance is expected to be repaid within five years after SERRF commences operations.

During fiscal years 1974 to 1987 the City transferred to the Redevelopment Agency certain federal grant monies for use on redevelopment projects. In addition, the City has provided planning and engineering services to the Agency in connection with these projects. It is the intention of the City and the Agency that the Agency repay these transfers, which totaled $58,436,000 through June 30, 1987, as future tax increment revenues permit. Since the Redevelopment Agency is considered part of the City's reporting entity (Note 3), these transfers have been eliminated from the accompanying General Purpose Financial Statements.

HARFORD COUNTY, MD (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types: General	Governmental Fund Types: Special Revenue	Governmental Fund Types: Capital Projects	Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Fiduciary Fund Types: Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-Term Obligations	Higher Education Funds	Total (Memorandum Only)
Assets										
Cash & Short-Term Investments	$34,462,174	$10,531,213	$ 156,717	$1,715,922		$1,291,028			$910,776	$49,067,830
Due From Other Funds		4,061,066	7,987,917	8,975,006	$1,828,615	33,285			96,426	22,982,315
* * *										
Liabilities and Equity										
Liabilities:										
Due to Other Funds	$22,093,893	$ 353,049	$ 155,349		$ 283,598				$ 96,426	$22,982,315

NOTES TO FINANCIAL STATEMENTS

(14) Interfund Transactions

As of June 30, 1987, the balances of the interfund receivables and payables were as follows:

Due From Other Funds		
General County Capital Projects Fund	$ 7,987,917	
Highways Operating Fund	1,733,707	
Parks and Recreation Trust Fund	30,776	
Commission on Aging Trust Fund	318	
Self-Insurance Trust Fund	1,828,615	
Public School Debt Service Fund	1,257,859	
Harford Community College—Unrestricted	96,426	
Bd. of Education General Fund	463,567	
Water and Sewer Fund	8,975,006	
Federal Revenue Sharing Fund	605,933	
Community Services Trust Fund	2,191	
		$22,982,315

Due To Other Funds		
General Fund	$22,093,893	
Harford Community College—Restricted	76,576	
Harford Community College—Plant Funds	19,850	
Bd. of Education Special Revenue Fund	308,218	
Bd. of Education Capital Projects Fund	155,349	
Grants Fund	44,831	
Central Services Fund	283,598	
		$22,982,315

For the year ended June 30, 1987, interfund transactions were as follows:

	Transfers In					
	General Fund	Special Revenue	Capital Projects Funds	Internal Service Funds	Higher Education Funds	Trust and Agency Funds
Transfers-Out		$46,244,106	$3,356,834	$822,070	$3,559,787	$265,000
Special Revenue	$4,398,373		2,184,535	398,582		

ST TAMMANY PARISH, LA (DEC '86)

ALL FUND TYPES AND ACCOUNT GROUPS—COMBINED BALANCE SHEET [IN PART]

	Governmental Fund Type					Proprietary Fund Type		Account Groups		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Special Assessment Funds	Enterprise Funds	Internal Service Funds	General Fixed Asset	General Long-Term Debt	December 31, 1986	December 31, 1985
Assets											
Cash and Temporary Cash Investments (Note 10)		$2,457,677	$ 321,922	$4,909,919	$252,911	$21,637	$25,591			$7,989,657	$7,713,376
Cash With Fiscal Agent	—	—	15,975	—	67	—	—	—	—	16,042	17,018
Receivables (Net of Allowances)	1,196,344	4,542,884	1,223,972	38,508	381,882	2,827	—	—	—	7,386,417	6,751,866
Due From Other Funds (Note 15)	123,907	40,738	—	—	24,513	—	71,702	—	—	260,860	716,938
* * *											
Liabilities and fund Equity											
Liabilities:											
Accounts payable	$ 493,126	$ 367,841	$ 38,900	$ 409,145	$ 625	$11,098	$91,321	—	—	$1,412,056	$ 778,279
Contracts payable	—	—	—	—	—	—	—	—	—	—	12,385
Payroll deductions and withholdings payable	8,038	—	—	—	—	—	—	—	—	8,038	7,891
Salaries and wages payable	33,760	35,083	—	—	—	567	5,972	—	—	75,382	106,933
Due to other funds (Note 15)	85,970	174,890	—	—	—	—	—	—	—	260,860	716,938

NOTES TO FINANCIAL STATEMENTS

15. Individual fund balances due from/to other funds at December 31, 1986 are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$123,907	$ 85,970
Special Revenue Funds:		
Criminal Court	40,738	124,475
Parish Road Maintenance	—	50,415
Special Assessment Funds:		
Sewerage District No. 10	14,648	—
Waterworks District No. 5	9,865	—
Internal Service Funds:		
Financial Services	733	—
General Services	20,596	—
Public Works Administration	50,373	—
Total	$260,860	$260,860

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	**1987**	**1986**
Cash	72	81
Cash and Investments	77	56
Receivables[1]	61	45
Investments[2]	40	45

[1]Includes net and allowances, accounts receivable, interest and accrued interest, special assessments receivable, notes receivable, other receivables, and all taxes receivable.

[2]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.

KING COUNTY, WA (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Total (Memorandum Only)	Proprietary Fund Types Enterprise
Assets		
Restricted Assets		
Cash And Residual Investments	$11,091,536	$11,091,536
Cash With Escrow Agent	319,614	319,614
Investments	17,949,796	17,949,796
Assessments Receivable	211,517	211,517
Interest Receivable	94,316	94,316
Due From Other Governments	308,885	308,885
Total Restricted Assets	29,975,664	29,975,664
Liabilities Payable From Restricted Assets		
Accounts Payable	813,464	813,464
Due To Other Funds	15,408	15,408
Interfund Loans Payable	253,980	253,980
Revenue Bonds Payable	365,500	365,500
Total Liabilities Payable From Restricted Assets	1,448,352	1,448,352

NOTES TO FINANCIAL STATEMENTS

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

Restricted Assets and Related Liabilities

Resources for capital project and debt service activity within the Enterprise Fund Group are segregated and classified as Restricted Assets. The related liabilities are reported in the Liabilities Payable From Restricted Assets section of the balance sheet.

Total Restricted Assets ($29,975,664) exceed related Liabilities Payable From Restricted Assets ($1,448,352) by $28,527,312.

Capital project Restricted Assets exceed related Liabilities Payable From Restricted Assets by $28,505,427 and are not reserved in Retained Earnings because these assets are primarily bond proceeds and the Bonds Payable liability is reported outside of the restricted accounts on the enterprises balance sheets. Debt service Restricted Assets exceed related Liabilities Payable From Restricted Assets by $21,885. However, the ordinances providing for the issuance of certain revenue bonds provide that there will be deposited in the bond fund a total of $137,750 to be held until the maturity of the revenue bonds and to be used to pay bonds. Therefore, the "Retained Earnings—Reserved for Final Revenue Bond Retirement" account is $137,750 rather than $21,885 and of the $28,527,312 of Restricted Assets in excess of Liabilities Payable From Restricted Assets, only $137,750 is reported on the Combined Balance Sheet as reserved.

CHATHAM COUNTY, GA (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Debt Service	Enterprise (Note 11)	Internal Service	Trust and Agency	1986	1985
Assets						
Restricted assets:						
Cash and investments, at cost (Note 6)	$156,717	$34,025	$29,764	$13,181,295	$13,401,801	$12,367,608
Liabilities						
Payable from restricted assets:						
Matured bonds and interest payable	91,917				91,917	35,865
Customers' deposits (Note 6)		35,961			35,961	18,621
Self-insurance claims						4,276

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6. Restricted Assets

Debt Service Fund—Restricted cash represents amounts held by fiscal agents for the payment of general obligation bond principal and interest as shown in Note 8. Sufficient funds have been maintained to meet the next succeeding principal and interest maturities.

Enterprise Fund—A separate account is maintained for the purpose of segregating funds received for customer security deposits. Funds received in payment of customer deposits are recorded in this account. Refunds of customer deposits are paid from this account. Liabilities payable from restricted assets are reported separately to indicate that the source of payment is the restricted assets.

Internal Service Fund—Restricted cash of the Internal Service Fund represents cash held by the County's agent for claims arising from hospitalization for which the County is self-insured.

Trust and Agency Funds—Restricted cash and investments are held by the custodian for the County's Pension Trust Fund. See also Note 9.

CITY OF SAN JOSE, CA (JUN '87)

ALL FUND TYPES AND ACCOUNT GROUPS—COMBINED BALANCE SHEET [IN PART] (IN THOUSANDS OF DOLLARS)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	
	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	Totals (Memorandum Only)
Assets and Other Debits						
Restricted assets:						
Cash and investments, including City Treasury cash and investments (notes 5 and 15)	$1,600	$113,082	$44,048	$45,186	$27,304	$231,220
Cash and investments restricted for construction	—	—	—	56,010	—	—

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies [In Part]

(d) Balance Sheet Classifications

Assets which are restricted for specified uses by bonded debt requirements, grant provisions, City Charter provisions or other requirements are classified as restricted assets. Liabilities payable from such restricted assets are separately classified.

CLARK COUNTY, NV (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Types	Total (Memorandum Only)	
	Enterprise	1987	1986
Assets			
Restricted assets:			
Cash and investments (Note 2):			
In custody of the County Treasurer	$18,537,171	$18,537,171	$ 21,242,355
In custody of other officials	130,814,065	130,814,065	137,288,659
With fiscal agent	461,656	461,656	478,050
Accounts receivable	160,377	160,377	583,911
Interest receivable	82,909	82,909	2,520,149
Liabilities			
Payable from restricted assets:			
Accounts payable	33,417,894	33,417,894	34,827,222
Bonds payable	9,474,899	9,474,899	7,028,414

NOTES TO FINANCIAL STATEMENTS

Note 5. Restricted Assets and Liabilities

Assets that are restricted for specific purposes (e.g. additions to property and equipment or repayment of bonds) and liabilities payable from such assets are accounted for separately until disposition. Restricted assets less current liabilities payable from restricted assets have been recorded as a reservation of retained earnings. This calculation excludes $21,680,617 which is uncommitted assets to be used for construction.

COBB COUNTY, GA (SEP '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Types	Totals (Memorandum Only)	
	Enterprise Fund	1986	1985
Assets			
Restricted assets	$56,103,994	$56,103,994	$68,701,531
Liabilities			
Payable from restricted assets	13,587,495	13,587,495	10,452,653

NOTES TO FINANCIAL STATEMENTS

Note 17. Restricted Assets of Enterprise Funds:

Proceeds from the sale of revenue bonds plus interest earned on the investment of these funds are restricted to financing improvements to the water and sewerage system.

All monies in excess of those required to maintain the working capital of the water and sewerage system's operations are transferred to a renewal, extension, and improvement account as provided by the bond resolutions.

Revenue bond debt service funds are restricted to the payment of bond principal and interest requirements as they become due as well as the maintenance of the reserves required by the bond resolutions.

Amounts on hand at September 30, 1986 for customer utility deposits are also restricted.

Liabilities payable from these restricted assets are reported separately to indicate that the source of payment is the restricted assets.

TOWNSHIP OF CLINTON, MI (MAR '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Type	Totals (Memorandum Only)	
	Enterprise (Water and Sewer)	March 31, 1987	1986
Assets			
Restricted assets....................	$800,000	$800,000	$800,000

NOTES TO FINANCIAL STATEMENTS

Note 4. Restricted Assets

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances.

Following are the reserve balances at March 31, 1987:

Bond reserve account..	$700,000
Replacement fund	100,000
Total...	$800,000
Composition of funds—Certificates of deposit...........	$800,000

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	**1987**	**1986**
Investments..	147	156
Investments at cost	57	53
Investments at cost or amortized costs....................	3	3

Below are examples extracted from combined balance sheets to show the manner in which selected governments have accounted for investments.

CITY OF EL DORADO, KS (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

NOTES TO FINANCIAL STATEMENTS

Note C. Deposits and Investments

All deposits are held at financial institutions and are carried at cost plus accrued interest. Kansas statutes require deposits in excess of FDIC insurance to be collateralized by securities issued by the United States of America or an agency thereof or by authorized securities issued by municipalities of the State of Kansas. Such collateralized securities are held by a third-party bank in joint custody for the City and the depository bank. The City's cash deposits (without considering deposits in-transit or outstanding checks) are as follows:

Financial institution	FDIC coverage	Security pledged	Cash on deposit	Excess depository security
First National Bank and Trust, El Dorado, Kansas				
Demand	$ 64,746	—	$ 64,746	—
Time	100,000	$3,333,844	2,747,424	$686,420
Walnut Valley State Bank, El Dorado, Kansas				
Demand	596	—	596	—
	$165,342	$3,333,844	$2,812,766	$686,420

The following investments are either held by the City in the City's name or held in a financial institution in the City's name:

	Carrying amount	Market value
U.S. Treasury Bonds	$323,528	$325,629
U.S. Treasury Notes	141,642	182,756
U.S. Treasury Bills	402,625	396,228
	$867,795	$904,613

BEULAH PUBLIC SCHOOL DISTRICT NO. 27, N.D. (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types	Totals (Memorandum Only)	
	General	June 30, 1987	June 30, 1986
Assets			
Investments	$1,234,500	$1,234,500	$741,500

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

Investments consist of certificates of deposit bearing interest of 5.20% to 5.90% and are stated at cost.

CITY OF MEMPHIS, TN (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	1987	1986
Assets									
Investments	$30,758,537	$10,014,251	$8,697,518	$53,910,397	$168,503,059	$4,128,587	$858,107,031	$1,134,119,380	$1,131,745,733

NOTES TO FINANCIAL STATEMENTS

Note 1. E.—Investments

Investments are stated at cost or amortized cost which approximates market value at June 30, 1987, except for the investments in the Deferred Compensation and MLG&W Retirement System Funds, which are stated at their related market values. See Notes 3, 15(D), and 16(D).

AIRPORT AUTHORITY OF THE CITY OF LINCOLN, NB (JUN '87)

BALANCE SHEET [IN PART]

	1987	1986
Assets		
Investment securities, at cost which approximates market	$2,015,000	$2,254,962

NOTES TO FINANCIAL STATEMENTS

Note 1. Investment Securities

Investments in United States Treasury Bills are recorded at cost, plus accrued interest. Other investments, consisting of United States Government and government agency securities, certificates of deposits and repurchase agreements, are stated at cost which approximates market value.

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.

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.

TABLE 3-7. INVENTORY

	Instances Observed	
Account Title	**1987**	**1986**
Inventory	228	151
Inventory at cost	48	40
Inventory of supplies	25	15
Inventory of materials and supplies	24	17
Inventory of supplies at cost	8	8

Below are examples from governmental financial statements related to the reporting of year end inventory balances.

TOWN OF RIDGEFIELD, CT (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types	Totals (Memorandum Only)	
	Special Revenue	June 30, 1987	June 30, 1986
Assets			
Inventories	$59,321	$59,321	$73,962

1. Summary of Significant Accounting Policies [In Part]

Cafeteria Inventory

Inventories are stated at the lower of first-in, first-out cost or market and consist of items purchased by the Town or donated by the Federal government. Purchased items are recorded as expenditures when consumed. Donated items are valued at market value and recorded as revenue when received and as expenditures when used. 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 NEWBERRY, SC (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types	Totals
	General	(Memorandum Only)
Assets		
Inventories, at cost	$283,435	$283,435

NOTES TO FINANCIAL STATEMENTS

Note 1. [In Part] E. Inventory:

Inventory is valued at the lower of cost (first-in, first-out) or market. 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.

Inventories include not only general and special revenue supplied but supplies for the combined public utility system of the City as well. Inventory items are considered expenditures when used.

CITY OF ABERDEEN, SD (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Types
	Enterprise
Assets	
Inventory of Supplies	$174,990

I. Summary of Significant Accounting Policies [In Part]

Inventory of Supplies

Reported inventories of supplies are reported at cost using the original or latest invoice as a determination method. This method is deemed as approximating actual cost because of inventory turnover rates.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY, OH (DEC '86)

BALANCE SHEETS [IN PART]

	1986	1985
Assets		
Materials and supplies	$385,892	$438,780

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.

CITY OF MERIDIAN, MS (SEP '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	September 30, 1986	September 30, 1985
Assets				
Inventory of supplies, at cost	$261,603	$89,419	$351,022	$271,181

(1) Summary of Significant Accounting Policies [In Part]

G. Inventory

Inventory is valued at cost. 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 CAMILLA, GA (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types	Totals (Memorandum Only) 1987	1986
Assets			
Inventory at cost	$6,869	$6,869	$6,088

3. Summary of Significant Accounting Policies [In Part]

Inventory

Expendable supplies are recorded as expenditures at the time items are purchased. Inventoried items are stated at lower of cost or market on a first-in, first-out basis.

UTAH COUNTY, UT (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Type	Totals (Memorandum Only)	
	Internal Service	December 31, 1986	1985
Assets			
Inventory-At Cost	$72,316	$72,316	$44,310

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

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

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	**1987**	**1986**
Prepaid expenses	163	133
Other assets	104	37
Deferred charges	41	73
Deposits	13	11

CITY OF VALDOSTA, GA (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Funds Types			Proprietary Fund Types	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	FY 1987	FY 1986 (as restated)
Assets						
Prepaid expenditure/expenses	$34,624	$16,162	$3	$434	$51,223	$50,067

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

L. Prepaid Expenses

Payments made to various vendors for items or services for a future period beyond June 30, 1987 are recorded as prepaid expenses. The fund balances in the governmental fund types have been reserved for the prepaid expenses recorded in those funds. This reflects the amount of fund balance not currently available for expenditure.

DECATUR COUNTY, KS (DEC '86)

2. Summary of Accounting Policies [In Part]

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes.

TOWNSHIP OF CLINTON, MI (MAR '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
		Enterprise		March 31	
	General	(Water and Sewer)	Trust and Agency	1987	1986
Assets					
Prepaid expenses and other assets (Note 1)	$62,261	$11,827	$61,560	$135,648	$39,731

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

e. Normally, expenditures are not divided between years by the recording of prepaid expenses. The amount recorded in the General Fund represents an advance payment of the Township's fiscal 1988 insurance premium.

HARRIS COUNTY, TX (FEB '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Types	Total
	Internal Service	(Memorandum Only) 1987
Assets		
Prepaid Insurance	$369,167	$369,167

1. Summary of Significant Accounting Policies [In Part]

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include prepaid expenses which are recognized as expenditures when paid, and principal and interest on general long-term debt which are recognized as expenditures when due.

COUNTY OF STRAFFORD, NH (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types	Totals
	General	(Memorandum Only)
Assets		
Prepaid expenses	$1,208	$1,208

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

F. Prepaid Expenses

Prepaid expenses of the Enterprise Fund (Riverside Nursing Home) represent prepayments of subsequent year's expenses. They will be written off as actual expenses when they are incurred in 1987.

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 income assets.

CITY OF WEST PALM BEACH, FL (SEP '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types					Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Project	Special Assessment	Enterprise	Trust and Agency	General Fixed Assets	Long-Term Debt	(Memorandum Only)
Assets										
Prepaid expenses—Note A	$13,416	$697	$140	—	—	$9,431	$2,427	—	—	$26,111

Note A—Significant Accounting Policies [In Part]

Prepaid Expenses: Expenditures for insurance premiums and other administrative expenses extending over more than one accounting period are accounted for as prepaid expenses and allocated between accounting periods.

FIXED ASSETS

GASB Cod. Sec. 1400 prescribes generally accepted accounting principles related to 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	**1987**	**1986**
Construction in progress	106	75
Land	102	107
Fixed assets	82	58
Buildings	61	79
Property, plant and equipment	54	31
Machinery and equipment	43	45
Equipment	42	40
Improvements other than building	41	34
Land, structures and equipment	23	57
Buildings and improvements	20	25

GASB Cod. Sec. 1400 establishes the valuation basis for fund fixed assets as well as general fixed assets:

> 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, and/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	**1987**	**1986**
Accumulated depreciation	135	126
Fixed assets, net of accumulated depreciation	91	75
Property, plant and equipment, net	48	35
Property and equipment, net	10	13

COUNTY OF YORK, PA (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Type	Account Groups	Totals (Memorandum Only)	
	Enterprise	General Fixed Assets	1986	1985
General fixed assets and enterprise assets in service	$10,544,572	$17,308,770	$27,853,342	$24,706,278
Less: allowance for depreciation	(4,730,960)	—	(4,730,960)	(4,411,150)
	5,813,612	17,308,770	23,122,382	20,295,128

1. Summary of Significant Accounting Policies [In Part]

B. Fixed Assets and Long-Term Liabilities

General fixed assets purchased since January 1, 1985 are recorded at cost at the time of purchase. Assets acquired prior to January 1, 1985 are recorded at cost or estimated historical cost when actual cost figures are unavailable. Variances between cost and estimated historical cost are deemed to be immaterial. Such assets are capitalized in the General Fixed Assets Account Group. Public Domain 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 with other General Fixed Assets.

4—Fixed Assets

A summary of general fixed assets follows:

	Balance January 1, 1986	Additions	Balance December 31, 1986
Buildings	$13,013,929	$ 676,568	$13,690,497
Furniture and equipment	2,138,425	1,479,848	3,618,273
	$15,152,354	$2,156,416	$17,308,770

A summary of proprietary fund type property, plant and equipment at December 31, 1986 together with the annual depreciation expense and rates consist of the following:

	Cost	Depreciation Expense	Annual Rates
Enterprise Fund assets	$10,544,572	$421,943	2½ to 20 percent

CITY OF FORT COLLINS, CO (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Types		Account Groups	(Memorandum Only)
	Enterprise	Internal Service	General Fixed Assets	Totals
Assets	$135,946,303	$2,106,930	$74,899,537	$212,952,770

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

Fixed Assets

Fixed assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the acquisition and are capitalized at cost, or estimated historical cost, in the General Fixed Assets Account Group. However, infrastructure assets (public domain fixed assets such as roads, bridges, streets, curbs, gutters, storm drainage systems, etc.) are not capitalized. Fixed assets acquired by proprietary funds are capitalized at cost in those funds.

Depreciation is not provided for general fixed assets. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation is computed using the straight-line method with estimated useful lives as follows:

Buildings	25–50 years
Building improvements	25–50 years
Electrical transmission system	20 years
Water distribution system	50 years
Sewer collection, treatment and disposal system	50 years
Furniture, fixtures and equipment	4–20 years

Depreciation recognized on assets acquired or constructed through proprietary fund grants or entitlements is closed to the appropriate contributed capital account from retained earnings. Amortization of leased equipment is included with depreciation in the financial statements.

Note 4: Property, Plant and Equipment

Summaries of change in general fixed assets by object and function and investment in general fixed assets by source as of and for the year ended December 31, 1986, follow:

	Balance January 1	Additions	Deletions	Balance December 31
Object				
Land	$11,958,617	$ 801,547		$12,760,164
Buildings	10,024,358	5,191,285	$ 85,979	15,129,664
Improvements	14,092,030	530,793	22,028	14,600,795
Equipment	6,086,913	810,659	531,059	6,366,513
Leased equipment	3,101,181	299,091	118,235	3,282,037
Construction in process	19,295,135	9,266,161	5,800,932	22,760,364
Total	$64,558,234	$16,899,536	$6,558,233	$74,899,537
Function				
General government	$ 5,666,432	$ 114,114	$ 428,678	$ 5,351,868
Public safety	1,372,191	299,870	1,795	1,670,266
Public works	4,753,446	550,786	300,527	5,003,705
Culture and recreation	13,759,298	118,324	—	13,877,622
Downtown Development Authority	27,688	3,216,074	—	3,243,762
Other	19,684,044	3,334,207	26,301	22,991,950
Construction in process	19,295,135	9,266,161	5,800,932	22,760,364
Total	$64,558,234	$16,899,536	$6,558,233	$74,899,537

Investment in General Fixed Assets from:

General Fund	$22,137,001
Parkland Fund	4,171,093
Conservation Trust Fund	568,272
Capital Projects Fund	23,474,819
Federal Revenue Sharing Fund	156,479
Downtown Development Authority	3,243,762
Federal and state grants	890,421
Capital leases	3,282,037
Other	16,975,653
Total	$74,899,537

A summary of proprietary fund property, plant and equipment at December 31, 1986, follows:

	Light and Power	Water	Sewer	Golf	Cemeteries	Storm Drainage	Total
Enterprise Funds							
Land	$ 1,181,794	$18,235,249	$ 395,888	$ 180,235		$ 166,600	$ 20,159,766
Buildings and improvements	1,738,782	17,583,375	34,482,834	749,351	$103,747	2,653,099	57,311,188
Construction in process	2,853,064	3,045,762	—	—	—	—	5,898,826
Equipment	45,937,969	30,982,120	12,727,310	331,291	104,330	95,168	90,178,188
Leased equipment	3,476	39,865	—	86,093	87,325	32,722	249,481
Total	51,715,085	69,886,371	47,606,032	1,346,970	295,402	2,947,589	173,797,449
Less accumulated depreciation	(17,640,272)	(11,092,167)	(8,229,734)	(506,336)	(103,254)	(153,697)	(37,725,460)
Less accumulated amortization	(3,041)	(25,715)	—	(32,752)	(49,745)	(14,433)	(125,686)
Net Fixed Assets	$34,071,772	$58,768,489	$39,376,298	$ 807,882	$142,403	$2,779,459	$135,946,303

	Equipment	Communications	Energy Conservation	Benefits	Total
Internal Service Funds					
Land	$ 30,126	—	—	—	$ 30,126
Buildings and improvements	990,424	—	$51,172	—	1,041,596
Equipment	1,267,460	$ 928,673	—	$1,763	2,197,896
Leased equipment	22,782	589,188	—	—	611,970
Total	2,310,792	1,517,861	51,172	1,763	3,881,588
Less accumulated depreciation	(1,151,335)	(411,336)	(768)	(529)	(1,563,968)
Less accumulated amortization	(14,921)	(195,769)	—	—	(210,690)
Net Fixed Assets	$1,144,536	$ 910,756	$50,404	$1,234	$2,106,930

The Water Fund incurred $323,711 of interest costs (net of interest earned on temporary investment of the proceeds of the respective tax-exempt borrowings) which have been capitalized on the construction of the Anheuser-Busch improvements during 1986 and are reflected in construction in process above (see also Note 6).

Capital Leases

The City has entered into certain agreements to lease equipment. Such agreements are, in substance, lease purchases (capital leases) and are classified as such in the financial statements. The assets acquired from the lease agreements are included with fixed assets and the amortization for proprietary fund leased equipment is included with depreciation in the financial statements. The capital lease obligations used to acquire general fixed assets are included in the general long-term debt account group while the proprietary fund obligations are included on the balance sheet of the appropriate fund (see Note 6).

KING COUNTY, WA (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

		Proprietary Fund Types		Account Groups
	Total (Memo Only)	Enterprise	Internal Service	General Fixed Assets
Assets				
Fixed Assets				
Land	$ 91,002,289	$ 15,914,979		$ 75,087,310
Farmland Development Rights	54,737,069			54,737,069
Buildings	271,203,191	77,005,346		194,197,845
Accumulated Depreciation	(20,080,520)	(20,080,520)		
Improvements Other Than Buildings	20,921,824	20,727,573	$ 194,251	
Accumulated Depreciation	(9,221,590)	(9,148,536)	(73,054)	
Furniture, Machinery and Equipment	84,816,285	20,547,340	19,312,611	44,956,334
Accumulated Depreciation	(15,782,308)	(6,283,483)	(9,498,825)	
Work in Progress	19,653,136	14,960,745		4,692,391
Total Fixed Assets	497,249,376	113,643,444	9,934,983	373,670,949

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

Fixed Assets

Fixed assets include Fee Simple Land; Farmland Development Rights; Buildings; Improvements Other Than Buildings; and Furniture, Machinery and Equipment. General Fixed Assets does not include capital expenditures for roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, playfields or rights of way and easements, with the exception of farmland developments rights purchased under the Farmland Preservation Program of King County. Park buildings under construction are not reported in construction work in progress, but at completion of construction they are reported in Buildings in General Fixed Assets.

The Farmland Preservation Program was established to preserve, protect and enhance agricultural lands and open spaces. In 1979, King County voters approved issuance of $50,000,000 of general obligation bonds to finance the program. In 1985, $49,755,000 unlimited tax general obligation bonds were issued. Under the Farmland Preservation Program through 1986, King County purchased farmland development rights for 12,093.45 acres at a cost of $54,737,069. "Development rights" are the rights to develop land for any uses other than farming or open space. The owner who sells development rights sells only a part of an owner's property rights and retains all other ownership rights. He could live on his land and use it for agriculture or open space purposes; he could transfer, or sell the land to another farmer. However, the owner of the land for which King County has purchased the development rights may not build non-farm commercial or residential building on the land or subdivide the land for commercial or residential development. The Development Rights, so purchased, are held in trust by the County for the benefit of its citizens in perpetuity.

Fixed assets are valued at historical cost or estimated historical cost where actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Only interest on interim financing during the construction period is capitalized.

General Fixed Assets are not depreciated. In the Enterprise and Internal Service Funds, provision is made for the depreciation of fixed assets over the estimated useful lives of the depreciable assets using the straight-line method.

Buildings, structures and their components, have been depreciated over the estimated useful lives, in the Enterprise and Internal Service Funds, as follows:

Description	Estimated Useful Life
Stadium Main Building Structure	100 years
Stadium Administration Building	50 years
Other Buildings—Constructed	40 years
Other Buildings, Transfer Stations, Shops, Scale Offices, etc.	15 to 30 years
Infrastructures	30 to 40 years

Improvements other than buildings in the Enterprise and Internal Service Funds have been depreciated over the estimated useful lives of 10 to 20 years.

Furniture, Machinery and Equipment are given various lives of 4 to 15 years depending upon their classification:

Description	Estimated Useful Life
Data Processing Equipment	4 to 7 years
Telecommunication Equipment	7 years
Automobiles—Cars, Vans, etc.	5 years
Automobiles—Trucks	3 years
Heavy Equipment	10 to 15 years
	7 (depending on use)
Office Equipment	5 to 10 years

Pursuant to the National Council On Govermental Accounting Statement 2, King County International Airport depreciation on Federal Aviation Administration grant financed fixed assets is closed to the Equity Account—Contributions From Other Governments, rather than Retained Earnings.

Expenditures for maintenance and repairs which do not add to the value of the assets or materially extend their lives are expensed as incurred. However, expenditures for repairs and upgradings which do materially add to the value or life of an asset are capitalized and, if in an Enterprise or Internal Service Fund, a new depreciation schedule is established.

CHANGES IN FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 1986

	Balance 1/1/86	Increases	Decreases	Balance 12/31/86
General Fixed Assets				
Land	$ 69,911,802	$ 5,926,123	$ 750,615	$ 75,087,310
Farmland Development Rights	-0-	54,737,069		54,737,069
Buildings	187,189,821	7,008,024		194,197,845
Furniture, Machinery and Equipment	42,066,188	4,041,764	1,151,618	44,956,334
Work In Progress—Buildings	3,662,874	7,285,183	6,255,666(a)	4,692,391
Total General Fixed Assets	302,830,685	78,998,163	8,157,899	373,670,949(b)
Enterprise Funds				
Land	15,914,979			15,914,979
Buildings	77,540,033	429,269	963,956	77,005,346
Improvements Other Than Buildings	21,339,483	1,231,783	1,843,693	20,727,573
Furniture, Machinery and Equipment	14,500,043	8,847,427	2,800,130	20,547,340
Work In Progress	2,466,926	14,933,250	2,439,431	14,960,745
Total Enterprise Funds Fixed Assets	131,761,464	25,441,729	8,047,210	149,155,983
Accumulated Depreciation	(34,415,199)	(4,909,430)	(3,812,090)	(35,512,539)
Internal Service Funds				
Improvements Other Than Buildings	180,524	13,727		194,251
Rental Equipment	13,386,213	2,463,462	1,465,129	14,384,546
Data Processing Equipment	2,502,242	344,589	237,017	2,609,814
Telecommunication Equipment	206,260	391,605	6,861	591,004
Furniture, Machinery and Equipment	1,691,478	65,340	29,571	1,727,247
Total Internal Service Funds Fixed Assets	17,966,717	3,278,723	1,738,578	19,506,862
Accumulated Depreciation	(8,866,696)	(2,354,997)	(1,649,811)	(9,571,882)
Total Fixed Assets	452,558,866	107,718,615	17,943,687	542,333,794
Total Accumulated Depreciation	(43,281,895)	(7,264,427)	(5,461,901)	(45,084,421)
Total Net Fixed Assets	$409,276,971			$497,249,373

(a) Completed—Transferred To Buildings From Work In Progress—Buildings.

(b) $5,194,203 of General Fixed Assets financed from Referendums #29 and #37 Grants from the State of Washington revert to private ownership in future years.

CITY OF MANCHESTER, NH (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP [IN PART]

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Trusts	
Assets			
Property and equipment (Note 8)	$68,682,172	$19,633	$68,701,805

1. Summary of Significant Accounting Policies [In Part]

General Fixed Assets

General fixed assets are not capitalized in the accounting records when acquired. Funds used to acquire general fixed assets or make the related debt service payments on borrowings in connection with such assets are accounted for as expenditures in the year that payments are made.

Enterprise Fund Property and Equipment

Property and equipment in the enterprise funds, except for that related to the Manchester Municipal Airport, is recorded at cost. Depreciation and amortization are recorded on the straight-line method over the estimated useful lives of the various classes of assets.

8. Property and Equipment

Recorded property at December 31, 1986 consisted of the following:

	Enterprise Funds	Trust Funds
Land	$ 1,732,677	$19,633
Buildings and equipment	91,662,103	
Accumulated depreciation and amortization	(24,712,608)	
	$68,682,172	$19,633

PIMA COUNTY, AZ (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Proprietary Fund Types		General Fixed Assets	Totals (Memorandum Only)	
	Enterprise	Internal Service		1987	1986
Assets and other debits					
Land	$ 3,730,011		$44,948,117	$ 48,678,128	$ 27,754,691
Buildings & improvements	110,525,581		71,695,665	182,221,246	182,044,707
Sewage conveyance system	173,937,500			173,937,500	160,406,268
Equipment	12,929,130	$9,453,884	30,820,591	53,203,605	46,227,984
Accumulated depreciation	(80,693,073)	(3,630,154)		(84,323,227)	(76,753,244)
Construction in progress—note 13	20,787,001		12,052,437	32,839,488	22,711,205

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

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. Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than the governmental funds. Certain "improvements other than buildings" such as roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems (infrastructure) are not included within the General Fixed Assets Account Group. No depreciation has been provided on general fixed assets.

All general fixed assets are valued at historical cost or estimated historical cost if actual data was not available. Donated fixed assets are valued at their estimated fair market 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, rather than in the separate funds.

Restricted assets: The restricted assets shown for the Enterprise Funds consist of cash and investments, at amortized cost, which approximates market, and are restricted in accordance with the terms of contracts and restrictive covenants pertaining to revenue bonds.

Note 9—Changes in General Fixed Assets

The following is a summary of changes in General Fixed Assets:

	Balance 6-30-86	Additions	Deletions	Balance 6-30-87
Land	$ 24,024,680	$20,923,437		$ 44,948,117
Building & Improvements	72,557,378	387,523	$1,249,236	71,695,665
Equipment	26,475,431	5,599,017	1,253,857	30,820,591
Construction in Progress	9,891,718	2,160,769		12,052,487
Investment in General Fixed Assets	$132,949,207	$29,070,746	$2,503,093	$159,516,860

Note 10—Summary of Proprietary Fund Fixed Assets—Depreciation

Kino Hospital: Depreciation is recorded on all buildings and improvements and furniture and equipment based on the estimated useful lives of the assets. The straight-line method, with no salvage value, is used. Buildings and improvements are depreciated over 20 to 40 years; and furniture and equipment are depreciated over 5 to 20 years.

Pima Health Plan: Building space has been obtained on a rental basis. Site improvements are depreciated over ten years, and equipment is depreciated over five years. The straight-line method is used, with no salvage value.

Southwest Fair Commission: Equipment is depreciated on the straight-line method over 5 to 10 years with no salvage value. Buildings and improvements financed by the Southwest Fair Commission, Inc. become the property of Pima County and are reflected in the General Fixed Assets Account Group. The cost of these buildings and improvements are considered capital contributed to the County.

Wastewater Management; Fixed assets are depreciated using the straight-line method over a range of 5 to 50 years for treatment facilities and other property and equipment and 50 years for the sewage conveyance system, which represent the estimated service lives of the related assets. Depreciation expense includes depreciation on the portion of the utility plant financed by major governmental grants. Depreciation on assets financed by grants is then added back to retained earnings with a corresponding reduction in contributed capital.

Internal Service Funds: Building space used by these funds is provided by the County on a no-charge basis. Equipment other than vehicles is depreciated on the straight-line method, with no salvage value, over a range of 5 to 32 years. Vehicles are depreciated on the straight-line method based on the number of miles or hours used.

Note 13—Construction and Other Significant Commitments

Contractual commitments related to construction in progress at June 30, 1987, totaled $232,760.

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.

COUNTY OF ERIE, NY (DEC '86)

NOTES TO THE FINANCIAL STATEMENTS

XII—Long-Term Debt [In Part]

3. Capitalized Lease Obligations

On October 14, 1980, the County entered into a lease with the City of Buffalo for use of certain portions of the Frank A. Sedita City Court Building. The lease has been recorded as a capitalized lease in accordance with FASB-13 (Accounting for Leases, as amended). The general fixed assets acquired via the lease agreement totaling $1,638,672 have been recorded in the General Fixed Assets Account Group. Such amount represents the present value of minimum lease payments computed at the inception of the lease. The liability, the present value of minimum lease payments, is included in the General Long-Term Debt Account Group. The County is invoiced annually for its share of operating and maintenance costs.

Additionally, the Erie County Medical Center (an Enterprise Fund of the County) leases certain major movable equipment. The Medical Center recorded total minimum lease payments of $608,871 at December 31, 1986 as a liability. The amounts representing maintenance costs and interest, $450,868, at December 31, 1986, are recorded as a deferred expense of the Medical Center and are included on the balance sheet as Other Assets.

The present value of minimum lease payments computed at the inception of the leases, $3,961,677, has been recorded as an asset. Depreciation accumulating to date amounts to $3,830,828, including $88,636 of current year expense.

The following is a summary of future minimum payments under these capital leases:

	(000's omitted)	
Year	Enterprise Funds	General Long-Term Debt Account Group
1987	$363	$248
1988	246	248
1989		248
1990		248
Total minimum lease payments	609	992
Less amounts representing maintenance costs	417	-0-
Net minimum lease payments	192	992
Less amounts representing interest	34	132
Present value of minimum lease payments	$158	$860

CITY OF LONG BEACH, CA (JUN '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 10—Leasing Arrangements

Downtown Shopping Mall Parking Structure Leases

During 1983, the Redevelopment Agency and the City entered into a long-term agreement in which the City leased the downtown mall parking structure and underlying land from the Redevelopment Agency for a period of 25 years. The annual lease payment of $923,000 is equal to the Redevelopment Agency's total debt service payments on its Series A and B Parking Lease Revenue Bonds (Note 7). The lease transfers title of the parking structure to the City at the end of the lease term. Since the Redevelopment Agency is included in the City's reporting entity (Note 3), the lease has been eliminated in the accompanying financial statements. Lease payments by the City are accounted for as operating transfers from the General Fund to the Redevelopment Debt Service Fund.

The City has subleased its possessory interest in the parking structure to the proprietor of the downtown shopping mall for a period of 50 years. Under this sublease, the sublessee is required to pay the City $745,000 annually, less a credit for property taxes paid by the sublessee on its possessory leasehold interest in the structure. The sublease contains an escalation clause which increases the sublease payment every 5 years in the same percentage that property taxes increase, with a maximum increase of 15% each 5 years. The sublessee must pay all expenses of the parking structure during the sublease term. At the end of the lease term, the City retains title to the facility. Because the 50 year lease term is considered equal to the parking structure's economic useful life, the City has accounted for the sublease as a direct financing lease in accordance with generally accepted accounting principles.

Management believes the difference between the City's remaining sublease receivable of $6,959,000 at June 30, 1987 and the remaining $9,810,000 of Redevelopment Agency Parking Lease Revenue Bonds will be paid from future parking meter revenues in the downtown area, and from future sales and property tax revenues and business license fees generated by the downtown shopping mall. Since such lease receivable does not represent an available expendable financial resource, deferred revenue equal to the outstanding lease receivable has also been recorded in the General Fund.

Hyatt Lease

During fiscal year 1983 the City entered into a 50 year noncancellable ground lease with a renewable term of 25 years, with a hotel developer on certain tideland properties held in trust by the City (Note 18). The developer constructed a hotel, adjacent public facilities and a parking structure on the property. The developer is required to pay an annual base rental of $200,000, escalated at 10% every five years and certain percentage rents based upon the developer's gross and net operating profit at various times during the term of the lease. The City has accounted for the ground lease as an operating lease in the Tideland Operating Nonexpendable Trust Fund.

Concurrently, the developer subleased the parking structure and public facilities to the City, a portion of which was in turn sub-sublet back to the developer. Under the terms of the sublease provision, the City is obligated to pay the developer approximately $3,172,000 annually for the first 5 years and approximately $2,821,000 for the 6th through 25th years of the lease term. Subsequent to the 25th year, the City is not required to make any further payments for the use of the parking structure and public facilities. Under the terms of the sub-sublease, the developer is obligated to pay the City approximately $2,310,000 annually for the first five years and approximately $2,055,000 annually for the 6th through 25th years. Such annual payments and the ground lease payments by the developer to the City are subordinate to certain other expenses and debt service obligations of the developer.

The City has accounted for the sublease and the sub-sublease agreements as a capital lease payable and long-term lease receivable, respectively, in the Tideland Operating Nonexpendable Trust Fund using a 10% interest factor. At June 30, 1987, the outstanding capital lease payable and long-term lease receivable are $25,006,000 and $19,300,000, respectively.

Future debt service payments of the Tideland Operating Nonexpendable Trust Fund under this capital lease are as follows (in thousands):

Fiscal Year Ending June 30	Principal	Interest	Total
1988	$ 674	$ 2,469	$ 3,143
1989	407	2,415	2,822
1990	449	2,372	2,821
1991	496	2,325	2,821
1992	548	2,273	2,821
Thereafter	22,432	22,477	44,909
Totals	$25,006	$34,331	$59,337

For the year ended June 30, 1987, the developer, pursuant to the lease provision noted above, deferred a portion of the annual ground lease, parking structure and public facilities lease payments. The City recognized rental and interest income in the amount of $2,843,000 during the fiscal year. Of this amount, the City has reserved $1,669,000 due to the uncertain repayment date of such monies.

Future Rental Income Under Operating Leases

Minimum future rental income under noncancellable operating leases having an initial term in excess of one year is as follows by fund (in thousands):

Year Ending June 30	General	Recreation	Water	Airport	Tideland Operating	Marina	Harbor
1988	$ 36	$1,452	$ 634	$ 3,842	$ 1,016	$ 398	$ 39,210
1989	38	1,538	544	3,866	1,033	398	38,585
1990	39	290	409	3,866	1,045	398	36,127
1991	41	23	280	2,044	1,050	360	33,012
1992	30	6	259	2,037	1,093	317	30,538
Thereafter	662	—	1,867	50,466	28,190	8,111	350,999
Totals	$846	$3,309	$3,993	$66,121	$33,427	$9,982	$528,471

HARFORD COUNTY, MD (JUN '87)

NOTES TO FINANCIAL STATEMENTS

(9) Other Long-Term Obligations

(A) Capital Leases

The County entered into certain lease agreements which qualify as capital leases. Various types of heavy operating equipment, computer equipment, autos and trucks, and office equipment were acquired in this manner.

Changes in long-term leases payable are as follows:

	Balance July 1, 1986	Additions	Payments and Disposals	Balance June 30, 1987
General Long-Term Obligations	$ 631,208	—	$439,073	$ 192,135
Internal Service Funds	34,094	—	24,301	9,793
Enterprise Funds	2,942,942	—	1,616	2,941,326
	$3,608,244	—	$464,990	$3,143,254

Future minimum lease payments are as follows:

Fiscal Year	Amount
1988	$ 389,506
1989	186,518
1990	186,518
1991	186,518
1992	186,518
Thereafter	4,753,022
Less amount representing interest	(2,038,117)
Net lease payments	$3,850,483

The funds and account groups used to account for assets acquired via capitalized leases are as follows:

	General Fixed Assets	Central Services	Water & Sewer
Equipment	$2,555,529	$115,932	$3,212,500
Accumulated Depreciation		88,032	762,968
Book Value	$2,555,529	$ 27,900	$2,449,532

CITY OF PISMO BEACH, CA (JUN '87)

NOTES TO FINANCIAL STATEMENTS

Note 8—Capital Lease

The city leases facilities valued at $700,000 under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year	Lease Payment
1988	$ 74,807.00
1989	78,832.00
1990	77,432.50
1991	75,932.50
1992	79,332.50
1993	77,370.00
1994	75,145.00
1995	77,995.00
1996	75,270.00
1997	77,700.00
1998	79,550.00
1999	75,910.50
2000	77,230.50
2001	78,067.50
2002	78,442.50
2003	78,300.00
2004	77,690.00
2005	76,580.00
Total	$1,391,587.50
Less amount representing interest	731,587.50
Net minimum lease payment	$ 660,000.00

CITY OF PITTSBURGH, PA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

(8) Long-term Debt [In Part]

F. Capital Lease Obligations

During 1986 the City of Pittsburgh entered into various agreements for the lease purchase of data processing equipment value of $3,003,747. The transaction has been reflected as a general government expenditures and in other financing sources. Current lease payments are recorded in the City's General Fund. The Equipment Leasing Authority, in 1985, entered into capital lease agreements to purchase communications and electronics equipment. Lease payments are recorded in its general fund. The future minimum lease payments under these lease agreements are as follows:

	General Fund	Special Revenue Fund—ELA	Total
1987	$ 733,694	$685,314	$1,419,008
1988	733,694	224,344	958,038
1989	733,694	—	733,694
1990	707,672	—	707,672
1991	472,205	—	472,205
Total minimum lease payments	3,380,959	909,658	4,290,617
Less: Amount representing interest	(556,774)	(42,274)	(599,048)
Present value of net minimum lease payments	$2,824,185	$867,384	$3,691,569

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 footnote disclosures related to infrastructure assets that the governmental unit has elected to record.

CITY OF SIERRA VISTA, AZ (JUN '87)

2. Summary of Significant Accounting Policies [In Part]

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 excluded from the general fixed asset reporting. No depreciation has been provided on general fixed assets.

21. Prior Period Adjustments and Restatement

The June 30, 1986 balances presented for comparative purposes were restated to reflect adjustments arising from the City's completion of a physical inventory during the year ended June 30, 1987; to reflect the City's change in financial reporting of infrastructure in the General Fixed Asset Group; and to correct errors in revenue recognition in the Highway User (Special Revenue) Fund.

Beginning balances for the various components of fund equity as of July 1, 1986 were restated as follows:

	Special Revenue	Enterprise	General Fixed Assets
Investment in general fixed assets as previously reported			$24,183,656
Correction due to physical inventory of fixed assets			(154,542)
Removal of infrastructure basis from financial reporting (a)			(12,753,117)
Investment in general fixed assets at July 1, 1986, as restated			$11,275,997
Contributed capital as previously reported		$4,225,705	
Correction due to physical inventory of fixed assets		5,049,468	
Contributed capital at July 1, 1986 as restated		$9,275,173	
Fund balance/retained earnings as previously reported	$ 959,514	$1,057,062	
Recognize accrued Highway User Revenue at June 30, 1986 (b)	139,580		
Correction due to physical inventory of fixed assets—			
Asset valuation		11,578	
Accum. depreciation (c)		(478,077)	
Fund balance/retained earnings at July 1, 1986, as restated	$1,099,094	$590,563	

(a) In prior years the City has accounted for infrastructure within the General Fixed Asset Account Group; however, after completion of its physical inventory in the current year a management concern existed with regard to the accuracy in valuation of contributed infrastructure. The City was unable to obtain sufficient information during the course of its inventory to obtain a comprehensive valuation of its infrastructure. Therefore, the City has changed its method of accounting for infrastructure in its financial reporting until such time as sufficient records can be compiled.

CITY OF MEDFORD, OR (JUN '87)

1. Summary of Significant Accounting Policies [In Part]

Fixed Assets

Fixed assets in the General Fixed Assets Account Group are stated at actual cost. Purchases of such assets are recorded as expenditures in Governmental Fund Types and capitalized in the General Fixed Assets Account Group.

Maintenance and repairs are charged to expenditures in various governmental funds as incurred and not capitalized. Depreciation is not recorded on general fixed assets. Upon disposal, the General Fixed Assets Account Group is relieved of the related cost; proceeds from sales of general fixed assets are recorded as revenues of the appropriate fund.

Expenditures for public domain fixed assets (streets, sidewalks, curbs and gutters, lighting systems and similar assets) that are immovable and of value only to the City as a governmental unit are reported as expenditures as incurred and are not capitalized.

BOROUGH OF CHAMBERSBURG, PA (DEC '86)

NOTES TO FINANCIAL STATEMENTS

Note 4—Fixed Assets [In Part]

Infrastructure fixed assets, i.e., roads, bridges, curbs and other assets which are immovable and of value only to the government, have been excluded from the general fixed asset account group.

HARFORD COUNTY, MD (JUN '87)

(1) Summary of Significant Accounting Policies [In Part]

(H) Fixed Assets

Fixed Assets used in governmental fund type operations are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed asset 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 capitalized along with general fixed assets. Fixed assets are valued at historic cost estimated cost if actual historic is not available, or appropriate value under capital lease criteria.

The estimated useful lives are as follows:

Buildings	75 years
Site Improvements	5 years
Bridges	30 years
Roads	10 years
Furniture & Equipment	5 years

Property, plant and equipment in the Proprietary Funds are recorded at cost or the value computed under capital lease criteria. Assets contributed are recorded at the estimated fair value at the time received. Depreciation is provided over the estimated useful lives using straight-line depreciation.

The estimated useful lives are as follows:

Water and Sewer Funds	
Mains, Laterals, Pumping Stations, and Treatment Plants	75 years
Equipment	3–10 years
(continued)	
Health Care Fund	
Buildings	50 years
Land Improvements	20 years
Fixed Equipment	10–20 years
Internal Service Fund	
Equipment	5 years

ST TAMMANY PARISH, LA (DEC '86)

(3) Summary of Significant Accounting Matters—[In Part]

Fixed Assets and Depreciation

During 1984 fixed asset values were established by the Parish based on historical cost (if available) or estimated historical cost if historical cost was not available.

Current capital expenditures of the governmental funds are recorded as expenditures at the time of purchase. The related assets are then recorded in the General Fixed Assets Account Group. The Parish does not record certain public domain (infrastructure) general fixed assets consisting of certain improvements to streets, bridges and drainage systems. The Parish does not depreciate general fixed assets.

CITY OF LONG BEACH, CA (JUN '87)

Note 1—Description of Funds and Account Groups and Summary of Significant Accounting Policies [In Part]

Fixed Assets

For Governmental Fund types, disbursements to purchase fixed assets are recorded as expenditures. Such assets are capitalized at historical cost in the General Fixed Assets Account Group.

The General Fixed Assets Account Group does not include infrastructure fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, street lights, and traffic signals.

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

Account Title	Instances Observed 1987	1986
Accounts payable	362	380
Contracts payable	85	65
Payroll taxes withheld[1]	61	71
Retainage payable	44	21
Interest payable	42	28
Accounts payable and accrued liabilities	42	21
Cash overdraft	41	28
Other liabilities	41	27
Notes payable	39	59
Deposits payable	35	15
Wages payable	27	18
Vouchers payable	26	16
Bank overdraft	21	21
Other	16	26

[1]Includes payroll taxes and amounts withheld.

CITY OF WALLA WALLA, WA (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	Gen. Long Term Debt	1986	1985
Liabilities:											
Short Term Payable	$7,928	$1,275			$310,257		$1,154,922			$1,474,482	$1,309,712
Current Unused Compensated Absences	$110,000	$15,000			$45,000	$10,000				$180,000	$180,000

GALLATIN COUNTY, MO (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Special Assessment	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	June 30, 1987	June 30, 1986
Liabilities and Fund Equity										
Liabilities:										
Short-Term Payables	$ —	$ —	$38,891	$ 36,364	$ —	$ 2,777,424	$ —	$ —	$ 2,852,679	$ 708,631
Due to Other Funds	—	—	—	765,030	—	—	—	—	705,030	622,637
Due to Other Governments	—	—	—	—	—	18,180,043	—	—	18,180,043	16,176,323
Deferred Revenues	419,861	662,001	46,122	3,089,607	—	—	—	—	4,217,591	1,761,887

DANE COUNTY HOUSING AUTHORITY (DEC '86)

COMBINED BALANCE SHEET [IN PART]

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Group	
	General	Special Revenue	Enterprise	Trust and Agency	General Long-Term Obligations	Totals (Memorandum Only)
Liabilities and Fund Equity						
Liabilities:						
Short-term notes payable	$ -0-	$ -0-	$476,600	$ -0-	$ -0-	$476,600
Vouchers payable	2,461	60,372	20,747			83,580
Security deposits payable			13,162			13,162
Contract retainages payable			3,000			3,000
Accrued liabilities	1,048	2,558	30,596			34,202
Accrued interest payable			399,111			399,111
Due to other funds (Note 7)	1,149	2,190	19,903			23,242
Due to other governmental units	82	26,970	9,551			36,603
Deferred revenue	697	95,311	30,401			126,409
Revolving loan funds	236,116	385,170		218		621,504

PORT AUTHORITY OF ALLEGHENY COUNTY, PA (JUN '87)

BALANCE SHEET [IN PART]

	1987	1986
Liabilities and Equity		
Current Liabilities:		
Notes payable—advance construction funds (Note 5)		$37,595,000
Accounts payable	$19,422,989	23,038,834
Accrued expenses	13,754,940	15,540,010
Reserve for claims and settlements (Note 9)	7,738,000	6,593,754
Short-term note payable (Note 4)	14,000,000	5,200,000
Other current liabilities	2,872,175	3,323,335
Total current liabilities	$57,788,104	$91,290,933

COUNTY OF ERIE, NY (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETE PRESENTATION [IN PART]

	Governmental Fund Types				Community College	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	August 31, 1986	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	1986	1985
Liabilities											
Accounts payable	$ 4,617	$ 905		$ 735	$ 512	$ 3,573				$10,342	$ 15,535
Accrued expenses	33,751	3,183	$ 623	374	3,429	14,171				55,531	59,325
Due to other funds	13,056	140		5,016		310	$13,533			32,055	17,240
Due to other governments	10,935				1,729		12,172			24,836	8,490
Retained percentages		19		1,779						1,798	2,531
Amounts held in custody for others						434	14,884			15,318	20,581
Deferred revenue	25,182	63	1,063		3,211	1,334				30,853	45,368
Short-term debt	64,782			3,797		10,218				78,797	143,557

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 3-14 through 3-19 for excerpts from several governmental combined balance sheets on the type of reporting made for these liabilities.

TABLE 3-12. "DUE TO. . ." PAYABLES

Account Title	Instances Observed 1987	Instances Observed 1986
Due to other funds[1]	358	287
Due to other governments[2]	195	132
Due to student organizations	40	NC[3]
Due to others	17	NC[3]
Due to other taxing authorities	13	24
Due to federal government	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 their governmental-type funds, and (2) full accrual (corporate-type) accounting, used for their 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, "on the other hand, under the full accrual basis, expenses incurred in a government's proprietary fund and the related liability are recognized in the same manner as would be done for a commercial organization, i.e., when the services have been rendered or the products provided."

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

Account Title	Instances Observed 1987	Instances Observed 1986
Accrued interest payable[1]	96	79
Accrued liabilities	92	98
Accrued expenses	53	50
Accrued vacation	43	25
Accrued payroll	40	39
Accrued vacation and sick leave payable	40	18
Accrued wages payable	23	15

[1]Includes accrued interest.

CITY OF MEDFORD, OR (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types					Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
Liabilities and Fund Equity											
Liabilities:											
Cash pool deficits..........		$ 35,332									$ 35,332
Warrants and accounts payable............	$ 22,886	150,633		$13,002	$161,279	$437,639	$ 10,215				796,534
Accrued salaries and payroll taxes	166,659	248,514		1,246			14,879			$477,813	909,211
Accrued interest payable			$ 812		3,276						4,088
Other accrued liabilities......	374,588			2,292		276,734	275,000	$ 150			928,764

1. Summary of Significant Accounting Policies [In Part]

Vacation, Holiday and Sick Pay

Earned but unpaid vacation and holiday pay is recorded as an expense in the proprietary fund types when earned. In governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued in the funds and the amounts payable from future resources are recorded in the General Long-Term Debt Account Group. Accumulated vacation and holiday pay amounted to approximately $535,000 for all funds at June 30, 1987. Earned but unpaid sick pay does not accumulate and is recorded as an expense or expenditure when paid.

CITY OF FORT SCOTT, KS (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Agency	General Long-Term Debt	General Fixed Assets	December 31, 1986	December 31, 1985
Liabilities and Fund Equity											
Liabilities											
Capitalized leases...	$ —	$ —	—	$ —	$ —	$ —	$ —	$ 40,471	—	$ 40,471	$113,291
Accounts payable...	37,871	9,140	—	23,032	31,842	4,586	2,203	—	—	108,674	308,791
Cash overdrafts.....	—	11,022	—	68,997	—	—	—	—	—	80,019	—
Accrued compensated absences..	—	—	—	—	69,295	1,285	—	235,829	—	306,409	332,777

Summary of Significant Accounting Policies [In Part]

(i) Compensated Absences

All regular full-time employees are eligible for vacation benefits. Employees are allowed to accumulate and carry forward a maximum of 160 hours (12 shift days for Fire Department Personnel). Hours accumulated and not taken in excess of these limits at December 31 of each year are lost by the employees. New employees must work a minimum of six months to utilize earned vacation benefits. Unused vacation benefits are paid to employees when employment with the City terminates.

All regular full-time employees are also eligible for sick leave benefits. Employees accrue sick leave at the rate of 10 days per year with a minimum of 120 days (six shift days per year with a maximum of 72 shift days for Fire Department Personnel). Unused sick leave benefits are lost to employees when employment with the City terminates. The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the City has accrued a liability for vacation pay which has been earned but not taken by City employees. For governmental funds, the liability for compensated absences is recorded in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with FASB Statement 43.

LACONIA HOUSING AND REDEVELOPMENT AUTHORITY, NH (MAR '87)

BALANCE SHEET [IN PART]

	Public Housing NY-498	Section 8 Existing B-3062	Total
Liabilities and Surplus			
Annual Contributions Contracts			
Liabilities:			
Accounts payable:			
HUD	$	$64,475	$64,475
Other	22,292	90	22,382
Accrued liabilities (Note 2)	59,404	—	59,404

NOTES TO FINANCIAL STATEMENTS

2. Accrued Liabilities [In Part]

Accrued liabilities at March 31, 1987 consisted of:

Accrued interest	$46,235
Payment in lieu of taxes	9,534
Other	3,635
	$59,404

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	**1987**	**1986**
Deferred revenue[1]	344	239
Deferred compensation payable	79	16
Deposits	56	40
Deferred property taxes[2]	52	22
Customer deposits	36	50
Advances from other funds[3]	34	16
Deferred credit	19	50

[1]Includes deferred income; excludes deferred property tax revenues.
[2]Includes deferred revenue from property taxes.
[3]Includes all funds.

CLEVELAND CITY SCHOOL DISTRICT, OH (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups	Totals
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable Trust	General Long-Term Obligations	Memorandum Only
Liabilities and Fund Equity:								
Liabilities:								
Accounts payable	$ 8,745,454	$5,139,701	$ 500	$254,541	$ 809,870	$27,166		$14,977,232
Deferred revenues	227,273,921		15,474,388					242,748,309
Accrued salaries and fringes	16,355,200	1,092,836		8,106	507,702	9,768	$3,283,000	21,256,612
Accrued other liabilities	1,012,078		44,372		1,126,215			2,182,665

BOROUGH OF STATE COLLEGE, PA (DEC '86)

COMBINED BALANCE SHEET—ALL FUNDS [IN PART]

	Governmental Fund Types					Proprietary Fund Types	Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Enterprise	Trust and Agency	General Long-Term Debt	General Fixed Assets	Total (Memorandum Only)
Liabilities										
Cash overdraft......				$65,288			$38,493			$ 103,781
Accounts payable ..	$50,692	$29,625			$ 30	$ 40,788	958			122,093
Accrued expenses .							6,025			6,025
Deposits............	3,383					2,884				6,267
Due to other funds	24,063	24,171		52,459	2,198,307	119,461				2,418,461
Payroll taxes and deductions.......							17,785			17,785
Authority bonds....								$ 533,000		533,000
Bonds payable......						7,927,098		4,616,902		12,544,000
Accrued vacation pay...............						25,183		157,198		182,381
Capitalized lease obligations.......								12,103		12,103
Mortgage payable..								2,101		2,101
Retainage payable .		6,895		47,957						54,852
Accrued payroll							19,976			19,976
Deferred revenues .						11,030				11,030

CITY OF OXNARD, CA (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

		Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	Notes	General	Special Revenue	Debt Service	Capital Outlay-Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
Liabilities and Fund Equity											
Liabilities:											
Accounts payable...		$548,050	$275,063		$925,655	$1,600,144	$369,685	$ 28,665			$ 3,747,262
Accrued payroll.....	1							1,379,073			1,379,073
Due to other agencies................		117,523				10,455		120,733,428			120,861,406
Other liabilities......	9	15,461		$3,835		114,094		5,163,840			5,297,230
Deposits.............								336,248			336,248
Payable from restricted assets:											
Matured bonds ..	6					35,000					35,000
Revenue bonds interest........						57,097					57,097
Revenue bonds..	6					515,603					515,603
Due to other funds.	3		93,170					44,230			137,400
Deferred revenue ...		43,747	80,290		715,274						839,311

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. There is a major exception to accrual accounting with respect to interest on long-term debt. In this connection, the AICPA, in its Statement of Position 75-3, "Accrual of Revenues and Expenditures by State and Local Governmental Units," tried to clarify this exception with the following example:

> This principle applies whether or not the date for payments to bondholders coincides with the date for collection from property owners; for example, if interest from property owners is due on March 1, and the corresponding payment to bondholder is payable on June 1, the entity will report as interest receivable on June 30 only the amount still uncollected from property owners for the preceding March 1 and prior interest dates. Interest payable reported at June 30 should be only the amount still payable to bondholders from the preceding June 1 and prior interest dates.

With respect to this principle, 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	**1987**	**1986**
Current portion of long-term debt[1]	48	33
Obligations under capital lease[2]	13	11
Revenue bonds payable..	8	11
Current maturity of long-term debt	7	44

[1]Includes current portion of general obligation bonds.
[2]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.

See below for selected excerpts from governmental financial statements relating to the accounting and reporting of fund long-term liabilities and general debt.

TABLE 3-16. LONG-TERM LIABILITIES AND GENERAL LONG-TERM DEBT

Account Title	Instances Observed 1987	1986
Bonds payable	144	121
General obligation bonds payable[1]	143	131
Obligations under capital leases[2]	124	81
Notes payable	96	94
Revenue bonds payable	89	101
Compensated absences	71	49
Long-term debt	56	50
Special assessment bonds payable	33	29
Bond anticipation notes payable[3]	20	11
General long-term debt	11	20

[1]Includes general obligation bonds.
[2]Includes lease obligations payable, capitalized lease obligations, leases payable.
[3]Includes bond anticipation notes.

CITY OF ALBEMARLE, NC (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Proprietary Fund Types	Account Groups		Totals
	General	Special Revenue	Debt Service	Enterprise	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
Liabilities and Fund Equity							
Current liabilities							
Accounts payable and accrued liabilities	$ 13,044	—	—	$1,302,565	—	—	$1,315,609
Matured bonds and coupons payable	—	—	—	10,117	—	—	10,117
Current portion of long-term debt	—	—	—	846,156	—	$ 35,000	881,156
Due to other funds	—	$10,000	—		—	—	10,000
Total current liabilities	—	—	—	2,158,838	—	—	
Liabilities to be paid from restricted assets							
Accounts payable	—	—	—	1,925	—	—	1,925
Noncurrent liabilities							
Deposits	—	—	—	166,326	—	—	166,326
Accrued vacation pay	—	—	—	39,579	—	75,812	115,391
Noncurrent portion of long-term debt	—	—	—	11,908,185	—	328,350	12,236,535
Deferred revenues	165,174	—	$2,479	—	—	—	167,653
Total liabilities	178,218	10,000	2,479	14,274,853	—	439,162	14,904,712

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The general obligation bonds shown in the General Long-Term Debt group of accounts are collateralized by the full faith, credit and taxing power of the City. They bear interest, payable semi-annually, at rates varying from 7.9% to 8.25%. Principal and interest requirements will be provided by appropriation in the year which they become due.

General obligation bonds which were issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Enterprise Funds. These bonds bear interest, payable semi-annually, at rates varying from 1% to 8.25%. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Under an agreement with the North Carolina Department of Transportation, the City has agreed to pay a portion of the right-of-way costs for the Carolina Avenue project. The City's portion is payable in equal annual installments of $10,000 each. The unpaid liability of approximately $113,350 is reflected in these financial statements.

Summary of Changes in General Long-Term Debt

	July 1, 1986	Additions	Retirements	June 30, 1987
General obligation bonds	$275,000	$ —	$ 25,000	$250,000
Capital leases and installment purchases	123,846	—	123,846	—
Installment payable for right-of-way	123,350	—	10,000	113,350
Vacation Pay	70,001	5,811	—	75,812
	$592,197	$5,811	$158,846	$439,162

Summary of Changes in Enterprise Long-Term Debt

	July 1, 1986	Additions	Retirements	June 30, 1987
General obligation bonds	$13,400,000	$ —	$780,000	$12,620,000
Capital leases and installment purchases	120,670	82,687	69,017	134,340
	$13,520,670	$82,687	$849,017	$12,754,340

Principal maturities on all long-term debts, excluding vacation pay are:

	General Bonds	General Right of Way	Electric Water/Sewer Bonds	Water/Sewer Leases and Installment Purchase	Total
1st year	$ 25,000	$ 10,000	$ 775,000	$ 71,156	$ 881,156
2nd year	25,000	10,000	775,000	63,184	873,184
3rd year	25,000	10,000	775,000	—	810,000
4th year	25,000	10,000	775,000	—	810,000
5th year	25,000	10,000	775,000	—	810,000
Next 5 years	125,000	50,000	3,875,000	—	4,050,000
Next 5 years	—	13,350	3,870,000	—	3,883,350
Next 5 years	—	—	1,000,000	—	1,000,000
	$250,000	$113,350	$12,620,000	$134,340	$13,117,690

CITY OF NEW BERN, NC (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Expendable Trust	General Fixed Assets	General Long-Term Debt	June 30, 1987	June 30, 1986
Liabilities and Fund Equity									
Current liabilities									
Accounts payable and accrued liabilities	$248,192	$ 8,359		$1,885,835	$19,905			$2,162,291	$1,978,231
Due to other funds				350,000				350,000	
Current portion of long-term debt				168,335			$ 72,000	240,335	168,249
Total current liabilities				2,404,170					
Noncurrent liabilities									
Deferred revenues	37,215	2,585,900						2,623,115	102,231
Noncurrent portion of long term debt				133,439			144,000	277,439	301,774
Customer deposits				669,415				669,415	669,745
Accrued vacation pay				66,474			153,133	219,607	196,913
Obligations under capitalized leases							193,747	193,747	153,276
Total liabilities	285,407	2,594,259		3,273,498	19,905		562,880	6,735,949	3,570,419

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. General Long-Term Debt

At June 30, 1987, the City's General Long-Term Debt consists of obligations under capitalized leases and accrued vacation pay. Changes in general long-term debt for the year ended June 30, 1987 are as follows:

	Date of Agreement	Date Lease Expires	Balance July 1, 1986	Additions Adjustments	Reductions	Balance June 30, 1987
Capitalized leases:						
Telephone System,						
Police Department	3-1-82	2-28-88	$ 4,641		$ 2,673	$ 1,968
Telephone System,						
City Hall	3-1-82	2-28-89	14,389		4,868	9,521
Fire Truck	3-13-84	2-28-88	62,508		30,271	32,237
Computer Equipment	10-31-84	7-31-86	604		604	
Computer Equipment	10-23-84	10-1-88	3,675		1,471	2,204
Computer Equipment	10-1-84	9-30-88	2,165		898	1,267
Fire Truck	11-14-83	11-1-86	25,522		25,522	
Computer Equipment	12-1-83	11-1-88	7,836		3,016	4,820
Computer Equipment	1-1-84	12-1-89	2,655		984	1,671
Computer Equipment	5-1-84	7-31-92	29,281	$ 40,307	12,389	57,199
Computer Equipment	10-25-86	7-1-88		5,280	2,081	3,199
Fire Truck	4-14-87	4-13-91		109,734	30,073	79,661
Total capitalized leases			153,276	155,321	114,850	193,747
Note payable Craven County				216,000		216,000
Accrued vacation pay			140,196	12,937		153,133
Total general long term debt			$293,472	$384,258	$114,850	$562,880

The legal debt margin of the City at June 30, 1987 was $38,814,834.

The following is a schedule of the minimum lease payments required under capitalized leases:

Fiscal Year	Principal	Interest	Total
1988	$ 86,800	$12,491	$ 99,291
1989	47,583	6,420	54,003
1990	42,641	3,479	46,120
1991	15,394	652	16,046
1992	1,329	7	1,336
	$193,747	$23,049	$216,796

The note payable shown in the Long-Term Debt Account Group is the balance due, at 0% interest, for property the county sold to the City to allow for development of the downtown waterfront through an Urban Development Action Grant. The balance of the Note is payable annually as follows:

Fiscal Year	Principal
1988	$72,000
1989	72,000
1990	72,000

BOROUGH OF CHAMBERSBURG, PA (DEC '86)

COMBINED BALANCE SHEETS—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Fiduciary Fund Type	Proprietary Fund Types		Account Groups General	Total Memorandum Only	
	General	Debt Service	Capital Projects	Trust and Agency	Enterprise	Internal Service	Long-Term Debt	1986	1985
Liabilities and Fund Equity									
Current Liabilities									
Current maturities of long-term debt (Note 5)	$ -0-	$-0-	$ -0-	$ -0-	$ 110,000	$ -0-	$ 125,000	$ 235,000	$ 265,656
Accounts payable	22,341	-0-	40,212	-0-	1,021,455	7,260	-0-	1,091,268	1,322,820
Accrued expenses	87,107	326	57	33,001	185,646	97,003	-0-	403,140	330,727
Customers' deposits	-0-	-0-	-0-	-0-	234,493	-0-	-0-	234,493	229,685
Deferred revenue	-0-	-0-	-0-	35,885	27,699	-0-	-0-	63,584	17,914
Due to other funds	-0-	-0-	-0-	-0-	-0-	282,250	-0-	282,250	311,762
Other payables	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	54,693
Liabilities payable from restricted assets:									
Accrued expenses	-0-	-0-	-0-	-0-	127,330	-0-	-0-	127,330	132,730
Current portion of long-term debt	-0-	-0-	-0-	-0-	180,000	-0-	-0-	180,000	170,000
Total Current Liabilities	109,448	326	40,269	68,886	1,886,623	386,513	125,000	2,617,065	2,835,987
Long-Term Debt (Note 5)									
General obligation bonds payable	-0-	-0-	-0-	-0-	-0-	-0-	1,580,000	1,580,000	1,705,000
Bonds payable, long-term portion	-0-	-0-	-0-	-0-	5,145,000	-0-	-0-	5,145,000	5,440,000
Lease rentals payable long-term portion	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Notes payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	43,335
Vested sick leave payable	-0-	-0-	-0-	-0-	-0-	-0-	22,230	22,230	25,180
Total Long-Term Debt	-0-	-0-	-0-	-0-	5,145,000	-0-	1,602,230	6,747,230	7,213,515
Total Liabilities	109,448	326	40,269	68,886	7,031,623	386,513	1,727,230	9,364,295	10,049,502

NOTES TO FINANCIAL STATEMENTS

Note 5—Long-Term Debt

(a) *Electric Revenue Bonds, Series of 1960 dated November 1, 1960*—In the aggregate principal amount of $1,100,000; due 1962 through 1989; interest rates of 2.7% to 6%; payable semiannually on May 1 and November 1. Outstanding at December 31, 1986, $100,000; due November 1, 1987, $40,000; due 1988 through 1989, $60,000.

(b) *Electric Revenue Bonds, Series of 1967 dated April 1, 1967*—In the aggregate amount of $600,000; due 1968 through 1987; interest rate of 3.375%; payable semiannually on May 1 and November 1. Outstanding at December 31, 1986, $30,000, due November 1, 1987, $30,000.

(c) *Electric Revenue Bonds, Series of 1972 dated February 15, 1972*—In the aggregate principal amount of $650,000; due 1972 through 1991; interest rates of 2.5% to 4.95%; payable semiannually on May 1 and November 1. Outstanding at December 31, 1986, $220,000: due November 1, 1987, $40,000; due 1988 through 1991, $180,000.

(d) *Water Revenue Bonds, Series of 1967 dated March 15, 1967*—In the aggregate principal amount of $4,335,000; due 1968 through 2002; interest rates of 3.4% to 3.6%; payable semiannually on January 1 and July 1. Outstanding at December 31, 1986, $2,050,000: due January 1, 1987, $105,000; due 1988 through 2002, $1,945,000.

(e) *Water Revenue Bonds, Series of 1969 dated January 1, 1969*—In the aggregate principal amount of $3,900,000; due 1970 through 2009; interest rates of 5% to 5.5%; payable semiannually on January 1 and July 1. Outstanding at December 31, 1986, $3,035,000: due January 1, 1987, $75,000; due 1988 through 2009, $2,960,000.

(f) *General Obligation Bonds, Series of 1968 dated October 1, 1968*—In the aggregate principal amount of $1,400,000; due serially 1969 through 1996; interest rates of 3% to 5.5%; payable semiannually on April 1 and October 1. Outstanding at December 31, 1986, $500,000: due October 1, 1987, $50,000; due 1988 through 1996, $450,000.

(g) *General Obligation Bonds, Series of 1973 dated May 15, 1973*—In the aggregate principal amount of $1,930,000; due serially 1974 through 1998; interest rates of 3.9% to 5.3%; payable semiannually on May 15 and November 15. Outstanding at December 31, 1986, $1,205,000: due May 15, 1987, $75,000; due 1988 through 1998, $1,130,000.

(h) *Vested sick leave payable*—Vested sick leave payable at December 31, 1986, represents a portion of unused employee sick time which vests to employees under the terms of collective bargaining agreements. These deferred amounts are payable upon an employee's retirement or separation from the Borough.

HARFORD COUNTY, MD (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups			
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Higher Education Funds	Total (Memorandum Only)
Liabilities and Equity										
Liabilities:										
Due to Other Funds....	$22,093,893	$ 353,049	$155,349		$283,598		$		$ 96,426	$ 22,982,315
Vouchers Payable	467,977	1,798,646	374,835	$ 433,128	92,152				292,533	3,459,271
Taxes and Interest Payable to State of Maryland	44,132									44,132
Performance Deposits .		260,598								260,598
Capital Lease Obligations				2,900,437	9,793			$ 192,135		3,102,365
Bonds Payable..........				19,823,913				31,181,550		51,005,463
Escrow Accounts.......	795,396	405,385		137,596						1,338,377
Tax Sale Surplus	9,127									9,127
Accrued Salaries & Wages		8,059,898							487,773	8,547,671
Deferred Revenue		181,536							130,968	312,504
Accrued Interest Payable				393,957						393,957
School Funds Payable .						$246,753			60,389	307,142
Est. Pay. for Outstanding Claims...........					250,216					250,216
Pension Funds To Be Provided.............								2,506,280		2,506,280
Accumulated Leave		99,788		268,893				5,823,798		6,192,479
Deferred Revenues—Water & Sewer Benefit Assessments................				7,075,537						7,075,537
Notes Payable...........								178,192		178,192
Retainage on Construction Contracts .			89,064							89,064
Total Liabilities	$23,410,525	$11,158,900	$619,248	$31,033,461	$635,759	$246,753		$39,881,955	$1,068,089	$108,054,690

NOTES TO FINANCIAL STATEMENTS

(8) Long-Term Debt

The following is a summary of long-term debt transactions of the County Government for the year ended June 30, 1987.

	Balance July 1, 1986	Debt Issued	Debt Retired	Balance June 30, 1987
General Bond and Notes Payable..	$35,010,290	$25,684	$3,676,232	$31,359,742
Water and Sewer Bond and Notes Payable..	25,747,010		5,958,952	19,788,158
	$60,757,300	$25,684	$9,635,184	$51,147,900

All general obligation bonds are valid and legally binding general obligations of Harford County, and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. Such bonds are payable from ad valorem taxes, unlimited as to rate or amount on all real tangible, personal, and certain intangible property subject to taxation at full rates for local purposes in the County. Public Building Bonds of 1970 and 1982 are payable in the first instance from Revenue Sharing monies. School Bonds of 1968 #1, #2, 1970, 1972, 1975, 1978, 1980, 1982, School EPA Loan of 1985, School Loans of 1983, and Building Bonds of 1982 are payable in the first instance from Recordation Tax revenues. The State of Maryland will reimburse the County for debt service on school bonds outstanding as of June 10, 1967, as provided for by legislation enacted by the Maryland General Assembly in 1971.

Water and Sewer bonds are payable from investment income of the Water and Sewer Funds, area connection charges, benefit and surcharge assessments, and recordation taxes.

In 1979, Harford Memorial Hospital and Harford County government entered into an agreement under which the proceeds of hospital bonds were loaned to the Hospital. Under the loan agreement, the hospital was required to make payments sufficient to provide for the payment of principal and interest. Additionally, in 1967 and 1970, the County has issued bonds from which the proceeds were used to finance construction and/or major improvements at Harford Memorial Hospital. Harford County owned the hospital building and land and leased them to the Hospital.

On December 31, 1986, Harford County and the Hospital entered into an agreement under which the Hospital paid Harford County $4,789,903 on June 29, 1987, and the County transferred the deed for the building and land to the Hospital. The Hospital was released from its requirement to make payments on the 80 bond issue.

At June 30, 1987, balances outstanding on the hospital bond issues were as follows:

	Principal	Interest	Total Requirements
1967 Bond Issue	$ 500,000	$ 52,500	$ 552,500
1970 Bond Issue	400,000	13,075	413,075
1980 Bond Issue	3,595,000	1,994,225	5,589,225
	$4,495,000	$2,059,800	$6,554,800

The annual requirement to amortize long-term debt outstanding as of June 30, 1987 is as follows:

Fiscal Year Ending June 30	General Obligation Bonds Principal	Interest	Total Requirements
1988	$ 3,725,540	$ 1,938,418	$ 5,663,958
1989	3,320,540	1,717,329	5,037,869
1990	3,321,405	1,517,153	4,838,558
1991	3,332,271	1,332,476	4,664,747
1992	2,598,136	1,152,551	3,750,687
1993	2,474,002	988,205	3,462,207
1994	2,099,865	834,600	2,934,465
1995	1,861,599	704,678	2,566,277
1996	1,652,464	588,985	2,241,449
1997	1,429,196	473,102	1,902,298
1998	1,431,792	366,834	1,798,626
1999	1,176,884	261,800	1,438,684
2000	1,241,884	171,200	1,413,084
2001	466,884	78,000	544,884
2002	466,884	46,800	513,684
2003	466,884	15,600	482,484
2004	76,884		76,884
2005	38,436		38,436
	$31,181,550	$12,187,731	$43,369,281

(continued)

Fiscal Year Ending June 30	Water and Sewer Bonds Principal	Interest	Total Requirements
1988	$ 1,624,984	$ 905,226	$ 2,530,210
1989	1,676,096	819,448	2,495,544
1990	1,717,295	733,959	2,451,254
1991	1,758,588	649,879	2,408,467
1992	1,759,984	564,524	2,324,508
1993	1,816,487	476,859	2,293,346
1994	1,808,112	387,101	2,195,213
1995	1,809,864	300,318	2,110,182
1996	1,641,756	228,852	1,870,608
1997	1,493,800	174,393	1,668,193
1998	981,008	127,145	1,108,153
1999	433,393	87,758	521,151
2000	435,972	72,180	508,152
2001	38,759	69,193	107,952
2002	41,775	66,178	107,953
2003	45,034	62,917	107,951
2004	48,564	59,389	107,953
2005	52,382	55,571	107,953
2006	56,516	51,436	107,952
2007	60,991	46,961	107,952
2008	65,838	42,112	107,950
2009	71,092	36,861	107,953
2010	76,783	31,170	107,953
2011	82,727	25,001	107,728
2012	51,945	18,326	70,271
2013	56,899	13,372	70,271
2014	63,595	7,945	71,540
2015	17,919	1,882	19,801
	$19,788,158	$6,115,956	$25,904,114

Schedules of long-term debt outstanding are as follows:

General Bonded Debt:	
Public School Construction Bonds of 1963 3%—3.1%—3.2%—.1%—due serially to 1988	$ 320,000
Public School Construction Bonds of 1965 5%—4.6%—3.2%—3.25%—.1%—due serially to 1991	1,200,000
Public School Construction Bonds of 1968—1st issue 5%—4.625%—4.2%—4.25%—4.3%—4.4%—4.6%—.3%—due serially to 1993	600,000
Public School Construction Bonds of 1968—2nd issue 5%—4.75%—4.8%—3.5%—due serially to 1994	980,000
Public School Construction Bonds of 1970 8%—6.6%—6.1%—6.2%—.1%—due serially to 1991	1,000,000
Public School Construction Bonds of 1972 5.5%—4.4%—4.25%—4.4%—4.5%—4.6%—4.7%—4.8%—3.5%—due serially to 1993	600,000
Public School Construction Bonds of 1975 6.5%—5.9%—5.3%—5.6%—5.7%—5.8%—5.9%—6%—4.5%—due serially to 1996	755,000
Public School Construction Bonds of 1978 6%—5.7%—4.75%—4.9%—5%—4%—due serially to 1998	754,050

Public School Construction Bonds of 1980 8.5%—7.5%—7.6%—7.7%—7.8%—7.9%—8%—due serially to 2000	459,700
Public School Construction Bonds of 1982 9.75%—10%—9.875%—9%—9.1%—9.24%—9.4%—9.5%—8%—due serially to 2002	1,783,056
Public School Construction and Capital Improvement Loan of 1983 8.2%—due serially to 1998	141,086
Public School Asbestos Hazard Abatement Program Loan of 1985 0%—due serially to 2004	1,345,464
Harford Community College Construction Bonds of 1972 5.5%—4.4%—4.25%—4.4%—4.5%—4.6%—4.7%—4.8%—3.5%—due serially to 1993	600,000
Public Building Bonds of 1970 8%—6.6%—6.1%—6.2%—6.25%—.1%—due serially to 1991	300,000
Public Building Bonds of 1974 8%—6.75%—6%—6.1%—6.25%—.1%—due serially to 1995	2,040,000
Public Building Bonds of 1975 6%—5.9%—5.3%—5.4%—5.6%—5.7%—5.8%—5.9%—6%—4.5%—due serially to 1996	955,000
Public Building Bonds of 1978 6%—5.7%—4.75%—4.9%—5%—4%—due serially to 1998	1,830,950
Public Building Bonds of 1980 8.5%—7.5%—7.6%—7.7%—7.75%—7.8%—7.9%—8%—due serially to 2000	5,075,300
Public Building Bonds of 1982 9.75%—10%—9.875%—9%—9.1%—9.25%—9.4%—9.5%—8%—due serially to 2002	5,851,944
Harford County Hospital Bonds of 1967 3.4%—3.5%—due serially to 1992	500,000
Harford County Hospital Bonds of 1970 8%—6.6%—6.1%—6.2%—6.25%	400,000
Harford County Hospital Bonds of 1980 8.5%—7.5%—7.6%—7.7%—7.75%—7.8%—7.9%—8%—due serially to 2000	3,595,000
Public Roads Bond of 1978 5.9%—6%—5.8%—4.2%—4.3%—4.4%—4.5%—4.6%—4.7%—4.75%—due serially to 1988	95,000
Total	$31,181,550

Water and Sewer Debt:

First issue dated June 1958 Interest—3% due serially as follows: $15,000 due June 1, 1979 thru 1988	$ 15,000
Third issue dated April 1, 1961 Interest—.25%—3.4%—due serially as follows: $5,000—due April 1, 1974 thru 1988	5,000
Fourth issue dated November 1, 1962 Interest—3%—2.5%—2.75%—due serially as follows: $ 5,000—due November 1, 1973 thru 1991 $10,000—due November 1, 1992	35,000
Fifth issue dated August 1, 1964 Interest—5%—4.5%—3.9%—3.1%—3.2%—3.25%—3.3%—.1%—due serially as follows: $200,000 due August 1, 1973 thru 1982 $215,000 due August 1, 1983 thru 1985 $220,000 due August 1, 1986 thru 1994	1,760,000
Sixth issue dated February 1, 1967 Interest—3.7%—3.4%—3.5%—3.6%—due serially as follows: $215,000 due February 1, 1974 thru 1997	2,150,000
Seventh issue dated March 1, 1968 Interest—5%—4.6%—4.5%—4.4%—due serially as follows: $200,000—due March 1, 1976 thru 1995 $250,000—due March 1, 1996 thru 1998	2,350,000
Eighth issue dated September 1, 1970 Interest—8%—6%—5.9%—6.1%—6.2%—6.3%—6.4%—.1%—due serially as follows: $130,000—due September 1, 1978 thru 1987 $150,000—due September 1, 1988 thru 1995	1,330,000
Ninth issue Interest—7%—5.3%—5%—1%—due serially as follows: $260,000—due November 1, 1979 thru 1988 $300,000—due November 1, 1980 thru 1996	2,920,000
Tenth issue dated December 1, 1972 Interest—7%—6.4%—4.75%—4.8%—4.9%—5%—.1%—due serially as follows: $260,000—due December 1, 1980 thru 1989 $300,000—due December 1, 1991 thru 1997	3,180,000
Eleventh issue dated July 15, 1974 Interest—8%—6%—6.1%—6.2%—6.25%—6.3%—6.4%—.1%—due serially as follows: $300,000—due July 15, 1979 thru 1987 $350,000—due July 15, 1988 thru 1991 $400,000—due July 15, 1992 thru 1999	4,900,000
State of Maryland Construction Loan, September 30, 1980 Sod Run Project—Water Quality Interest—6.09956% Maturity 2010	468,531
State of Maryland Construction Loan, February 21, 1984 Sod Run Project—Water Quality Interest—9.196284% Maturity 2014	495,734
Willoughby Beach Water Supply Project Series A Bond Interest—10.5% Maturity February 22, 2015	178,893
Total	$19,788,158

CITY OF SIERRA VISTA, AZ (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) June 30,	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	1987	1986
Liabilities											
Accounts payable ...	$125,878	$118,933	$1,131	$481,095	$ 5,385	$ 1,516				$ 733,938	$ 779,100
Due to other funds (Note 16)				109,204						109,204	178,604
Current portion of long-term debt (Note 7)					53,003					53,003	63,282
Accrued salaries and withholdings	143,842	20,408			19,852					184,102	151,208
Customer deposits and employee benefits payable..							$170,182			170,182	82,636
Accrued vacation payable						322,214				322,214	275,001
Bonds and interest payable											24,997
Other liabilities	11,605				47,706		815		$7,529,767	7,623,513	6,480,448
Long-term debt (Notes 6 and 7)..					93,746						
Advances from General Fund (Note 14)					909,024					909,024	1,091,386
Total liabilities	281,325	139,341	1,131	590,299	1,128,716	323,730	170,997		7,529,767	10,165,306	9,144,322

NOTES TO FINANCIAL STATEMENTS

6. Changes in General Long-Term Debt

A summary of changes in General Long-Term Debt follows:

	Balance at July 1, 1986	Additions	Repayments/ Retirements	Balance at June 30, 1987
Revenue bonds	$6,290,000	$1,225,000	$310,000	$7,205,000
Installment purchase contract	60,472	277,140	12,845	324,767
	$6,350,472	$1,502,140	$322,845	$7,529,767

7. Long-Term Debt

Enterprise Funds	
A. Note payable in monthly installments of $1,052 with interest payable quarterly at 9.5% until March 1989; one refuse truck pledged as collateral (paid by Refuse Fund)	$ 22,090
B. Note payable in quarterly installments of $5,859 including interest at 7.3% until January 1991; one refuse truck pledged as collateral (paid by Refuse Fund).........	76,394
C. Note payable in monthly installments of $1,633 including interest payable quarterly at 9.5% until March 1989; one sewer rodder pledged as collateral (paid by Sewer Fund)	34,300
D. Note payable in three installments per year of $1,113 each including interest at 6.9% until April 1992; secured by specified transportation equipment (paid by Sewer Fund)	13,965
Less current portion	−53,003
Total Enterprise Fund Long-Term Debt	$ 93,746
General Long-Term Debt	
Revenue bonds:	
A. 1981 Sierra Vista Municipal Property Corporation Lease Revenue Bonds issued for the purpose of building a public library; due in varying annual installments through 1996 with interest ranging from 8.75% to 11% (paid by Library Interest and Redemption Fund).	$ 440,000

B. 1985 Highway User Bonds issued for the purpose of repairing infrastructure and building new roads; due in varying annual installments through 1997 with interest ranging from 5.5% to 12% (paid by Street Improvement Interest and Redemption Fund)	4,275,000
C. 1986 Highway User Bonds issued for the purpose of building new roads, due in varying annual installments through 2000 with interest ranging from 7.5% to 9.5% (paid by Street Improvement Interest and Redemption Fund)	1,265,000
Revenue bonds:	
D. 1987 Highway User Bonds issued for the purpose of repairing & building new roads; due in varying annual installments through 2000 with interest ranging from 5.5% to 7.25% (paid by Street Improvement Interest and Redemption Fund)	1,225,000
Installment purchase contracts:	
A. Note payable in monthly installments of $1,303 including interest at 7.5% until January 1991; one motor grader pledged as collateral (paid by Highway User Revenue Fund)	48,986
B. Note payable in quarterly installments of $1,940 including interest at 7% until March 1992; secured by specified computer equipment (paid by General Fund)	31,141
C. Note payable in three installments per year of $19,498 including interest at 6.9% until April 1992; secured by specified transportation equipment (paid 74.1% by General Fund, 20.5% by Highway User Revenue Fund)	244,640
Total General Long-Term Debt	$7,529,767

The annual requirements to amortize all debt outstanding as of June 30, 1987, including interest payments of $4,415,971, is as follows:

Year ending June 30,	Enterprise Funds	Revenue Bonds	Installment Contracts	Total
1988	$ 62,954	$ 991,865	$ 81,886	$ 1,136,705
1989	51,901	985,591	81,886	1,119,378
1990	26,777	989,556	81,886	1,098,219
1991	20,917	990,104	75,373	1,086,394
1992	3,339	986,334	64,314	1,053,987
1993-1997		4,903,675		4,903,675
1998-2000		1,694,129		1,694,129
	$165,888	$11,541,254	$385,345	$12,092,487

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. L20.111. See pages 3-34 through 3-37 which have illustrations from the footnotes 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 that is 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" may also refer to that portion of the fund balance that is 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 of a reserve 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. 1800.124, 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 may also 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, should also 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	**1987**	**1986**
Employee retirement	240	NC
Encumbrances	222	112
Debt service	154	80
Inventories[1]	154	80
Employee retirement system[2]	53	37
Reserved (unspecified)	53	26
Prepaid expenses	40	7
Capital projects	39	19
Advance to other funds	21	11
State statute	18	15
Self-insurance	14	8

[1]Includes inventory and prepaid expenses, and inventory of supplies.
[2]Includes employee retirement.

TABLE 3-18. RETAINED EARNINGS RESERVED—"RETAINED EARNINGS RESERVED FOR. . ."

	Instances Observed	
Account Title	**1987**	**1986**
Revenue bond retirement[1]	90	54
Reserved (unspecified)	51	26
Construction	13	4
Self-insurance	8	3

[1]Includes any bond retirement, or debt service.

TABLE 3-19. CAPITAL CONTRIBUTIONS TO FUND EQUITY

	Instances Observed	
Account Title	**1987**	**1986**
Contributed capital[1]	251	207
Contributions	20	11

[1]Includes contributed capital from any fund or entity.

TABLE 3-20. INVESTMENT IN GENERAL FIXED ASSETS

	Instances Observed	
Account Title	**1967**	**1986**
Investment in general fixed assets[1]	343	284
Invested in fixed assets	21	17

[1]Includes investments in general fixed assets and capital leases.

KING COUNTY, WA (JUN '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

		Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups	
	Total (Memo Only) (a)	Current Expense (General)	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt
Fund Equity										
Contributions	$ 99,764,590					$ 96,037,663	$ 3,726,927			
Investment in General Fixed Assets............	373,670,949								$373,670,949	
Retained Earnings										
Reserved For Final Revenue Bond Retirement	137,750					137,750				
Unreserved Undesignated	38,889,332					25,981,765	12,907,567			
Fund Balances										
Reserved For Inventory........	183,853	$ 183,853								
Reserved For Noncurrent Investments ..	178,270		$ 178,270							
Reserved For Encumbrances ..	2,089,011	453,772	1,635,239							
Reserved For Interfund Loans	2,320,047	2,320,047								
Reserved For Crime Victim Compensation Program	139,023	139,023								
Unreserved										
Designated For Capital Projects ...	3,279,629	3,279,629								
Designated For Renton Shop Capital Projects ...	290,802		290,802							
Designated For Carry-forward Appropriation	510,549	227,014	283,535							
Undesignated (Deficit) ...	110,106,886	15,717,987	13,340,374	$12,070,085	$67,994,805			$983,635		
Total Retained Earnings Fund Balances	158,125,152	22,321,325	15,728,220	12,070,085	67,994,805	26,119,515	12,907,567	983,635	-0-	-0-
Total Fund Equity	631,560,691	22,321,325	15,728,220	12,070,085	67,994,805	122,157,178	16,634,494	983,635	$373,670,949	-0-

NOTES TO FINANCIAL STATEMENTS

Note 4—Fund Balance And Retained Earnings Deficits

Fund Deficits

Surface Water Management Fund—The deficit of $2,096,027 is the result of this fund acquiring the assets and liabilities of two other funds. The Retention/Detention Facilities Management Fund which had a deficit of $364,651 as the result of start-up expenditures exceeding revenues and current revenues only covering current expenditures, and the Surface Water Utility Fund with a deficit of $1,731,376 the result of expenditures made to conduct studies and implement the County Surface Water Management Program. Plans are to use part of the Surface Water Program rate charges on developed property in unincorporated western King County beginning in 1987 to eliminate the deficit.

Building And Land Development Fund—The deficit of $255,996 is due to a lowered rate request in 1985 and a beginning Fund Balance that was not sufficient to cover the increase in expenditures over revenues. The fee schedule was adjusted in 1986 and again in 1987 and is expected to eliminate the fund deficit in 1987. The long range plan over a four- to five-year period is to increase Fund Balance to a level that will absorb the wide fluctuations in revenue and expenditures in this fund.

Surface And Storm Water Management Construction Fund—The deficit of $593 is to be eliminated by revenue contributions from other funds in the first half of 1987.

Jail Renovation And Construction Fund—The deficit of $993,967 is expected to be eliminated with funds from the State of Washington for phase two of jail renovation and construction. These funds are now frozen but it is expected that the legislature will release them in the next legislative session.

Road Improvement Districts Construction Fund—The deficit of $2,970,812 is the result of using short-term debt to finance the various construction projects of Road Improvement Districts. As the Capital Projects are completed, the short-term debt is paid off with assessments and the issuance of long-term bonds and the construction fund is closed.

Stadium Enterprise—The deficit of $4,263,696 is the result of losses from 1982 through 1986. The 1986 loss of $1,115,885 includes depreciation expense of $1,725,530 and lost revenue of $1,502,042 due to an amended Use Agreement between King County and the Seattle Mariners (baseball), dated October 24, 1985, regarding sharing of Stadium revenues, and lost revenue of $747,786 due to an agreement, retroactive to 1985 with Seattle Professional Football ("Seahawks") executed April 22, 1985.

Safety and Workers' Compensation Fund—The deficit of $219,393 was caused by net losses of $257,007 and $20,390 in 1984 and 1985, respectively. The rate the fund charges insured funds for workers' compensation coverage is based on the current costs of the program and to maintain reserves for known claims, but does not cover a factor for claims to be filed in the coming year on occurrences of the current year. Due to the funding philosophy the fund is not expected to achieve a positive Retained Earnings unless the rate setting assumptions are changed.

Insurance Fund—The deficit of $2,852,833 was caused by net losses in the years 1983 through 1986. The losses were caused by the accrual of estimated claim settlements and loss expenses for the estimated settlement value of claims reported and unreported which will not actually be paid for several years. Hence, while the Retained Earnings may be in a deficit position, the fund has sufficient assets to meet its claim settlement and loss expenditures as they become payable. The County Executive has approved a catastrophic loss financing plan for the County which includes the creation of a catastrophic loss reserve of $10 million over the next several years. The initial contribution for the catastrophic loss revenue will be included in the 1988 Executive Proposed Budget.

Life Insurance Fund—The deficit of $11,675 is the result of a net loss of that amount in 1986. The loss was a result of inadequate funding of the life insurance program for disabled employees whose premium has been waived. It is anticipated that the funding of the life insurance program will be increased in 1987 to eliminate the deficit Fund Balance by year-end 1987.

COUNTY OF STAFFORD, NH (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
Fund Equity:								
Contributed capital: federal	—	—	—	236,069	—	—	—	236,069
Contributed capital: county	—	—	—	1,123,588	—	—	—	1,123,588
Contributed capital: donations	—	—	—	8,325	—	—	—	8,325
Investment in general fixed assets	—	—	—	—	—	8,108,634	—	8,108,634
Retained earnings	—	—	—	541,253	—	—	—	541,253
Fund Balance:								
Unreserved:								
Designated for specific appropriations	15,039	61,497	—	—	—	—	—	76,536
Undesignated	200,184	—	—	—	—	—	—	200,184
Total Fund Equity	215,223	61,497	—	1,909,235	—	8,108,634	—	10,294,589
Total Liabilities and Fund Equity	$1,606,480	$71,693	$23,744	$4,101,486	$128,197	$8,108,634	$3,382,047	$17,422,281

CITY OF MANCHESTER, NH (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Total
	General	Special Revenue	Capital Projects	Special Assessment	Enterprise	Trusts	General Long-Term Debt	(Memorandum Only)
Fund equity:								
Contributed capital (Note 10)...........					$44,463,341			$ 44,463,341
Retained earnings (Note 10):								
Reserved for equipment replacement					1,094,762			1,094,762
Unreserved.........					15,032,336			15,032,336
Fund balances:								
Reserved for:								
Encumbrances (Note 1)	$ 1,108,658							1,108,658
Continued appropriations (Note 1).............		$2,460,193						2,460,193
Cemetery and other trust funds.........						$ 4,860,386		4,860,386
Library trust funds.........						581,374		581,374
Workmen's compensation...........	1,014,186							1,014,186
Incurred but unreported claims........	457,343							457,343
Employees' retirement system.......						22,404,019		22,404,019
Unreserved:								
Designated for continued appropriations (Note 1).............	1,038,206							1,038,206
Designated for capital projects			$3,820,371					3,820,371
Undesignated ..	2,158,171	2,255,945		$125,000				4,539,116
Total fund equity.....	5,776,564	4,716,138	3,820,371	125,000	60,590,439	27,845,779		102,874,291
	$17,379,842	$6,016,279	$7,438,429	$125,000	$80,836,623	$28,079,254	$52,836,350	$192,711,777

See accompanying notes.

1. Summary of Significant Accounting Policies [In Part]

Expenditures and encumbrances

Expenditures are recorded on an accrual basis. Encumbrances are recorded in the governmental fund types for commitments for which no firm liability exists.

Continued appropriations

Appropriations for certain capital projects and special revenue projects not fully expended at the end of a fiscal year-end are carried forward as continued appropriations because the appropriations do not lapse. At the fiscal year-end, the continued appropriations are reported as a component of the fund balance. Funds designated as continued appropriations in the general fund represent intentions of City management to expend current appropriations in future periods. The designation is not binding as City ordinance provides that unexpended appropriations revert to unreserved fund balance.

10. Enterprise fund equity

Changes in enterprise fund equity during 1986 were as follows:

		Retained Earnings		
	Contributed capital	Reserved for equipment replacement	Unreserved	Total
Balance, beginning of year, after cumulative effect of accounting changes	$40,010,773	$1,083,119	$13,680,507	$54,774,399
Capital contributions	5,798,198			5,798,198
Net income			18,062	18,062
Transfer		35,652	(35,872)	(220)
Depreciation of assets funded by grants	(1,345,630)		1,345,630	
Acquisition of equipment		(24,009)	24,009	
Balance, end of year	$44,463,341	$1,094,762	$15,032,336	$60,590,439

SOUTH BURLINGTON SCHOOL DISTRICT (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types			Agency Funds	Account Groups	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Student Activities	General Long-Term Debt	June 30, 1987	June 30, 1986
Fund Balances/(Deficit):							
Restricted for Grant Expenditures	$ 0	$112,981	$ 0	$ 0	$ 0	$ 112,981	$ 116,596
Unrestricted:							
Undesignated	(914,907)	16,662	0	0	0	(898,245)	(800,442)
Designated	0	0	(6,505)	0	0	(6,505)	0
Total Fund Balances—Note 4	(914,907)	129,643	(6,505)	0	0	(791,769)	(683,846)
Total Liabilities & Fund Balances	$410,903	$143,781	$ 0	$28,829	$1,125,000	$1,708,513	$1,920,240

NOTES TO THE FINANCIAL STATEMENTS

Note 4: Fund Deficit

The Fund Balance deficiency in the General Fund results primarily from $1,073,109 of Accrued Salaries at June 30, 1987. As explained in Note 1, the School District budgets on the cash basis and these salaries are budgeted and paid in the fiscal year subsequent to the year earned by the employees.

PIMA COUNTY, AZ (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	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	1987	1986
Fund equity:											
Contributed capital					$200,750,845	$ 3,308,797				$ 204,059,642	$191,084,212
Investment in general fixed assets								$159,516,860		159,516,860	132,949,207
Retained earnings					21,271,760	5,287,943				26,559,703	19,754,723
Fund balances:											
Reserved for inventory	$ 372,962	$ 723,506								1,096,468	1,036,713
Reserved for improvement districts	504,951									504,951	504,951
Reserved for debt service			$20,309,273							20,309,273	25,813,524
Unreserved	2,281,706	2,071,979		$53,419,527						57,773,212	27,751,414
Total fund equity—Note 3	3,159,619	2,795,485	20,309,273	53,419,527	222,022,605	8,596,740		159,516,860		469,820,109	398,894,744
Total liabilities & fund equity	$22,755,795	$8,573,147	$31,147,142	$56,797,034	$300,711,192	$22,763,475	$164,350,859	$159,516,860	$279,091,424	$1,045,706,928	$941,173,042

NOTES TO FINANCIAL STATEMENTS

Note 3—Deficit Fund Balance or Retained Earnings of Individual Funds

The Health Fund, Animal Control Center and the Free Library District Fund had deficit unreserved fund balances of $145,521, $19,068 and $84,668 respectively as of June 30, 1987. The deficits arose due to shortages in budgeted revenues and unanticipated expenditures, however the deficits are expected to be corrected in fiscal year 1987–88.

Kino Hospital and Pima Health Plan had deficit balances of retained earnings at June 30, 1987 of $5,512,344 and $1,307,308 respectively. These deficits do not violate any statutory or contractual requirement and can be corrected in the future through normal operations or by operating transfers from the general fund.

CITY OF FORT COLLINS, CO (DEC '86)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Totals
Fund Equity:										
Contributed capital........	—	—	—	—	$ 60,266,066	$ 464,898	—	—	—	$ 60,730,964
Investment in general fixed assets	—	—	—	—	—	—	—	$74,899,537	—	74,899,537
Retained Earnings:										
Reserved for bond retirement............	—	—	—	—	3,512,199	—	—	—	—	3,512,199
Reserved for contractual obligation......	—	—	—	—	25,000	—	—	—	—	25,000
Unreserved............	—	—	—	—	74,304,007	2,964,393	—	—	—	77,268,400
Fund Balances:										
Reserved for long-term portion of notes receivable ...	—	$ 612,678	—	—	—	—	—	—	—	612,678
Reserved for inventories	—	135,464	—	$ 202,576	—	—	—	—	—	338,040
Reserved for lodging taxes	$ 301,492	—	—	—	—	—	—	—	—	301,492
Reserved for advance to other City funds	33,093	—	—	—	—	—	—	—	—	33,093
Reserved for encumbrances	543,655	510,577	—	1,864,060	—	—	—	—	—	2,918,292
Reserved for employees retirement.	—	—	—	—	—	—	$17,076,790	—	—	17,076,790
Reserved for capital improvements......	—	—	—	7,147,224	—	—	—	—	—	7,147,224
Reserved for debt service	—	9,324,447	$3,457,777	—	—	—	—	—	—	12,782,224
Reserved for other purposes...........	1,212,443	6,080	—	—	—	—	—	—	—	1,218,523
Unreserved:										
Designated for subsequent year's expenditures............	—	13,674	—	—	—	—	—	—	—	13,674
Designated for capital improvements.....	84,848	4,880,475	—	—	—	—	—	—	—	4,965,323
Designated for other purposes.	1,732,542	32,256	—	—	—	—	—	—	—	1,764,798
Undesignated	2,451,165	2,508,711	—	—	—	—	—	—	—	4,959,876
Total Fund Equity........	6,359,238	18,024,362	3,457,777	9,213,860	138,107,272	3,429,291	17,076,790	74,899,537	—	270,568,127

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 that 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 have been met should be reported as a receivable in the financial statement. Where such resources have not met the revenue recognition criteria, any receipts should not be reported on the financial statements, although a disclosure in a footnote to the financial statement would be proper.

Expenditures

In addition to the fund classification, GASB Cod. Sec. 1800.116–.119 suggests that 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 in preparing future budgets and in setting standards against which future expenditure levels can be evaluated. Further, activity expenditure data provide a convenient starting point for calculating total and/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*. In this category are those 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 be clearly 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 that the modified accrual or accrual basis of accounting, as appropriate, should 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 that 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 that 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 P70.107 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 that 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 with respect to 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	**1987**	**1986**
Governmental units whose general-purpose financial statement included a combined statement of revenues, expenditures, and changes in fund balances	447	401
Governmental fund types identified:		
General fund	434	388
Special revenue funds	422	359
Capital projects funds	349	256
Debt service funds	326	243
Special assessment funds[1]	151	131
Expendable trust funds	194	128
Memorandum totals:		
Current and prior year	284	199
Current year only	160	179
Expenditures, grouped by		
program/function	442	NC[2]
character (current, capital, debt)	236	NC
organization/department	21	NC
Other financing sources (uses) separately identified	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.
[2]Not calculated.

Below are several examples of financial statements showing revenues, expenditures, and changes in fund balances.

PINELLAS COUNTY, FL (SEP '86)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

(dollars in thousands)

	Governmental Fund Types					Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Expendable Trust	Total (Memorandum Only)
REVENUES:							
Taxes	$ 54,345	$ 29,223	$13,588	$26,168	$ 54	$ —	$123,378
Licenses and permits	2,718	227	—	—	—	—	2,945
Intergovernmental revenue	35,714	12,281	—	606	—	—	48,601
Charges for services	10,289	2,406	—	173	—	527	13,395
Fines and forfeitures	4,480	—	—	—	—	—	4,480
Miscellaneous revenue	10,009	7,483	938	7,433	1,133	10	27,006
Total revenues	117,555	51,620	14,526	34,380	1,187	537	219,805
EXPENDITURES:							
Current:							
General government	36,763	10,991	—	—	—	—	47,754
Public safety	3,842	66,718	—	—	—	510	71,070
Physical environment	6,183	—	—	—	—	—	6,183
Transportation	—	6,653	—	8,263	570	—	15,486
Economic environment	737	8,029	—	—	—	—	8,766
Human services	13,402	3,377	—	—	—	—	16,779
Culture and recreation	5,633	100	—	—	—	—	5,733
Capital outlay	3,882	2,887	—	43,043	890	2	50,704
Debt service							
Principal retirement	40	1,883	4,200	5	—	—	6,128
Interest and fiscal charges	427	143	2,190	1	—	—	2,761
Total expenditures	70,909	100,781	6,390	51,312	1,460	512	231,364
Excess (deficiency) of revenues over expenditures	46,646	(49,161)	8,136	(16,932)	(273)	25	(11,559)
OTHER FINANCING SOURCES (USES):							
Proceeds from general obligation bonds	—	—	9,853	52,832	—	—	62,685
Proceeds from loan	1,606	300	—	4,674	—	—	6,580
Operating transfers—in	7,138	57,757	—	4,212	107	—	69,214
Operating transfers—out	(57,970)	(10,516)	—	(14)	(3)	—	(68,503)
Other sources (uses)	(36)	(309)	—	—	—	—	(345)
Total other financing sources (uses)	(49,262)	47,232	9,853	61,704	104	—	69,631
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,616)	(1,929)	17,989	44,772	(169)	25	58,072
Fund balances at beginning of year	35,533	12,746	503	40,367	2,965	—	92,114
Adjustment	—	—	—	—	—	149	149
Fund balances at beginning of year as restated	35,533	12,746	503	40,367	2,965	149	92,263
Decrease in reserve for inventory	—	36	—	—	—	(1)	35
Fund balances at end of year	$ 32,917	$ 10,853	$18,492	$85,139	$2,796	$173	$150,370

The accompanying notes are an integral part of this statement.

MOUNTAIN HOME SCHOOL DISTRICT #193, ID (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—ALL GOVERNMENTAL FUND TYPES

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Plant Facilities	FYE 6/30/87	FYE 6/30/86
Revenues						
Taxes	$ 963,129	$ —	$ 186,695	$ 317,898	$ 1,467,722	$ 1,341,543
Tuition	5,895	—	—	—	5,895	6,820
Earnings on Investments	62,422	—	18,635	86,772	167,829	100,458
State Apportionment	4,045,509	—	—	—	4,045,509	4,014,529
Public Law #874	1,751,340	—	—	—	1,751,340	1,691,251
Other Local Revenue	32,590	—	—	—	32,590	32,675
Other State Support	67,203	—	—	—	67,203	—
Transportation	353,262	—	—	—	353,262	326,093
Ancillary Personnel	358,659	—	—	—	358,659	368,393
State and Federal Assistance	—	589,433	—	—	589,433	593,676
Sale of Lunches	—	225,712	—	—	225,712	205,264
Commodities Received	—	83,245	—	—	83,245	76,979
Sale of Assets	—	—	—	950	950	—
Other Revenue	—	—	—	—	—	—
Indirect Costs	—	—	—	—	—	—
Reimbursements	—	—	—	8,386	8,386	—
House Bill #747	—	—	—	—	—	30,918
FICA Reimbursement	167,017	12,280	—	—	179,297	—
Total Revenue	$ 7,807,026	$ 910,670	$ 205,330	$ 414,006	$ 9,337,032	$ 8,788,599
Expenditures						
Salaries	$ 5,866,499	$ 414,790	$ —	$ —	$ 6,281,289	$ 6,158,693
Benefits	586,142	59,611	—	—	645,753	412,392
Purchase Services	905,257	91,204	—	—	996,461	1,017,037
Supply—Material	388,006	242,157	—	—	630,163	551,327
Insurance—Judgment	69,237	1,375	—	—	70,612	114,877
Capital Objects	7,127	34,408	—	2,590,171	2,631,706	373,692
Commodities Expense	—	83,245	—	—	83,245	76,979
Interest Expense and Agent Fee	2,196	—	232,771	—	234,967	47,023
Debt Retirement	4,202	—	65,000	—	69,202	60,716
Total Expenditures	$ 7,828,666	$ 926,790	$ 297,771	$ 2,590,171	$ 11,643,398	$ 8,812,736
Excess (Deficiency) of Revenues Over Expenditures	$ (21,640)	$ (16,120)	$ (92,441)	$(2,176,165)	$ (2,306,366)	$ (24,137)
Other Finance Sources and (Uses)						
Transfers In	$ 3,881	$ 29,782	$ —	$ —	$ 33,663	$ 47,453
Transfers Out	(29,782)	(3,881)	—	—	(33,663)	(47,453)
Sale of Bonds	—	—	—	2,250,000	2,250,000	—
Total Other Financing Sources (Uses)	$ (25,901)	$ 25,901	$ —	$ 2,250,000	$ 2,250,000	$ —
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	$ (47,541)	$ 9,781	$ (92,441)	$ 73,835	$ (56,366)	$ (24,137)
Fund Balance Beginning of Year	$ 111,734	$ 75,881	$ 312,753	$ 93,759	$ 594,127	$ 594,692
Prior Period Adjustment—See Note 16	—	—	—	—	—	23,572
Adjusted Fund Balance Beginning of Year	$ 111,734	$ 75,881	$ 312,753	$ 93,759	$ 594,127	$ 618,264
Fund Balance End of Year	$ 64,193	$ 85,662	$ 220,312	$ 167,594	$ 537,761	$ 594,127

See Accountants' Audit Report, Accompanying Summary of Significant Accounting Policies, and Notes.

CHATHAM COUNTY, GA (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only) 1986	1985
REVENUES:						
Property taxes	$28,589,546		$1,150,894		$29,740,440	$27,782,147
Other taxes	6,159,875				6,159,875	5,557,956
Licenses and permits	1,295,493				1,295,493	1,130,879
Intergovernmental revenues	2,609,863	$1,314,337		$21,781,322	25,705,522	5,467,821
Fines and fees	2,581,467				2,581,467	2,505,465
Commissions and interest	1,321,294	128,541	27,180	654,324	2,131,339	1,227,772
Other revenues	3,155,881	44,718			3,200,599	2,701,842
Total revenues	45,713,419	1,487,596	1,178,074	22,435,646	70,814,735	46,373,882
EXPENDITURES:						
Current:						
General government	6,329,353	246,380			6,575,733	5,264,048
Judiciary	5,900,610	96,325			5,996,935	5,522,040
Public safety	4,694,200	265,434			4,959,634	4,905,856
Public works	4,942,301	79,609			5,021,910	5,442,074
Health	9,721,223	459,512			10,180,735	9,599,643
Welfare	672,436	9,595			682,031	690,152
Culture and recreation	2,821,188	230,090			3,051,278	3,144,632
Penal and rehabilitation	3,953,411	44,986			3,998,397	3,626,561
Insurance and bonds	442,121				442,121	491,355
Other government services	1,255,745	32,422			1,288,167	1,336,939
Capital outlay				2,179,455	2,179,455	152,816
Debt service:						
Principal retirement			800,000		800,000	790,000
Interest and fiscal charges			135,466		135,466	163,813
Total expenditures	40,732,588	1,464,353	935,466	2,179,455	45,311,862	41,129,929
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,980,831	23,243	242,608	20,256,191	25,502,873	5,243,953
OTHER FINANCING SOURCES (USES):						
Operating transfers in	290,470	100,863			391,333	716,951
Operating transfers out	(100,863)	(290,470)			(391,333)	(716,951)
Total other financing sources (uses)	189,607	(189,607)				
EXCESS (DEFICIENCY) OF REVENUES AND OPERATING TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	5,170,438	(166,364)	242,608	20,256,191	25,502,873	5,243,953
FUND BALANCES, BEGINNING OF YEAR	5,935,561	1,610,013	549,695	760,073	8,855,342	3,799,389
RESIDUAL EQUITY TRANSFER TO THE INTERNAL SERVICE FUND	(500,000)				(500,000)	(188,000)
FUND BALANCES, END OF YEAR	$10,605,999	$1,443,649	$ 792,303	$21,016,264	$33,858,215	$ 8,855,342

The accompanying notes are an integral part of these financial statements.

CITY OF MESA, AZ (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

	Governmental Fund Types					Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Expendable Trust	1987	1986
Revenues:								
Taxes	$33,671,113	$ 1,335,325	$	$	$	$	$ 35,006,438	$ 31,877,141
Special Assessments					621,336		621,336	174,937
Licenses and Permits	2,311,568						2,311,568	2,154,424
Intergovernmental Revenues	32,242,139	20,028,040		265,794			53,535,973	39,223,828
Charges for Services	2,039,162	104,852					2,144,014	2,188,623
Fines and Forfeitures	1,561,310						1,561,310	1,493,401
Interest	3,356,197	853,014			378,562	145,682	4,733,455	5,160,251
Contributions						3,465,056	3,465,056	2,944,888
Miscellaneous Revenues	1,492,077	198			76,398	106,390	1,675,063	861,771
Total Revenues	76,673,566	22,321,429	-0-	1,265,794	1,076,296	3,717,128	105,054,213	86,079,264
Expenditures:								
Current:								
General Government	9,207,317					4,387,233	13,594,550	10,721,149
Public Safety	42,029,212						42,029,212	34,683,672
Cultural-Recreational	12,433,188						12,433,188	10,565,650
Community Environment	6,521,294	11,327,091					17,848,385	14,608,063
Bad Debts	319,971						319,971	256,430
Capital Outlay	19,541,130	11,809,098		5,690,563	463,027		37,503,818	35,178,764
Debt Service:								
Principal Retirement			1,683,160				1,683,160	32,560,126
Interest on Bonds			3,680,149		612,846		4,292,995	4,310,012
Interest on Notes			17,107				17,107	18,522
Loss on Advanced Refunding Debt								290,482
Total Expenditures	90,052,112	23,136,189	5,380,416	5,690,563	1,075,873	4,387,233	129,722,386	143,192,870
Revenues Over (Under) Expenditures	(13,378,546)	(814,760)	(5,380,416)	(4,424,769)	423	(670,105)	(24,668,173)	(57,113,606)
Other Financing Sources (Uses):								
Proceeds From Refunding Issue								31,245,482
Proceeds From Bond Sales								
Proceeds From Obligations of Capital Leases	1,350,016						1,350,016	277,300
Operating Transfers In	14,890,235	139,800	5,380,416				20,410,451	19,414,182
Operating Transfers (Out)	(4,874,210)	(556,006)					(5,430,216)	(5,675,631)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,012,505)	(1,230,966)	-0-	(4,424,769)	423	(670,105)	(8,337,922)	(11,852,273)
Fund Balances (Deficits)—Beginning	7,403,748	10,693,176	-0-	26,345,423	(6,130,593)	1,306,396	39,618,150	51,470,423
Fund Balances (Deficits)—Ending	$ 5,391,243	$ 9,462,210	$ -0-	$21,920,654	$(6,130,170)	$ 636,291	$ 31,280,228	$ 39,618,150

The accompanying notes are an integral part of the financial statements.

CITY OF RENO, NV (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

		Governmental Fund Types					Fiduciary Fund Type	Totals (Memorandum Only)	
	Notes	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Expendable Trust	1987	1986
REVENUES:									
Taxes	3	$ 2,157,999	$ 19,371	$8,467,475	$ 1,585,893	$ —	$ —	$12,230,738	$10,598,959
Special assessments		—	—	—	—	395,327	—	395,327	564,691
Licenses and permits		12,230,007	127,150	—	—	—	—	12,357,157	8,296,880
Intergovernmental		20,396,216	4,328,962	—	4,379	—	73,598	24,803,155	22,137,412
Charges for services		2,592,356	124,608	—	—	—	—	2,716,964	2,640,256
Fines and forfeits		2,630,932	—	—	—	—	—	2,630,932	2,119,683
Miscellaneous		1,278,278	357,119	664,118	3,154,626	332,304	1,791,973	7,578,418	12,380,202
Total revenues		41,285,788	4,957,210	9,131,593	4,744,898	727,631	1,865,571	62,712,691	58,738,083
EXPENDITURES:									
General government		6,178,357	—	—	38,804	—	—	6,217,161	6,033,878
Public safety		28,955,847	—	—	148,709	—	—	29,104,556	27,699,700
Public works		2,042,818	1,710,038	—	9,295,895	—	—	13,048,751	9,436,215
Culture and recreation		1,833,797	—	—	725,123	—	—	2,558,920	2,040,153
Community development		—	1,249,083	—	—	—	—	1,249,083	1,088,164
Urban redevelopment		—	86,529	—	12,472,510	—	—	12,559,039	1,506,246
Miscellaneous		430,763	—	—	—	245,779	2,286,451	2,962,993	873,534
Judgments		3,791	—	—	—	—	—	3,791	7,437
Capital projects		—	—	—	—	3,287,794	—	3,287,794	381,193
Debt service:									
Principal		—	—	2,295,000	—	—	—	2,295,000	3,887,575
Interest		—	—	5,034,247	—	371,864	—	5,406,111	2,535,754
Total expenditures		39,445,373	3,045,650	7,329,247	22,681,041	3,905,437	2,286,451	78,693,199	55,489,849
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		1,840,415	1,911,560	1,802,346	(17,936,143)	(3,177,806)	(420,880)	(15,980,508)	3,248,234
OTHER FINANCING SOURCES (USES):									
Proceeds from capital leases	8	167,052	—	—	—	—	—	167,052	—
Proceeds from issuance of debt	8	—	—	—	14,670,000	—	—	14,670,000	52,948,612
Operating transfers in		966,641	1,678,745	1,566,013	1,392,559	35,774	25,000	5,664,732	14,624,560
Operating transfers out		(1,311,810)	(808,136)	—	(2,717,076)	(641,773)	(4,529,077)	(10,007,872)	(15,143,513)
Total other financing sources (uses)		(178,117)	870,609	1,566,013	13,345,483	(605,999)	(4,504,077)	10,493,912	52,429,659
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES		1,662,298	2,782,169	3,368,359	(4,590,660)	(3,783,805)	(4,924,957)	(5,486,596)	55,677,893
FUND BALANCES, BEGINNING OF YEAR		5,172,322	3,201,341	4,258,553	53,406,573	(1,061,503)	14,133,197	79,110,483	23,432,590
FUND BALANCES, END OF YEAR		$ 6,834,620	$5,983,510	$7,626,912	$48,815,913	$(4,845,308)	$9,208,240	$73,623,887	$79,110,483

The notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF DELTA, MI (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Special Assessment	1986	1985
REVENUES:						
Taxes and special assessments	$2,120,836	$ 216,761	$151,733	$ 52,612	$2,541,943	$4,830,000
Licenses and permits	228,331				228,331	169,882
Federal	5,521	152,312			157,833	166,732
State	1,234,125				1,234,125	1,170,004
Charges for services	422,398				422,398	448,019
Interest	447,128	195,600	1,608	366,849	1,011,186	1,021,904
Miscellaneous	85,550				85,550	96,999
Total revenues	4,543,892	564,674	153,341	419,461	5,681,369	7,903,544
EXPENDITURES:						
General government	1,328,985				1,328,985	1,115,881
Public safety	1,970,323				1,970,323	1,771,595
Public works	532,740			54,709	587,449	469,201
Refunds and rebates						251
Culture and recreation	558,711				558,711	523,252
Capital outlay	426,679				426,679	3,270,867
Debt service:						
Principal retirement			75,000		75,000	115,250
Interest and fiscal charges			25,755	68,622	94,377	115,237
Total expenditures	4,817,440		100,755	123,331	5,041,527	7,381,538
Excess (deficiency) of revenues over expenditures	(273,548)	564,674	52,586	296,129	639,841	522,006
OTHER FINANCING SOURCES (USES):						
Operating transfers in	366,033				366,033	761,750
Operating transfers out	(192,000)	(365,797)			(557,797)	(761,527)
Total other financing sources (uses)	174,033	(365,797)			(191,764)	223
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(99,515)	198,876	52,586	296,129	448,077	522,230
FUND BALANCES, beginning of year	2,963,726	2,914,905	24,992	932,873	6,836,498	6,314,267
FUND BALANCES, end of year	$2,864,210	$3,113,782	$ 77,578	$1,229,003	$7,284,575	$6,836,498

See notes to financial statements.

BUDGETARY ACCOUNTING

GASB Cod. Sec. 1700 sets forth the principles relating to 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. When the legally prescribed budgetary basis differs from generally accepted accounting principles then 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 then 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 has been consistently high among the surveyed governments. Budgets existed most often for the general fund and for special revenue funds.

See the excerpts of the footnotes 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	**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	439	379
Governmental fund types:		
General fund	386	341
Special revenue funds	352	315
Debt service funds	194	134
Capital projects funds	148	97
Special assessment funds[1]	62	59
Expendable trusts	17	8
Memorandum totals:		
Current and prior year	32	NC[2]
Current year only	160	NC
Expenditures, grouped by		
program/function	430	NC
character (current, capital, debt)	206	NC
organization/department	23	NC
Other financing sources (uses) separately identified	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 WAYNESVILLE, NC (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—GENERAL FUND

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes	$ 756,330	$ 804,253	$ 47,923
Other taxes	622,500	682,764	60,264
Unrestricted intergovernmental revenues	157,250	139,224	(18,026)
Restricted intergovernmental revenues	142,600	161,431	18,831
Licenses and permits	34,400	45,141	10,741
Sales and services	96,000	81,068	(14,932)
Investment earnings	110,000	20,917	(89,083)
Miscellaneous	36,000	93,588	57,588
Total revenues	1,955,080	2,028,386	73,306
Expenditures:			
General government	902,304	839,407	62,897
Public safety	841,687	762,299	79,388
Transportation	716,883	663,955	52,928
Environmental protection	22,467	20,151	2,316
Cultural and recreational	311,506	296,873	14,633
Total expenditures	2,794,847	2,582,685	212,162
Revenues over (under) expenditures	(839,767)	(554,299)	285,468
Other financing sources:			
Operating transfers—in	438,200	405,000	(434,767)
Appropriated from fund balance	401,567	—	—
Revenues and other sources over (under) expenditures	$ —	$ (149,299)	$(149,299)
Fund balances:			
Beginning of year, July 1		900,322	
End of year, June 30		$ 751,023	

The accompanying notes are an integral part of the financial statements.

SADDLEBACK COMMUNITY COLLEGE DISTRICT, CA (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (BUDGETARY BASIS)—ALL GOVERNMENTAL FUND TYPES

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum Only)		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues:															
Federal	$ 690,382	370,565	(319,817)	—	—	—	—	—	—	239,500	—	(239,500)	929,882	370,565	(559,317)
State	9,773,284	9,284,457	(488,827)	—	—	—	—	13,564	13,564	7,472,995	5,084,136	(2,388,859)	17,246,279	14,382,157	(2,864,122)
Local	30,906,420	31,377,747	471,327	1,163,559	1,170,854	7,295	606,614	660,246	53,632	1,660,549	720,028	(940,521)	34,337,142	33,928,875	(408,267)
Prior year adjustments (note 1)	—	163,398	163,398	—	67	67	—	—	—	—	4,178	4,178	—	167,643	167,643
Total revenues	41,370,086	41,196,167	(173,919)	1,163,559	1,170,921	7,362	606,614	673,810	67,196	9,373,044	5,808,342	(3,564,702)	52,513,303	48,849,240	(3,664,063)
Expenditures:															
Current:															
Certificated salaries	19,063,712	19,372,712	309,000	—	—	—	—	—	—	—	—	—	19,063,712	19,372,712	309,000
Classified salaries	8,862,939	8,704,881	(158,058)	12,500	158,910	146,410	—	—	—	—	—	—	8,875,439	8,863,791	(11,648)
Employee benefits	5,539,115	5,192,086	(347,029)	469,780	269,105	(200,675)	—	—	—	—	—	—	6,008,895	5,461,191	(547,704)
Books and supplies	1,259,576	1,004,275	(255,301)	—	41,035	41,035	—	—	—	—	—	—	1,259,576	1,045,310	(214,266)
Contract services and operating expenses	5,020,543	4,335,431	(685,112)	689,450	484,113	(205,337)	—	—	—	—	—	—	5,709,993	4,819,544	(890,449)
Prior year adjustments (note 1)	—	—	—	—	1,678	1,678	—	—	—	—	—	—	—	1,678	1,678
Capital outlay	1,562,048	1,562,048	—	—	—	—	—	—	—	8,420,966	4,090,276	(4,330,690)	9,983,014	5,652,324	(4,330,690)
Debt service:															
Principal retirements	—	—	—	—	—	—	545,000	545,000	—	—	—	—	545,000	545,000	—
Interest and service charges	—	—	—	—	—	—	61,253	61,243	(10)	—	—	—	61,253	61,243	(10)
Other	—	276,066	276,066	—	—	—	—	—	—	—	—	—	—	276,066	276,066
Total expenditures	41,307,933	40,447,499	(860,434)	1,171,730	954,841	(216,889)	606,253	606,243	(10)	8,420,966	4,090,276	(4,330,690)	51,506,882	46,098,859	(5,408,023)
Revenues over (under) expenditures	62,153	748,668	686,515	(8,171)	216,080	224,251	361	67,567	67,206	952,078	1,718,066	765,988	1,006,421	2,750,381	1,743,960

Other financing sources (uses):															
Operating transfers in...	345,509	—	(345,509)	—	—	—	—	2,303,108	2,303,108	205,600	205,600	—	551,109	2,508,708	1,957,599
Operating transfers out .	(209,928)	(205,600)	4,328	(341,009)	—	341,009	—	—	—	(1,911,500)	(2,303,108)	(391,608)	(2,462,437)	(2,508,708)	(46,271)
Appropriations for contingencies	(1,324,283)	—	1,324,283	(262,567)	—	262,567	—	—	—	(289,311)	—	289,311	(1,876,161)	—	1,876,161
Total other financing sources (uses)	(1,188,702)	(205,600)	983,102	(603,576)	—	603,576	—	2,303,108	2,303,108	(1,995,211)	(2,097,508)	(102,297)	(3,787,489)	—	3,787,489
Revenues and other sources over (under) expenditures and other uses	$ (1,126,549)	543,068	1,669,617	(611,747)	216,080	827,827	361	2,370,675	2,370,314	(1,043,133)	(379,442)	663,691	2,781,068	2,750,381	5,531,449
Fund balance, July 1, 1986		1,847,815			641,747			568,861			1,541,522			4,599,945	
Fund balance, June 30, 1987.......................		$ 2,390,883			857,827			2,939,536			1,162,080			7,350,326	

See accompanying notes to general purpose financial statements.

CITY OF GRAYLING, MI (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS

	General Fund			Special Revenue Funds			Debt Service Funds			Totals (Memorandum Only)		
	Budget	Actual	Over/(Under) Budget	Budget	Actual	Over/(Under) Budget	Budget	Actual	Over/(Under) Budget	Budget	Actual	Over/(Under) Budget
Revenues:												
Taxes	$561,200	$593,303	$ 32,103	$ —	$ —	$ —	$ 6,600	$ 7,045	$ 445	$ 567,800	$ 600,348	$ 32,548
Federal grants	—	—	—	8,700	27,312	18,612	—	—	—	8,700	27,312	18,612
State grants	162,000	187,441	25,441	71,355	72,946	1,591	1,900	961	(939)	235,255	261,348	26,093
Charges for services	87,100	85,982	(1,118)	—	—	—	—	—	—	87,100	85,982	(1,118)
Fines and forfeits	200	98	(102)	—	—	—	—	—	—	200	98	(102)
Interest and rentals	74,600	76,551	1,951	—	—	—	9,900	6,148	(3,752)	84,500	82,699	(1,801)
Other	23,995	43,105	19,110	—	—	—	40	45	5	24,035	43,150	19,115
Total revenues	909,095	986,480	77,385	80,055	100,258	20,203	18,440	14,199	(4,241)	1,007,590	1,100,937	93,347
Expenditures:												
Current expenditures:												
Legislative	9,800	10,899	1,099	—	—	—	—	—	—	9,800	10,899	1,099
General government	317,750	300,202	(17,548)	—	—	—	—	—	—	317,750	300,202	(17,548)
Public safety	310,143	299,604	(10,539)	—	—	—	—	—	—	310,143	299,604	(10,539)
Public works	58,800	60,340	1,540	153,250	109,311	(43,939)	—	—	—	212,050	169,651	(42,399)
Recreation and cultural	7,900	7,036	(864)	—	—	—	—	—	—	7,900	7,036	(864)
Debt service:												
Principal	—	1,788	1,788	—	—	—	22,000	22,000	—	22,000	23,788	1,788
Interest and fiscal charges	—	663	663	—	—	—	9,400	9,237	(163)	9,400	9,900	500
Total expenditures	704,393	680,532	(23,861)	153,250	109,311	(43,939)	31,400	31,237	(163)	889,043	821,080	(67,963)
Excess (deficiency) of revenues over expenditures	204,702	305,948	101,246	(73,195)	(9,053)	64,142	(12,960)	(17,038)	(4,078)	118,547	279,857	161,310
Other financing sources (uses):												
Debt proceeds	—	25,000	25,000	—	—	—	—	—	—	—	25,000	25,000
Operating transfers in	92,221	93,413	1,192	105,055	58,072	(46,983)	12,960	12,960	—	210,236	164,445	(45,791)
Operating transfers out	(136,176)	(67,036)	69,140	(82,381)	(83,573)	(1,192)	—	—	—	(218,557)	(150,609)	67,948
Total other financing sources (uses)	(43,955)	51,377	95,332	22,674	(25,501)	(48,175)	12,960	12,960	—	(8,321)	38,836	47,157
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	160,747	357,325	196,578	(50,521)	(34,554)	15,967	—	(4,078)	(4,078)	110,226	318,693	208,467
Fund balances—July 1	546,162	546,162	—	87,381	87,381	—	95,320	95,320	—	728,863	728,863	—
Fund balances—June 30	$706,909	$903,487	$196,578	$ 36,860	$ 52,827	$15,967	$95,320	$91,242	$(4,078)	$ 839,089	$1,047,556	$208,467

See accompanying notes to financial statements.

CITY OF DURHAM, NC (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ACTUAL AND BUDGET—GENERAL, CERTAIN SPECIAL REVENUE AND DEBT SERVICE FUND TYPES

	General Fund			Certain Special Revenue Funds—Revenue Sharing and Civic Center			Debt Service Funds		
	Actual	Budget	Variance—Favorable (Unfavorable)	Actual	Budget	Variance—Favorable (Unfavorable)	Actual	Budget	Variance—Favorable (Unfavorable)
REVENUES:									
Taxes	$29,653,757	$28,527,143	$1,126,614	$ 199,910	$ 171,764	$ 28,146	$ 723,171	$ 678,927	$ 44,244
Licenses and permits	1,550,375	1,662,400	(112,025)						
Intergovernmental	6,696,653	6,167,209	529,444	266,938	290,448	(23,510)			
Investment and rental income	1,107,878	857,000	250,878	453,608	500,000	(46,392)	143,686	570,000	(426,314)
Charges for services	1,677,438	1,469,367	208,071						
Intragovernmental services	1,001,843	938,120	63,723						
Fines and forfeitures	192,523	120,000	72,523						
Assessments							124,865	80,000	44,865
Other	159,621	350,281	(190,660)				26,018	55,000	(28,982)
Total revenues	42,040,088	40,091,520	1,948,568	920,456	962,212	(41,756)	1,017,740	1,383,927	(366,187)
EXPENDITURES:									
Current:									
General government	5,480,656	6,044,825	564,169	45,791	79,896	34,105			
Development	7,253,291	8,316,569	1,063,278	670,920	675,000	4,080			
Public protection	17,919,090	18,486,354	567,264						
General services	4,451,006	5,085,633	634,627	48,626	50,000	1,374			
Recreation	4,741,209	5,094,995	353,786						
Non-departmental charges	1,313,365	1,805,955	492,590	50,158	209,274	159,116			
Debt service:									
Principal retirement							1,043,039	1,108,842	65,803
Interest and fiscal charges							1,232,904	1,127,412	(105,492)
Total expenditures	41,158,617	44,834,331	3,675,714	815,495	1,014,170	198,675	2,275,943	2,236,254	(39,689)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	881,471	(4,742,811)	5,624,282	104,961	(51,958)	156,919	(1,258,203)	(852,327)	(405,876)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	5,307,251	5,307,251		500,000	500,000		1,905,454	806,727	1,098,727
Operating transfers out	(3,871,396)	(3,809,282)	(62,114)	(3,047,730)	(3,047,730)			(12,000)	12,000
Appropriated fund balance		3,244,842	(3,244,842)		2,599,688	(2,599,688)		336,400	(336,400)
Transfer from reserves								157,600	(157,600)
Appropriation to fund balance								(436,400)	436,400
Total other financing sources (uses)	1,435,855	4,742,811	(3,306,956)	(2,547,730)	51,958	(2,599,688)	1,905,454	852,327	1,053,127
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,317,326	$	$2,317,326	(2,442,769)	$	$(2,442,769)	647,251	$	$ 647,251
FUND BALANCES—BEGINNING OF YEAR	7,767,768			5,691,742			4,553,648		
RESIDUAL EQUITY TRANSFER							(2,283,862)		
FUNDS BUDGETED ON A PROJECT ORDINANCE BASIS (NOTE C-3)				1,635,847					
FUND BALANCES—END OF YEAR	$10,085,094			$4,884,820			$2,917,037		

See notes to general purpose financial statements.

COUNTY OF DAUPHIN, PA (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET (BUDGET BASIS) AND ACTUAL—GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES

	General Fund			Special Revenue Funds			Capital Projects Fund		
	Budget	Actual	Variance—Favorable (Unfavorable)	Budget	Actual	Variance—Favorable (Unfavorable)	Budget	Actual	Variance—Favorable (Unfavorable)
Revenues									
Taxes	$ 15,041,245	$ 15,350,730	$ 309,485	$	$	$	$	$	$
Licenses and permits	7,000	6,575	(425)						
Grant revenue	3,684,803	2,722,054	(962,749)	19,333,442	18,608,277	(725,165)			
County charges and earnings	4,241,408	4,009,332	(232,076)	92,160	158,008	65,848			
Court costs, fines and forfeits	2,492,750	2,748,605	255,855						
Interest	600,000	595,308	(4,692)	254,276	386,077	131,801	120,000	127,913	7,913
County support				2,930,234	2,279,644	(650,590)			
Contributions and other	441,968	188,917	(253,051)	428,768	540,062	111,294		386	386
Total revenues	26,509,174	25,621,521	(887,653)	23,038,880	21,972,068	(1,066,812)	120,000	128,299	8,299
Expenditures									
General government—administration	5,780,563	5,504,099	276,464	65,100	82,425	(17,325)	261,750	235,551	26,199
General government—judicial	5,748,911	5,540,788	208,123	1,042,805	981,941	60,864			
Public safety—corrections	8,165,197	7,978,643	186,554				1,275,000	1,342,128	(67,128)
Public works				1,052,628	457,893	594,735	52,000	1,650	50,350
Human services	4,858,469	5,550,173	(691,704)	20,903,812	19,311,281	1,592,531	1,900,886	2,576,448	(675,562)
Culture and recreation	1,567,059	1,434,439	132,620	111,000	102,039	8,961			
Conservation and development	1,621,954	674,393	947,561	646,375	479,922	166,453	5,000	2,139	2,861
Other	876,300	810,713	65,587	183,750	138,715	45,035			
Total expenditures	28,618,453	27,493,248	1,125,205	24,005,470	21,554,216	2,451,254	3,494,636	4,157,916	(663,280)
Excess (deficiency) of revenues over expenditures	(2,109,279)	(1,871,727)	237,552	(966,590)	417,852	1,384,442	(3,374,636)	(4,029,617)	(654,981)
Other financing sources (uses)									
Operating transfers in	675,364	729,260	53,896	57,500	46,065	(11,435)		1,267,826	1,267,826
Operating transfers out	(1,833,300)	(1,895,553)	(62,253)	(53,896)	(963,420)	(909,524)	(675,364)	(675,364)	
Litigation recoveries		842,800	842,800						
Proceeds from the sale of fixed assets		77,597	77,597					304,000	304,000
Loan repayments	44,019	96,098	52,079						
Proceeds from tax anticipation note		1,844,635	1,844,635						
Repayment of tax anticipation note		(1,958,534)	(1,958,534)						
Total other financing sources (uses)	(1,113,917)	(263,697)	850,220	3,604	(917,355)	(920,959)	(675,364)	(896,462)	1,571,826
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ (3,223,196)	$ (2,135,424)	$1,087,772	$ (962,986)	$ (499,503)	$ 463,483	$(4,050,000)	$(3,133,155)	$ 916,845
Fund balance—beginning of year	5,229,530	5,229,530		2,897,762	2,897,762		4,765,804	4,765,804	
Fund balance—end of year	$ 2,006,334	$ 3,094,106	$1,087,772	$ 1,934,776	$ 2,398,259	$ 463,483	$ 715,804	$ 1,632,649	$ 916,845

KNOX COUNTY, TN (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUND TYPES

	General Fund			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Real and Personal Property Taxes	$ 19,399,600	$ 19,654,944	$ 255,344	$ 32,059,065	$ 32,527,777	$ 468,712	$ 7,830,515	$ 7,911,789	$ 81,274
State, Federal, and Local Organizations	5,161,326	5,818,949	657,622	38,651,510	39,838,037	1,186,527	253,731	253,731	
Fines, Court Officers and Sheriff Fees	1,341,646	1,130,582	(211,064)						
Excess Fees Remitted to the Fund	2,090,000	1,932,580	(157,419)						
Privilege Taxes, Licenses, and Permits	2,719,361	2,941,630	222,269	1,777,814	1,938,450	160,636	327,436	327,578	141
Proceeds from Sale of Notes	599,817	599,817					253,731	253,731	
Departmental Charges and Miscellaneous	2,932,671	2,759,034	(173,636)	5,229,151	5,082,803	(146,347)	5,473,569	5,430,527	(43,041)
Local Sales Tax				36,737,387	36,424,215	(313,171)			
Interest							1,752,761	2,343,277	590,516
Hotel-Motel Tax				1,755,240	2,006,014	250,774			
Total Revenues	34,244,422	34,837,538	593,116	116,210,167	117,817,298	1,607,130	15,891,743	16,520,635	628,891
EXPENDITURES									
Current:									
General Government and Finance	5,300,488	5,122,834	177,653	9,992,986	9,889,822	103,163			
Public Safety	11,689,712	11,346,301	343,410						
Education				90,914,766	90,336,322	578,443			
Health & Community Service	13,090,773	12,776,620	314,152						
Highways and Streets				6,937,409	6,431,999	505,410			
Culture and Recreation	1,165,308	1,146,146	19,161	3,485,022	3,455,323	29,698			
Federal Projects	1,161,153	1,161,153							
City of Knoxville				5,800,302	5,677,220	123,081			
Intergovernmental				104,950	104,950				
Miscellaneous	2,909,677	2,877,957	31,719	650,000	650,000		4,337,791	4,327,117	10,674
University of Tennessee Arena				5,376,722	5,245,498	131,223			
Capital Outlay	988,854	984,883	3,970				950,000	924,817	25,183
Bond and Note Principal							9,061,663	9,061,662	
Bond and Note Interest							3,638,725	3,520,877	117,847
Revenue Sharing Allocation				570,669	570,669				
Total Expenditures	36,305,966	35,415,898	890,067	123,832,827	122,361,805	1,471,022	17,988,180	17,834,474	153,705
Excess (Deficiency) of Revenues Over Expenditures and Inter-Fund Transfers	$(2,085,604)	$ (578,359)	$1,495,214	$ (7,622,659)	$ (4,544,507)	$3,078,152	$(2,096,436)	$ (1,313,839)	$782,597

continued

KNOX COUNTY, TN (JUN '87) *(continued)*

	General Fund			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
FUND BALANCES AVAILABLE FOR APPROPRIATIONS—JULY 1, 1986	(977,871)	7,366,163		1,817,710	11,359,272		(4,619,159)	7,378,512	
Adjustment of Prior Years' Account	19,399	19,399		11,764	11,764		239,967	239,967	
ADJUSTED FUND BALANCES—JULY 1, 1986	(958,472)	7,385,563		1,829,474	11,371,036		(4,379,192)	7,618,479	
RECONCILING ITEMS									
ADDITIONS:									
July 1, 1986									
Appropriated Fund Balances	224,910	224,910		560,866	560,866				
Reserved for Encumbrances	45,185	45,185		39,807	39,807				
Total Additions	270,096	270,096		600,674	600,674				
DEDUCTIONS:									
June 30, 1987:									
Appropriated Fund Balances	142,939	142,939		549,800	549,800				
Reserve for Encumbrances	13,005	13,005		40,412	40,412				
Total Deductions	155,945	155,945		590,212	590,212				
FUND BALANCES AVAILABLE FOR APPROPRIATION—JUNE 30, 1987	$ (2,917,895)	$ 6,921,354	$	$ (5,782,723)	$ 6,836,990	$	$(4,379,192)	$ 6,304,640	$

The Notes to Financial Statements are an integral part of this statement.

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 that 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 has prescribed 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 has prescribed a combined statement (the statement of revenues, expenses, and changes in fund balances) for use by governments with proprietary-type fund activities. About 82% 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 with respect to 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

Observations	Instances Observed
Proprietary fund types identified:	
Enterprise fund	301
Internal service fund	169
Fiduciary fund types	
Trust fund	112
Agency fund	1
Trust and agency fund	3
Pension trust	119
Memorandum totals:	
Current and prior year	157
Current year only	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

Revenue	Instances Observed 1987	1986
Charges for services	200	169
Other[1]	132	137
Interest[2]	129	117
Contributions[3]	100	51
Miscellaneous	82	91
Rentals	52	68
Gain on investment disposal	28	8
Intergovernmental revenue	25	17
Taxes	21	16
Water sales	15	19
Grants[4]	11	12
Interest and dividend income	11	10

[1]Includes other revenue.
[2]Includes interest income, interest earned, interest on investments.
[3]Includes contributions from employees.
[4]Includes any revenues from grants.

Below are examples of governmental financial statements reporting revenues, expenses, and changes in retained earnings or fund balances for proprietary funds and similar trust fund types.

TABLE 4-5. OPERATING EXPENSES FOR PROPRIETARY FUND TYPES

Expense	Instances Observed
Depreciation	270
Personnel services	114
Fringe benefits[1]	105
Other	102
Contractual services[2]	91
Utilities	85
Insurance	77
Materials and supplies	74
Supplies	63
Salaries	61
Maintenance	60
Repairs and maintenance	47
Miscellaneous	47
Interest	33
Salaries and fringes	28
Rentals[3]	28
Bad debt	25
Taxes	23
Refunds	22
Heat, light and power	13
Materials	12

[1]Includes benefits payments.
[2]Includes any contractual service.
[3]Includes equipment rentals.

CITY OF COLUMBUS, OH (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUND TYPES

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise —Note S	Internal Service	1986	1985
Operating revenues:				
Charges for services	$153,420,507	18,824,109	172,244,616	155,237,936
Other	654,314	53,498	707,812	1,024,088
Total operating revenues	154,074,821	18,877,607	172,952,428	156,262,024
Operating expenses:				
Personal services	41,245,305	8,321,461	49,566,766	45,704,463
Contractual services	32,149,355	3,325,782	35,475,137	31,859,639
Materials and supplies	10,075,226	5,384,652	15,459,878	23,458,476
Purchased power	3,078,975	—	3,078,975	1,470,146
Coal	3,542,488	—	3,542,488	—
Depreciation	25,633,620	1,712,028	27,345,648	25,786,835
Other	5,599,154	38,725	5,637,879	4,011,380
Total operating expenses	121,324,123	18,782,648	140,106,771	132,290,939
Operating income	32,750,698	94,959	32,845,657	23,971,085
Nonoperating revenues (expenses):				
Interest income	17,968,167	—	17,968,167	10,198,134
Interest expense	(54,842,757)	(337,101)	(55,179,858)	(43,767,469)
Total nonoperating revenues (expenses)	(36,874,590)	(337,101)	(37,211,691)	(33,569,335)
Loss before operating transfers	(4,123,892)	(242,142)	(4,366,034)	(9,598,250)
Operating transfers in—Note H	10,735,294	846,000	11,581,294	14,580,200
Income before extraordinary item	6,611,402	603,858	7,215,260	4,981,950
Extraordinary item				
Accounting loss on advance refunding—Note G	19,727,097	—	19,727,097	—
Net income (loss)	(13,115,695)	603,858	(12,511,837)	4,981,950
Add depreciation on fixed assets acquired by contributed capital	3,614,456	300,202	3,914,658	4,205,155
Increase (decrease) in retained earnings	(9,501,239)	904,060	(8,597,179)	9,187,105
Retained earnings at beginning of year	177,283,405	912,271	178,195,676	169,008,571
Retained earnings at end of year	$167,782,166	1,816,331	169,598,497	178,195,676

See accompanying notes to the general purpose financial statements.

COUNTY OF NEVADA, CA (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—PROPRIETARY FUNDS

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues			
Vehicle rentals	$	$551,123	$ 551,123
Fares	130,642		130,642
Gasoline sales		5,343	5,343
Total Operating Revenues	130,642	556,466	687,108
Operating Expenses			
Gasoline		93,610	93,610
Maintenance and repairs	51,832	98,626	150,458
Parts and supplies		22,553	22,553
Salaries and benefits	190,482	29,105	219,587
Outside services		9,805	9,805
Office expense	51,631	841	52,472
Insurance		2,311	2,311
Rentals		1,113	1,113
Transportation	305,891		305,891
Depreciation	48,033	125,874	173,907
Miscellaneous		925	925
Total Operating Expenses	647,869	384,763	1,032,632
Operating Income	(517,227)	171,703	(345,524)

	Enterprise	Internal Service	Totals (Memorandum Only)
Non-Operating Revenues (Expenses)			
Operating grants:			
Local transportation	$430,870		$ 430,870
State transit assistance	20,714		20,714
Federal revenue sharing	9,411		9,411
Interest	7,599	16,791	24,390
Gain (loss) on sale of fixed assets	(1,767)	16,589	14,822
Other revenue		139	139
Total Non-Operating Revenues	466,827	33,519	500,346
Income Before Operating Transfers	(50,400)	205,222	154,822
Operating Transfers In	45,486		45,486
Net Income	(4,914)	205,222	200,308
Retained Earnings/Fund Balance, July 1, 1986	206,893	346,548	553,441
Prior Period Adjustment		201,870	201,870
Retained Earnings/Fund Balance, June 30, 1987	$201,979	$753,640	$ 955,619

The accompanying notes are an integral part of these financial statements.

CITY OF WICHITA, KS (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

	Proprietary Fund Types		Fiduciary Fund Types	Totals	
	Enterprise	Internal Service	Pension Trust	(Memorandum Only) 1986	1985
Operating revenues:					
Charges for services	$41,598,536	$ 2,553,722	$ —	$44,152,258	$47,254,768
Fees	2,684,969	—	—	2,684,969	2,237,994
Rentals	4,774,217	5,659,800	—	10,434,017	10,249,916
Employer contributions	—	—	8,986,812	8,986,812	8,640,482
Employees' contributions	—	1,561,551	3,535,750	5,097,301	3,414,619
Intergovernmental	—	1,721,566	—	1,721,566	—
Interest and dividends	—	—	9,799,632	9,799,632	10,256,086
Contributions from other funds	—	—	2,475,406	2,475,406	2,421,507
Other	627,652	160,873	44	788,569	1,315,421
Total operating revenues	49,685,374	11,657,512	24,797,644	86,140,530	85,790,793
Operating expenses:					
Personal services	—	1,480,728	—	1,480,728	13,790,526
Pension benefits	12,844,575	—	10,268,300	23,112,875	9,430,756
Contractual services	5,448,895	1,916,739	676,961	8,042,595	7,261,459
Materials and supplies	20,728,807	2,284,969	—	23,013,776	26,171,063
Administrative charges	941,018	54,439	91,190	1,086,647	1,015,042
Payments in lieu of franchise tax	566,000	—	—	566,000	566,000
Refunds	—	—	528,201	528,201	656,178
Depreciation and amortization	6,460,418	1,308,317	—	7,768,735	7,470,012
Other	—	6,422,113	30,300	6,452,413	34,103
Total operating expenses	46,989,713	13,467,305	11,594,952	72,051,970	66,395,139
Operating earnings	2,695,661	(1,809,793)	13,202,692	14,088,560	19,395,654

COUNTY OF DODGE, WI (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY—ALL PROPRIETARY FUND TYPES

	Enterprise	Internal Service	Totals (Memorandum Only) 1986	1985
OPERATING REVENUES:				
Public charges for services—				
Resident services, net	$ 9,292,421	$ —	$ 9,292,421	$ 8,655,151
Highway fees	—	2,241,285	2,241,285	3,184,805
Total charges for services	9,292,421	2,241,285	11,533,706	11,839,956
Intergovernmental	1,791,694	1,220,648	3,012,342	2,807,900
Other	1,433,780	—	1,433,780	1,231,248
Total operating revenues	12,517,895	3,461,933	15,979,828	15,879,104
OPERATING EXPENSES:				
Resident services	10,577,713	—	10,577,713	10,271,012
Operation and maintenance	939,311	1,435,941	2,375,252	3,265,911
Administration	1,191,163	184,581	1,375,744	1,313,503
Depreciation	448,289	442,193	890,482	821,967
Highway maintenance	—	4,212,779	4,212,779	4,984,028
Other	738,939	72,692	811,631	352,067
Total operating expenses	13,895,415	6,348,186	20,243,601	21,008,488
Operating loss	(1,377,520)	(2,886,253)	(4,263,773)	(5,129,384)
OPERATING TRANSFERS FROM GENERAL FUND	1,126,146	3,065,490	4,191,636	3,908,578
Net income (loss)	(251,374)	179,237	(72,137)	(1,220,806)
FUND EQUITY—beginning of year	2,687,824	4,601,624	7,289,448	11,476,953
TRANSFER OF LONG-TERM DEBT TO ENTERPRISE FUNDS	—	—	—	(3,245,000)
RESIDUAL TRANSFERS FROM (TO) GENERAL FUND	842,901	—	842,901	(66,501)
REDUCTION OF CONTRIBUTED CAPITAL	—	(348,472)	(348,472)	—
FUND EQUITY—end of year	$ 3,279,351	$4,432,389	$ 7,711,740	$ 6,944,646

The accompanying notes to combined financial statements are an integral part of this statement.

SALT LAKE COUNTY, VT (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUND TYPES

	Enterprise Fund	Internal Service Funds	Totals (Memorandum Only)
OPERATING REVENUE:			
Charges for services—			
Golf course fees	$399,498		$ 399,498
Health and life insurance premiums		$ 7,254,475	7,254,475
Charges to other funds		8,851,428	8,851,428
Total charges for services	399,498	16,105,903	16,505,401
Concessions	10,414		10,414
Other revenue	6,147	95,167	101,314
Total operating revenue	416,059	16,201,070	16,617,129
OPERATING EXPENSE:			
Salaries, wages and employee benefits	184,528	2,212,908	2,397,436
Materials, supplies and services	88,057	3,367,959	3,456,016
Other charges	12,092	9,173,541	9,185,633
Depreciation	17,718	1,511,919	1,529,637
Total operating expense	302,395	16,266,327	16,568,722
Operating income	113,664	(65,257)	48,407
NON-OPERATING REVENUE (EXPENSE):			
Taxes		286,378	286,378
Interest revenue	22,934	359,601	382,535
Interest expense and fiscal charges	(11,980)	(210,763)	(222,743)
Total non-operating revenue	10,954	435,216	446,170
Net income	124,618	369,959	494,577
Retained earnings—beginning of year	379,328	4,697,345	5,076,673
Retained earnings—end of year	$503,946	$ 5,067,304	$ 5,571,250

See notes to financial statements.

CLARK COUNTY SCHOOL DISTRICT, CLARK COUNTY, NV (JUN '86)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—PROPRIETARY FUND TYPE—ENTERPRISE FUND

	1987	1986
REVENUES:		
Food sales	$ 6,267,343	$ 6,323,994
Other local sources	263,469	314,012
FOOD SALES	6,530,812	6,638,006
OPERATING EXPENSES:		
Food and supplies	4,122,379	4,301,529
Salaries	4,540,000	4,270,360
Benefits	1,122,385	1,068,475
Purchased services	130,289	124,790
Depreciation	105,741	120,176
Other	167,449	193,727
Total	10,188,243	10,079,057
OPERATING LOSS	(3,657,431)	(3,441,051)
NON-OPERATING REVENUE:		
Federal subsidies	4,149,137	3,778,835
Interest income	210,967	158,765
Other	(53,424)	39,362
Total	4,306,680	3,976,962
NET INCOME	649,249	535,911
RETAINED EARNINGS, BEGINNING	4,087,125	3,551,214
RETAINED EARNINGS, ENDING	$ 4,736,374	$ 4,087,125

See the accompanying notes to combined financial statements.

CITY OF LITTLE ROCK, AR (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUNDS AND SIMILAR TRUST FUNDS

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)	
		Pension	December 31,	
	Enterprise	Trust	1986	1985
Operating revenues:				
Charges for services	$ 31,905,599		$ 31,905,599	$ 30,425,726
General property taxes		$ 1,539,152	1,539,152	1,325,682
Contributions		1,762,596	1,762,596	1,733,387
State insurance commission		1,291,949	1,291,949	1,112,994
Investment income		3,063,137	3,063,137	2,677,271
Other		290,119	290,119	84,785
Total operating revenues	31,905,599	7,946,953	39,852,552	37,359,845
Operating expenses:				
Salaries, wages and employee benefits	7,597,339	2,490,490	10,087,829	9,521,798
Supplies and materials	2,293,725		2,293,725	2,176,337
Services and other expenses	3,186,873	129,943	3,316,816	3,112,448
Utilities	3,180,458		3,180,458	2,548,911
Repairs and maintenance	2,384,951		2,384,951	2,192,252
Depreciation	5,291,835		5,291,835	4,949,050
Franchise taxes	884,166		884,166	790,085
Other	1,646,584	122,987	1,769,571	1,750,460
Total operating expenses	26,465,931	2,743,420	29,209,351	27,041,341
Income from operations	5,439,668	5,203,533	10,643,201	10,318,504
Non-operating income (expense):				
Operating subsidies	5,407,151		5,407,151	4,732,222
Investment income	3,374,770		3,374,770	3,232,565
Interest expense	(5,882,791)		(5,882,791)	(5,364,007)
Other	389,553		389,553	341,248
Total non-operating income	3,288,683		3,288,683	2,942,028
Income before extraordinary item	8,728,351	5,203,533	13,931,884	13,260,532
Extraordinary item:				
Early extinguishment of debt (Note 9)	(3,190,374)		(3,190,374)	
Net income	5,537,977	5,203,533	10,741,510	13,260,532
Retained earnings/fund balances at beginning of year	111,957,263	27,270,317	139,227,580	125,967,048
Retained earnings/fund balances at end of year	$117,495,240	$32,473,850	$149,969,090	$139,227,580

The accompanying notes are an integral part of this statement.

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

GASB Cod. Sec. 2500.101 states that Section 2200, paragraph .126, requires the presentation, within the "liftable" 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 is usually 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 Changes in Financial Position—All proprietary fund types 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 changes in financial position 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:

COUNTY OF ERIE, NY (DEC '86)

NOTES TO THE FINANCIAL STATEMENTS

XV—Segment Information for Enterprise Funds

The County maintains two Enterprise Funds which provide medical and nursing services. They are entitled the Erie County Medical Center and the Erie County Home and Infirmary.

Additional information relating to the Erie County Medical Center and the Erie County Home and Infirmary follows:

A) The Medical Center has recorded start-up expenses consisting of the specific costs associated with the training of personnel transferred to and hired for the Skilled Nursing Facility prior to its opening in 1982. These costs are being amortized over sixty months.

Start-up costs	$423,943
Accumulated amortization	381,546
Unamortized start-up costs	$ 42,397

Current year amortization of $84,788 is included in depreciation and amortization expense.

B) Each year the County, during its budgetary process, determines a subsidy to be transferred to the Enterprise Funds for their operation. The cash subsidy transferred to the Erie County Medical Center during 1986 equaled the budgeted amount of $6,668,688. There was no cash subsidy transferred to the Erie County Home and Infirmary during 1986.

The County provided the Medical Center with general and administrative services. The cost of these services has been included as expenses on the Medical Center's Statement of Revenues, Expenses and Changes in Retained Earnings. These expenses are offset by an equal in-kind subsidy, a revenue item, totaling $2,420,117.

The County provided the Home and Infirmary with maintenance services as well as general and administrative services. The cost of these services, $2,379,146 and $320,722, respectively, has been included as expenses on the Home and Infirmary's Statement of Revenues, Expenses and Changes in Retained Earnings.

C) The Medical Center recognized a $9,781,443 capital contribution from the County of Erie upon creation of the Enterprise Funds. Additionally, the County has provided other capital contributions totaling $759,786, of which $690,000 related to the renovation of the laundry and the remainder represents various payments made by the County on behalf of the Medical Center.

The Medical Center received an entitlement from New York State restricted for capital outlays. As of December 31, 1986, the Medical Center has expended $1,544,295 of the aforementioned grant for capital assets. Accordingly, this amount has been recognized in the contributed capital section. Related accumulated depreciation totals $51,477.

The following is a summary of contributed capital:

Contributed capital at beginning of year	$ 8,100
Restatements	1,681
Contributed capital at beginning of year, as restated	9,781
Add: County contributions	760
Capital grants	1,544
Less: Depreciation	(51)
Contributed capital at end of year	$12,034

D) Neither the Medical Center nor the Home and Infirmary formally report encumbrances at their year-end as they are on the accrual basis of accounting. However, they had outstanding commitments of $2,818,132 and $417,844, respectively, at December 31, 1986.

E) The Medical Center has received grants under the Hill-Burton program, a Federal program administered by the Department of Health and Human Services. Under the terms of the grant, the Medical Center is required to make available each year an amount of uncompensated services to persons unable to pay. These services are to be rendered without charge or at a charge which is less than the reasonable cost of such services. Medical Center management believes compliance requirements for uncompensated services are being met.

F) Malpractice claims have been asserted against the Medical Center by various claimants. Claims probable of resulting in an unfavorable outcome to the Medical Center have been reasonably estimated. $3,992,500 has been accrued as a liability. The exposure to possible additional loss from these claims is $2,175,000.

Furthermore, there are additional claims for which there is a reasonable possibility that a loss may have been incurred. These have been reasonably estimated to result in possible losses. The potential exposure resulting from these possible losses totals $4,375,000.

The claims are in various stages of processing and some may ultimately be brought to trial.

G) Segment information for the year ended December 31, 1986, was as follows:

	(000's omitted) Medical Center	Home and Infirmary	Total Enterprise Funds
For the Year Ended December 31, 1986:			
Operating revenues	$ 93,975	$20,411	$114,386
Depreciation and amortization	7,125	695	7,820
Operating income	177	1,010	1,187
Operating transfers in	6,669		6,669
Net income	1,876	538	2,414
Contributed capital	2,304		2,304
Plant, property and equipment: Additions	6,954	114	7,068
Net increase (decrease) in working capital	2,414	(129)	2,285
As of December 31, 1986:			
Total assets	$130,866	$21,628	$152,494
Bonds and other long-term liabilities: Payable from operating revenues	88,974	7,571	96,545
Total equity	15,391	10,518	25,909

CITY OF SIERRA VISTA, AZ (JUN '87)

NOTES TO FINANCIAL STATEMENTS

15. Segment Information for Enterprise Funds

The City maintains two Enterprise Funds which provide sewer and refuse services. Segment information for the year ended June 30, 1987 is as follows on the next page:

	Sewer	Refuse	Total Enterprise Funds
Operating revenues	$ 1,303,152	$703,587	$ 2,006,739
Depreciation	298,446	59,344	357,790
Operating income (loss)	334,028	(102,471)	231,557
Net income (loss)	337,815	(91,454)	246,361
Current capital contributions	0	0	0
Plant, property and equipment:			
Additions	42,120	11,632	53,752
Deletions	5,761	2,000	7,761
Net working capital	1,161,785	247,698	1,409,483
Total assets	10,664,946	575,867	11,240,813
Bonds and other long-term liabilities:			
Payable from operating revenues	736,492	67,503	803,995
Payable from other sources	0	0	0
Total equity	9,664,801	447,296	10,112,097

TOWN OF CHAPEL HILL, NC (JUN '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

H. Segment Information for Enterprise Funds

The Town has three enterprise funds which provide transportation, parking and landfill services. Segment information for the year ended June 30, 1987 is as follows:

	Transportation Fund	Parking Facilities Fund	Chapel Hill Orange County Carrboro Landfill Fund	Total Enterprise Funds
Operating revenues	$ 885,073	$ 505,678	$ 379,240	$ 1,769,991
Depreciation and amortization expense	529,464	16,926	31,779	578,169
Operating income (loss)	(2,306,752)	279,550	85,287	(1,941,915)
Federal Operating Assistance Grant	884,605			884,605
Tax revenues	643,606			643,606
Operating transfers—in (out)	(32,173)	(12,905)		(45,078)
Net income (loss)	(218,560)	221,572	123,896	126,908
Property and equipment additions	1,797,551	62,684	2,834	1,863,069
Total assets	6,208,347	3,629,589	1,700,826	11,538,762
Net working capital	956,858	502,262	675,643	2,134,763
Long-term debt payable	69,808	1,403,606	8,769	1,482,183
Contributed capital	5,293,688		279,850	5,573,538
Retained earnings	604,878	1,167,057	1,384,152	3,156,087

CITY OF MEDFORD, OR (JUN '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

13. Segment Information for Enterprise Funds

The City's Enterprise Funds account for the acquisition, operation, and maintenance of water, sewer and parking facilities which are supported by user charges. Segment information for the year ended June 30, 1987 is as follows:

	Sewer Operations	Parking Facilities	Water Operations	Total
Operating revenues	$ 3,845,319	$123,491	$ 2,953,227	$ 6,922,037
Depreciation	412,516	795	518,642	931,953
Operating income	1,548,418	49,841	874,319	2,472,578
Operating transfers out	176,110			176,110
Net income	1,470,821	32,238	1,064,379	2,567,438
Current capital contributions	560,238		254,604	814,842
Fixed asset additions	3,133,645		2,116,342	5,249,987
Net working capital	5,248,216	74,214	989,030	6,311,460
Total assets	25,859,990	947,043	26,256,806	53,063,839
Bonds, net of bond discount, payable from operating revenues:				
Current portion	385,487	20,000	75,000	480,487
Long-term portion	5,103,748	365,000	1,575,000	7,043,748
Total equity	20,143,490	515,619	23,786,542	44,445,651

CITY OF NEW BERN, NC (JUN '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Enterprise Funds—Segment Information

The City maintains three Enterprise Funds which provide electric, water, and sewer services. Segment information for the year ended June 30, 1987, is as follows:

	Electric Fund	Water Fund	Sewer Fund	Total Enterprise Funds
Operating revenues	$20,512,629	$1,275,423	$ 791,128	$22,579,180
Depreciation expense	599,175	112,759	119,016	830,950
Operating income (loss)	1,887,665	544,503	42,970	2,475,138
Net income	1,306,797	219,413	398,314	1,924,524
Operating transfers in (out)	(927,240)	(420,395)	178,140	(1,169,495)
Plant, property and equipment:				
Additions	1,058,040	291,849	495,043	1,844,932
Net working capital	5,683,295	289,528	425,599	6,398,422
Bonds and other long term liabilities, less current maturities:				
Payable from operating revenues	732,847	122,992	13,489	869,328
Total equity	$12,662,433	$2,773,852	$3,382,005	$18,818,290

CITY OF ALBEMARLE, NC (JUN '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Segment Information—Enterprise Funds

The accompanying combined financial statements include two Enterprise Funds which provide water and sewer and electric services. Segment information for the year ended June 30, 1987 is as follows:

	Electric Fund	Water/Sewer Fund	Total Enterprise
Operating revenues	$14,156,283	$ 4,731,504	$18,887,787
Depreciation expense	515,953	983,807	1,499,760
Operating income	1,647,161	1,524,222	3,171,383
Operating transfers (out)	(1,146,000)	—	(1,146,000)
Net income (loss)	602,573	1,082,114	2,830,687
Plant, Property and Equipment Additions.	772,244	4,735,859	5,508,103
Net working capital	2,900,527	1,639,098	4,539,625
Bonds and other long-term liabilities payable from operating revenues	177,074	11,937,016	12,114,090
Total equity	9,548,264	18,973,683	28,521,947

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 that 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 all 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	**1987**	**1986**
Other financing sources (uses) shown after excess revenues (or expenditures) over expenditures (or revenues)[1]	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	35	25
Other financing sources (uses) included with total revenues (expenditures)[2]	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	**1987**	**1986**
Transfers in (out) shown after net revenues (or expenses) from operations[1]	241	169
Other transfers in (out) included with total revenues (expenses)[2]	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	0	2

[1]Includes transfers from and transfers to.
[2]Includes transfers from (to).

The following excerpts from several governmental financial statements illustrate the accounting for other sources and uses of funds and transfers in and out of governmental funds.

RIVERHEAD CENTRAL SCHOOL DISTRICT, NY (JUN '87)

SCHOOL DISTRICT FUNDS AND ACCOUNTS—COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY—SCHOOL DISTRICT FUNDS [IN PART]

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
Revenues			
Total Revenues	$24,275,094	$1,402,039	
Other Sources			
Interfund Transfers			$18,300
Total Revenues and Other Sources	$24,275,094	$1,402,039	$18,300
Expenditures			
Total Expenditures.......	$24,249,168	$1,401,476	$18,300
Other Uses			
Interfund Transfers	18,300		
Total Expenditures and Other Uses	$24,267,468	$1,401,476	$18,300

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
Excess (Deficit) Revenues Over Expenditures	7,626	563	0
Other Changes in Fund Equity Less: Accrual Adjustment .	(2,200)	(12,872)	0
Net Increase (Decrease).......	5,426	(12,309)	0
Fund Equity Beginning of Year...........................	3,859,060	105,997	0
Fund Equity End of Year	$ 3,864,486	$ 93,688	$ 0

THE CITY OF ROCHESTER, NY (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS [IN PART]
(000's Omitted)

	Governmental				Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts	1987	1986
REVENUES							
EXPENDITURES							
OTHER FINANCING SOURCES (USES)							
Proceeds of general obligation debt....................	$ —	$ —	$ —	$20,353	$ —	$ 20,353	$ 8,686
Transfers from other funds.............................	15,160	6,414	31,067	26,026	7,284	85,951	98,318
Transfers (to) other funds	(45,513)	(13,931)	(6,747)	(7,766)	(11,244)	(85,201)	(98,595)
Total Other Financing Sources (Uses)	(30,353)	(7,517)	24,320	38,613	(3,960)	21,103	8,409
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,869)	(822)	1,230	17,386	6,238	21,163	(6,488)
FUND EQUITY—beginning of year......................	15,342	6,126	31,415	56,204	30,464	139,551	148,392
Equity transfer	—	—	—	—	—	—	(2,353)
FUND EQUITY—end of year.............................	$12,473	$ 5,304	$32,645	$73,590	$36,702	$160,714	$139,551

WASHOE COUNTY, NV (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—ALL GOVERNMENTAL FUND TYPES

	Governmental Fund Types					Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	June 30, 1987	June 30, 1986
REVENUES							
EXPENDITURES							
OTHER FINANCING SOURCES (USES)							
Proceeds of short-term financing	$5,189,586	$ 0	$ 0	$ 0	$ 0	$ 5,189,586	$ 525,800
Proceeds of bond anticipation note	0	0	0	0	0	0	3,617,751
Proceeds of general obligation bonds	0	0	0	0	0	0	30,000,000
Proceeds from Refunding Bond	0	0	29,160,000	0	0	29,160,000	0
Proceeds of disposal of property and equipment	0	0	1,000,000	0	0	1,000,000	500,000
Operating transfers in—Note 6	820,371	154,336	3,958,035	93,340	0	5,026,082	8,583,456
Operating transfers out—Note 6	(4,257,372)	(820,371)	0	(111,614)	0	(5,189,357)	(8,716,774)
Payment to Refunded Bond Escrow Agent	0	0	(4,354,670)	0	0	(4,354,670)	0
Total Other Financing Sources (Uses)	1,752,585	(666,035)	29,763,365	(18,274)	0	30,831,641	34,510,233
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	2,939,768	(511,186)	(519,760)	(18,861,563)	(244,753)	(17,197,494)	28,520,973
FUND BALANCE, JULY 1	2,517,041	1,543,007	4,378,746	32,913,737	(1,827,211)	39,525,320	11,048,147
Residual Equity Transfer In (Out)	0	0	0	0	0	0	(43,800)
FUND BALANCE, JUNE 30	$5,456,809	$1,031,821	$3,858,986	$14,052,174	($2,071,964)	$22,327,826	$39,525,320

GETTYSBURG AREA SCHOOL DISTRICT, PA (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUND TYPES [IN PART]

	General Fund	Athletic Fund	Capital Projects	Debt Service
REVENUES				
OTHER FINANCING SOURCES				
Interfund Transfers	$ 331,466	$ 0	$ 11,591	$1,171,432
Sale of Bonds	0	0	4,350,713	0
Proceeds from Extended Term Financing	109,976	0	0	0
Sale of/Compensation For Loss of Fixed Assets	2,659	0	0	0
Refund of Prior Year's Expenditures	68,843	0	0	0
Incoming Transfers	10,494	0	0	0
TOTAL REVENUES AND OTHER FINANCING SOURCES	13,935,024	22,188	4,548,107	1,177,792
EXPENDITURES				
OTHER FINANCING USES				
Debt Service	1,276,535	0	180,562	1,166,070
Fund Transfers	0	22,500	308,966	11,591
TOTAL EXPENDITURES AND OTHER FINANCING USES	13,548,912	22,500	575,749	1,177,661
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	386,111	(311)	3,972,357	130
FUND BALANCE, July 1, 1986	122,817	3,758	120,000	0
FUND BALANCE, June 30, 1987	$ 508,929	$ 3,447	$4,092,357	$ 130

NATRONA COUNTY, WY (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND [IN PART]

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1987	As Restated 1986
Revenues:							
Expenditures:							
Other financing sources (uses):							
Proceeds of lease/purchase obligations		147,630				147,630	42,636
Operating transfers in			994,738			994,738	1,953,872
Operating transfers out	(917,325)			(77,413)		(994,738)	(1,953,872)
Total other financing sources (uses)	(917,325)	147,630	994,738	(77,413)		147,630	42,636
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(29,909)	(394,755)	897,932	(1,760,897)	(2,325)	(1,289,954)	349,635
Fund balances at beginning of year	4,390,825	1,244,263	2,379,724	3,397,521	136,249	11,548,582	11,198,947
Increase (decrease) in reserve for inventory	188,248					188,248	
Fund balances at end of year	$4,549,164	$ 849,508	$3,277,656	$1,636,624	$133,924	$10,446,876	$11,548,582

CITY OF PITTSBURGH, PA (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS [IN PART]

	Governmental Fund Types					Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Expendable Trust	1986	1985
Revenues:								
Expenditures:								
Excess (deficiency) of revenues over expenditures	$ 5,056,335	$ (8,822,222)	$ (33,109,538)	$(20,323,058)	$ 349	$ 282,704	$ (56,915,430)	$ (28,397,661)
Other financing sources (uses):								
Bond sale proceeds	—	10,510,523	189,627,092	50,155,944	—	—	250,293,559	241,044,494
Payment to refunded bond escrow agent	—	—	(189,627,092)	—	—	—	(189,627,092)	(194,486,220)
Capital lease obligation proceeds	3,003,747	—	—	—	—	—	3,003,747	1,881,192
Deferred loan proceeds	—	426,000	—	—	—	—	426,000	—
Operating transfers from other funds	5,462,777	2,848,394	36,181,027	—	—	135,000	44,627,198	40,412,638
Operating transfers to other funds	(38,176,140)	(529,356)	(26,289)	(317,225)	(1,777)	(115,411)	(39,166,198)	(35,599,638)
Total other financing sources (uses)	(29,709,616)	13,255,561	36,154,738	49,838,719	(1,777)	19,589	69,557,214	53,252,466
Excess (deficiency) of revenues and other sources over expenditures and other uses	(24,653,281)	4,433,339	3,045,200	29,515,661	(1,428)	302,293	12,641,784	24,854,805
Fund balances, beginning of year	10,407,923	27,975,387	7,684,845	56,470,171	44,409	3,943,034	106,525,769	81,641,998
Equity transfer between funds	14,342,697	—	—	—	—	—	14,342,697	28,966
Fund balances, end of year	$ 97,339	32,408,726	10,730,045	85,985,832	42,981	4,245,327	133,510,250	106,525,769

CITY OF CHEYENNE, WY (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS [IN PART]

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)	
					Year Ended June 30,	
	Enterprise	Internal Service	Pension Trust	Nonexpendable Trust	1987	1986
OPERATING REVENUES:						
OPERATING EXPENSES:						
NON-OPERATING INCOME (EXPENSES):						
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	$ (1,054,087)	$(547,216)	$ 901,373	$ 40,097	$(659,833)	$ 2,154,106
OPERATING TRANSFERS:						
Operating transfers in	1,238,268	—	—	—	1,238,268	2,445,858
Operating transfers out	—	—	—	(36,555)	(36,555)	(152,149)
TOTAL OTHER FINANCING SOURCES (USES)	1,238,268	—	—	(36,555)	1,201,713	2,293,709
Income (loss) before extraordinary item	184,181	(547,216)	901,373	3,542	541,880	4,447,815
Extraordinary item, gain on early extinguishment of debt.	—	—	—	—	—	710,528
NET INCOME (LOSS)	184,181	(547,216)	901,373	3,542	541,880	5,158,343
RETAINED EARNINGS (DEFICIT)/FUND BALANCES, beginning	36,830,796	535,607	5,041,970	348,873	42,757,246	37,598,903
RETAINED EARNINGS (DEFICIT)/FUND BALANCES, ending	$ 37,014,977	$ (11,609)	$5,943,343	$352,415	$ 43,299,126	$42,757,246

COBB COUNTY, GA (SEP '86)

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS [IN PART]

	Proprietary Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Pension Trust	1986	1985
Operating revenues:					
Operating expenses:					
Nonoperating revenues (expenses):					
Net income before operating transfers and extraordinary item	$17,889,437	$(3,135,339)	$ 6,729,797	$ 21,483,895	$19,559,120
Operating transfers:					
Operating transfers in	510,146	4,592,498	—	5,102,644	936,943
Operating transfers out	(678,421)	(23,573)	—	(701,994)	—
Total operating transfers	(168,275)	4,568,925	—	4,400,650	936,943
Net income and operating transfers before extraordinary item	17,721,162	1,433,586	6,729,797	25,884,545	20,496,063
Extraordinary item:					
Gain on refunding of revenue bonds	13,449,690	—	—	13,449,690	—
Net income	31,170,852	1,433,586	6,729,797	39,334,235	20,496,063
Retained earnings/fund balance at beginning of year	48,122,553	—	19,271,384	67,393,937	46,897,874
Retained earnings/fund balance at end of year	$79,293,405	$1,433,586	$26,001,181	$106,728,172	$67,393,937

CITY OF RUTLAND, VT (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUND TYPES [IN PART]

	Proprietary Fund Types	Totals (Memorandum Only)	
	Enterprise	1987	1986
OPERATING REVENUES			
OPERATING EXPENSES			
NONOPERATING REVENUES (EXPENSES)			
Net Income Before Operating Transfers	(317,893)	(317,893)	507,997
Operating Transfers In	37,399	37,399	—
Operating Transfers (Out)	—	—	(480,000)
Net Income (Loss)	(280,494)	(280,494)	(27,997)
Retained Earnings at Beginning of Year	4,632,587	4,632,587	4,604,590
Retained Earnings at End of Year	$4,352,093	$4,352,093	$4,632,587

ELKO COUNTY, NV (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUND TYPES [IN PART]

	Enterprise Funds Totals	
	Year Ended	
	June 30, 1987	June 30, 1986
OPERATING REVENUES		
OPERATING EXPENSES		
NONOPERATING REVENUES (EXPENSES)		
Net Income (Loss) Before Operating Transfers	298,402	(7,723)
OPERATING TRANSFERS		
Operating transfers in	168,062	65,200
Operating transfers out	(15,677)	(14,824)
Total Operating Transfers	152,385	50,376
Net Income	450,787	42,653
RETAINED EARNINGS, July 1	530,970	488,317
RETAINED EARNINGS, June 30	$981,757	$530,970

CITY OF ABBEVILLE, LA (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS–PROPRIETARY FUND TYPES [IN PART]

	Enterprise	Internal Service	Totals (Memorandum Only) 1986	1985
Operating revenues:				
Operating expenses:				
Nonoperating revenues (expenses):				
Income before operating transfers	$ 1,162,349	$8,662	$ 1,171,011	$ 1,532,423
Operating transfers in (out):				
Operating transfers in	$	$	$	$ 270,914
Operating transfers out	(2,122,314)	—	(2,122,314)	(1,603,447)
Total operating transfers in (out)	$(2,122,314)	$	$(2,122,314)	$(1,332,533)
Net income (loss)	$ (959,965)	$8,662	$ (951,303)	$ 199,890
Retained earnings, beginning	5,057,525	—	5,057,525	4,857,635
Retained earnings, ending	$ 4,097,560	$8,662	$ 4,106,222	$ 5,057,525

The accompanying notes are an integral part of this statement.

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 relating to the accounting for borrowings are illustrated in Table 4-8.

TABLE 4-8. ACCOUNTING FOR DEBT PROCEEDS

Proceeds Activity	**Instances Observed**
Bond proceeds activity reported as:	
Other financing sources (uses)	209
Revenues	11
Other financing sources	10
Debt payments reported as:	
Expenditures	370
Other financing uses	6

Some reporting observations relating to the accounting for bond proceeds follow:

ARLINGTON COUNTY, VA (JUN '87)

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS—COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES [IN PART]

	Governmental Fund Types		Totals (Memorandum Only)	
	General Fund	Capital Projects Funds	1987	1986
REVENUES:				
EXPENDITURES:				
OTHER FINANCING SOURCES (USES):				
Proceeds from bonds and capital leases	$616,707	$11,000,000	$11,616,707	$631,720

THE CITY OF NEW YORK, NY (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS [IN PART]

	Governmental Fund Types		Total (Memorandum Only)
	Capital Projects	Debt Service	
REVENUES:			
OTHER FINANCING SOURCES:			
Net proceeds from sale of notes and bonds	$1,135,030	$2,999,162	$4,134,192
EXPENDITURES:			
OTHER FINANCING USES:			

CITY OF DALLAS, TX (SEP '86)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS [IN PART]

	Governmental Fund Types	Totals (Memorandum Only)	
	Capital Projects	1986	1985
REVENUES:			
EXPENDITURES:			
OTHER FINANCING SOURCES (USES):			
Proceeds of general obligation bonds	215,319	215,319	127,725

CLEVELAND CITY, OH (DEC '86)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES [IN PART]

	Governmental Fund Types	Totals (Memorandum Only)	
	Capital Projects	1986	1985
REVENUES:			
EXPENDITURES:			
OTHER FINANCING SOURCES (USES):			
Proceeds from the sale of bonds—net...............	20,254	20,254	30,776

MARICOPA COUNTY, AZ (JUN '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES [IN PART]

	Governmental Fund Types	Totals (Memorandum Only)
	Capital Projects	June.30, 1987
REVENUES:		
EXPENDITURES:		
OTHER FINANCING SOURCES (USES):		
Proceeds from sale of bonds......	$87,513,420	$87,513,420

Section 5: Statement of Changes in Financial Position

ACCOUNTING REQUIREMENTS*

Accounting Principles Board Opinion 19, "Reporting Changes in Financial Position," which requires a statement of changes or a funds statement for commercial enterprises, states:

The objectives of a funds statement are (1) to summarize the financing and investing activities of the entity, including the extent to which the enterprise has generated funds from operations during the period, and (2) to complete the disclosure of changes in financial position during the period. The information shown in a funds statement is useful to a variety of users of financial statements in making economic decisions regarding the enterprise.

Opinion 19 also states:

The concept of *funds* in funds statements has varied somewhat in practice, with resulting variations in the nature of the statements. For example, *funds* is sometimes interpreted to mean *cash* or its equivalent, and the resulting funds statement is a summary of cash provided and used. Another interpretation of *funds* is that of *working capital,* i.e., current assets less current liabilities, and the resulting funds statement is a summary of working capital provided and used.

PROPRIETARY FUNDS

GASB Cod. Sec. 2200.112 indicates that statements of changes in financial position are required for proprietary funds. All Proprietary Fund Types should present the separate data for each major fund type in a columnar format and may contain a total column, with or without interfund eliminations. Total columns of combining statements of changes in financial position by fund type should agree with the column for that fund type in the Combined Statement of Changes in Financial Position—All Proprietary Fund Types. Any interfund and similar eliminations made should be apparent from the headings or disclosed in the notes to the financial statements.

The combined statement of changes in financial position for proprietary and trust funds 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 5-1. OBSERVATIONS RELATING TO THE STATEMENT OF CHANGES IN FINANCIAL POSITION

Data in Changes in Financial Position Statement	Instances Observed 1987	1986
Units whose report contained a change in financial position statement	395	313
Proprietary fund data:		
Enterprise funds	284	194
Internal service funds	165	65
Fiduciary fund data:*		
Pension trust funds	115	62
Nonexpendable trust funds	71	32
Reports with memo columns:		
Current and past years	219	74
Current year only	150	61

*Observations for those units having this statement.

The following are examples of statements of changes in financial position.

*The GASB currently has outstanding an exposure draft of a proposed Statement titled *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. See section 1, "General," for further discussion.

CHATHAM COUNTY, GA (DEC '86)

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION—ALL PROPRIETARY FUND TYPES AND PENSION TRUST FUND

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise (Note 11)	Internal Service	Pension Trust	1986	1985
SOURCE OF FUNDS:					
Operations:					
Net income (loss)	$ 38,987	$ (91,159)	$1,545,825	$1,493,653	$ 813,361
Items not requiring working capital—depreciation	243,457			243,457	1,168,668
Funds provided by operations	282,444	(91,159)	1,545,825	1,737,110	1,982,029
Increase in contributions	100,500	500,000		600,500	481,680
Disposition of property	109,955			109,955	
Decrease in construction in progress	400,893			400,893	419,696
Increase in long-term debt					
Total source of funds	893,792	408,841	1,545,825	2,848,458	2,883,405
APPLICATION OF FUNDS:					
Additions to fixed assets	409,759			409,759	1,439,749
Decrease in long-term debt	6,364			6,364	16,427
Increase in construction in progress	132,625			132,625	495,736
Decrease in deferrals	3,075			3,075	79,125
Total application of funds	551,823			551,823	2,031,037
INCREASE (DECREASE) IN WORKING CAPITAL	$341,969	$ 408,841	$1,545,825	$2,296,635	$ 852,368
CHANGES IN COMPONENTS OF WORKING CAPITAL:					
Increase (decrease) in current assets:					
Cash and investments	$314,784	$ 417,484	$1,090,220	$1,822,488	$1,022,555
Accounts receivable and other	36,974	2,570	(31,834)	7,710	53,606
Inventory	(2,640)			(2,640)	2,114
Due from others	(13,811)			(13,811)	(167,928)
Prepaid expenses					71,011
Total	335,307	420,054	1,058,386	1,813,747	981,358
Increase (decrease) in current liabilities:					
Accounts payable and other	(8,353)	11,213	7,213	10,073	95,437
Due to others	(15,585)			(15,585)	
Due to other funds	17,276		(494,652)	(477,376)	33,553
Total	(6,662)	11,213	(487,439)	(482,888)	128,990
INCREASE (DECREASE) IN WORKING CAPITAL	$341,969	$ 408,841	$1,545,825	$2,296,635	$ 852,368

The accompanying notes are an integral part of these financial statements.

PALM BEACH COUNTY, FL (SEP '86)

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION—ALL PROPRIETARY FUND TYPES

	Total Enterprise Funds	Total Internal Service Funds
Sources (uses) of funds:		
Operations:		
Net income before extraordinary gain	$ 5,277,961	$ 541,348
Items not requiring (providing) funds:		
Depreciation and amortization	10,613,711	1,413,643
Other	(199,232)	—
Funds provided from operations before extraordinary gain	15,692,440	1,954,991
Increase in contributed capital	44,067,727	301
Decrease in restricted assets	17,842,889	—
Increase in account and contracts payable	3,991,502	—
Increase in accrued interest payable	1,579,163	—
Increase in deferred revenue	680,842	—
Decrease in due from other government	510,609	—
Decrease in due from other County funds	467,559	—
Increase in customer deposits	172,805	—
Increase in current portion of long-term debt	130,000	—
Increase in due to other governments	78,946	823
Increase in other current liabilities	39,676	1,127,932
Decrease in prepaid expenses	30,160	—
Decrease in inventory	14,013	59,379
Decrease in other assets	9,203	—
Decrease in accrued interest receivable	1,794	—
Increase in notes payable	—	694,658
Increase in due to other County funds	—	314,834
Increase in long-term liabilities	—	238,042
Increase in vouchers payable and accrued liabilities	—	184,848
Increase in advance from other County funds	—	68,203
Decrease in accounts receivable (net)	—	7,261
Extraordinary gain on restructuring of escrow	775,567	—
Total sources of funds	$86,084,895	$4,651,272
Uses of funds:		
Plant, property, and equipment purchased	$46,297,547	$2,385,609
Plant, property, and equipment contributed	21,110,808	—
Decrease in other long-term liabilities	4,816,485	—
Decrease in vouchers payable and accrued liabilities	2,969,163	—
Issue costs incurred in debt financing	943,938	—
Decrease in payable from restricted assets	855,333	—
Decrease in revenue bonds payable	710,000	—
Increase in accounts receivable (net)	581,435	—
Decrease in due to other County funds	199,518	—
Residual equity transfer	15,178	—
Increase in due from other County funds	—	10,521
Increase in due from other governments	—	6,055
Decrease in deferred revenue	—	611
Total uses of funds	$78,499,405	$2,402,796
Increase in cash and short-term investments	$ 7,585,490	$2,248,476

The notes to the financial statements are an integral part of this statement.

CITY OF RENO, NV (JUN '87)

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION—ALL PROPRIETARY FUND TYPES

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only) 1987	1986
SOURCES OF WORKING CAPITAL:				
Operations:				
Net income	$ 5,471,732	$1,234,872	$ 6,706,604	$ 3,381,336
Items not requiring (providing) working capital:				
Depreciation	1,181,017	91,884	1,272,901	1,264,186
Net loss from Reno-Sparks Wastewater Treatment Facility	616,670	—	616,670	594,084
(Gain) loss on disposition of assets	—	32	32	(7,689)
Working capital provided by operations	7,269,419	1,326,788	8,596,207	5,231,917
Proceeds from disposition of assets	—	9,355	9,355	17,643
Decrease in restricted assets	6,973,384	—	6,973,384	—
Decrease in construction-in-progress	—	—	—	344,419
Increase in current liabilities (payable from restricted assets)	606,076	—	606,076	—
Increase in contributed capital	5,039,446	15,722	5,055,168	7,784,116
Total sources of working capital	19,888,325	1,351,865	21,240,190	13,378,095
USES OF WORKING CAPITAL:				
Increase in restricted assets	—	—	—	2,105,039
Increase in long-term portion of note receivable	784,602	—	784,602	—
Increase in investment in Reno-Sparks Wastewater Treatment Facility	12,768,187	—	12,768,187	9,407,909
Additions to property, plant and equipment	3,295,711	9,361	3,305,072	1,649,501
Decrease in contributed capital	—	—	—	1
Decrease in current liabilities (payable from restricted assets)	—	—	—	520,948
Reduction in long-term debt	715,000	—	715,000	685,000
Total uses of working capital	17,563,500	9,361	17,572,861	14,368,398
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 2,324,825	$1,342,504	$ 3,667,329	$ (990,303)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and investments	$ 1,966,082	$ 265,675	$ 2,231,757	$ (625,603)
Accounts receivable	(161,683)	29,460	(132,223)	(341,873)
Accrued interest receivable	111,025	39,607	150,632	(309,215)
Due from other governments	46,598	—	46,598	195,704
Inventory of supplies	(8,943)	10,357	1,414	(42,308)
Prepaid expenses	(3,623)	581,675	578,052	(7,317)
Current portion of note receivable	262,302	—	262,302	—
Cash overdraft	—	—	—	282
Accounts payable	(19,158)	352,472	333,314	249,120
Contracts payable	17,270	—	17,270	(17,270)
Accrued liabilities	16,660	(10,568)	6,092	(15,858)
Due to other governments	215,440	—	215,440	(34,503)
Accrued interest payable	9,270	—	9,270	14,375
Other	(53)	—	(53)	(113)
Revenues collected in advance	(96,362)	73,826	(22,536)	(25,724)
Current portion of general obligation bonds payable	(30,000)	—	(30,000)	(30,000)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 2,324,825	$1,342,504	$ 3,667,329	$ (990,303)

The notes to financial statements are an integral part of this statement.

CITY OF SHREVEPORT, LA (DEC '86)

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

	Proprietary Fund Type Enterprise Funds	Fiduciary Fund Type Pension Trust Funds	Totals (Memorandum Only) 1986	Totals (Memorandum Only) 1985
Sources of working capital:				
From operations:				
Net income before extraordinary item	$ 72,134	$9,640,609	$ 9,712,743	$14,224,711
Items not requiring outlay of working capital:				
Depreciation and amortization	6,039,159	—	6,039,159	5,796,453
Loss on disposal of equipment	—	—	—	374
Working capital provided by operations exclusive of extraordinary item	6,111,293	9,640,609	15,751,902	20,021,538
Extraordinary gain (loss) on advance refunding bond issues	(11,794,542)	—	(11,794,542)	677,323
Item not requiring outlay of working capital—charge off of deferred bond cost	2,094,576	—	2,094,576	—
Working capital provided (used) by operations	(3,588,673)	9,640,609	6,051,936	20,698,861
Proceeds from bond sales	117,615,000	—	117,615,000	46,628,143
Contributions	2,426,561	—	2,426,561	7,692,108
Employees' deposits held in escrow	—	138,522	138,522	—
Increase in other liabilities	82,259	—	82,259	9,538
Total sources of working capital	116,535,147	9,779,131	126,314,278	75,028,650
Uses of working capital:				
Additions to property, plant and equipment	13,181,619	—	13,181,619	13,106,052
Addition to deferred bond cost	4,249,296	—	4,249,296	1,144,894
Reduction of long-term debt	64,687,000	—	64,687,000	9,374,048
Reduction in other liabilities	232,462	—	232,462	280,698
Increase in restricted assets, net of change in current liabilities payable from restricted assets	32,899,840	—	32,899,840	37,992,070
Total uses of working capital	115,250,217	—	115,250,217	61,897,762
Increase in working capital	$ 1,284,930	$9,779,131	$ 11,064,061	$13,130,888
Changes in working capital components, net of change in current liabilities payable from restricted assets:				
Cash and investments	$ 1,565,934	$9,580,498	$ 11,146,432	$12,994,894
Receivables	(877,505)	146,002	(731,503)	(39,107)
Inventories	(96,263)	—	(96,263)	57,168
Due from other funds	(70,086)	(239,921)	(310,007)	326,613
Prepaid expenses	250,694	—	250,694	50,054
Accounts payable	669,284	223,082	892,366	(59,754)
Current portion of liability and refund contract payable	4,839	—	4,839	660
Accrued liabilities	(23,236)	—	(23,236)	(94,611)
Due to other funds	200,843	69,470	270,313	(267,923)
Other	378	—	378	(38,058)
Current portion of long-term debt	(337,952)	—	(337,952)	205,952
Current portion of obligation under capital lease	(2,000)	—	(2,000)	(5,000)
Increase in working capital	$ 1,284,930	$9,779,131	$ 11,064,061	$13,130,888

See accompanying notes to combined financial statements.

CHARTER TOWNSHIP OF DELTA, MI (DEC '86)

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION—ALL PROPRIETARY FUND TYPES

	Proprietary Fund Type Enterprise	
	1986	1985
SOURCES OF WORKING CAPITAL:		
Operations:		
Net income	$1,678,474	$ 1,136,623
Items not requiring working capital		
Depreciation and amortization	483,654	354,579
Working capital provided by operations	2,162,128	1,491,202
Contributed capital	3,524,875	12,849,225
Net decrease in deferred charges		1,123
Net increase in current liabilities payable from restricted assets		370,837
Increase in long-term debt		3,456,000
Net decrease in restricted assets	2,690,748	
Total	8,377,752	18,168,389
USES OF WORKING CAPITAL:		
Additions to plant and equipment	5,952,671	15,021,380
Decrease in long-term liabilities	485,000	327,129
Net increase in restricted assets		2,885,651
Net decrease in current liabilities payable from restricted assets	302,138	1,343
Net increase in deferred charges	40,996	30,656
Total	6,780,807	18,266,159
INCREASE (DECREASE) IN WORKING CAPITAL	$1,596,945	$ (97,769)
CHANGES IN WORKING CAPITAL COMPONENTS:		
Increase (decrease) in current assets:		
Deposits with treasurer's common cash fund	$1,413,515	$ (155,469)
Receivables	174,515	49,818
Due from other funds	(280,972)	31,889
Decrease (increase) in current liabilities:		
Accounts payable	(11,823)	(748)
Customer deposits	(9,873)	(2,563)
Accrued payroll and taxes	(768)	(653)
Accrued sick pay allowance	(3,085)	3,158
Due to other funds	315,436	(23,201)
INCREASE (DECREASE) IN WORKING CAPITAL	$1,596,945	$ (97,769

See notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY, OH (DEC '86)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	1986	1985
SOURCES (APPLICATIONS) OF FUNDS:		
Net expenses over revenues	$(2,748,168)	$(1,604,303)
Add—amounts not affecting working capital:		
Provision for depreciation	1,636,087	1,710,739
Working capital provided from (applied to) operations	(1,112,081)	106,436
Capital grants received:		
Federal	604,046	814,471
State	81,543	8,805
Local	1,960	19,766
Private	14,971	70,680
Increase in other liabilities		70,848
Decrease in restricted assets	124,001	
Total	(285,560)	1,091,006
APPLICATION OF FUNDS:		
Additions to property, facilities and equipment:		
Property facilities and equipment—operations	762,913	577,273
Public domain projects	3,854	254,007
Total	766,767	831,280
Completed projects released to the public domain	(3,854)	(657,975)
Reduction of contributed capital applicable to public domain projects	3,854	657,975
Additions to deferred charges and other assets		23,035
Decrease in other liabilities	38,025	
Increase in restricted assets		116,540
Total	804,792	970,855
INCREASE (DECREASE) IN WORKING CAPITAL	$(1,090,352)	$ 120,151
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:		
Cash and short-term investments	$(1,147,921)	$ (67,525)
Receivables:		
State of Ohio operating assistance	100,422	101,354
Trade and other	(845)	(173,811)
Estimated property taxes receivable	30,941	21,104
Materials and supplies	(52,888)	(23,274)
Prepaid expenses	(16,893)	179,291
Accounts payable	52,322	(14,419)
Accrued payroll	(25,752)	(36,189)
Accrued payroll taxes	(210,473)	46,067
Accrued claims	176,743	19,804
Other current liabilities	3,992	67,749
INCREASE (DECREASE) IN WORKING CAPITAL	$(1,090,352)	$ 120,151

See notes to financial statements.

CITY OF FREDERICK, MD (JUN '87)

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION—PROPRIETARY FUND TYPES AND SIMILAR TRUST

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)	
	Enterprise	Nonexpendable Trust	Pension Trust	1987	1986
Sources of Cash:					
Net income	$ 539,686	$287,899	$878,548	$1,706,133	$1,435,771
Depreciation	346,768	0	0	346,768	340,368
Amortization	7,075	0	0	7,075	3,538
Decrease (increase) in due from other funds	(28,949)	0	0	(28,949)	576,106
Decrease in inventory	12,946	0	0	12,946	2,778
Increase in accounts payable	315,425	0	0	315,425	1,119,154
Total cash from operations	1,192,951	287,899	878,548	2,359,398	3,477,715
Other sources:					
Increase (decrease) in deferred revenue	(741,274)	0	0	(741,274)	1,006,801
Increase in contributed capital (net)	5,894,327	0	0	5,894,327	6,868,576
Increase in deposits	0	0	0	0	130
Proceeds from debt issue	0	0	0	0	5,890,000
Total other sources	5,153,053	0	0	5,153,053	13,765,507
Total Sources of Cash	6,346,004	287,899	878,548	7,512,451	17,243,222
Uses of Cash:					
Increase in receivables	20,756	135,000	140,876	296,632	12,310
Increase in temporary investments	1,615	0	737,672	739,287	671,572
Increase in due from other funds	0	152,899	0	152,899	53,188
Increase (decrease) in due from governments	(638,923)	0	0	(638,923)	458,120
Increase (decrease) in prepaid item	(2,516)	0	0	(2,516)	10,540
Increase in bond issuance costs	0	0	0	0	141,500
Purchase of fixed assets	6,575,438	0	0	6,575,438	9,799,871
Decrease (increase) in accrued liabilities	(20,447)	0	0	(20,447)	1,498
Decrease in deposits	0	0	0	0	14,250
Decrease (increase) in compensated absences payable	(5,794)	0	0	(5,794)	16,905
Decrease in debt payable	414,616	0	0	414,616	166,508
Retirement of debt	414,616	0	0	0	5,890,000
Total Uses of Cash	6,344,745	287,899	878,548	7,511,192	17,236,262
Increase in Cash	$ 1,259	$ 0	$ 0	$ 1,259	$ 6,960

The notes to the financial statements are an integral part of these statements.

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	**1987**	**1986**
Certified public accountants	467	442
State audit agency	23	58
Two or more public accounting firms	8	2
Municipal accountant or auditor	2	2
Total Entities	500	504

REPORT ON AN EXAMINATION 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 opinions 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 applied on a basis consistent with the preceding fiscal period.

As noted in the following table the audit opinion referred to the following accounting principles:

*[Note: In April, 1988 the Auditing Standards Board issued Statement on Auditing Standards No. 58, "Reports on Audited Financial Statements," which prescribes a new form for the auditor's standard report, requires a reference to consistency only when accounting principles have not been consistently applied and eliminates the subject to qualification on a material uncertainty while retaining the requirement to discuss the matter through the addition of an explanatory paragraph following the opinion paragraph. The statement is effective for reports issued or reissued on or after January 1, 1989 with earlier application permissible. See section 1 for a further discussion. The provisions of SAS No. 58 were not effective during the survey period.]

TABLE 6-2. ACCOUNTING PRINCIPLES USED IN FINANCIAL STATEMENT PRESENTATION

	Instances Observed	
Accounting Principles	**1987**	**1986**
Generally accepted accounting principles (GAAP)*	460	412
State government principles*	12	14
State Principles and other basis	1	5
Other basis of presentation*	34	92

*May include more than one basis.

Table 6-3 summarizes the variances of opinions observed among the surveyed financial statements. Several examples relating to the audit of governmental units are shown below.

TABLE 6-3. FINANCIAL STATEMENTS COVERED BY THE BASIC AUDITOR'S OPINION

	Instances Observed	
Level of Primary Audit Responsibility	**1987**	**1986**
Combined financial statements (GPFS)	375	394
GPFS and, where applicable, combining, individual fund, and account group financial statements	110	100
GPFS and combining financial statements	9	8
Other	8	2

NATURE OF THE AUDITOR'S OPINION

Of the opinions observed during this year's analysis, 34% were qualified. 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." For example, qualified opinions relating to consistency are, in fact, desired, if they are occasioned by changes to more acceptable accounting practices.

Audit opinions that contained the phrase "Subject to"* relate to qualifications that arise because of an uncertainty affecting the financial statements (e.g., "In our opinion, subject to the effect of any adjustments that might have been required had the outcome of the litigation mentioned in the preceding paragraph been known, . . ."). The phrase "except for" is used in all other 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 1987	1986
Unqualified	276	288
Qualified:*		
departure from GAAP	103	125
scope limitation	38	40
litigation	21	16
accounting principles not being consistently applied	6	13
contingent liabilities, other than litigation	6	9
disclaimer	3	4

*Observations for units having qualified auditor's opinions.

TABLE 6-5. ANALYSIS OF QUALIFICATIONS WITH REFERENCE TO DEPARTURES FROM GAAP

Basis of Departures*	Instances Observed 1987	1986
Incomplete financial statements	65	89
Fixed asset accounting or valuation	42	31
Pension liability	20	11
Reporting entity	8	8
Compensated absences	8	6
Cash basis of accounting	5	7
Inventory valuation accounting	4	4
Method of accruing revenues and expenditures	2	9
Other reasons	9	12

*Observations for the units with qualified audit opinions for departures from GAAP.

Examples of audit reports of surveyed financial statements are as follows:

UNQUALIFIED OPINIONS

Generally Accepted Accounting Principles

Board of Directors
Capital Region Airport Authority

We have examined the balance sheet of the Capital Region Airport Authority as of June 30, 1987 and 1986, and the related statements of income (loss), retained earnings, reserve for capital improvements, contributions and grants in aid, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements present fairly the financial position of the Capital Region Airport Authority as of June 30, 1987 and 1986, 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 applied on a consistent basis.

[Signature]

September 2, 1987

The Board of Directors
Coos County School District No. 8
Coquille, OR 97423

We have examined the general purpose financial statements of Coos County School District No. 8 and the combining, individual fund, and account group financial statements of the District as of and for the year ended June 30, 1987, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards; the Minimum Standards for Audits of Oregon Municipal Corporations; the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the United States 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.

In our opinion, the general purpose financial statements referred to above present fairly the financial position of the Coos County School District No. 8 at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly the financial position of the individual funds and account groups of the Coos County School District No. 8 at June 30, 1987, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund, and account group financial statements. The accompanying financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Coos County School District No. 8. Such information has been subjected to the auditing procedures applied in the examination of the general purpose, combining, individual fund, and account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

[Signature]

Date September 16, 1987

September 21, 1988

Independent Auditors' Report

Honorable Mayor and City Council
*City of Orem, Utah**

We have audited the accompanying general purpose financial statements of the City of Orem, Utah, as of and for the year ended June 30, 1988, as listed in the table of contents. These

*[Note: Even though not effective during the survey period (July, 1986–June, 1987) the next three reports are provided as examples of the new reporting format required by Statement on Auditing Standards No. 58, "Reports on Audited Financial Statements."]

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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Orem, Utah, at June 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 described in note 18 to the financial statements, the City restated components of the Recreation Fund equity for depreciation previously charged against contributions from municipalities rather than retained earnings. Also, as discussed in note 19 to the financial statements, the City included the Commission for Economic Development in Orem (CEDO) in the reporting entity.

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 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 Orem, Utah. 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.

[Signature]

Independent Auditors' Report

Commissioners of Dauphin County
Harrisburg, Pennsylvania*

We have audited the general purpose financial statements of the County of Dauphin, Pennsylvania, as of and for the year ended December 31, 1987, 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 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 County of Dauphin, Pennsylvania, at December 31, 1987, 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 the County of Dauphin, Pennsylvania. 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.

The schedule of historical pension information on page 37 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]

May 27, 1988

Independent Auditors' Report

The Honorable City Council of the
City of Santa Monica, California:*

We have audited the general purpose financial statements of the City of Santa Monica, California as of and for the year ended June 30, 1988, as listed in the 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 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 the City of Santa Monica, California as of June 30, 1988 and the results of its operations and the changes in financial position of its proprietary fund types 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 funds and account groups 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 Santa Monica, California. 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]

September 30, 1988

Cash Basis

The Board of Town Trustees
The Town of Decatur, a Unit of
Local Government, Decatur, Illinois

We have examined the combined financial statements of The Town of Decatur, a Unit of Local Government, Decatur, Illinois (Town of Decatur, Illinois), and the combining financial statements of its special revenue funds as of and for the year ended March 15, 1987, as listed in the accompanying Table of Contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1, the Town's policy is to prepare its financial statements on the basis of cash receipts and expenditures; consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid, rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the aforementioned combined financial statements present fairly the assets and liabilities arising from cash transactions of The Town of Decatur, a Unit of Local Government, Decatur, Illinois (Town of Decatur, Illinois), at March 15, 1987, and the receipts and expenditures and changes in fund balance for the year then ended, on the basis of accounting described in Note 1, applied on a basis consistent with that of the preceding year. Also, in our opinion, the combining financial statements referred to above present fairly the assets and liabilities arising from cash transactions of the special revenue funds of the Town at March 15, 1987, and their receipts and expenditures and changes in fund balance for the year then ended, on the basis of accounting described in Note 1 applied on a basis consistent with that of the preceding year.

Comparative data as of and for the year ended March 15, 1986, is taken from our report of examination dated May 2, 1986, in which we expressed our opinion that the financial statements presented fairly the assets and liabilities arising from cash transactions, the receipts and expenditures and changes in fund balance of the funds of the Town on the basis of accounting described in Note 1 applied on a basis consistent with that of the preceding year.

[Signature]

April 24, 1987

Reference to Reliance on Other Auditors

October 21, 1987

The Harford County Council
20 West Courtland Street
Bel Air, MD 21014

I have examined the general purpose financial statements of Harford County, Maryland, as of and for the year ended June 30, 1987, as listed in the table of contents. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances. I did not examine the financial statements of the Harford County Board of Education, a component entity, which statements reflect total assets constituting 37.1 percent of the related consolidated total; of the Harford Community College, component entity, which statements reflect total assets constituting 6.0 percent of the related consolidated total; of the Harford County Library, a component entity which statements reflect total assets constituting .15 percent of the consolidated total; and of the Harford Center, Inc., a component entity, which statements reflect total assets constituting .11 percent of the consolidated total. These statements were examined by other auditors whose reports thereon have been furnished to us, and my opinion expressed herein, insofar as it related to the amounts included for the Harford County Board of Education, Harford Community College, the Harford County Library and the Harford Center, Inc., is based solely upon the report of the other auditors.

In my opinion, based upon my examination and the report of the other auditors, the aforementioned statements present fairly the financial position of the various fund types and account groups of Harford County, Maryland, at June 30, 1987 and the results of operations of the various fund types and changes in financial position of the Proprietary Fund types for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

My examination 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 table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Harford County, Maryland. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this report, in the Statistical Section of the supplemental data, has not been audited by me, and accordingly, I express no opinion on such data.

Sincerely yours,

[Signature]

To the Honorable Mayor
of the City of Albany, New York

We have examined the general purpose financial statements of the City of Albany, New York as of and for the year ended December 31, 1986, as detailed in the accompanying table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as explained in the following two paragraphs.

We did not examine the Library Fund. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for the Library Fund, is based solely upon the report of other auditors.

The City does not maintain detailed records of capital expenditures of the Water Fund. Accordingly, it was impracticable to extend our examination to capital assets, construction in progress or accumulated depreciation of the Water Fund.

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 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 financial statements of the City, as required by generally accepted accounting principles.

As described in Notes 1 and 10, the financial position and results of operations of the Sewer Fund 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 to the financial statements, the City does not accrue unbilled pension costs in its governmental funds, as required by generally accepted accounting principles.

In our opinion, based upon our examination and the report of other auditors, except for the effects, if any, of the matters referred to in paragraphs four through seven of this report, and adjustments as might have been determined to be necessary had we examined those items referred to in paragraph three of this report, the general purpose financial statements listed in the accompanying table of contents present fairly the financial position of the City as of December 31, 1986, 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, which except for the addition, with which we concur, of the Albany Community Development Agency in the reporting entity of the City as described in Note 1 to the financial statements, have been applied on a basis consistent with that of the preceding year.

[Signature]

Albany, New York
May 15, 1987, except for
Note 13, as to which the
date is October 27, 1987

The Honorable County Executive and
Members of the County Legislature
County of Erie, New York

We have examined the general purpose financial statements of the County of Erie, New York, as of and for the year ended December 31, 1986, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Enterprise Funds or the financial statements of the Community College Fund, which together represent 18% of both the assets and the revenues of the financial reporting entity. Those financial statements were examined 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 Enterprise and the Community College Funds, is based solely upon the reports of the other auditors.

As discussed in Note XVIII to the financial statements, the County is the defendant in a lawsuit alleging breach of contract and resulting damages regarding a domed sports stadium. Since the ultimate outcome of the litigation cannot presently be determined, no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the litigation discussed in the preceding paragraph been known, based upon our examination and the reports of other auditors, the general purpose financial statements referred to above present fairly the financial position of the County of Erie, New York at December 31, 1986 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 applied on a consistent basis, after restatements with which we concur, as described in Note II to the financial statements.

[Signature]

April 10, 1987

To the Honorable Members of Council of
the City of Pittsburgh, Pennsylvania:

We have examined the general purpose financial statements of the City of Pittsburgh, Pennsylvania as of and for the year ended December 31, 1986 as listed in the accompanying table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Stadium Authority of the City of Pittsburgh or the Pittsburgh Water and Sewer Authority, component units of the City's reporting entity, which comprise the Enterprise Fund. These component units' financial statements comprise the entire Enterprise Fund. These 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 them, is based solely upon the report of the other auditors.

As described in note 7, the City has vested pension benefit obligations which are significantly in excess of related available assets.

Records with respect to the historical cost of general purpose fixed assets and a comprehensive inventory of such assets are not available (see note 1). Consequently, a general fixed asset account group is not included in the accompanying financial statements.

In our opinion, based upon our examination and the reports of other auditors, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the City of Pittsburgh, Pennsylvania at December 31, 1986 and the results of its operations and changes in contributed capital of its enterprise funds and changes in financial position of its enterprise funds and pension trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements 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 Pittsburgh, Pennsylvania. The current year's information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, based upon our examination and the reports of other auditors, except for the effect of the matter discussed in the second preceding paragraph, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not examine the introductory and statistical section as set forth in the table of contents and, therefore, express no opinion thereon.

[Signature]

May 31, 1987

Opinions by Two or More Auditors

The Grand Jury and
Board of Supervisors
County of Alameda, California

We have examined the combined financial statements of the County of Alameda, California, as of June 30, 1987, and for the year then ended, as listed in the accompanying Table of Contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combined financial statements present fairly the financial position of the County of Alameda, California, at June 30, 1987, 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 applied on a basis consistent with that of the preceding year, as restated (Note 2).

Our examination was made for the purpose of expressing an opinion on the combined financial statements of the County of Alameda, California, taken as a whole. The accompanying additional financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such additional information has been subjected to the auditing procedures applied in the examination of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

The statistical section listed in the accompanying Table of Contents was not examined by us and, accordingly, we do not express an opinion thereon.

[Firm A, Signature]

[Firm B, Signature]

Oakland, California
November 20, 1987

Members of the Parish Council
Jefferson Parish, Louisiana

We have examined the general purpose financial statements of Jefferson Parish, Louisiana, as of and for the year ended December 31, 1986, as listed in the table of contents. Our examination 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. We did not examine the financial statements of the proprietary fund type, which represent the amounts shown as the proprietary fund type and we also did not examine the financial statements of The Employees' Retirement System of Jefferson Parish, a pension trust fund which represents 61 percent and 12 percent, respectively, of the assets and revenues 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 these funds, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, the general purpose financial statements referred to above present fairly the financial position of Jefferson Parish, Louisiana, at December 31, 1986, and the results of its operations and the changes in financial position of its proprietary fund type and similar trust fund for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination 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 table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Jefferson Parish, Louisiana. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, based upon our examination and the reports of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The accompanying financial information listed in the table of contents under "Statistical Section" is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Jefferson Parish, Louisiana. Such information has not been audited by us and, accordingly, we express no opinion on such information.

[Firm A, Signature] [Firm B, Signature]

March 13, 1987
Kenner, Louisiana

QUALIFIED OPINIONS

[Qualification: Incomplete Financial Statements]

[Example 1]

The general purpose financial statements referred to above do not include a statement of general fixed assets which should be included to conform with generally accepted accounting principles. The City does not maintain a record of its general fixed assets.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the City, at June 30, 1987, and the results of its operations and the changes in financial position of its proprietary and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 2]

The City has not maintained 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 omission of a statement of general fixed assets, the aforementioned combined financial statements present fairly the financial position of the various fund types and account groups of the City, at June 30, 1987, and the results of operations of such fund types and the changes in financial position of the proprietary fund types for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the combining financial statements referred to above present fairly the financial position of the individual funds and account groups of the City at June 30, 1987, and the results of operations of such funds and account groups for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 3]

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] School District has not maintained a record of its general fixed assets; therefore, the amount that should be recorded in the general fixed assets account group is not known.

As discussed in Note J, to the general purpose financial statements, the District General Fund may have to pay back the Food Service Fund for excess indirect cost transfers made during the four year period ended June 30, 1987. The possible outcome of this matter is uncertain at this time, and no provision has been made in the general purpose financial statements for this possible claim for overpayment.

In our opinion, except for the effect on the financial statements of the omission described in the second paragraph, and subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the general purpose financial statements referred to in the first paragraph present fairly the financial position of [the] School District at June 30, 1987, 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 applied on a basis consistent with that of the preceding year.

[Example 4]

The City has not maintained adequate detailed accounting records of its general fixed assets and we were unable to satisfy ourselves as to the General Fixed Assets Group of Accounts.

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 general fixed asset accounts, the financial statements referred to above present fairly the financial position of the City, at June 30, 1987, 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 which, except for the change, with which we concur in accounting for property tax receivables and compensated absences as described in Note E of the notes to the financial statements have been applied on a basis consistent with that of the preceding year.

[Example 5]

[The] School District has not maintained a complete record of its General Fixed Assets. Although recent years' acquisitions have been recorded at historical cost, earlier purchases are not recorded in this manner, as required by generally accepted accounting principles. As such, a statement of General Fixed Assets is not included in this report.

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 combined financial statements present fairly the financial position of the School District at June 30, 1987, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 6]

The Town follows accounting practices prescribed by the provisions set forth by the General Laws of the Commonwealth of Massachusetts, which practices differ in certain respects from generally accepted accounting principles. The most significant difference relates to the use of the cash basis method of recording pension costs for employees. Generally accepted accounting principles require that pension costs be determined by actuarial methods instead of the cash or pay-as-you-go basis as described in Note 8 to the Financial Statements.

As is the usual practice in municipalities in the Commonwealth of Massachusetts, the Town has not maintained historical cost record of its fixed assets and, accordingly, a statement of fixed assets, required by generally accepted accounting principles, or a fixed assets group of accounts, is not included among the general purpose financial statements.

In our opinion, except for the effect of not providing for pension costs on an actuarial basis, and except that for the omission of financial statements of the Town's fixed assets results in an incomplete presentation as explained above, the general purpose financial statements referred to above, present fairly the financial position of the Town, at June 30, 1987, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding years.

[Qualification: Fixed Asset Valuation and Accounting]

[Example 1]

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-B of the Notes to Financial Statements).

In our opinion, except for the effects, if any, of the above, the general purpose financial statements referred to above present fairly the financial position of the School District at June 30, 1987, 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 applied on a basis consistent with that of the preceding year.

Note 1—Significant Accounting Policies [In Part]

B. Inventories

General Fund:

The General Fund inventory valuation as presented in 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 2]

As explained in Note 2 to the combined financial statements, property and equipment in the Proprietary Fund and General Fixed Asset Account Group are valued by methods other than those recognized by generally accepted accounting principles. Additionally, depreciation in the Proprietary Fund is computed based on these property and equipment values. It is not practicable to determine the effects on the combined financial statements of these departures from generally accepted accounting principles.

In our opinion, except for the effects of the departures from generally accepted accounting principles in the Proprietary Fund and General Fixed Asset Account Group, as discussed in the preceding paragraph, the combined financial statements referred to above present fairly the financial position of the City at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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

Property and Equipment and General Fixed Assets

A substantial amount of property and equipment in the Proprietary Funds and general fixed assets in the General Fixed Assets Account Group are recorded at appraised values rather than cost. Other such assets are recorded at actual cost or cost estimated by management. In the enterprise funds, major work orders plus 75% of the City's maintenance/extension labor and benefits costs are capitalized in fixed assets reflecting management's best estimate of costs allocable to system extensions. This is not in conformity with generally accepted accounting principles. The dollar value of this departure from generally accepted methods is not determinable.

[Example 3]

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 costs as required by generally accepted accounting principles.

In our opinion, except for the effects on the general purpose 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 the financial position of the School District at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

1. Summary of Significant Accounting Policies [In Part]

H. General Fixed Assets

General fixed assets are valued at replacement value. Donated amounts are valued at estimated fair market value when given.

[Example 4]

Prior to 1959, the City did not maintain adequate cost records of its fixed assets, so market values at July 1, 1959 were used, which is not in conformity with generally accepted accounting principles.

In our opinion, except for the lack of cost data for the assets acquired before July 1, 1959, the combined financial statements referred to above present fairly the financial position of the City at June 30, 1987, 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 applied on a basis consistent with that of the preceding year.

[Example 5]

The City maintains its record of general fixed assets at estimated current values rather than at historical cost, as required by generally accepted accounting principles and, accordingly, a Statement of General Fixed Assets, required by generally accepted accounting principles, is not included in the accompanying combined financial statements.

As described in Note 13, the accrual of pension costs is not in accordance with generally accepted accounting principles.

In our opinion, except for the effect of the matters discussed in paragraphs two and three above, the combined financial statements referred to above present fairly the financial position of the City at December 31, 1986, and the results of its operations and the changes in financial position of its Proprietary and Pension Trust Funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of revenue recognition of certain taxes in the General Fund, as described in Note 2 to the financial statements.

[Qualification: Pensions]

[Example 1]

As discussed in Note 1, the general purpose financial statements do not include a fixed asset account group and the enterprise fund does not include fixed assets related to [the] Municipal Airport which should be included to conform to generally accepted accounting principles. Amounts that should be recorded in the general fixed asset account group and in the enterprise fund related to the Manchester Municipal Airport are not known.

As discussed in Note 4 to the general purpose financial statements, benefits payable under one of the City's pension plans is recognized on the pay-as-you-go basis although generally accepted accounting principles require that pension costs be determined on an accrual basis. As a result, certain pension expenditures and liabilities are not reported. The amount of such pension costs on an accrual basis has not been determined.

During the year, management of the City implemented certain accounting changes to provide a better matching of revenues and expenditures. The accounting changes made and the effect of those changes on the financial statements are described in Note 3 to the general purpose financial statements.

In our opinion, based on our examination and the report of the other independent auditors, except for the omissions of a general fixed asset account group and the fixed assets in the enterprise fund related to the Municipal Airport, and, except for the effects of such adjustments, if any, as might have been determined to be necessary had pension costs referred to in the third paragraph been determined on an accrual basis, the accompanying general purpose financial statements present fairly the financial position of the fund types and the account group of the City at December 31, 1986 and the results of operations and the changes in financial position of its proprietary fund type and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes, with which we concur, in the methods of accounting described in Note 3 to the general purpose financial statements.

[Example 2]

The Authority follows accounting policies prescribed by the Commonwealth of Massachusetts and 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.

Consistent with Massachusetts accounting policies for state funded programs, the Authority does not capitalize the cost of general fixed assets with exception of the cost of construction and modernization of rental dwelling units as required by generally accepted accounting principles.

In our opinion, except for the effect of: 1) not providing for pension costs on an actuarial basis and 2) not capitalizing fixed assets in a General Fixed Asset Group, the accompanying general purpose financial statements referred to above present fairly the financial position of the Housing Authority, at December 31, 1986, for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 3]

As is the practice in most municipalities in the Commonwealth of Massachusetts, the general purpose financial statements referred to above do not include the general fixed assets account group (see Note 1(J)), even though such group should be included to conform with generally accepted accounting principles. The amounts that should be recorded in the general fixed assets account group are not known.

The Town follows accounting policies promulgated by the Commonwealth of Massachusetts which vary in certain respects from generally accepted accounting principles. The most significant difference relates to the use of the cash basis for recording employee pension expenses. In our opinion, generally accepted accounting principles require that pension costs be determined by actuarial methods, described in Note 2, instead of the cash or "pay-as-you-go" basis as reflected in the accompanying financial statements.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the second paragraph and of not accounting for pension expense using a generally accepted actuarial cost method as discussed in the third paragraph, the accompanying general purpose financial statements present fairly the financial position of the funds types and account group of the Town as of June 30, 1987 (December 31, 1986 for the Contributory Retirement System), and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

NOTES TO FINANCIAL STATEMENTS

2. Retirement Plans [In Part]

Substantially all other Town employees participate in the Town Contributory Retirement System. Contributions to provide benefits under the System are made by the Town and the 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. In addition, the Town has provided supplemental funding under Section 5D of Chapter 40 of the General Laws of the Commonwealth of Massachusetts (and previous legislation) to reduce the Town's actuarial past service cost. As of December 31, 1986, cumulative supplemental funding, including investment income, totaled $4,055,397.

[Example 4]

As described in the Notes to the Financial Statements, pension costs are provided on a pay-as-you-go basis instead of an actuarial basis, as required by generally accepted accounting principles. The amount of such costs under generally accepted accounting principles is not determinable at this time.

As is the practice with many governmental units in the Commonwealth of Massachusetts, the Regional School 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 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 the financial position of the School District at June 30, 1987 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

NOTES TO THE FINANCIAL STATEMENTS

5. Pensions

Pensions for employees other than School Department teaching staff are provided through a contributory retirement system under the Contributory Retirement Law. This law prescribes the formula for computing retirement allowance and presently does not permit funding of accrued pension liabilities actuarially. Employee contribution and School District contributions are paid to the State on a pay-as-you-go basis as directed by the State Division of Insurance through the County Retirement Board. Total payments during the years ended June 30, 1987 for the School District's share of pension costs, were $96,971.

School Department teaching staff contribute to a pension plan administered by the Teachers Retirement Board. The School District makes no contributions to this plan.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

5. Retirement Benefits [In Part]

Old System

Prior to January 1, 1974 all eligible City employees participated in the Old System which is accounted for on a pay-as-you-go basis plan. All employees hired before January 1, 1974 were given the option to remain in the Old System or participate in the New System. This plan in effect was replaced by the New System and only operates to cover the remaining participants. As of December 31, 1986 there were approximately 120 employees covered by the Old System. Benefits of the Old System are limited to retirement benefits without death benefits to survivors. The City does not fund costs or recognize expenses of this plan on an actuarial basis. Benefits are recognized as expenditures of the general fund on the pay-as-you-go basis. GAAP requires that pension cost be determined on an accrual basis and expenses recorded over the period the benefits are earned.

Pension benefits (including supplementary benefits) recognized as expenditures for the year ended December 31, 1986 were $1,157,921.

As of January 1, 1982, the actuarially computed present value of vested and nonvested accumulated benefits for the plan was $12,657,461.

Supplementary Benefits Plan

The City pays supplementary benefits of up to 50% of the last annual wage for any City employee who participates in the State System, was hired before June 30, 1972, and does not receive a pension benefit equal to 50% of the last annual wage. These costs are accounted for on a pay-as-you-go basis in the general fund rather than over the period when the benefits are earned as required by GAAP.

As of January 1, 1982, the actuarially computed present value of vested and nonvested accumulated benefits for the Supplementary Benefits Plan was $3,702,161.

[Example 5]

Inasmuch as the Commonwealth of Massachusetts does not require the capitalization of fixed assets, the City has not maintained complete historical cost records of its general fixed assets. Accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the financial statements.

As discussed in Note B, the City records pension expense for retired employees on the pay-as-you-go method in accordance with Massachusetts laws. However, generally accepted accounting principles require use of a method which considers as expense, at a minimum, normal cost, interest on unfunded prior service cost liability and amortization of unfunded vested benefits for participants in the pension plans.

In our opinion, except for the effect on the financial statements of the matters described in the preceding two paragraphs, the financial statements listed in the table of contents present fairly the financial position of such funds and account groups of the City, as of June 30, 1987 (except for the Contributory Retirement System, which is at December 31, 1986, and the City Hospital, which is at September 30, 1986), and the results of its operations and the changes in its fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

NOTES TO FINANCIAL STATEMENTS

C. Pension Plan:

Substantially all employees of the City, except teachers and certain administrative personnel employed by the School Department, participate in the City Contributory Retirement System as established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. Under this plan, the participants contribute a certain percentage of their compensation annually, which amount is determined by their date of employment. Benefits paid under the plan, referred to as "retirement allowances," include both an annuity portion, funded principally from amounts contributed by the participants, and a pension portion funded by the City on a "pay-as-you-go" basis. Annual contributions by the City for the pension portion of the retirement allowance due in the fiscal year are determined by the Public Employee Retirement Administration based on data submitted by the City with respect to actual retirees due benefits for the ensuing year.

[Qualification: Method of Accruing Revenues and Expenditures]

[Example 1]

The financial statements do not give effect to the liability present for accrued leave liabilities. We did not consider it practical to apply adequate alternative procedures to determine the liability present at December 31, 1986.

In our opinion, except for the effect of such adjustments as might have been necessary because of the matters discussed in the second and third paragraphs, the combined financial statements referred to above present fairly the financial position of [the] County, at December 31, 1986 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 applied on a consistent basis.

[Example 2]

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.

As more fully described in Note I of the financial statements, the City has made no provision to recognize its liability for compensated absences which have been earned but not taken by City employees. The effect of this departure from generally accepted accounting principles is to overstate ending retained earnings in the Enterprise Funds by $6,000 and to understate general long-term debt by $36,000.

Further, the cost of property, plant and equipment in the Enterprise Funds is recorded as an expense in the year of purchase, whereas these costs should be recorded as assets of the Enterprise Funds and depreciated over the useful lives of these assets to conform with generally accepted accounting principles. Because the City has not maintained a record of the fixed assets, we were unable to practicably apply alternative procedures to determine the effect of this departure from generally accepted accounting principles.

In our opinion, except for the effect on the financial statements of the omission of the General Fixed Assets Account Group and the nonrecognition of accrued vacation and sick leave liability, and except for the effects, if any, of such adjustments as might have been necessary had we been able to apply alternative procedures to the City's fixed assets, accumulated depreciation and depreciation expense in the Enterprise Funds, the general purpose financial statements referred to above present fairly the financial position of the City, at June 30, 1987 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 applied on a basis consistent with the preceding year.

[Example 3]

The City follows accounting practices which vary in certain respects from generally accepted accounting principles. The more significant differences relate to the use of the cash basis method for recording pension expenses for employees and the method for deferring property tax revenues. These differences are described more fully in Note 2 to the accompanying financial statements.

Consistent with the practices of many municipalities in the Commonwealth of Massachusetts, the City has not maintained historical cost records of its property, plant and equipment. Accordingly, the combined financial statements referred to above do not include a general fixed asset group of accounts which should be presented to conform with generally accepted accounting principles.

In our opinion, except for the effects of the items described in paragraphs 2 and 3 above, the general purpose financial statements as listed in the table of contents present fairly the financial position of the City at June 30, 1987 (except the Contributory Retirement System Trust Fund which was for the year ended December 31, 1986) and the results of its operations and, with respect to its proprietary fund types and nonexpendable trust funds, the changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

NOTES TO FINANCIAL STATEMENTS

2. Departures From Generally Accepted Accounting Principles [In Part]

Retirement benefits are provided for on a "pay-as-you-go" basis rather than an acceptable actuarial cost method (see Note 9).

9. Retirement System

Substantially all employees of the City, except teachers and administrators under contract employed by the school department, are members of the City of Salem Retirement System. The retirement system is partially funded by employee contributions. The City's annual contributions to the retirement system are determined on a "pay-as-you-go" basis and are estimates of pensions actually payable during an accounting period. The most recent actuarial valuation was prepared by the Massachusetts Retirement Law Commission as of January 1, 1983. At that date, the actuarially computed value of unfunded pension benefits amounted to $39,227,431. However, this amount is not reflected as a liability on the financial statements.

Teachers and administrators under contract employed by the school department participate in a contributory plan administered by the Massachusetts Teachers' Retirement Board. The City does not contribute to this plan.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note I—Compensated Absences

A total of 10 to 15 days vacation and 5 to 15 days of sick leave per year may be accumulated by each employee, however, employees are not paid for the accumulated sick leave upon retirement or other termination. A maximum of 20 days of vacation and 180 days of sick leave may be accumulated by each employee. No provision has been made in the accompanying financial statements to recognize vacation leave liability as required by generally accepted accounting principles. The amount of accumulated vacation pay at June 30, 1987 and 1986 is as follows:

Fund Type	Balance June 30, 1987	Balance June 30, 1986
General	$30,000	34,000
Special Revenue	6,000	8,000
Enterprise	6,000	8,000
	$42,000	50,000

[Example 4]

The City has included encumbrances in the expenditures of the individual funds (excluding the Electric Light Fund) which, in our opinion, should be excluded from the statements to conform to generally accepted accounting principles. The effects of including encumbrances in the expenditures of the individual funds are more fully explained in Note J to the financial statements.

As more fully discussed in Note M to the financial statements, the Directors of the Washington Public Power Supply System have terminated construction of Nuclear Power Projects Numbers 4 and 5. The Electric Light Fund's ultimate liability, if any, resulting from the termination of construction is not presently determinable.

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, except for the effects of including encumbrances as described above and except for the effects of omitting the Statement of General Fixed Assets, and subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to above been known, the financial statements referred to above present fairly the financial position of the City at September 30, 1986 and the results of its operations and the changes in financial position of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note J—Effects of Inclusion of Encumbrances

As mentioned in the Auditor's Report, the City includes encumbrances in the expenditures of the individual funds (excluding the Electric Light Fund) which in our opinion is not in conformity with generally accepted accounting principles. If the encumbrances had been excluded, the following fund balances would be affected by the listed amounts due to a like change in expenditures:

Fund	Encumbrances Balance September 30,1985	Encumbrances Balance September 30,1986	Effect On Fiscal Year 1986 Expenditures
General	214,382	360,073	(145,691)
Street Fund	7,839	8,721	(882)
Recreation	259	4,825	(4,566)
Municipal Capital Improvement	787		787
Airport	1,484	277	1,207
Water and Sewer	15,589	31,196	(15,607)
Sanitation	860	1,965	(1,105)
Surface Drainage	26,137		26,137
Ambulance	1,871	936	935
Municipal Equipment Replacement	264,725	199,190	65,535
Sanitary Sewer Capital Improvement		3,450	(3,450)
Bridge and Arterial Street		26,103	(26,103)
Water Capital Improvement		50,000	(50,000)
Total	533,933	686,736	(152,803)

[Qualification: Reporting Entity]

[Example 1]

The records of the General Fixed Assets Group of Accounts were substantially incomplete as to an inventory of fixed assets at historical cost. Because we were unable to satisfy ourselves as to the fairness of the valuation of fixed assets by appropriate audit tests or by other means, we are unable to express an opinion on the accompanying financial statements of the General Fixed Assets Group of Accounts.

The general purpose financial statements referred to above do not include financial activities of the County Industrial Development Authority, which should be included to conform with generally accepted accounting principles. If the omitted component unit had been included, the assets and revenues of the special revenue fund type would have increased by $51,763 and $101,464, respectively, there would have been an excess of expenditures over revenues in that fund type for the year of $343,109 and the special revenue fund type fund balance would have been $1,723,070. The General Fixed Assets Group of Accounts would have increased by $7,536.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the combined statements—overview and combining and individual fund financial statements, other than the financial statements of the General Fixed Assets Group of Accounts, present fairly the financial position of [the] County, at September 30, 1986 and the results of the Board's operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 2]

As described in Note 6 of the notes to combined financial statements, the County is a party to various litigation, the outcome of which cannot presently be determined. No provision has been made in the financial statements for the effects, if any, that may result from the resolution of these matters.

[The] County has not maintained a record of its general fixed assets, and therefore, the accompanying combined financial statements do not include financial statements for the General Fixed Assets Account Group which would be included to conform with generally accepted accounting principles.

As described in Note 1 (A) the County has not included the financial statements of Air Pollution Control, Community Development, the Governmental Law Library, the County Clerk, Clerks of Court, Register and Sheriff in its annual report. The above statements should be included based on Statement 3, Statement 7 and Interpretation 7 issued by the National Council on Governmental Accounting.

The County has included $18,508,637 of future interest to become due in liabilities and in the amount to be provided for retirement of long term debt and interest (asset) of its general long term debt account group. In our opinion, only the unmatured principal of such debt should be reflected to conform with generally accepted accounting principles.

Proceeds of $750,000 and $599,817 from the sale of capital outlay notes have been included in revenues of the Capital Projects Funds and the General Fund, respectively. Also, interfund transfers of: $41,300 have been included in General Fund Expenditures, and $675,619 have been included in Special Revenue Fund revenues. These transfers have increased the revenues of the Capital Projects Fund by $41,300, the General Fund by $104,950 and Special Revenue Funds by $570,669, respectively. Generally accepted accounting principles require that proceeds from the issuance of debt and operating transfers between funds should be distinguished from revenues and expenditures and that these items be included in the "other financing sources (uses)" section of the statement of revenues, expenditures and changes in fund balance following the "Excess of Revenues Over (Under) Expenditures" for governmental fund types.

The County's accounting procedures for its Industrial Park Enterprise Fund are to accumulate all expenditures in the investment asset account (unrecovered costs) whether the expenditures are capital expenditures or operating expenses and to reduce the investment account by the amounts of the proceeds from all lot sales and other revenues received, with no amounts reflected in results of operations and no balance in retained earnings. We believe that under generally accepted accounting principles only capital expenditures including original land cost and development costs should be added to the asset account and reductions should include the portion of these accumulated costs allocated to the land and improvements sold. The remaining balance of asset costs should not exceed the expected net realizable value of the land and improvements still owned. The gain or loss of lots (proceeds from sale less allocated cost of lots and improvements sold), as well as any other revenues and all expenses (expenditures not qualifying as capital expenditures) should be recognized in results of operations, with any cumulative excess of revenues over expenses or expenses since the project's inception recognized as retained earnings or accumulated deficit, as applicable. The variances in the accounts under procedures being used from the recommended accounting procedures have not been determined.

In our opinion, except that the omission of financial statements of the General Fixed Assets Account Group results in an incomplete presentation and except for the effects on certain financial statements of the matters discussed in the five immediately preceding paragraphs and subject to the effects on the combined financial statements of such adjustments, if any, as might have been required had the outcome of the litigation uncertainties referred to in the third paragraph been known, the combined financial statements referred to above present fairly the financial position of [the] County, at June 30, 1987 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

1. Significant Accounting Policies

The combined financial statements of [the] County 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 [the] County exercises oversight responsibility with the exception of those discussed below, are included in [the] County's financial statements. The manifestations of oversight responsibility are funding and appointment of the governing board, ability to significantly influence operations and the County's obligation to fund certain operating expenses and any deficits that may occur.

[The] County exercises oversight responsibility over Air Pollution Control, the Community Development Fund and the Governmental Law Library by selection of the governing board and funding. They also serve as receiving and paying agent for the County Emergency Communications District Fund which is established as a separate entity according to the provisions of Section 7-86-106, Tennessee Code Annotated. The financial statements of these funds are presented as miscellaneous funds in a separate section of this report. To conform with generally accepted accounting principles based on criteria established by the Governmental Accounting Standards Board transactions of the County Emergency Communications District Fund should be presented as an Agency Fund and the remaining funds should be shown as Special Revenue Funds or incorporated into the County General Fund.

The County Trustee, County Clerk, Clerks of Court, 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 expense of these officials. The General Fund also pays the salary expenses of the Sheriff.

The financial statements of the above mentioned officials are not included in the financial statements of [the] 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 under separate cover with the exception of the Trustee whose statements are presented in a separate section of this report.

The financial statements of Nursing Institute, Incorporated have been excluded based on the application of criteria used in determining oversight responsibility. Although the County Government has provided certain real estate and improvements for the Institute and has included in its statement of Long Term Debt $500,000.00 of bonded indebtedness, the original proceeds of which were used to construct and equip one of the facilities of the Institute, the County maintains no control over the designation of management, budgetary authority, funding of deficits, or use of surplus funds. Accordingly, the financial reporting of the Institute is excluded.

[Example 3]

2. 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.

3. 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, Juvenile Court Director, Register and Sheriff. These financial statements should be included to conform with generally accepted accounting principles.

4. In our opinion, except for the effects on the financial statements of the matters discussed in paragraphs 2 and 3 above, the general purpose financial statements referred to above present fairly the financial position of [the] County, at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, except for the effects on the financial statements of the matter discussed in paragraph 3 above, the combining and individual fund financial statements referred to above present fairly the financial position of each of the individual funds of [the] County, at June 30, 1987, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 4]

As discussed in Note 2 to the financial statements, the City is a defendant in several suits now pending. The ultimate outcome of these lawsuits cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

The general purpose financial statements referred to above do not include financial activities of the Public Library, which should be included to conform with generally accepted accounting principles.

In our opinion, except for the effects of such adjustment, if any, as might have been required had the outcome of the uncertainties been known and the omission of the Public Library described in the preceding paragraphs, the aforementioned financial statements present fairly the financial position of the various funds and account groups of the City at June 30, 1987, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Qualification: Cash Basis Accounting]

[Example 1]

As explained in Note 1-a, the County's policy is to prepare its financial statements on the basis of cash receipts and disbursements, except for the recognition of warrants as expenditures when issued; all revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid, rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to be in conformity with generally accepted accounting principles. The effect of this departure from generally accepted accounting principles is not determinable.

As described more fully in Note 1-c, the combined financial statements referred to above do not include financial statements of the general fixed asset group of accounts, which should be included to conform to generally accepted accounting principles.

As discussed in Note 6, the County is involved in lawsuits seeking damages in excess of insurance coverage. The ultimate outcome of the liability cannot be determined, and no provision for any liability that may result has been made in the financial statements.

In our opinion, except for the omission of the information referred to in the preceding paragraphs, and subject to the effect on the financial statements of such adjustments, if any as might have been required had the uncertainty referred to in the preceding paragraph been known, the aforementioned statements present fairly the financial position of the various fund types of the County at December 31, 1986 and the results of operations of such fund types for the year then ended, on the basis referred to in the second paragraph.

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

The significant accounting policies applied by the County, a Missouri Second Class County, in the preparation of the accompanying financial statements are summarized below:

a. *Basis of Statement Preparation*

The financial statements are prepared on the cash basis without recognition of uncollected revenues and unpaid expenditures, except for warrants outstanding, which are recorded as expenditures when issued.

[Example 2]

We were unable to obtain from the County Counselor a discussion or evaluation of pending or threatened litigation, if any.

As described more fully in note 1F, the general purpose financial statements referred to above do not include financial statements of the general fixed assets account group, which should be included in order to have a complete presentation.

As described in note 1, the policy of the County is to prepare its general purpose financial statements on a modified cash basis; consequently, certain revenue and the related assets are recognized when received rather than when susceptible to accrual or earned, and certain expenditures are recognized when paid rather than when an obligation is incurred. Accordingly, the accompanying general purpose 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 effect of such adjustments or disclosures, if any, as might have been determined to be necessary had we been able to obtain satisfactory evidence with respect to pending or threatened litigation, if any, as discussed in the second paragraph, and except that the omission of the financial statements described in the third paragraph results in an incomplete presentation, the aforementioned general purpose financial statements present fairly the assets, liabilities and fund balances arising from cash transactions of [the] County, at December 31, 1986 and the revenues received and expenditures paid during the year then ended, on the basis of accounting described in note 1, which basis has been applied in a manner consistent with that of the preceding year.

(1) Summary of Significant Accounting Policies [In Part]

C. Basis of Accounting

A modified cash basis of accounting is utilized by all funds of the County. Under this basis of accounting, revenues are recognized when cash is received rather than when earned and certain expenditures are recognized when paid rather than when an obligation is incurred.

[Example 3]

As discussed in Note 1 to the general purpose financial statements, the District's policies are to prepare its general purpose financial statements on the basis of cash receipts and disbursements. Revenues are recognized when received rather than when earned, and expenditures are recognized when warrants are issued rather than when the obligations are incurred. Accordingly, the accompanying general purpose financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

The District has not maintained a complete and adequate record of its 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.

In our opinion, except that the omission of the financial statements of the general fixed assets account group results in an incomplete presentation, as explained in the preceding paragraph, the general purpose financial statements referred to above present fairly the assets and liabilities resulting from cash transactions of [the] School District, at June 30, 1987, and the revenues collected, expenditures paid and changes in fund balances for the year then ended, on the basis of accounting described in Note 1 to the general purpose financial statements, applied on a basis consistent with that of the preceding year.

1. Summary of Significant Accounting Policies [In Part]

c. Basis of Accounting

The accounts of the District are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Under this method, revenues and the related assets are recognized when received rather than when earned and expenditures are recognized when warrants are issued rather than when the obligation is incurred. Gains and losses on investments are recognized when investments are disposed of. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

[Example 4]

As described in Note 1 to the financial statements, the accompanying statements are prepared on the cash basis of accounting and, accordingly, they are not intended to be presented in conformity with generally accepted accounting principles.

The Township has not maintained a record of its General Fixed Assets, and, accordingly, we did not examine the financial statements of the General Fixed Asset group of accounts and do not express an opinion on them. The carrying values represent valuations at other than cost as described in Note 1.

In our opinion, except for the effects, if any, of the matters discussed in the preceding paragraphs, the financial statements referred to above present fairly the cash transactions of [the] Township for the year ended December 31, 1987, and the assets and liabilities resulting from cash transactions as of December 31, 1987, and the changes in financial position of its trust funds for the year then ended, in conformity with the Township's cash basis of accounting, as described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

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

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.

The Township maintains its accounts on the cash basis rather than the accrual basis. Accordingly, the statements do not present financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles. Revenues and expenditures are not recorded until actually received or paid.

[Qualification: Compensated Absences]

[Example 1]

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 the financial position of [the] County, at November 30, 1986, 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 applied on a basis consistent with that of the preceding year. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly the financial position of the individual funds of [the] County, at November 30, 1986, 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 applied on a basis consistent with that of the preceding year.

[Example 2]

As described more fully in note 1, the City does not provide for accrued vacation costs as required by generally accepted accounting principles.

The City has recorded fixed asset purchases as capital outlay expenses in the Enterprise Fund rather than capitalizing these transactions as fixed asset additions and depreciating them annually over their estimated useful lives as required by generally accepted accounting principles. The amount by which the financial statements would change, while material, cannot be determined.

The City has not prepared combined financial statements that present the financial position of the City as of June 30, 1987 and the changes in financial position of its Proprietary Fund Types for the fiscal year then ended, which should be included to conform to generally accepted accounting principles.

In our opinion, except for the effects on the combined financial statements as listed in the accompanying table of contents for the matters discussed in the second and third paragraphs above and except that the omission of the financial statements described in the fourth paragraph above results in an incomplete presentation, the aforementioned combined financial statements present fairly the revenues, expenditures and changes in fund balance of the City for the fiscal year ended June 30, 1987 in conformity with generally accepted accounting principles on a basis consistent with that of the preceding year.

1. Summary of Significant Accounting Policies [In Part]

Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. In accordance with NCGA Statement #4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences,* the City is to record these accumulations in the general long-term debt account group for governmental funds. For proprietary fund types, these accumulations are to be recorded as liabilities. As the City does not maintain a formal general long-term debt account group and has not implemented full accrual accounting for proprietary fund types, this information is included as a separate note to the financial statements, Note 6.

[Example 3]

Evidence supporting the cost of fixed assets was not available and we did not consider it practical to apply adequate alternative procedures regarding these accounts.

The financial statements do not give effect to the liability present for accrued leave liabilities. We did not consider it practical to apply adequate alternative procedures to determine the liability present at December 31, 1986.

In our opinion, except for the effect of such adjustments as might have been necessary because of the matters discussed in the second and third paragraphs, the combined financial statements referred to above present fairly the financial position of [the] County, South Dakota at December 31, 1986 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 applied on a consistent basis.

[Example 4]

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.

As more fully described in Note I of the financial statements, the City has made no provision to recognize its liability for compensated absences which have been earned but not taken by City employees. The effect of this departure from generally accepted accounting principles is to overstate ending retained earnings in the Enterprise Funds by $6,000 and to understate general long-term debt by $36,000.

Further, the cost of property, plant and equipment in the Enterprise Funds is recorded as an expense in the year of purchase, whereas these costs should be recorded as assets of the Enterprise Funds and depreciated over the useful lives of these assets to conform with generally accepted accounting principles. Because the City has not maintained a record of the fixed assets, we were unable to practicably apply alternative procedures to determine the effect of this departure from generally accepted accounting principles.

In our opinion, except for the effect on the financial statements of the omission of the General Fixed Assets Account Group and the nonrecognition of accrued vacation and sick leave liability, and except for the effects, if any, of such adjustments as might have been necessary had we been able to apply alternative procedures to the City's fixed assets, accumulated depreciation and depreciation expense in the Enterprise Funds, the general purpose financial statements referred to above present fairly the financial position of the City, at June 30, 1987 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 applied on a basis consistent with the preceding year.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note I—Compensated Absences

A total of 10 to 15 days vacation and 5 to 15 days of sick leave per year may be accumulated by each employee, however, employees are not paid for the accumulated sick leave upon retirement or other termination. A maximum of 20 days of vacation and 180 days of sick leave may be accumulated by each employee. No provision has been made in the accompanying financial statements to recognize vacation leave liability as required by generally accepted accounting principles. The amount of accumulated vacation pay at June 30, 1987 and 1986 is as follows:

Fund Type	Balance June 30, 1987	Balance June 30, 1986
General	$30,000	34,000
Special Revenue	6,000	8,000
Enterprise	6,000	8,000
	$42,000	50,000

[Example 5]

As described in Note 1, these combined financial statements do not include a financial statement of the General Fixed Asset Account Group, which should be included to conform with generally accepted accounting principles. Also, accumulated unpaid employee vacation time and sick leave is not recognized as a liability in the debt-account group or as a current liability and accordingly does not conform to generally accepted accounting principles.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, as explained in the preceding paragraph the combined balance sheet presents fairly the financial position of the School District at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the combining financial statements referred to above present fairly the financial position of each of the individual funds and account groups of the District at June 30, 1987, and the results of operations of such funds and account groups for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Qualification: Inventory Valuation Accounting]

[Example 1]

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-F 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-B of the Notes to Financial Statements).

In our opinion, except for the effects, if any, of the above, the general purpose financial statements referred to above present fairly the financial position of the School District at June 30, 1987, 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 applied on a basis consistent with that of the preceding year.

Note 1—Significant Accounting Policies [In Part]

B. 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.

Food Service Fund:

A physical inventory of Food Service Fund food and supplies was taken as of June 30, 1987 and 1986. The inventory consisted of government-donated commodities which were valued at estimated fair value.

[Example 2]

The District has not maintained records of all of its general fixed assets and its inventory of consumable supplies. Accordingly, a statement of general fixed assets is not included in the District's financial statements and inventories of consumable supplies are not included in the Operating Fund balance sheet. Both of these items are required by generally accepted accounting principles.

In our opinion, except for the effects of the omission of a statement of general fixed assets and inventories of consumable supplies as explained in the preceding paragraph, the aforementioned general purpose financial statements present fairly the financial position of [the] SCHOOL DISTRICT at June 30, 1987, and its results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 3]

As described in Note 1, the District'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. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

The District's policy is to prepare its financial statements on a three fund system rather than the statutory five fund system as described in Note 1. Such statements are, however, recognized by the Department of Elementary and Secondary Education.

A statement of general fixed assets is not included in the District's financial statements and inventories of consumable supplies are not included in the Operating Fund balance sheet. Both of these items are required by generally accepted accounting principles.

In our opinion, except for the omission of a statement of general fixed assets and inventories of consumable supplies and the method of recognition of revenues and expenditures as discussed above, the financial statements as listed in the foregoing Table of Contents, present fairly the financial position of [the] District at June 30, 1987, and its results of operations and changes in fund equity for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Qualification: Other]

[Example 1]

Under the provisions of Revised Bulletin 1022 of the School Financial Manual for the Michigan Department of Education school buses are to be included as a capitalized asset of the General Fund and depreciated over various years depending on number of passengers, and that the contracts payable for the purchases of the school buses be reflected as an obligation of the General Fund. Accordingly, the statements do not present financial position and results of operation in conformity with generally accepted accounting principles.

In my opinion, except for the effects, if any, of the matter discussed in the preceding paragraph, the accompanying balance sheets and statements of fund equity of the funds mentioned above present fairly the financial position of [the] Public Schools at June 30, 1987, and the results of their operations for the years then ended in conformity with generally accepted accounting principles consistently applied.

[Example 2]

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 reserved fund balance. Consistent recognition of these year-end encumbrances as a reserved fund balance would have the effect of increasing current year's expenditures by approximately $79,000.

As is the practice with many governmental units in the Commonwealth of Massachusetts, the Regional School 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 the financial position of the Regional School District at June 30, 1987 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 applied on a basis consistent with that of the preceding year.

1. Summary of Significant Accounting Policies [In Part]

Basis of Accounting

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, 1987 and 1986 encumbrances of $32,000 and $111,000, respectively, the result of this policy is to understate 1987 expenditures by $79,000.

[Example 3]

As more fully explained in Note A-7, the County has excluded indebtedness from the Special Assessment and the Internal Service Funds. In addition, the general fixed asset purchases of the Internal Service Fund are recorded as expenditures at the time of the payment.

In our opinion, based upon our examination and the report of the other auditors, except for the effect on the financial statements of the items described in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the various funds and account groups of the County as of December 31, 1986 and the results of their operations and changes in their fund equity and financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Background and Summary of Significant Accounting Policies [In Part]

7. County Indebtedness:

Generally accepted accounting principles require that the financial statements of the Special Assessment Fund and the Internal Service Fund include indebtedness which is expected to be paid for from the proceeds of user charges and special assessments of these funds. Currently, the General Long-Term Debt Account Group contains the long-term debt of these funds issued by the County.

[Example 4]

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 and the related interest expense be included in the financial statements of the Sewer Enterprise Fund.

As described in note 13, the City is currently defendant in a lawsuit charging violation of the U.S. Clean Water Act and a New Hampshire State Statute. Additionally, the City has received notice from the United States Environmental Protection Agency that it is potentially liable for a portion of the cost of investigation and clean-up of a land fill site. The ultimate costs to the City resulting from the above actions is not determinable and no provision for them has been made in the financial statements.

In our opinion, except for the effects of the matters referred to in the second through fourth paragraphs above, and subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties discussed in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of the City at June 30, 1987, 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 applied on a basis consistent with that of the preceding year.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. Long-term Debt [In Part]

Sewer Fund related bonds having a principal balance of $3,340,000 at June 30, 1987 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.

[Example 5]

As described in Note 6, the financial statements of individual funds do not include a statement of the general fixed asset group of accounts. Also, depreciation expense and accumulated depreciation of fixed assets is not included in the enterprise funds. Therefore, these statements do not conform with generally accepted accounting principles.

Also, the City's annual budget, as described in Note 7, is prepared on a basis other than one recognized by generally accepted accounting principles.

In our opinion, except for the above mentioned items, the general purpose financial statements referred to above present fairly the financial position of the City, at December 31, 1986, 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 applied on a basis consistent with that of the preceding year. Also, in our opinion, the financial statements of individual funds referred to above present fairly the financial position of each of the individual funds of the City, at December 31, 1986, 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 applied on a basis consistent with that of the preceding year.

NOTES TO FINANCIAL STATEMENTS

6. Fixed assets and depreciation

The City does not maintain a permanent file of the fixed assets which it owns. Thus, the general fixed assets account group is not included in these statements. Also depreciation expense and accumulated depreciation of fixed assets is not provided in the water and sewer enterprise fund.

7. Budget

The City maintained a budget during the year. The budget was prepared on the cash basis of accounting. The general and special revenue funds are prepared on the modified accrual basis of accounting and were reconciled to the cash basis to compare with the annual budget for 1986. The annual budget is not prepared on a basis consistent with generally accepted accounting principles.

[Multiple Qualification: Various]

[Example 1]

We did not examine the Library Fund. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for the Library Fund, is based solely upon the report of other auditors.

The City does not maintain detailed records of capital expenditures of the Water Fund. Accordingly, it was impracticable to extend our examination to capital assets, construction in progress or accumulated depreciation of the Water Fund.

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 financial statements as required by generally accepted accounting principles.

The 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 financial statements of the City, as required by generally accepted accounting principles.

As described in Notes 1 and 10, the financial position and results of operations of the Sewer Fund 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 to the financial statements, the City does not accrue unbilled pension costs in its governmental funds, as required by generally accepted accounting principles.

In our opinion, based upon our examination and the report of other auditors, except for the effects, if any, of the matters referred to in paragraphs four through seven of this report, and adjustments as might have been determined to be necessary had we examined those items referred to in paragraph three of this report, the general purpose financial statements listed in the accompanying table of contents present fairly the financial position of the City as of December 31, 1986, 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, which except for the addition, with which we concur, of the Community Development Agency in the reporting entity of the City as described in Note 1 to the financial statements, have been applied on a basis consistent with that of the preceding year.

[Example 2]

The City has included encumbrances in the expenditures of the individual funds (excluding the Electric Light Fund) which, in our opinion, should be excluded from 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.

As more fully discussed in Note M to the financial statements, the Directors of the Washington Public Power Supply System have terminated construction of Nuclear Power Projects Numbers 4 and 5. The Electric Light Fund's ultimate liability, if any, resulting from the termination of construction is not presently determinable.

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, except for the effects of including encumbrances as described above and except for the effects of omitting the Statement of General Fixed Assets, and subject to the effects of such adjustments, if any, as might have been required had the outcome for the uncertainty referred to above been known, the financial statements referred to above present fairly the financial position of the City at September 30, 1986 and the results of its operations and the changes in financial position of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

[Example 3]

The District has not maintained a detailed record of general fixed assets recorded at historical cost (or fair market value of donated assets). Therefore, we are unable to and do not express an opinion as to General Fixed Assets as of June 30, 1987.

The District has not recorded capital assets contributed to the Food Service Fund by the General Fund or the related depreciation of those assets. We are unable to determine the impact of this on the Food Service Fund Balance Sheet, Statement of Revenue, Expenses and Changes in Retained Earnings, and Statement of Changes in Financial Position. Accordingly, we are unable to and do not express an opinion on statements referred to in this paragraph.

In our opinion, except as stated in paragraphs 2 and 3, the basic financial statements referred to above present fairly the financial position of County School District No. 62 at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

[Qualification: Uncertainties*]

[Example 1]

As reflected in the accompanying financial statements, the expenditures of the General Fund for 1986 exceeded its revenues by $1,097,000 and at December 31, 1986, the General Fund had an unencumbered deficit fund balance of $487,000. Revenues, particularly through Federal and state assistance programs, have decreased from previous years while the level of expenditures has remained relatively constant. As a result of this situation, the General Fund has experienced difficulties in meeting its financial obligations on a timely basis. The general purpose and combining individual fund and account group financial statements of the Parish do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the General Fund be unable to satisfactorily resolve this situation.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty about the recoverability and classification of asset carrying amounts and the amount and classification of liabilities referred to in the preceding paragraph been known, the general purpose financial statements and combining individual fund and account group financial statements referred to above present fairly the financial position of [the] Parish and its individual funds and account groups as of December 31, 1986 and the results of their operations and the changes in financial position of the proprietary funds for the year then ended, in conformity with general-

*[In April, 1988 the Auditing Standards Board issued Statement on Auditing Standards No. 58, "Reports on Audited Financial Statements," which changes the manner of reporting on a material uncertainty to eliminate the "subject to" opinion qualification while retaining the requirement to discuss the matter (through the addition of an explanatory paragraph following the opinion paragraph). The statement is effective for reports issued or reissued on or after January 1, 1989 with earlier application encouraged. The provisions of SAS No. 58 were not effective during the survey period.]

ly accepted accounting principles applied on a basis consistent with that of the preceding year.

[Example 2]

As shown in the accompanying balance sheet, the Authority has an accumulated expense over revenue balance of $15,254,879, which indicates that the Authority's operations have historically incurred significant cash and working capital deficits. As a result, the Authority has relied upon short-term borrowings to manage its operating cash flow requirements and is heavily dependent on large operating subsidies from government sources, which is typical for public transit agencies. In addition, the Authority is also dependent on capital grant subsidies from government sources to fund its capital asset requirements. These government subsidies are subject to annual appropriation and numerous fiscal constraints, including the possible adverse impact from budget deficit legislation such as the Gramm-Rudman Act. If such future operating and capital grant subsidies are significantly reduced or alternative sources of funding assistance are not available, the Authority may be unable to continue operating at its present level of capacity and service. This could result in increases in passenger fares or the need to reduce operating expenses, through either a curtailment of passenger services or cutbacks in nonservice related expenses; and, adjustments to the financial statements relating to the recoverability and classification of asset carrying amounts or the amounts and classifications of liabilities.

As further discussed in Note 6, the Authority is presently engaged in discussions with representatives of Local 85 of the Amalgamated Transit Union concerning the possible revisions of certain of the actuarial assumptions used to calculate the Authority's plan contributions to the Local 85-ATU pension plan. Until these discussions are completed and the ultimate resolution of this issue has been made, the Authority's pension expense and contribution amounts for the year ended June 30, 1987 cannot be finalized.

As further discussed in Note 10.A., the Urban Mass Transportation Administration has under review expenditures made by the Authority prior to 1976, in connection with the Early Action Program, to determine if such expenditures qualify for reimbursements made by the Federal government. Until the above review is completed and the final resolution of this issue has been made, the potential losses or liabilities, if any, that could result from the eventual settlement of this issue are not determinable.

In our auditors' report dated October 10, 1986, our opinion on the June 30, 1986 financial statements was subject to the effect of such adjustments, if any, as might have been required had the outcome of the eventual settlement of certain litigation and arbitration proceedings made in connection with contract claims by certain construction contractors engaged in the building of the Light Rail Transit (LRT) System been known. As further described in Note 10.B., these issues have been substantially resolved during Fiscal 1987. Accordingly, our present opinion on the June 30, 1986 financial statements, as presented herein, is no longer qualified with respect to this matter.

In our opinion, subject to the effect of such adjustments, if any, as might have been required had the outcome of the matters referred to in the second through the fourth preceding paragraphs been known, the June 30, 1987 financial statements referred to above present fairly the financial position of the Port Authority of [the] County as of June 30, 1987 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 applied on a consistent basis. Further, in our opinion, subject to the effect of such adjustments, if any, as might have been required had the outcome of the matters referred to in the second and fourth preceding paragraphs been known, the June 30, 1986 financial statements referred to above present fairly the financial position of the Port Authority of [the] County as of June 30, 1986 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 applied on a consistent basis.

NOTES TO FINANCIAL STATEMENTS

6. Pension Plans: [In Part]

The Authority and representatives of Local 85 of the Amalgamated Transit Union (ATU) are presently engaged in discussions concerning the possible revision of certain of the actuarial assumptions used to calculate the Authority's contributions made to the Local 85-ATU plan during Fiscal 1987. As a result of such discussions, the actuarial assumptions and pension plan asset values used to calculate plan contributions and pension expense for Fiscal 1987 are subject to possible change. Accordingly, the Authority's pension expense and contribution amounts for the year ended June 30, 1987 cannot be finalized until the current discussions, referred to above, are completed.

10. Commitments and Contingencies:

There are various claims, lawsuits and contingencies pending against the Authority. Based on an evaluation, which included consultation with outside legal counsel concerning the legal and factual issues involved, management is of the opinion that such claims and lawsuits will not have a material adverse effect on the Authority's Fiscal 1987 results of operations and financial position as of June 30, 1987.

A. Federal Government Review of Early Action Program Expenditures—As a result of action taken during 1974 by the Authority and the various governmental agencies involved in the Early Action Program, a Transportation Task Force was established to implement an independent study of the transit needs of the area served by the Authority. During 1976, the Transportation Task Force received a final report on the independent study and in 1977 selected a consultant to carry out the recommendations made in that report. Although work on portions of the Early Action Program was suspended pending completion of the independent study, the grant contract between the Authority and the Urban Mass Transportation Administration (UMTA) has remained in full force and effect. Approximately $28 million of expenditures, funded by UMTA, for engineering, administration, and construction management services, construction costs, and right-of-way purchases are being reviewed by UMTA; the Authority's review concluded that $28,000 of such expenditures may not qualify as reimbursable costs. Until a determination has been made by UMTA as to the extent and degree which Transit Express Revenue Line property and materials are usable in the Light Rail Transit system development which was recommended in the study, it is not possible to estimate the amount of potential loss or liability, if any, that could result from the modification of the original program. Accordingly, no provision for such loss or liability, if any, has been made in the accompanying financial statements.

B. Construction Contract Claims—In connection with the Authority's capital construction projects and as often occurs in large construction projects, contract claims are, at times, made by the construction contractors building the projects. These claims typically involve the construction contractor's request to be reimbursed for additional work completed, that the contractor alleges to be outside the scope of the original contractual agreement. Historically, the Authority has been able to resolve and settle claims such as these for amounts substantially less than the alleged costs.

In connection with the building of the Light Rail Transit System, the Authority is presently named in litigation and has been petitioned to enter into arbitration proceedings, in connection with approximately $7 million (face value) of construction contract claims. In several cases the Authority has filed, or intends to file, a claim or counterclaim against the contractor for alleged default or nonperformance under the terms of the applicable contract. The Authority's management believes that these claims will be settled for substantially less than the amounts claimed. Approximately $24 million (face value) of other construction contract claims were settled during Fiscal 1987, which resulted in the Authority being required to make approximately $7 million in additional payments.

C. Employment Discrimination Claims—As of June 30, 1987, the Authority was a party to certain litigation resulting from claims filed with the Pittsburgh Human Relations Commission, the Pennsylvania Human Relations Commission and the Federal Equal Opportunity Commission. In each instance, the claimant has charged some degree of discrimination in connection with an application for employment with the Authority or in the claimant's continuing employment with the Authority. The liability, if any, of the Authority in these actions cannot yet be evaluated and, accordingly, no provision for such loss or liability, if any, has been made in the accompanying financial statements.

D. Fair Labor Standards Act—In December, 1986, approximately 800 employees filed a Complaint against the Authority alleging violations of the overtime provisions of the Fair Labor Standards Act. The action is presently in the discovery stage and the Authority has denied all of the material allegations of the Complaint and has joined the employees' union as a third-party defendant. In the opinion of management, the ultimate outcome of these proceedings will not have a material adverse effect on the financial position of the Authority.

[Example 3]

As explained in Note 1-a, the County's policy is to prepare its financial statements on the basis of cash receipts and disbursements, except for the recognition of warrants as expenditures when issued; all revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid, rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to be in conformity with generally accepted accounting principles. The effect of this departure from generally accepted accounting principles is not determinable.

As described more fully in Note 1-c, the combined financial statements referred to above do not include financial statements of the general fixed asset group of accounts, which should be included to conform to generally accepted accounting principles.

As discussed in Note 6, the County is involved in lawsuits seeking damages in excess of insurance coverage. The ultimate outcome of the liability cannot be determined, and no provision for any liability that may result has been made in the financial statements.

In our opinion, except for the omission of the information referred to in the preceding paragraphs, and subject to the effect on the financial statements of such adjustments, if any as might have been required had the uncertainty referred to in the preceding paragraph been known, the aforementioned statements present fairly the financial position of the various fund types of the County at December 31, 1986 and the results of operations of such fund types for the year then ended, on the basis referred to in the second paragraph.

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

The significant accounting policies applied by the County, a Missouri Second Class County, in the preparation of the accompanying financial statements are summarized below:

a. Basis of Statement Preparation

The financial statements are prepared on the cash basis without recognition of uncollected revenues and unpaid expenditures, except for warrants outstanding, which are recorded as expenditures when issued.

* * *

c. Property, Plant and Equipment

The County has not maintained a current record of its general fixed assets, therefore, a statement of general fixed assets group of accounts, required by generally accepted accounting principles, is not included in the financial report.

Note 6: Litigation

The County Commission and the County are defendants in three lawsuits. One suit alleges false arrest and improper dismissal and is seeking $1,000,000 in damages. Another suit alleges false arrest and conversion of property and is seeking $500,000 in damages. The third suit alleges false imprisonment and is requesting $500,000 in damages. All three cases were filed in Federal Court. The County denies the allegations made against it. Discovery is still in progress and it is premature to estimate the ultimate liability, if any, of the County.

[Example 4]

As discussed in Note XVIII to the financial statements, the County is the defendant in a lawsuit alleging breach of contract and resulting damages regarding a domed sports stadium. Since the ultimate outcome of the litigation cannot presently be determined, no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the litigation discussed in the preceding paragraph been known, based upon our examination and the reports of other auditors, the general purpose financial statements referred to above present fairly the financial position of the County at December 31, 1986 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 applied on a consistent basis, after restatements with which we concur, as described in Note II to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

XVIII—Contingencies [In Part]

A. Domed Sports Stadium

The County is a defendant in an action brought by the Kenford Company, Inc., alleging a breach of contract for failure of the County to build a proposed domed sports stadium.

In an opinion filed April 12, 1985, the Appellate Division of the Supreme Court, Fourth Department, decided the Appeal and Cross-Appeal which had been argued on February 21, 1985. With regard to the plaintiff's Cross-Appeal, the Trial Court's dismissal of over $532,000,000 of alleged damage claims was affirmed. With regard to the County's appeal, the Appellate Division affirmed only so much of the Trial Court judgment, as awarded the plaintiff Kenford $6,160,030. It dismissed from the case lost profits claims on which the jury had awarded damages to the plaintiff, Dome Stadium Inc., in the amount of $28,190,749.

[Example 5]

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. Florence School District One has not maintained a record of its general fixed assets; therefore, the amount that should be recorded in the general fixed assets account group is not known.

As discussed in Note J, to the general purpose financial statements, the District General Fund may have to pay back the Food Service Fund for excess indirect cost transfers made during the four year period ended June 30, 1987. The possible outcome of this matter is uncertain at this time, and no provision has been made in the general purpose financial statements for this possible claim for overpayment.

In our opinion, except for the effect on the financial statements of the omission described in the second paragraph, and subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the general purpose financial statements referred to in the first paragraph present fairly the financial position of [the] School District, at June 30, 1987, 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 applied on a basis consistent with that of the preceding year.

NOTES TO FINANCIAL STATEMENTS

Note J—Contingency—Transfers From Food Service Fund

Indirect cost earnings transferred from the School Food Service Fund to the General Fund for years ended June 30, 1983–87 was $916,048. Total indirect cost earnings for those years was $599,650. The balance of excess indirect cost transferred to the General Fund over that earned in the amount of $316,398 may have to be transferred back to the School Food Service Fund. If the District is permitted to retroactively charge the School Food Service Fund for allowable fringe benefits, the potential payback will be substantially reduced or eliminated. The outcome is unknown at this time and no provision for the payback is reflected in the accompanying financial statements.

[Qualification: Changes in Accounting]

[Example 1]

In our opinion, except for the effect on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements listed in the accompanying table of contents present fairly the financial position of the Town at March 31, 1987 and the results of its operations and the changes in financial position of its non-expendable and pension trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the inclusion of a fund previously excluded from the Town's financial statements and the change in the method of accounting for pension fund investments, with which we concur, all as explained in Note 2.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENT

2. Prior Period Adjustments

Inclusion of Certain Funds:

The Railroad Parking Fund was not included in the Town's general purpose financial statements at March 31, 1986. Accordingly, the fund deficit of $1,685 has been included in Special Revenue Funds fund balance at April 1, 1986.

Change in Accounting

Effective April 1, 1986, the Town changed its method of valuing Pension Fund investments from market to cost. Accordingly, the fund balance of the Pension Trust Fund at April 1, 1986 has been reduced by $2,404,924, representing the excess of market value over cost at March 31, 1986.

[Example 2]

In our opinion, the aforementioned general purpose financial statements present fairly the financial position of the City, at December 31, 1986 and the results of its operations and the changes in its financial position (proprietary and fiduciary fund types) for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of accounting for special assessment funds as described in note 10 of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 10: Fund Changes/Accounting Changes [In Part]

Prior to 1986, the activities of the City's special improvement districts were presented in the financial statements as special assessment funds. In accordance with Statement No. 6 of the Governmental Accounting Standards Board, the City has reclassified all of its special assessment funds for 1986. Service-type special assessments, which account for revenues which are essentially user fees, are presented as special revenue funds. Included are Sidewalk Street Improvement District No. 8, Snow and Ice Removal 1986, Snow and Ice Removal 1987, Weed District 1985, and Weed District 1986.

[Example 3]

In our opinion, except for the exclusion of land, land improvements and applicable depreciation as explained in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the CITY at October 31, 1986, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the fiscal year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, with which we concur, in the method of accounting for pension plans as described in Note 24.

NOTES TO FINANCIAL STATEMENTS

Note 24: Change in Accounting Principle

In 1986, the City changed its method of accounting for pension plans to conform to the requirements of Statement No. 5 of the Governmental Accounting Standards Board. This change did not affect the accounting policies employed, but resulted in expanded disclosure of plan description and actuarial information as detailed in Note 17.

[Example 4]

In our opinion, the combined financial statements referred to above present fairly the financial position of each of the fund types and account groups of the City, at June 30, 1987, 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 applied on a basis consistent with that of the preceding year, except for the change, with which we concur, in the manner of accounting for the Golf Course activities as described in note III-Q to the financial statements and after giving retroactive effect to the change with which we also concur, in the method of accounting for special assessment funds in order to conform with Statement 6 of the Governmental Accounting Standards Board as described in note III-R to the financial statements. Also, in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly the financial position of each of the individual funds and account groups of the City at June 30, 1987 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 applied on a basis consistent with that of the preceding year, except for the change, with which we concur, in the manner of accounting for the Golf Course activities as described in note III-Q to the financial statements and after giving retroactive effect to the change with which we also concur, in the method of accounting for special assessment funds in order to conform with Statement 6 of the Governmental Accounting Standards Board as described in note III-R to the financial statements.

NOTES TO FINANCIAL STATEMENTS

III. Detail Notes On All Funds and Account Groups

Q. Fund Reclassification

As of July 1, 1986, the Golf Course portion of the Recreation Complex Fund has been reclassified as an Enterprise Fund in order to follow the City's intent that the course become primarily self-supported by recovering costs of operations through users charges. No restatements of prior balances have been made.

R. Prior Period Adjustments

Special Assessment Debt

In accordance with Governmental Accounting Standards Board (GASB) Statement 6 (Accounting and Financial Reporting for Special Assessments), the Special Assessment Fund has been eliminated and the accounts reclassified within the Debt Service Funds. Fund balance in the Debt Service Fund was increased by $503,422 as a result of this change and prior year amounts have been restated accordingly. No capital project expenditures were incurred during fiscal year 1986–87 and no restatement of the Capital Projects Fund is necessary. The following page presents a recap of the distribution of the Special Assessment Fund.

[Example 5]

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty discussed in the preceding paragraph been known, the general purpose financial statements referred to above present fairly the financial position of [the] County at December 31, 1986, 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 which, except for the change, with which we concur, in the method of accounting for Special Assessment Funds as described in Note A1 to the financial statements, have been applied on a basis consistent with that of the preceding year.

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

Special Assessment Districts—Prior period adjustment— The Aspen Valley Ambulance District and Brush Creek Village, Highlands, Mountain Valley, Twining Flats, Crystal River Estates, Holland Hills, and Redstone Ranch Acres General Improvement Districts are included in this report because the Board of County Commissioners acts as the Board of Directors for each district.

The financial statements were restated to comply with the Governmental Accounting Standards Board Statement 6, "Accounting and Financial Reporting for Special Assessments." The County adopted the principles of Statement 6 for the year ended December 31, 1986, which resulted in the following changes.

Special Assessment Funds were previously used to account for the financing of public improvements or services deemed to benefit the properties against which assessments were levied. Service-type special assessment projects of the Aspen Valley Ambulance District, and the Holland Hills and Redstone Ranch Acres Improvement Districts have been restated from Special Assessment funds to Special Revenue funds. This restatement has no impact on the fund balances of these funds.

The Brush Creek Village, Highlands, Mountain Valley, Twining Flats, and Crystal River Estates General Improvement Districts were established to improve roads within the districts. These improvements were funded by the issuance of special assessment bonds. Current transactions consist of the collection of special assessment taxes and the payment of principal, interest and fiscal charges on the special assessment bonds. Therefore, these funds are reported as Special Assessment Debt Service funds and the outstanding special assessment bonds are reported in the General Long-term Obligation Account Group. The beginning fund balances of the Special Assessment Debt Service funds has been restated by $617,000 to reflect the reclassification of long term liabilities for special assessment bonds payable from the Special Assessment Debt Service funds to the General Long-term Obligation Account Group.

ADVERSE OPINIONS

[Example 1]

We have examined the combined financial statements of the City and its combining and individual fund financial statements as of and for the year ended September 30, 1986, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The cumulative effect of account change shown in the financial statements as fund balance adjustments results from deferral of property tax revenues, and from changing from the cash basis to accrual basis of accounting for revenues/receivables previously reserved. Three ad valorem fund appropriations were overspent. The General Fund by $232,000.00, the Street Fund by $295,000.00, and the Library Fund by $6,000.00. The General Fund overexpenditure resulted from Council approved lease prepayments.

The City does not maintain a fixed asset register. The dollar amounts captioned "Fixed Assets" represent an accumulation of annual expenditures for fixed assets. Because of the lack of adequate records, no provision has been made in the Proprietary Fund Types for depreciation. The Proprietary Funds also contain no provision for inventory.

Because of the material effect of the above omissions of proprietary fund depreciation and inventory, the aforementioned financial statements do not present fairly the financial position of the City at September 30, 1986, or the results of its operations or changes in financial position for the year then ended in conformity with generally accepted accounting principles.

[Example 2]

We have examined the general purpose financial statements of [the] County, as of and for the year ended June 30, 1987, as listed in the table of contents. Except as set forth in the following two paragraphs, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group and the fixed assets of the Enterprise Funds acquired prior to July 1, 1986. Due to the length of time over which these fixed assets were acquired, it is not practicable to determine their actual cost and, as such, we did not examine these fixed assets.

We were unable to obtain sufficient evidence through audit testing or alternative procedures to support the taxes and assessments receivable account balances and the corresponding deferred revenue account balances. Because of significant internal accounting control weaknesses in the County Treasurer's office relating to procedures for collecting, reconciling, and accounting for taxes and assessments, we could not rely upon the system to generate reliable information. Due to the volume of taxpayer accounts and related transactions, it was not practicable to utilize alternative procedures to determine the validity of the recorded amounts.

The County had not recorded material amounts of materials and supplies inventories on hand at year end in the General, Special Revenue, and Enterprise Funds. A perpetual inventory of office supplies, road and bridge supplies, and rest home drugs and supplies had not been maintained. As a result, the assets and equity accounts of the General, Special Revenue, and Enterprise Funds are understated by undetermined but material amounts.

The County failed to record depreciation on the fixed assets of the Enterprise Funds during the fiscal years ended June 30, 1986 and 1987, as required by generally accepted accounting principles. As a result, the fixed assets and retained earnings of the Enterprise Funds are both overstated and the operating expenses and the resulting net loss of the Enterprise Funds are both understated by undetermined but material amounts as of and for the fiscal year ended June 30, 1987.

As more fully discussed in Note 16 to the financial statements, there were numerous misstatements of various asset, liability and equity account balances in each of the fund types and account groups as of June 30, 1987. Various revenue and expense accounts were also misstated for the year then ended. These misstatements, which are considered material to the fair presentation of the financial statements of the various fund types and account groups, resulted from accounting errors and the misapplication of generally accepted accounting principles and applicable State statutory requirements.

In our opinion, because of the effects of such adjustments, if any, as might have been necessary had we been able to examine the fixed assets of the general fixed assets account group and the Enterprise Funds, and the taxes and assessments receivable and resulting deferred revenue accounts of the various funds, as discussed in paragraphs two and three above, and because of the effects of the matters discussed in the preceding three 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, 1987, or the results of its operations and the changes in financial position of its proprietary fund types for the year then ended.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of [the] County, Montana. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements. In our opinion, because of the effects of the matters discussed in paragraphs two through six above, the information is not fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Example 3]

We have examined the combined financial statements of the Town, as of and for the year ended June 30, 1987 as listed in the accompanying table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described more fully in Note 1, the combined financial statements referred to above do not include the financial statement of the general fixed asset account group which should be included to conform with generally accepted accounting principles.

As more fully described in Note 9, the Town's Sewer and Beach Enterprise Funds do not record the capitalization of fixed assets as required by generally accepted accounting principles. As a result, depreciation expense is not recorded as an operating expense and capital contributions are not recorded. In addition, a substantial portion of the fixed assets of the Water Enterprise Fund have been recorded based upon management's estimate of historical cost and accumulated depreciation.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements of the Enterprise Funds do not present fairly, in conformity with generally accepted accounting principles, the financial position of the Enterprise Funds at June 30, 1987 or the results of their operations and changes in their financial position for the year then ended.

In our opinion, except that the omission of the financial statement referred to in the second paragraph results in an incomplete presentation, the aforementioned combined financial statements other than those of the Enterprise Funds present fairly the financial position of the Town at June 30, 1987, and the results of its operations and the changes in financial position of its nonexpendable fiduciary funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON INTERNAL ACCOUNTING CONTROLS—BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS*

This report is prepared in accordance with SAS No. 30, paragraph No. 49, and, accordingly, does not express an opinion on accounting controls but rather is limited to reporting material weaknesses identified. The report includes the special requirements of the Standards for Audit issued by the GAO that are applicable if this report is intended to meet the internal control reporting requirements of the Single Audit Act relating to the audit of the general purpose or basic financial statements. Accordingly, it refers to the entity's control cycles and further identifies those control cycles that were evaluated by the auditors, those that were not, and an explanation as to why they were not reviewed. It should be noted that though modified to incorporate GAO requirements, the report continues to be limited to reporting material weaknesses in relation to the general purpose or basic financial statements.

Examples of the report are as follows:

AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE BASIC FINANCIAL STATEMENTS

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have examined the basic financial statements of Toledo Area Regional Transit Authority for the year ended December 31, 1986 and have issued our report thereon dated April 2, 1987. As part of our examination, we made a study and evaluation of the system of internal accounting control of Toledo Area Regional Transit Authority to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities and Functions.* For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Cash receipts
- Cash disbursements
- Cash balances
- Revenues and trade receivables
- Purchases, trade payables and accrued liabilities
- Payroll
- Inventory control
- Investments
- Property, facilities and equipment
- Other assets and liabilities
- Journal entries and general ledger
- External financial reporting

Our study included all of the control categories listed above.

The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Authority's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

*[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. See section 1 for a further discussion.]

The management of Toledo Area Regional Transit Authority is responsible for establishing and maintaining a system of internal accounting control. 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 a system 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 system of internal accounting control, 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 procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Toledo Area Regional Transit Authority taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

This report is intended solely for the use of Toledo Area Regional Transit Authority, the Auditor of the State of Ohio and the cognizant Federal Audit Agency. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Auditor of the State of Ohio and the cognizant Federal Audit Agency, is a matter of public record.

[Signature]

April 2, 1987

The Board of Education
Muscogee County School District
Columbus, Georgia

We have examined the general purpose financial statements of the Muscogee County School District for the year ended June 30, 1987, and have issued our report thereon dated December 8, 1987. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Muscogee County School District to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.* For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Cash
- Receivables
- Fixed Assets
- Inventories
- Payables and Accrued Liabilities
- Bonded Debt
- Fund Balance

The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Muscogee County School District is responsible for establishing and maintaining a system of internal accounting control. 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 a system 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 system of internal accounting control, 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 procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Muscogee County School District taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management of the Muscogee County School District, the Georgia Department of Education, its federal cognizant agency, and other federal grantor 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 Muscogee County School District, is a matter of public record.

[Signature]

December 8, 1987

To the Honorable Mayor and
Members of the City Council
Meridian, Mississippi

We have examined the general purpose financial statements of the City of Meridian, Mississippi, for the year ended September 30, 1986, and have issued our report thereon dated April 29, 1987. As part of our examination, we made a study and evaluation of the internal control systems of the City of Meridian, 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. 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:

Cycles of Activity

Treasury or financing

Revenue/receipts

Purchases/disbursements

Payroll

External financial reporting

The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the City of Meridian, Mississippi is responsible for establishing and maintaining a system of internal control. 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 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 system of internal accounting control, 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 and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Meridian, Mississippi, taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the City of Meridian, Mississippi, may occur and not be detected within a timely period. These conditions are outlined in our "Report on Internal Controls (Accounting and Administrative) Based on a Study and Evaluation Made as a Part of an Examination of the General Purpose Financial Statements and the Additional Tests Required by the Single Audit Act of 1984." The system taken as a whole is not materially different nor separate from the system addressed in that report and, thus, we refer you to our report of that title.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1986 financial statements, and this report does not affect our report on the financial statements dated April 29, 1987.

This report is intended solely for the use of management and the legislative and/or regulatory bodies that are so authorized by statute 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 State Auditor's office is a matter of public record.

[Signature]

April 29, 1987
Meridian, Mississippi

Honorable Mayor and Council
City of Beaverton
Beaverton, Oregon

We have examined the general purpose financial statements of the City of Beaverton, Oregon, for the year ended June 30, 1987, and have issued our report thereon dated October 9, 1987. As part of our examination, we made a study and evaluation of the system of internal accounting control of the City of Beaverton, Oregon to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.* For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

Revenue/Receipts

Purchasing/Disbursements

Payroll

Our study included an evaluation of the accounting controls over purchasing/disbursements. We did not evaluate the accounting controls over revenue/receipts and payroll because we concluded that the audit could be performed more efficiently by expanding substantive audit tests, thus placing little reliance on the internal control system. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the City of Beaverton, Oregon is responsible for establishing and maintaining a system of internal accounting control. 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 a system 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 system of internal accounting control, 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 procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Beaverton, Oregon taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management, the cognizant audit agency 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 cognizant audit agency and other federal audit agencies, is a matter of public record.

[Signature]

October 9, 1987

The Honorable Mayor and Board of Aldermen
Town of Waynesville
Waynesville, North Carolina

Gentlemen:

We have examined the general purpose financial statements of the Town of Waynesville, North Carolina, for the year ended June 30, 1987 and have issued our report thereon dated October 1, 1987. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Town of Waynesville, North Carolina, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.* For the purpose of this report, we have classified the significant internal accounting controls in the following categories.

Accounting Applications

- Billings
- Receivables
- Cash Receipts
- Purchasing and Receiving
- Accounts Payable
- Cash Disbursements
- Payroll
- Inventory Control
- Property and Equipment
- General Ledger

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Town of Waynesville, North Carolina, is responsible for establishing and maintaining a system of internal accounting control. 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 a system 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 system of internal accounting control, 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 procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Town of Waynesville, North Carolina taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amount that would be material in relation to the financial statements of the Town of Waynesville, North Carolina, may occur and not be detected within a timely period.

PURCHASE ORDERS

The Town's purchase order system could be improved. Our examination revealed while purchase orders were prepared, they were not always mailed to the vendors. In addition, the invoice package used for payment purposes did not include a copy of the purchase order or reference to the purchase order. These changes, coupled with a monthly reconciliation to the outstanding encumbrances recorded on the books, will make the purchase order system a more useful tool.

FIXED ASSETS

We noted that utility system additions are not properly documented on a timely basis. When system additions require the use of inventoried items, the accounting for the use of stored items was not properly documented.

Additionally, when a developer contributes system additions to the Town by agreement, sufficient documentation is not available on a cost basis to determine the various components of the addition. We suggest that the Town's subdivision ordinance be amended to require cost data for the system being contributed to the Town.

We also noted that all fixed assets have not been properly tagged for identification.

OLD OUTSTANDING CHECKS

The bank reconciliations indicated various outstanding checks which have not cleared for several months. For those checks which are not required by state law to be escheated, they should be removed from regular checking and placed in a separate account.

PAYROLL CHECK DISTRIBUTION

Payroll checks are prepared and the department heads are responsible for their distribution to the individual employees. Good internal accounting control would rotate this responsibility to someone from a different department.

INVESTMENTS

Currently, excess funds of the Town are invested by the finance officer. We would suggest that an investment committee be established to make all investment decisions. The investment committee should include one member of the Board of Aldermen.

BUILDING PERMITS

Our examination of the collection for building permits issued revealed that prenumbered receipts are not being utilized. When these funds are submitted to the Town for deposit, a copy of the permit should accompany the funds being remitted. These changes will improve the audit trail associated with collections from this department.

RECEIVING DOCUMENTATION

The receipt of inventory and supplies should be more fully documented as to date received, signature of person receiving, matching with purchase order quantities, and attaching the same to the invoice package used for payment authorization.

COMPUTER PROGRAMS

We noted during our examination of ad valorem taxes receivable that the program used to print out the tax levy provided incorrect totals for taxes and property valuations. This particular program is an internally generated program and would indicate that additional testing is necessary. Another tax program which the Town is not able to fully utilize is the unpaid ad valorem tax report. This report is not able to reduce a balance due when a partial payment is made. These problems indicate the usefulness of these programs to be minimized. A review of the computer system from the users' point of view is needed to determine weaknesses, and to address the measures needed to improve the system.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1987 financial statements, and this report does not affect our report on the financial statements dated October 1, 1987. In addition to the above reported material weaknesses in internal controls, we discovered other nonmaterial weaknesses which we wanted to bring to your attention. These items are reported in our letter to management dated October 20, 1987.

This report is intended solely for the use of management, the cognizant audit agency and other federal and state 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 Town's Board of Aldermen, is a matter of public record.

[Signature]

Waynesville, North Carolina
October 1, 1987

The Mayor and Members
of the City Council
City of Camilla
Camilla, Georgia 31730

Gentlemen:

I have examined the financial statements of the City of Camilla for the year ended September 30, 1987, and have issued my report thereon dated December 23, 1987. As part of my examination, I made a study and evaluation of the system of internal accounting control of the City of Camilla to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Government Organizations, Programs, Activities and Functions." For the purpose of this report, I have classified the significant internal accounting controls in the following categories: (a) Cash and cash equivalents, (b) Receivables, (c) Inventory, (d) Property and equipment, (e) Payables and accrued liabilities, (f) Debt, and (g) Fund balances. My study included all the control categories listed. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the City of Camilla is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgment by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 governmental accounting principles. Because of inherent limitations in any system of internal accounting control, 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 procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the City of Camilla taken as a whole or on any of the categories of controls identified in the first paragraph. However, my study and evaluation disclosed the following conditions that I believe results in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the City of Camilla may occur and not be detected within a timely period:

Fixtures and Equipment

To protect these assets from unauthorized disposal and to provide the city with a permanent record I recommend that an inventory of all assets be taken. This continuing property record should be kept for all additions, retirements, replacements and disposals as made.

Returned Checks

The city has an arrangement with local banks whereby insufficient fund checks deposited in city accounts will be paid by the city. The city in turn collects the deficiency from the maker. The city sometimes pays the banks for these checks with petty cash and returns the funds to petty cash as they are collected with no accounting entries being made.

To ensure proper controls over insufficient fund checks I suggest that all such checks be redeemed from the banks by check and recorded in the returned checks account. The returned checks account will then serve as a record of bad checks on hand and will encourage prompt follow-up and collection. I understand that this procedure has been implemented for 1988.

Cash Receipts

City cash receipts are recorded in the proper checking account when received but are virtually all deposited in the General Fund checking account. At month end, drafts are written transferring funds from the General Fund account to the appropriate fund and checking account. These drafts are not recorded on the city books in that the original receipts are recorded to the proper account.

To ensure that all non-General Fund cash deposited in the General Fund checking account is properly transferred, I suggest that inter-fund receivables and payables be recorded when cash is received. These inter-fund accounts should then be paid by checks at month end.

This procedure will assist in the safeguard of cash and eliminate the need to use unrecorded month end drafts. I understand that the city has implemented this procedure for 1988.

This report is intended solely for the use of management and the City of Camilla. This restriction is not intended to limit the distribution of this report which, upon acceptance by the City of Camilla, is a matter of public record.

[Signature]

December 23, 1987

The Honorable Members of the City Council
City of Richmond, Virginia

We have examined the combined, combining, individual fund and account group financial statements of the City of Richmond, Virginia (the "City"), for the year ended June 30, 1987, as listed in the financial section of the table of contents of the comprehensive annual financial report and have issued our report thereon dated October 1, 1987, except for Note 20, Subsequent Events, "RSRS" as to which the date is December 18, 1987 and "Revenue Anticipation Notes," "Bond Anticipation Notes, Series 1988A," "Serial Public Improvement Bonds, Series 1988A," "Public Utility Revenue Bond Anticipation Notes," "RRHA," "Public Utility Revenue Bonds, Series 1988A" and "Serial Equipment Notes, Series 1988A" as to which the date is May 25, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of the City except for the School Board of the City of Richmond, Virginia; Richmond Metropolitan Authority, Capital Region Airport Commission, Greater Richmond Transit Co., and Richmond Coliseum, which were examined by other auditors and are excluded from the definition of the entity for purposes of performing the City's Single Audit, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards, the *Specifications for Audit of Counties, Cities, and Towns* (1986) issued by the Auditor of Public Accounts of the Commonwealth of Virginia; 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. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Cash receipts/receivables/revenue
- Purchasing/payables/expenditures
- Payroll disbursements
- Welfare Department beneficiary disbursements

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's combined, combining, individual fund and account group financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the City is responsible for establishing and maintaining a system of internal accounting control. 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 a system 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 preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, 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 procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City, taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

As a result of our study and evaluation, we offer the accompanying comments on the City's systems and procedures which we believe merit your attention. The following findings, comments and recommendations have been categorized by the principal departments of the City. Each comment has been thoroughly discussed with management and their responses are included in this letter.

Please contact us if you have any questions or require additional information with respect to any of the accompanying comments.

This report is intended solely for the use of management and the cognizant audit agency and other federal and state 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 City, is a matter of public record.

[Signature]

May 25, 1988

Enhance Control Over Lockbox Receipts

Observation:

Cash is received by the City through various lockboxes located throughout the City. During periods when large volumes of cash are received by the City (i.e., the weeks when personal property and real estate taxes are due), bank personnel clear the lockboxes several times per day. However, after these high volume periods have ended, the bank returns the lockbox keys to City personnel and the lockboxes are only reviewed on an infrequent basis. As a result of these lockboxes not being reviewed on a routine basis, in one instance a lockbox was not cleared for three months. The lockbox was examined late in the year-end closing process and was found to contain approximately $390,000 in cash of which approximately $300,000 should have been recorded during fiscal 1987. Further, lockbox keys are not subject to adequate security.

Implication:

Cash is not being deposited and revenues are not being recorded on a timely basis, resulting in the loss of potential investment income. Further, financial reports are misstated and inadequate control over lockbox keys makes these receipts susceptible to potential misappropriation.

Recommendation:

We recommend that all lockbox keys be maintained in a central location under adequate security and that one individual be assigned the responsibility of clearing these lockboxes on a daily basis.

Management Response:

Lockbox keys are now maintained in a central location under dual control and the responsibility for clearing these lockboxes has been assigned to one individual.

Reconcile the Auditor of Public Accounts Confirmation on a Monthly Basis

Observation:

Annually the Auditor of Public Accounts of the Commonwealth of Virginia ("APA") sends the City of Richmond a report identifying all funds received from the state separated by source (federal or state) ("APA Confirmation"). At the end of the year, City personnel reconcile amounts reflected on the APA Confirmation to revenue from federal and state governments recorded in the City's general ledger.

Implication:

This reconciliation is time-consuming and does not provide for the most efficient use of this management tool.

Recommendation:

Utilizing the microcomputer, this reconciliation should be performed on at least a quarterly basis since interim data is available from the APA. Additionally, consideration should be given to designing a system whereby a microcomputer subledger is produced upon receipt of funds which details federal and state reimbursements. The establishment of such a subledger has been recommended in previous years in the comment "Centralize Federal and State Grant Accounting." The reconciliation of this subledger to the general ledger should reduce the time spent verifying receipts and provide efficiency in producing an effective reconciliation.

Management Response:

We are now receiving quarterly data from the APA and have implemented a quarterly reconciliation process. The use of some Easytrieve reports is being considered to assist in this process.

Reconcile Investment Income Received to General Ledger

Observation:

Currently there is no reconciliation of the investment income reported by the City's investment system (Moneymax) with the investment income recorded in the general ledger.

Implication:

Investment income reported in the City's financial statements could be misstated if the information reported by the detail investment system is not reconciled to the City's general ledger.

Recommendation:

A monthly reconciliation of investment income reported as received by the Moneymax system to the investment income recorded in the general ledger should be performed. This reconciliation should be reviewed by a responsible official and the review evidenced in writing.

Management Response:

Beginning July 1, 1987, the City is no longer using the Moneymax system. A new Treasury Management System has been recently installed and investment income reported on this system will be reconciled to the general ledger.

Implement Interim Internal Management Reporting

Observation:

City management is not always provided with complete information regarding the financial affairs of the City because no formalized interim financial reporting process exists and only limited analysis of available financial information is being performed and documented by City budget and financial personnel.

Implication:

City management will continue to make financial and operational decisions which affect City employees, the business community and all residents of the Richmond metropolitan area without complete knowledge of the City's current financial status. Also, City management could fail to act in a timely manner because they are not aware of the financial facts as soon as they are available.

Recommendation:

City management should be provided with interim financial reports which could be prepared on a monthly or quarterly basis. These reports should present interim results of operations, including accruals, which would permit management to monitor revenues and expenditures against budget. These interim management reports should compare actual results to budget and the prior year's actual results by department for revenues and expenditures. These reports should also provide forecast data for revenues and fund balance including explanations of any variances. By preparing interim financial reports, management should realize a reduction in the time and effort required by Finance personnel at year end to accumulate information for the comprehensive annual financial report.

Management Response:

We concur with this comment. Funds have been provided in the 1988–89 budget to establish a management reporting unit within the Department of Finance which will perform interim financial reporting and analysis.

Utilize Prenumbered Petty Cash Vouchers

Observation:

While counting petty cash in the Department of Public Works, we noted that the petty cash fund contained a shortage of $234.25. Since prenumbered vouchers are not utilized to support disbursements, Department of Public Works personnel were unable to determine the individual(s) responsible for the shortage and the purpose for which the funds were spent.

Implication:

All petty cash expenditures may not be recorded in the City's general ledger since the department currently has no way of controlling the completeness of all petty cash transactions.

Recommendation:

We recommend that prenumbered vouchers be utilized to document all petty cash expenditures. Further, we recommend that the numerical sequence of all petty cash vouchers be accounted for on a periodic basis.

Management Response:

This recommendation has been implemented. A prenumbered voucher process is in place and being utilized.

Revise Water and Wastewater Adjustment Model

Observation:

Department of Public Utilities personnel utilize various financial models to calculate adjustments to customers' bills which are required when the actual cost and consumption of certain purchased supplies varies from the planned costs and consumption. Adjustment factors for the water and wastewater utilities are calculated monthly based upon the actual over/under cost recovery from the prior month. This approach results in the existing financial model attempting to recover the entire amount of any over/under cost recovery each month causing significant fluctuations in customers' bills from month to month. To prevent these fluctuations in prior years, Department of Public Utilities personnel have overridden significant adjustments and only made adjustments based on what was perceived customers would bear.

Implication:

Variances in monthly expenses or revenue adjustments may cause the water and wastewater adjustments to fluctuate widely, causing customers' bills to show significant increases or decreases causing significant customer dissatisfaction.

Recommendation:

The model used to compute the adjustment for variations from planned cost and consumption for the water and wastewater utilities should be modified to a format similar to the one used by the gas utility to calculate the purchased gas adjustment. This model considers costs and customer usage for more than one month, consequently fluctuations in expenses and revenue are leveled resulting in less variation in any additional billings or refunds to customers.

Management Response:

We agree with the comment and implemented a model similar to that used for the Purchased Gas Adjustment for Wastewater and Water as of September 1, 1987 and November 1, 1987, respectively.

Review Edit Correction Forms

Observation:

Utility meter readings are recorded on magnetic tape which is then input into the billing system. This system produces an edit report including any abnormal meter readings which is reviewed by Department personnel. If necessary, corrections are input into the system through correction forms and the initial meter reading is overridden. These correction forms are not approved before being input into the system and the edit report is not reviewed and approved by a responsible official to ensure that all items contained on the edit listing are being addressed.

Implication:

Accounts requiring corrections may not be addressed; meter readings may be changed incorrectly; and/or correction forms may be used to alter meter readings for accounts which are not contained on the edit report.

Observation:

We recommend that a responsible supervisory official approve each edit correction form and evidence this review in writing. Further, this official should also review the edit report to ensure that all abnormal readings are being properly addressed and that only items appearing on the edit report are being changed.

Management Response:

We agree that a responsible supervisory official should approve each edit correction form and evidence this review in writing. Currently, supervisors are submitting the data for the correction forms after reviewing the edit report which, in essence, is a review without evidence. Therefore, supervisors will indicate their review by initialing the correction forms.

Reconcile "Authorization to Purchase Reconciliation Report" to "Food Coupon Accountability Report"

Observation:

Starting in January 1987, the City began sending the "Authorizations to Purchase" ("ATP's") form to the State Department of Social Services where data from the form is input into the State's food stamp system. Additionally, the City produces the "Food Coupon Accountability Report" ("FNS 250") which is filed with the State for food stamp inventory control. The State uses the information contained in the ATP's and other data to produce the "Authorization to Purchase Report" ("FNS 46") which is returned to the City. Because the ATP's for the final days of a month are not recorded by the State Department of Social Services until the subsequent month, the FNS 46 does not agree to the FNS 250.

Implication:

Any discrepancies discovered in the number of ATP's or questions concerning any of the food stamp information are difficult to research and resolve under the existing system. In fact, we noted a $12,037 cumulative difference between the FNS 46 and FNS 250 which could not be explained.

Recommendation:

We recommend that a monthly reconciliation of the FNS 46 and the FNS 250 be prepared. This reconciliation should be documented in writing and reviewed and approved by a responsible official.

Management Response:

While the City is responsible for the production of the FNS 250 report, it does not control the timing of the production of the report. The timing of the production of this report is determined by the State Department of Social Services, which is also responsible for the production of the FNS 46 report. Due to the difference in timing, the two reports do not agree.

This comment has been shared with the Director of the Internal Audit Section at the Virginia Department of Social Services. This office has independently identified this problem and is holding discussions related to this problem with the Food Stamp program staff of the State Department of Social Services.

City staff have for some months attempted an informal reconciliation of the two reports. We agree that this is difficult to do under the existing system. Pending the resolution of this problem at the State level, the City will formalize a procedure to reconcile the two reports each month and will attempt an explanation of the differences noted in the two reports.

Remove Copies of Birth Certificates From ADC Participant Files

Observation:

Several ADC participant files contained copies of birth certificates.

Implication:

Under Section 32.1-272(e) of the Code of Virginia ("Code"), copying such records is illegal and under Section 32.1-276(7) of the Code, possession of such records is punishable as a Class 4 felony.

Recommendation:

All files for social service recipients should be reviewed to ensure that they do not contain copies of documents prohibited under the aforementioned sections of the Code. Any prohibited documents which are found should be removed and destroyed.

Management Response:

The City discontinued the practice of copying birth certificates some time ago. As a result of this comment, photocopies of birth certificates will be purged from active case records at the time of the next periodic review of eligibility. Inactive records will be purged at the time they become active, or be destroyed after three years of inactivity.

The documentation of age and kinship, which are eligibility factors in the Aid to Dependent Children program, will be established through original certificates of birth furnished by the State Bureau of Vital Statistics.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS THAT MAY HAVE A MATERIAL EFFECT ON THE FINANCIAL STATEMENTS*

The report on compliance with laws and regulations is required to satisfy the federal audit requirements as specified in the Standards for Audit issued by the GAO.

The report is 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 items tested and negative assurances on items not tested. Examples of the report are as follows:

COMPLIANCE REPORT BASED ON AN EXAMINATION OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STANDARDS FOR AUDIT ISSUED BY THE GAO

September 30, 1987

To the Board of Trustees
Florence School District One
Florence, South Carolina

We have examined the general purpose financial statements of Florence School District One, Florence, South Carolina, for the year ended June 30, 1987, and have issued our report thereon dated September 30, 1987. Our examination 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.

The management of Florence School District One is responsible for the District's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the District's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the District.

The results of our tests indicate that for the items tested, Florence School District One, Florence, South Carolina, complied with those provisions of laws and regulations noncompliance with which could have a material effect on the general purpose financial statements, except as described in the accompanying schedule of findings and questioned costs. Nothing came to our attention that caused us to believe that for the items not tested Florence School District One, Florence, South Carolina, was not in compliance with laws or regulations noncompliance with which could have a material effect on the District's general purpose financial statements.

[Signature]

ACCOUNTANTS' REPORT ON COMPLIANCE BASED ON AN EXAMINATION OF GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STANDARDS FOR AUDIT ISSUED BY THE U.S. GENERAL ACCOUNTING OFFICE

The Honorable County Executive and
Members of the County Council
Baltimore County, Maryland

We have examined the general purpose combined financial statements of Baltimore County, Maryland for the year ended June 30, 1987, and have issued our report thereon dated October 28, 1987. Our examination 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,*

*[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. For a further discussion see section 1. The provisions of SAS No. 58 were not effective during the survey period.]

Activities, and Functions (1981 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.

The management of the County is responsible for the County's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the County's compliance with laws and regulations, noncompliance with which could have a material effect on the general purpose combined financial statements of the County.

The results of our tests indicate that for the items tested, the County complied with those provisions of laws and regulations, noncompliance with which could have a material effect on the general purpose combined financial statements. Nothing came to our attention that caused us to believe that for the items not tested the County was not in compliance with laws or regulations, noncompliance with which could have a material effect on the County's general purpose combined financial statements.

[Signature]

October 28, 1987

To the Members of the Board of Commissioners of
Chatham County, Georgia:

We have examined the combined financial statements of Chatham County, Georgia for the year ended December 31, 1986, and have issued our report thereon dated April 9, 1987. Our examination 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 accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Chatham County, Georgia is responsible for the County's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the County's compliance with laws and regulations noncompliance with which could have a material effect on the combined financial statements of the County.

The results of our tests indicate that for the items tested, Chatham County, Georgia, complied with those provisions of laws and regulations noncompliance with which could have a material effect on the combined financial statements. Nothing came to our attention that caused us to believe that for the items not tested Chatham County, Georgia was not in compliance with laws or regulations noncompliance with which could have a material effect on the County's combined financial statements.

[Signature]

April 9, 1987

To the Honorable Mayor and
Members of the City Council
City of South Tucson
South Tucson, Arizona

We have examined the general purpose financial statements of the City of South Tucson, Arizona for the year ended June 30, 1987 and have issued our report thereon dated January 20, 1988. Our examination 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.

The management of the City of South Tucson, Arizona is responsible for the City's compliance with the laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the City.

The results of our tests indicate that for the items tested, the City of South Tucson, Arizona complied with those provisions of laws and regulations noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested the City of South Tucson, Arizona was not in compliance with laws or regulations noncompliance with which could have a material effect on the City's general purpose financial statements.

This report is intended solely for the use of management and each federal agency that provides federal financial assistance to the City 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 of South Tucson, Arizona, is a matter of public record.

[Signature]

January 20, 1988

ACCOUNTANTS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

To The Board Of Commissioners ,
Presque Isle Housing Authority

We have examined the general purpose financial statements of the Presque Isle Housing Authority for the year ended June 30, 1987, and have issued our report thereon, which was qualified in several respects, dated November 10, 1987. Our examination 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.

The management of the Authority is responsible for compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the Authority's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the Authority.

The results of our tests indicate that except as noted in the findings, recommendations and replies section of this report for the items tested, the Authority complied with those provisions of laws and regulations noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested the Authority was not in compliance with laws or regulations noncompliance with which could have a material effect on the Authority's general purpose financial statements.

[Signature]

November 10, 1987

PRESQUE ISLE HOUSING AUTHORITY
PRESQUE ISLE, MAINE

FINDINGS, RECOMMENDATIONS AND REPLIES
JUNE 30, 1987

The following findings, status of prior audit report findings and general comments were discussed with Ms. Patty Everett, Executive Director at an exit conference held on November 10, 1987.

FINDINGS, RECOMMENDATIONS AND REPLIES

The examination of the Authority's financial statements for the year ended June 30, 1987 disclosed no significant instances of noncompliance with laws and regulations or weaknesses in internal controls that would constitute a finding or questioned cost.

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report contained a finding regarding the lack of documentation and inconsistency with the operating budget for administrative salary allocations. The Authority has submitted the necessary documentation to HUD regarding the allocation of salaries and the finding has been closed.

GENERAL COMMENTS

General Comment #1

The Authority's allocation of administrative salaries for the year ended June 30, 1987 was not consistent with the operating budget allocation plan. A comparison of budgeted salary allocation and actual allocation for the year ended June 30, 1987 follows:

Program	Per Budget	Actual Per Books
LHA Owned	$59,893	$67,078
Section 8	14,673	9,733
State Programs	6,539	3,226
	$81,105	$80,037

The Authority does maintain documentation supporting the actual allocation of salaries. In addition the Authority sent a letter to the HUD area office informing HUD of the fact that the budgeted salary allocation plan was incorrect. However, the Authority did not receive a response from HUD regarding a resolution of the problem.

Honorable Board of County Commissioners
Sublette County, Wyoming

We have examined the general purpose financial statements of Sublette County, Wyoming, for the year ended June 30, 1987, and have issued our report thereon dated January 14, 1988. Our examination 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.

The management of Sublette County, Wyoming is responsible for the County's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the County's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the County.

The results of our tests indicate that for the transactions tested Sublette County, Wyoming, complied with those laws and regulations referred to above, except as described in the attached schedule. Those instances of noncompliance were considered by us in evaluating whether the general purpose financial statements are presented fairly in conformity with generally accepted accounting principles. With respect to the transactions not tested nothing came to our attention to indicate that Sublette County, Wyoming, 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 14, 1988

SUBLETTE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1987

Program	Finding/Noncompliance	Questioned Costs
Federal Grants:		
Federal Revenue Sharing	1. County Clerk's Abstract Statement: We noted the following errors on Form WY-1A: Expenditures for the period ended June 30, 1986 instead of June 30, 1987 were shown for the following entities: Weed and Pest Control, Libraries, Fair, County Hospital, County Airport, Fire, Parks and Recreation	$-0-
	2. Monitoring of Subrecipients: Written contracts with subrecipients should be obtained to clarify that the money they receive is subject to the provisions of OMB Circular A-128 and that all applicable guidelines need be followed.	$-0-

The Honorable Stephen R. Reed, Mayor and
Members of City Council
City of Harrisburg, Pennsylvania

We have examined the general purpose financial statements of the City of Harrisburg, Pennsylvania, for the year ended December 31, 1986, and have issued our report thereon dated June 17, 1987. Our examination 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.

The management of the City of Harrisburg is responsible for the City's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the City.

The results of our tests indicate that for the transactions tested, the City of Harrisburg, Pennsylvania, complied with those laws and regulations referred to above, except as described in the attached schedule. Those instances of noncompliance were considered by us in evaluating whether the general purpose financial statements are presented fairly in conformity with generally accepted accounting principles. With respect to the transactions not tested, nothing came to our attention to indicate that the City of Harrisburg, Pennsylvania, 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]

October 5, 1987

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSTANCES OF NONCOMPLIANCE WITH LAWS AND REGULATIONS

December 31, 1986

Finding/Noncompliance

Lease Agreement with Harrisburg Sewerage Authority:

In accordance with Section No. 5 of the Agreement of Lease with the Harrisburg Sewerage Authority, the Sewer Revenue Trust Fund of the City is required to accumulate funds in excess of a prescribed reserve at the end of each year. At December 31, 1986 the required reserve exceeded the funds available by $2,155,478.

In addition, Section No. 4.04 requires a measurement of the subsequent year's operating expenses and other defined elements against operating revenue. At December 31, 1986 the covenant requirement exceeded revenue by $2,177,769.

The Official Statement for the Sewer Revenue Refunding Bonds of 1984 states:

> If collections, receipts, appropriations and transfers derived in connection with the operation of the Sewage Conveyance and Treatment System in any such Lease year shall be less than the sum of requirements of Section No. 4.04, the City will covenant that it promptly will adjust the sewer rentals or charges so that amounts thereafter to be collected therefrom, together with the other collections, receipts, appropriations, transfers and deposits, as aforesaid, shall enable the City to comply with the above requirements and to eliminate deficiencies of any prior Lease Year.

As noted in prior years' management letters, the rate structure continues to be insufficient to support the reserve requirement. We recommend that this situation be reviewed and resolved, either through an amendment to the lease agreement or through a revision to the rate structure.

In our opinion, except for the Environmental Protection Agency grant received by the Harrisburg Sewerage Authority which was not included in the scope of our examination, 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, 1986, the City of Harrisburg, Pennsylvania 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 Harrisburg, Pennsylvania, 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 Harrisburg, Pennsylvania, administered those programs in compliance 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 Harrisburg, Pennsylvania, 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]

October 5, 1987

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 in administering 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.

REPORT ON A SUPPLEMENTARY SCHEDULE OF THE ENTITY'S FEDERAL FINANCIAL ASSISTANCE PROGRAMS SHOWING TOTAL EXPENDITURES FOR EACH FEDERAL FINANCIAL 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 examination 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:

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION—SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Board of Education
Salt Lake City School District
Salt Lake City, Utah:

We have examined the general purpose financial statements of the Salt Lake City School District for the year ended June 30, 1987, and have issued our report thereon dated October 1, 1987. 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 of the Salt Lake City School District taken as a whole. The supplementary information included in 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. Such supplementary 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]

October 1, 1987

SALT LAKE CITY SCHOOL DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—
FOR THE YEAR ENDED JUNE 30, 1987

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Department of Health & Human Services			
Passed through Salt Lake Community Action Program:			
Headstart	13.600	—	$ 674,181
Headstart—Handicapped	13.600	—	44,663
			718,844
Passed through State of Utah:			
Service to Handicapped	13.714	—	356,942
DSH—Foothill Place Apartments	13.714	—	39,735
Jones Court	13.714	—	45,121
Indochina Refugee Assistance	13.814	—	115,000
			556,798
Total Department of Health & Human Services			1,275,642
Department of Education			
Direct Programs:			
P.L. 874	84.041	N/A	187,969
ESEA Title VII	84.003	N/A	6,381
ESEA Title VII	84.003	N/A	168,686
Indian Education	84.060	N/A	64,142
Teacher Incentive	84.122	N/A	17,876
Excellence in Education	84.122A	N/A	4,248
			449,302
Passed through Utah State Department of Education:			
Chapter 1 FY86	84.010	871005	269,359
Chapter 1 FY87	84.010	871005	1,069,029
Chapter 1 Neglected and Delinquent	84.013	871305	16,020
Vocational Rehabilitation	84.126	—	33,348
Communications Disorders	84.009	871205	12,665
Chapter II Block Grant FY86	84.151	879105	8,987
Chapter II Block Grant FY87	84.151	879105	183,618
PL 94/142 Block FY86	84.027	871905	1,399
PL 94/142 Block FY87	84.027	871905	540,793
Curriculum Based Assist	84.027	871905	898
Discretionary Program	84.027	871905	26,732
Inservice Equipment	84.027	871905	971
EHA-B High School Transition	84.027	871905	12,510
Preschool SMH Program	84.027	871905	17,460
Immigrant Education Assist	84.162	875705	38,656
Vocational Education Skill Training	84.048	872202	38,434
Senior High Drafting	84.048	872202	3,775
Teen-Parent Self Sufficient	84.048	872202	18,500
Post-Secondary Handicapped	84.048	872202	15,990
Comprehensive Homemaking	84.049	872602	30,000
Indochina Child Assist	84.146	875605	6,303
Indochina Child Assist	84.146	875605	47,799
Adult Basic and Youth Education	84.002	873305	67,646
Improvement in Math and Science	84.168	—	23,345
			2,484,237
Total Department of Education			$2,933,539
Department of Defense			
Direct Program:			
R.O.T.C.	12.609	N/A	20,898

continued

SALT LAKE CITY SCHOOL DISTRICT *(continued)*

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Department of Energy			
Direct Programs:			
South High School	81.052	N/A	$ 17,298
Glendale and Hillside Schools	81.052	N/A	14,127
Total Department of Energy			31,425
Department of Labor			
Passed through Salt Lake County:			
Columbus Center—JTPA 1986	17.250	873902	6,212
Columbus Center—JTPA 1987	17.250	873902	206,673
Total Department of Labor			212,885
Department of Agriculture			
Passed through State of Utah:			
Federal Commodity Value	10.550	—	540,133
District Type A Lunch Program	10.555	—	1,535,569
Summer Food Service Program	10.559	—	33,718
Breakfast Program	10.553	—	166,494
Child Care Program	10.558	—	79,840
Total Department of Agriculture			2,355,754
Total Federal Assistance			$6,830,143

See accompanying notes to schedule.

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

- *General.* The accompanying Schedule of Federal Financial Assistance presents the activity of all federal financial assistance programs of the Salt Lake City School District (District). The District is defined in Note 1 to the general purpose financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.
- *Basis of Accounting.* The accompanying Schedule of Federal Financial Assistance is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's general purpose financial statements.
- *Relationship to General Purpose Financial Statements.* Federal financial assistance revenues are reported in the District's general purpose financial statements as federal government revenues.
- *Noncash Federal Financial Assistance.* Noncash federal financial assistance is equal to the benefit received from commodities consumed during the year, expressed at market value. School districts participating in the Davis Commodity USDA Food Distribution program during the 1986-87 year were charged 6% of the market value of the commodities received as a shipping and handling charge. Noncash federal financial assistance is calculated by dividing this shipping and handling charge of the net commodities consumed by this six percent factor.

AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE OF GRANT ACTIVITY

Members of the City Council
Springfield, Oregon

We have examined the combined financial statements of the City of Springfield, Oregon for the year ended June 30, 1987, and have issued our report thereon dated November 5, 1987. Our examination of such combined 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 combined financial statements of the City of Springfield, Oregon taken as a whole. The supplementary information included in the accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such supplementary information has been subjected to the auditing procedures applied in the examination of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

[Signature]

November 5, 1987

CITY OF SPRINGFIELD, OR

SCHEDULE OF GRANT ACTIVITY—JUNE 30, 1987

			Current Year Activity				Cumulative Status			
	Current Reporting Period	Federal CFOA Number	Grant Receivable (Advance) Recorded at July 1, 1986	Expenditures (Over-Advances) in Fiscal Year 1986-1987	Cash Collections (Repayments) in Fiscal Year 1986-1987	Grant Receivable (Advance) Recorded at June 30, 1987	Grant Award	Expenditures to Date	Continuing Grant Balance	Unused Grant Balance
General Fund										
State and County										
Government Grants:										
Oregon Department of Land, Conservation and Development—P-051386	7/1/86-4/30/87		—	$ 5,692	—	$ 5,692	$ 22,768	$ 22,768	—	$ —
Oregon Department of Justice 86-SF-CX-0541	7/1/86-5/1/87		$ 7,254	12,456	$ 19,719	—	37,719	37,719	—	—
Oregon Department of Justice	6/1/87-6/30/88		—	—	—	—	42,249	—	$ 42,249	—
State Revenue Sharing	7/1/86-6/30/87		—	209,858	209,858	—	209,858	209,858	—	—
Federal Grants:										
U.S. Department of Commerce	9/1/86-11/1/87		—	—	—	—	20,000	—	20,000	—
			7,254	228,015	229,577	5,692	332,594	270,345	62,249	—
Accruals and nongrant intergovernmental revenues—										
Library State Aid	7/1/86-6/30/87		—	4,043	4,043	—	4,043	4,043	—	—
Western State Information Network	9/12/86-12/16/86		—	9,000	9,000	—	9,000	9,000	—	—
			$ 7,254	$ 241,058	$ 242,620	$ 5,692	$ 345,637	$ 283,388	$ 62,249	$ —
Insurance Fund										
League of Oregon Cities (Fitness Grant)	7/1/85-6/30/86		$ —	$ 15,460	$ 15,460	$ —	$ 15,460	$ 15,460	$ —	$ —
Federal Revenue Sharing Fund	7/1/85-6/30/86	21.300	$218,141	$ 175,445	$ 393,586	$ —	$ 175,445	175,445	$ —	$ —
Housing and Community Development Fund										
Housing and Urban Development										
B-85-MC-41-002	7/1/86-6/30/87	14.218	$ —	$ 367,502	$ 367,502	$ —	$ 567,000	$ 519,161	$ 47,839	$ —
B-86-MC-41-002	7/1/86-6/30/87	14.218	—	—	—	—	447,000	—	477,000	—
			—	$ 367,502	$ 367,502	—	$ 1,044,000	$ 519,161	$ 524,839	—

Capital Projects Fund										
Oregon Department of Energy....................	7/1/86-6/30/87		$ —	$ 260,409	$ 260,409	$ —	$ 269,689	$ 260,409	$ —	$ 9,280
Metropolitan Wastewater Management Commission[1]										
Environmental Protection Agency (EPA):										
C-410624-01 (Step II)	7/1/86-6/30/87	66.418	$ —	$ —	$ —	$ —	$ 6,808,903	$ 6,808,903	$ —	$ —
C-410624-02 (Step III).....	7/1/86-6/30/87	66.418	—	—	—	—	5,122,186	5,101,052	—	21,134
C-410624-03 (Step III).....	7/1/86-6/30/87	66.418	—	268,533	268,533	—	12,606,457	12,606,457	—	—
C-410624-04 (Step III).....	7/1/86-6/30/87	66.418	—	104,358	104,358	—	2,289,608	2,289,608	—	—
C-410624-06 (Step III).....	7/1/86-6/30/87	66.418	—	—	—	—	8,193,475	8,193,475	—	—
C-410624-07 (Step III).....	7/1/86-6/30/87	66.418	11,471	39,470	50,941	—	8,599,107	8,539,898	—	59,209
C-410624-08 (Step III).....	7/1/86-6/30/87	66.418	4,889	11,865	16,754	—	8,072,514	8,072,514	—	—
C-410624-10 (Step III).....	7/1/86-6/30/87	66.418	—	—	—	—	1,103,045	1,103,045	—	—
C-410624-11 (Step III).....	7/1/86-6/30/87	66.418	—	—	—	—	562,097	562,097	—	—
C-410624-12 (Step III).....	7/1/86-6/30/87	66.418	—	—	—	—	1,948,915	1,948,915	—	—
C-410624-13 (Step III).....	7/1/86-6/30/87	66.418	90,883	(1,500)	40,053	49,330	4,013,377	3,964,046	49,331	—
C-410624-14 (Step III).....	7/1/86-6/30/87	66.418	—	—	—	—	2,876,379	2,870,472	—	5,907
C-410624-15 (Step III).....	7/1/86-6/30/87	66.418	54,227	—	—	54,227	4,185,692	4,231,750	(46,058)	—
C-410624-16 (Step III).....	7/1/86-6/30/87	66.418	—	19,874	19,874	—	2,136,939	1,952,939	184,000	—
C-410624-17 (Step III).....	7/1/86-6/30/87	66.418	—	817,838	726,536	91,302	8,449,207	817,838	7,631,369	—
C-410624-18 (Step III).....	7/1/86-6/30/87	66.418	297,256	896,438	1,110,179	83,515	1,754,621	1,570,233	184,388	—
C-410624-19 (Step III).....	7/1/86-6/30/87	66.418	159,407	62,039	201,628	19,818	1,959,386	1,939,568	19,818	—
			618,133	2,218,915	2,538,856	298,192[2]	80,681,908	72,572,810	8,022,848	86,250
Department of Energy (DOE): L201401-01										
Energy retrofit...........	7/1/86-6/30/87		28,249	359,843	—	388,092	322,409	410,092	(87,683)	—
			$646,382	$2,578,758	$2,538,856	$686,284	$81,004,317	$72,982,902	$7,935,165	$86,250

[1]The grants itemized on this schedule were awarded to the Metropolitan Wastewater Management Commission, which is a legally independent entity from the City of Springfield. A representative from the Springfield City Council, however, serves as one of the Commission members.

[2]Both the EPA grant expenditures and the grant receivable amount indicated here include only those expenditures actually billed to the grantor agency at June 30, 1987. These figures do not include any unbilled expenditures at June 30, 1987, which may be reimbursable in whole or in part by the grantor agency.

Honorable Mayor, Members of the
City Council and City Manager
Lake Havasu City, Arizona

We have examined the general purpose financial statements of the Lake Havasu City for the year ended June 30, 1987 and have issued our report thereon dated September 24, 1987. 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 and Non Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general 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]

September 24, 1987

SCHEDULE OF FEDERAL AND NON FEDERAL FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1987

Federal Grantor/ Program Title	Program Number	Program or Award Amount	Cash Accrued or (Deferred) Revenues at July 1, 1986	Receipts or Revenue Recognized	Disbursements Expenditures	Cash Accrued or (Deferred) Revenue at June 30, 1987
Federal Revenue Sharing	#03-2-008-610	$ 55,883	$(75,475)	$ 75,475	$ —	$ —
U.S. Department of Transportation						
Public Transportation Services	#522-85A	141,552	6,211	67,664	67,814	6,061
Marketing of Industrial Park Planning Grant Federal Funds	#523-85A	5,000	—	2,000	2,000	—
Criminal Justice Block Grant						
Expanded Supervisor Training	#16-573	12,400	3,917	7,400	11,317	—
TOTAL FEDERAL FINANCIAL ASSISTANCE		$214,835	$(65,347)	$152,539	$ 81,131	$ 6,061
Other Non-Federal Funding Agencies						
Arizona Department of Commerce						
Grading/Drainage Plan—Industrial Park	#797-87A	10,000	—	10,000	10,000	—
Arizona Department of Transportation						
Lake Havasu City Area Transportation	#87-0012	10,000	—	7,166	7,166	—
Arizona State Parks Board						
State Lake Improvement Fund Safety Operation Equipment	#15-86	28,132	—	21,439	21,254	185
Arizona Department of Public Safety						
Computerized Crime Analysis and Property Crime System	#87-011	12,000	—	12,000	—	12,000
Arizona Department of Health Services						
Rescue Services Supplies	#7297	2,080	974	2,080	3,054	—
Total Federal and Non-Federal Financial Assistance		$277,047	$(64,373)	$205,224	$122,605	$18,246

The Honorable County Executive and
Members of the County Legislature
County of Erie, New York

We have examined the general purpose financial statements of the County of Erie for the year ended December 31, 1986 and have issued our report thereon dated April 10, 1987. 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]

November 13, 1987

COUNTY OF ERIE, NY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—
FOR THE YEAR ENDED DECEMBER 31, 1986

Federal Grantor/ Program Title[1]	Federal CFDA Number[2]	Pass-Through Grantor's Number[4]	Program or Award Amount	Cash/Accrued or (Deferred) Revenues at Jan. 1, 1986	Revenue Recognized	Expenditures	Cash/Accrued or (Deferred) Revenue at Dec. 31, 1986[3]
U.S. Department of HUD							
Direct Program:							
Community Development Block—Grant Entitlement....	14.218	N/A	$43,053,983	$ 1,330,893	$ 3,102,774	$ 4,777,335	$ 343,668
U.S. Department of Interior							
Direct Program:							
Urban Parks and Recreation....	15.417	N/A	35,000	(3,546)	15,026	27,869	16,389
U.S. Department of Justice							
Passed through State:							
Juvenile Justice and Delinquency Prevention..................	16.540	66101	40,000	—	—	10,000	10,000
U.S. Department of the Treasury							
Direct Program:							
Revenue Sharing	21.300	N/A	5,025,182	—	5,025,182	5,025,182	—
Office of Personnel Management							
Direct Program:							
Intergovernmental Mobility of Federal, State and Local Employees.....................	27.011	N/A	101,484	(10,967)	45,428	34,461	—
Veterans Administration							
Direct Program:							
Veterans Job Training Act.......	64.121	N/A	33,869	(8,310)	52,546	44,236	—
U.S. Environmental Protection Agency							
Direct Program:							
Construction Grants for Waste Water Treatment Works......	66.418	N/A	117,671,149	—	5,390,041	5,390,041	—
Small Quantity Hazardous Waste Disposal...............	66.505	N/A	100,000	(18,733)	45,989	36,616	9,360
Total U.S. Environmental Protection Agency				(18,733)	5,436,030	5,426,657	9,360
U.S. Department of Agriculture							
Passed through State:							
School Breakfast Program	10.553	61501	37,050	—	38,248	40,030	1,782
National School Lunch Program	10.555	61501	56,772	—	58,484	61,186	2,702
Special Supplemental Program for Women, Infants and Children.........................	10.557	63405	1,746,046	(181,458)	811,625	630,167	—
State Administrative Matching Grant for Food Stamp Program	10.561	62601	930,097	(209,040)	5,316,019	5,283,781	176,802
Commodity Supplemental Food Program........................	10.565	69421	2,070,260	(43,945)	845,543	768,243	(33,355)
Total U.S. Department of Agriculture				$ (434,443)	$ 7,069,919	$ 6,783,407	$ 147,931
U.S. Department of Health and Human Services							
Passed through State Department of Social Services:							
Project Grants and Cooperative Agreements for Tuberculosis Control Programs............	13.116	63414	29,112	(12,098)	27,161	15,063	—
Special Projects of Regional Significance...................	13.311	63491	8,875	—	8,600	8,600	—

continued

COUNTY OF ERIE, NY *(continued)*

Federal Grantor/ Program Title[1]	Federal CFDA Number[2]	Pass-Through Grantor's Number[4]	Program or Award Amount	Cash/Accrued or (Deferred) Revenues at Jan. 1, 1986	Revenue Recognized	Expenditures	Cash/Accrued or (Deferred) Revenue at Dec. 31, 1986[3]
Special Programs for the Aging Title III, Parts A and B	13.633	69404	$ 2,631,114	$ (76,631)	$ 1,318,187	$ 1,236,547	$ (5,009)
Special Programs for the Aging Title III, Part C—Nutrition	13.635	69423	2,872,009	—	1,470,234	1,068,457	(401,777)
Work Incentive Program	13.646	62203	N/A	—	286,801	286,801	—
Foster Care, Title IV—E (A)	13.658	62302	N/A	(669,965)	6,342,021	5,729,153	57,097
Social Services Block Grant	13.667	62501	937,268	(329,069)	7,307,441	6,903,210	(75,162)
Special Programs for the Aging—Title IV	13.668	N/A	95,500	—	15,746	29,870	14,124
Child Support Enforcement	13.679	62501	N/A	—	2,876,173	2,876,173	—
Medical Assistance Program	13.714	62101	N/A	(78,385)	8,956,117	8,367,228	(510,504)
Assistance Payments—Maintenance Assistance	13.808	62202	N/A	1,151,062	52,795,035	53,134,396	(811,701)
Refugee and Entrant Assistance—State Administered Programs	13.814	62308	N/A	—	88,965	88,965	—
Low-Income Home Energy Assistance	13.818	62210	78,281,109	58,120	23,901,321	23,829,601	(129,840)
Preventive Health Services—Sexually Transmitted Disease Control Grant	13.977	63416	24,152	(4,310)	18,264	17,322	3,368
Preventive Health and Health Services Block Grant	13.991	63422	142,692	(34,985)	111,930	76,945	—
Alcohol and Drug Abuse and Mental Health Services Block Grant	13.992	64701	882,620	(112,459)	383,887	324,401	52,973
Maternal and Child Health Services Block Grant	13.994	63491	1,011,017	(275,580)	649,966	379,074	4,688
Total U.S. Department of Health and Human Services				$ (384,300)	$106,557,849	$104,371,806	$(1,801,743)
U.S. Department of Labor							
Passed through State:							
Senior Community Service Employment Program	17.235	69409	1,548,587	2,777	777,303	828,262	48,182
U.S. Department of Transportation							
Passed through State:							
State and Community Highway Safety	20.600	69970	40,024	—	21,803	21,761	(42)
Action							
Passed through State:							
Retired Senior Volunteer Program	72.002	69448	124,407	(9,046)	72,029	63,355	372
Federal Emergency Management Agency							
Passed through State:							
Disaster Assistance	83.300	69922	5,429	—	(17,461)	(12,032)	5,429
Emergency Management Assistance	83.503	69920	120,500	(27,419)	118,102	122,749	32,066
Total Federal Emergency Management Agency				$ (27,419)	$ 100,641	$ 110,717	$ 37,495
U.S. Department of Education							
Passed through State:							
Library Services	84.034	61204	687,474	(111,346)	323,910	246,790	34,226
Total Federal Assistance				$ 325,560	$128,600,440	$127,771,838	$(1,154,162)

[1] Includes all major and nonmajor programs
[2] Source: Catalog of Federal Domestic Assistance Numbers for 1986
[3] Prepared on the "GAAP" Basis of Accounting and includes all Program Revenues and Expenditures
[4] Source: Catalogue of State and Federal Programs Aiding New York's Local Governments for 1986

REPORT ON SUPPLEMENTARY INFORMATION SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Honorable Board of County Commissioners
Gallatin County
Bozeman, MT 59715

We have examined the general purpose financial statements of Gallatin County, Montana, for the year ended June 30, 1987, and have issued our report thereon dated November 25, 1987. 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]

November 25, 1987

GALLATIN COUNTY, MT

SCHEDULE OF FEDERAL ASSISTANCE—FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 1986	Cash Receipts Federal Funds	Cash Receipts Matching/ Income/Other	Cash Disbursements	Ending Balance June 30, 1987
Federal Grantor/Pass-Through Grantor/Program Title								
U.S. Department of Agriculture								
Passed Through State Department of Social and Rehabilitation Services:								
Food Stamps	10.551		$1,003,250	$ 258,687	$1,003,250	$ —	$1,036,297	$ 225,640
Passed Through State Department of Health and Environmental Sciences:								
Special Supplemental Food Program for Women, Infants, and Children (WIC)	10.557		$ 49,905	$ (4,453)	51,634	199	50,120	(2,740)
Passed Through State Auditor's Office:								
Schools and Roads—Grants to States (Forest Reserve)	10.665			-0-	34,013		34,013	-0-
Total U.S. Department of Agriculture ..				$ 254,234	$1,088,897	$ 199	$1,120,430	$ 222,900

continued

GALLATIN COUNTY, MT *(continued)*

	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 1986	Cash Receipts Federal Funds	Cash Receipts Matching/ Income/Other	Cash Disbursements	Ending Balance June 30, 1987
U.S. Department of the Treasury								
Direct Programs:								
State and Local Government Fiscal Assistance—Revenue Sharing	21.300		$ 214,966	$ 447,571	$ 214,966	$ 19,188	$ 409,686	$ 272,039
Federal Emergency Management Agency								
Passed Through State Department of Military Affairs:								
Civil Defense—State and Local Emergency Management Assistance	83.503			$ -0-	$ 17,387	$ -0-	$ 17,387	$ -0-
U.S. Department of Health and Human Services								
Passed Through State Department of Social and Rehabilitation Services:								
Medical Assistance Program (Medicaid)	13.714	86-074-13103-1		$ -0-	$ 528,125	$ —	$ 528,125	$ -0-
Medical Assistance Program (Medicaid)	13.714	87-075-12016-1		-0-	7,431		7,431	-0-
Passed Through State Department of Health and Environmental Sciences:								
Maternal and Child Health Services Block Grant	13.994	700171-1	$ 31,943	888	31,943	1,373	33,537	667
Passed Through Area IV Agency on Aging:								
Special Programs for the Aging—Title III, Part B.	13.633	M-004-034	$ 27,135	2,519	8,000		9,569	950
Special Programs for the Aging—Title III, Part B.	13.633	N-004-051	$ 21,426	-0-	18,343	3,436	18,954	2,825
Total U.S. Department of Health and Human Services				$ 3,407	$ 593,842	$ 4,809	$ 597,616	$ 4,442

continued

GALLATIN COUNTY, MT *(continued)*

	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 1986	Cash Receipts: Federal Funds	Cash Receipts: Matching/ Income/Other	Cash Disbursements	Ending Balance June 30, 1987
U.S. Department of Transportation								
Direct Programs:								
Airport Improvement Program .	20.106		$ 615,000	$ (25,478)	$ 579,587	$ 28,540	$ 591,213	$ (8,564)
Airport Improvement Program .	20.106		$ 46,000	(5,967)	28,641	16	22,727	(37)
Airport Improvement Program .	20.106		$ 15,000	-0-	8,415		8,527	(112)
Passed Through State Department of Justice:								
State and Community Highway Safety......	20.600	408-85-0318	$ 10,000	-0-				-0-
Total U.S. Department of Transportation...........				$ (31,445)	$ 616,643	$ 28,556	$ 622,467	$ (8,713)
Other Federal Assistance								
Department of the Interior:								
Direct Programs:								
Payment in Lieu of Taxes (PILT)			$ 450,306	$ 707,220	$ 450,306	$ 9,297	$1,059,284	$ 297,539
Refuge Revenue Sharing.				-0-	1,802		1,802	-0-
Passed Through State Department of Administration:								
Taylor Grazing .				-0-	390		390	-0-
Total Other Federal Assistance				$ 707,220	$ 452,498	$199,297	$1,061,476	$ 297,539
Total Federal Financial Assistance..............				$ 1,380,987	$2,984,233	$252,049	$3,829,062	$ 788,207

AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Mr. Robert D. Manz, Administrator
Pioneer Valley Transit Authority
Market Place
1365 Main Street
Springfield, Massachusetts

Dear Mr. Manz:

We have examined the financial statements of Pioneer Valley Transit Authority for the year ended June 30, 1987, and have issued our report thereon dated September 18, 1987. Our examination of the 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 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 financial statements. The information in that schedule has been subjected to the auditing procedures applied in the examination 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]

September 18, 1987

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE— FOR THE YEAR ENDED JUNE 30, 1987

Federal Assistance Catalog Number	Award Amount	Deferred Revenue (State and Local) July 1, 1986	Receivable from UMTA July 1, 1986	Receipts or Revenues Recognized	Expenditures	Deferred Revenue (State and Local) June 30, 1987	Receivable from UMTA June 30, 1987
Capital							
MA 030061-20500	$ —	$ (1,299)	$ —	$ —	$ —	$ (1,299)	$ —
MA 030079-20500	1,215,000	—	—	—	—	—	—
MA 030102-20500	3,356,344	(13,349)	—	—	—	(13,349)	—
MA 030109-20500	1,687,500	—	—	—	—	—	—
MA 030112-20500	1,214,750	(7,800)	15,946	38,988	38,988	—	—
MA 030129-20500	1,400,000	(234,072)	213,058	936,170	936,170	—	142,308
MA 050011-20507	1,125,400	—	—	—	—	—	—
MA 050016-20507	851,580	(9)	—	—	—	(9)	—
MA 050026-20507	224,385	1,317	—	—	—	1,317	—
MA 050029-20507	1,205,850	(37,138)	2,054	185,753	185,753	—	18,693
MA 050032-20507	1,125,765	(2,132)	66,132	10,662	10,662	—	72,504
MA 050036-20507	144,225	113	—	—	—	113	—
MA 050040-20507	530,500	2,000	—	—	—	2,000	—
MA 900002-20507	2,068,810	—	110,865	—	—	—	110,865
MA 90X017-20507	2,721,000	(304,490)	399,455	697,801	697,801	(164,930)	774,454
MA 90X035-20507	4,084,155	(397,560)	162,769	1,556,776	1,556,776	(86,206)	327,204
MA 90X050-20507	1,917,445	—	—	1,086,426	1,086,426	(169,345)	844,979
MA 90X065-20507	2,267,190	—	—	—	—	—	—
Training Grants:							
0054, 0056	17,102	90	12,736	—	—	90	12,736
MA 054130	—	—	—	—	—	—	—
Federal Share of Capital Items Sold	—	—	(7,895)	—	—	—	(6,096)
Net Interest Income Earned	—	(138,191)	—	—	—	(156,990)	—
Total Capital Grants	$27,157,001	$(1,132,520)	$ 975,120	$4,512,576	$4,512,576	$(588,608)	$ 2,297,647

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE— FOR THE YEAR ENDED JUNE 30, 1987

Federal Assistance Catalog Number	Program or Award Amount	Receivable from/ (Payable to) State and Local July 1, 1986	Receivable from/ (Payable to) UMTA July 1, 1986	Receipts or Revenues Recognized	Disbursements/ Expenditures	Receivable from/ (Payable to) State and Local June 30, 1987	Receivable from/ (Payable to) UMTA June 30, 1987
Operating							
MA 90X017-20507	$ 6,980,165	$ —	$(843,544)	$ —	$ —	$ —	$ —
MA 90X035-20507	7,675,891	—	(292,259)	—	—	—	(292,258)
MA 90X050-20507	8,306,889	6,813,317	335,320	—	—	—	335,320
MA 90X065-20507	8,798,147	—	—	8,533,863	8,533,863	6,717,336	(118,818)
MA 054130	8,306,889	—	—	—	—	—	—
Section 18							
1985	114,709	—	114,709	—	—	—	—
1986	114,000	—	114,000	—	—	—	114,000
1987	115,000	—	—	246,274	246,274	131,274	115,000
Total Operating Grants	$40,411,690	$6,813,317	$(571,773)	$8,780,137	$8,780,137	$6,848,610	$153,244

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

1. Scope of Audit:

The Pioneer Valley Transit Authority (PVTA) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All operations related to PVTA's federal capital and operating grant programs are included in the scope of the OMB Circular A-128 Audits of State and Local Governments (the single audit). The Urban Mass Transportation Administration has been designated as the PVTA's cognizant agency for the single audit.

Compliance testing of all general requirements, as described in the Compliance Supplement, was performed. Compliance testing of specific requirements was performed for the following grant programs (designated as "Major" programs). These represent those with an excess of $300,000 of fiscal 1987 expenditures and cover over 95% of total expenditures.

Grant Description	Fiscal 1987 Expenditures
Capital	
# MA 030129—Construction of Northhampton Garage Facility	$ 936,170
# MA 90X017—Various capital projects including Bus purchases, Bus Rebuilds and Construction of Springfield garage facility	697,801
# MA 90X035—Phase II Construction of Springfield garage facility	1,556,776
# MA 90X050—Various capital projects including expansion of UMass garage facility and Bus and Van purchases	1,086,426
	$4,277,173
Operating	
# MA 90X065—Funding of operations	$8,533,863

2. Period Audited:

Single audit testing procedures were performed for PVTA federal grant transactions for the year ended June 30, 1987.

3. Summary of Significant Accounting Policies:

PVTA applies for federal financial assistance in the form of capital and operating grants on an annual basis. The application, along with a Program of Projects Budget, is submitted to the Urban Mass Transportation Administration (UMTA), which reviews and subsequently authorizes a grant amount for the year. Once a grant is approved, PVTA expends money on various capital projects, including the purchase of fixed assets (such as buses, vans and shelters) and construction of bus garages.

Total grant expenditures are summarized quarterly and PVTA applies for reimbursement from both the Federal government (UMTA) and the state/local governments for their proportionate share.

When capital expenditures relating to a particular grant are complete, closeout procedures are followed which provide for prompt payments by the granter or refunds by the grantee.

4. Findings of Noncompliance:

The findings of noncompliance identified in connection with the 1987 single audit are disclosed in Schedule I. The status of findings of noncompliance identified in connection with the 1986 single audit are presented in Schedule II.

AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE

Members of City Council
City of Norwich Connecticut:

We have examined the general purpose financial statements of the City of Norwich, Connecticut, for the year ended June 30, 1987, and have issued our report thereon dated December 24, 1987. 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 of the City of Norwich, Connecticut taken as a whole. The supplementary information included in 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. Such supplementary 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.

December 24, 1987

CITY OF NORWICH

SCHEDULE OF FEDERAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 1987

	Federal CFDA No.	I.D. No.	Program Award Amount	Cash Accrued or Deferred Revenue July 1, 1986	Receipts/ Revenues	Expenditures	Cash Accrued or Deferred Revenue June 30, 1987
Department of the Treasury:							
General Revenue Sharing....	21.300	07-2-006-005	$ 101,914	$ 236,943	$ 101,914	$ 252,050	$ 86,807
Department of Education:							
Chapter I	84.010	104-861-06-310		(79,566)	213,788	134,222	-0-
Chapter I	84.010	104-861-07-310		-0-	412,300	467,586	(55,286)
Chapter I	84.010	104-861-16-620	2,584	-0-	2,584	2,584	-0-
Chapter II......................	84.151	104-871-06-310		4,631		4,631	-0-
Chapter II......................	84.151	104-871-07-130	59,109	-0-	59,109	578,809	1,300
Adult Education................	84.002	104-910-06-112		(16,105)	16,191	83	3
Adult Education................	84.002		329,783		329,783	351,263	(21,480)
Education Handicapped	84.027	104-962-06-311		11,805		11,805	-0-
Education Handicapped	84.027	104-962-07-112	111,330		111,330	104,116	7,214
Vocational Education	84.048	104-901-06-1111 104-901-06-1371	104,106		104,106	118,241	(14,135)
Title II..........................	84.048	104-928-06-3011	6,624		6,624	5,059	1,565
94-142..........................	84.027	104-962-07-2011 1022-1021	31,000		31,000	27,523	3,477
Department of Federal Emergency Management Agency Disaster Assistance Program:							
Gloria	83.516	01156200		307,236		207,024	100,212
Department of Agriculture:							
School Lunch Program.......	10.555	104019	646,406	163,683	654,624	646,406	171,901
Department of Housing & Urban Development:							
Community Development	14.219	B-85-MC-09-0012		3,079,571	944,063	2,345,460	1,678,174
Civil Defense..................	14.219	84-D/C-07		47,329	2,634		49,963
Senior Citizens................	14.219	H-86-2	102,603	8,292	102,603	99,326	11,569
Department of Health & Human Services:							
Youth Services PL874........	84.040	60-88-40		2,331	157,003	153,397	5,937
Alcohol Enforcement..........	13.992	86-01-CI-308	19,934				
			$1,515,393	$3,766,150	$3,269,590	$5,008,519	$2,027,221

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:

City Council
City of Beaverton
Beaverton, Oregon

We have examined the general purpose financial statements of the City of Beaverton, Oregon, for the year ended June 30, 1987, and have issued our report thereon dated October 9, 1987. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administration 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:

1. Accounting Controls
   Revenue/Receipts
   Purchases/Disbursements

   Administrative Controls
   Political Activity
   Civil Rights
   Cash Management
   Federal Financial Reports
   Types of Services
   Eligibility
   Matching Level of Effort
   Reporting
   Cost Allocation
   Special Requirements

The management of the City of Beaverton, Oregon 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, except we did not evaluate the accounting controls over grants receipts because we deemed it more efficient to substantiate revenue received during the year. During the year ended June 30, 1987, the City of Beaverton, Oregon expended 85% of its total federal financial assistance under its major federal financial assistance program. With respect to internal control systems used in administering the major federal financial assistance program, 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 City of Beaverton, Oregon, 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 City of Beaverton, Oregon 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 Beaverton, Oregon. Accordingly, we do not express an opinion of the internal control systems used in administering the federal financial assistance programs of the City of Beaverton, Oregon. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the City of Beaverton, Oregon.

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 assistance program of the City of Beaverton, Oregon.

This report is intended solely for the use of management, the cognizant audit agency 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 City of Beaverton, Oregon, is a matter of public record.

[Signature]

October 9, 1987

AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE BASIC FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Board of Trustees
Toledo Area Regional
Transit Authority
Toledo, Ohio:

We have examined the basic financial statements of Toledo Area Regional Transit Authority for the year ended December 31, 1986, and have issued our report thereon dated April 2, 1987. 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 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
Cash disbursements
Cash balances

Revenues and trade receivables
Purchases, trade payables and accrued liabilities
Payroll
Inventory control
Investments
Property, facilities and equipment
Other assets and liabilities
Journal entries and general ledger
External financial reporting

Administrative Controls

General Requirements:

Political Activity
Davis Bacon Act
Civil Rights
Cash Management
Federal Financial Reports

Specific Requirements:

Types of Services
Eligibility
Matching Level of Effort
Reporting
Cost Allocation
Special Requirements, if any
Monitoring Subrecipients

The management of Toledo Area Regional Transit Authority 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, 1986, Toledo Area Regional Transit Authority expended 99% 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 Toledo Area Regional Transit 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 Toledo Area Regional Transit 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 Toledo Area Regional Transit Authority. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Toledo Area Regional Transit Authority. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of Toledo Area Regional Transit Authority.

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.

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 Toledo Area Regional Transit Authority.

This report is intended solely for the use of Toledo Area Regional Transit Authority, the Auditor of the State of Ohio 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 Auditor of the State of Ohio and the cognizant Federal Audit Agency, is a matter of public record.

[Signature]

April 2, 1987

Board of Finance
Town of Ridgefield
Ridgefield, Connecticut

We have examined the general purpose financial statements of the Town of Ridgefield for the year ended June 30, 1986, and have issued our report thereon dated October 2, 1987. 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 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: financing, revenues/receipts, purchases/disbursements and external financial reporting and compliance with federal financial assistance requirements which include general requirements (i.e. political activity, civil rights, cash management and federal financial reports) and specific requirements (i.e. types of services, eligibility, matching level of effort and reporting).

The management of the Town of Ridgefield 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 procedure may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended June 30, 1987, the Town of Ridgefield had no major federal financial assistance programs and expended 54% of its total federal financial assistance under the following non-major federal financial assistance programs: Chapter I and Title VI. With respect to 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 Town of Ridgefield 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 non-major federal financial assistance programs of the Town of Ridgefield 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 Town of Ridgefield. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Town of Ridgefield.

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 examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Town of Ridgefield.

This report is intended solely for the use of management of the Town of Ridgefield, the cognizant audit agency, and other federal and state 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 Town of Ridgefield is a matter of public record.

[Signature]

October 2, 1987

The Honorable Mayor and Board of Aldermen
Town of Waynesville
Waynesville, North Carolina

Gentlemen:

We have examined the general purpose financial statements of the Town of Waynesville, North Carolina, for the year ended June 30, 1987 and have issued our report dated October 1, 1987. 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, the provisions of OMB Circular A-128, *Audits of State and Local Governments*; and state laws and regulations. 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 (Accounting Controls)

- Billings
- Receivables
- Cash Receipts
- Purchasing and Receiving
- Accounts Payable
- Cash Disbursements
- Payroll
- Inventory Control
- Property and Equipment
- General Ledger

General Requirements (Administrative Controls)

- Political Activity
- Davis-Bacon Act
- Civil Rights
- Cash Management
- Relocation Assistance and Real Property Acquisition
- Federal Financial Reports

Specific Requirements (Administrative Controls)

- Types of Services
- Eligibility
- Matching Level of Effort
- Reporting

- Cost Allocation
- Special Requirements, If Any
- Monitoring Subrecipients

The management of the Town of Waynesville, North Carolina, 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 is obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal 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 June 30, 1987, the Town of Waynesville, North Carolina, expended 100% 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 other nonmajor federal financial assistance programs of the Town of Waynesville, North Carolina, 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 Town of Waynesville, North Carolina, 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 Town of Waynesville, North Carolina. Accordingly, we do not express an opinion of the internal control systems used in administering the federal financial assistance programs of the Town of Waynesville, North Carolina. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Town of Waynesville, North Carolina.

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, evaluation and 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.

PURCHASE ORDERS

The Town's purchase order system could be improved. Our examination revealed while purchase orders were prepared, they were not always mailed to the vendors. In addition, the invoice package used for payment purposes did not include a copy of the purchase order or reference to the purchase order. These changes, coupled with a monthly reconciliation to the outstanding encumbrances recorded on the books, will make the purchase order system a more useful tool.

FIXED ASSETS

We noted that utility system additions are not properly documented on a timely basis. When system additions require the use of inventoried items, the accounting for the use of stored items was not properly documented.

Additionally, when a developer contributes system additions to the Town by agreement, sufficient documentation is not available on a cost basis to determine the various components of the addition. We suggest that the Town's subdivision ordinance be amended to require cost data for the system being contributed to the Town.

We also noted that all fixed assets have not been properly tagged for identification.

OLD OUTSTANDING CHECKS

The bank reconciliations indicated various outstanding checks which have not cleared for several months. For those checks which are not required by state law to be escheated, they should be removed from regular checking and placed in a separate account.

PAYROLL CHECK DISTRIBUTION

Payroll checks are prepared and the department heads are responsible for their distribution to the individual employees. Good internal accounting control would rotate this responsibility to someone from a different department.

INVESTMENTS

Currently, excess funds of the Town are invested by the finance officer. We would suggest that an investment committee be established to make all investment decisions. The investment committee should include one member of the Board of Aldermen.

BUILDING PERMITS

Our examination of the collection for building permits issued revealed that prenumbered receipts are not being utilized. When these funds are submitted to the Town for deposit, a copy of the permit should accompany the funds being remitted. These changes will improve the audit trail associated with collections from this department.

RECEIVING DOCUMENTATION

The receipt of inventory and supplies should be more fully documented as to date received, signature of person receiving, matching with purchase order quantities, and attaching the same to the invoice package used for payment authorization.

COMPUTER PROGRAMS

We noted during our examination of ad valorem taxes receivable that the program used to print out the tax levy provided incorrect totals for taxes and property valuations. This particular program is an internally generated program and would indicate that additional testing is necessary. Another tax program which the Town is not able to fully utilize is the unpaid ad valorem tax report. This report is not able to reduce a balance due when a partial payment is made. These problems indicate the usefulness of these programs to be minimized. A review of the computer system from the users' point of view is needed to determine weaknesses, and to address the measures needed to improve the system.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in (1) our examination of the 1987 general purpose financial statements and (2) our examination and review of the Town'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 the Town's compliance with laws and regulations dated October 1, 1987.

This report is intended solely for the use of management, the cognizant audit agency and other federal 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 Aldermen of the Town of Waynesville, North Carolina, is a matter of public record.

[Signature]

October 1, 1987

Board of Education
Kenmore-Town of Tonawanda
Union Free School District
1500 Colvin Boulevard
Kenmore, New York 14223
Subject: Report on Internal Controls Based on the Examination of the General Purpose Financial Statements and Additional Tests Required by the Single Audit Act for the year ended June 30, 1987

We have examined the general purpose financial statements of Kenmore-Town of Tonawanda Union Free School District, for the year ended June 30, 1987, and have issued our report thereon dated September 29, 1987. 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 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:

The accounting controls have been classified using the cycles of the entity's activity. These cycles are treasury or financing, revenue and cash receipts, purchases and cash disbursements, and external financial reporting. The administrative controls have been classified under general requirements, and specific requirements for individual grants. The general requirements are political activities, the Davis-Bacon Act, civil rights, cash management, relocation assistance and real property acquisition, and federal financial reports. The specific requirements relating to federal programs of Kenmore-Town of Tonawanda Union Free School District are types of services, eligibility, matching level of effort, reporting and cost allocations and special requirements of Major Federal Programs.

The management of Kenmore-Town of Tonawanda Union Free School District, is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibilty, 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 June 30, 1987, the Kenmore-Town of Tonawanda Union Free School District, expended 79.63% 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 Kenmore-Town of Tonawanda Union Free School 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 Kenmore-Town of Tonawanda Union Free School 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 Kenmore-Town of Tonawanda Union Free

School District. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Kenmore-Town of Tonawanda Union Free School District. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of Kenmore-Town of Tonawanda Union Free School District.

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 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.

The District has not maintained an inventory listing specifically identifying federal project equipment. Such a separation between equipment purchased with federal funds and equipment purchased with nonfederal funds is required by the federal government.

During our examination we became aware that no consideration is given to renting equipment or inquiring into surplus equipment from the federal government instead of purchasing new equipment. Such consideration is required by the federal government.

Other various internal control weaknesses relating to the Federal Aid Fund, which were considered to be of a general nature, are discussed in our Report on Internal Accounting Controls Based Solely on the Examination of the General Purpose Financial Statements for the year ended June 30, 1987.

We must point out that various problems caused by weaknesses discussed above involving the accounting system and records were corrected through year-end audit adjusting journal entries. In addition, we found the District to be in compliance with all material grant conditions based upon our tests performed under the "Single Audit" requirements and, therefore, did not list any questioned costs with our "Single Audit" report regarding compliance with laws and regulations.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in (1) our examination of the June 30, 1987 general purpose financial statements and (2) our examination and review of the School District'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 report on the general purpose financial statements dated September 29, 1987 or our report on the School District's compliance with laws and regulations dated November 11, 1987.

This report is intended solely for the use of management and the National Clearing House for single audit reports 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 Education of the Kenmore-Town of Tonawanda Union Free School District is a matter of public record.

[Signature]

November 11, 1987

AUDITOR'S REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

The Honorable Peter E. Meintsma, Chairman
and Members of the Commission
Metropolitan Waste Control Commission
Saint Paul, Minnesota

We have examined the general purpose financial statements of the Metropolitan Waste Control Commission for the year ended December 31, 1986, and have issued our report thereon dated July 14, 1987. As part of our examination, we made a study and evaluation of the internal control systems used in administering the federal financial assistance program, including applicable internal administrative controls, 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 the federal financial assistance program in the following categories: accounting controls—cash receipts, cash disbursements, investments, payroll, and fixed assets; administrative controls—political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property acquisition, federal financial reports, eligibility, and indirect costs.

The management of the Metropolitan Waste Control Commission is responsible for establishing and maintaining internal control systems used in administering the federal financial assistance program. In fulfilling that responsibility, management must make estimates and judgments to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering the federal financial assistance program are to provide management with reasonable, but not absolute, assurance that 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 the 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 study included all of the applicable control categories listed above. During the year ended December 31, 1986, the Metropolitan Waste Control Commission expended 100% of its total federal financial assistance under one major federal financial assistance program. With respect to internal control systems used in administering the major federal financial assistance program, 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.

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 program of the Metropolitan Waste Control Commission. Accordingly, we do not express an opinion on those internal control systems.

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.

PREVIOUSLY REPORTED ITEMS—NOT RESOLVED

Indirect Costs

Indirect cost rates are approved annually by the Environmental Protection Agency (EPA). The Commission has contracted with a consultant to assist in the negotiations of indirect cost rates for the fiscal years 1976 through 1986. For each of these years, there are different indirect cost rates approved for fringe benefits, engineering and construction costs.

Compliance with federal grant reporting requires that reimbursement for indirect costs be calculated by applying the approved provisional indirect cost rates for each year or the rate stated in the grant award to the actual engineering and construction direct labor (force account) charges incurred by the Commission for that same year. These amounts should then be adjusted when the final indirect cost rates are approved.

During the 1985 audit, we found that the Commission was using a "safe estimate" indirect cost rate when requesting reimbursement for indirect costs. This rate had been applied to the total force account costs incurred to date. It had been policy to request reimbursement of indirect costs at or near the end of the grant period. The period reimbursed may have covered several months and different years. We found no indication that approved provisional indirect cost rates or the rates stated in the grant awards were used when calculating reimbursements for indirect costs.

Furthermore, we found no indication that these rates were applied to actual force account charges on a year-by-year basis, nor did we find that separate rates were used for fringe benefits, engineering and construction costs. No adjustments have been made to amounts reimbursed for indirect costs to reflect finalized indirect cost rates.

Based on findings included in the 1985 report, the Commission began, in September 1986, to include indirect costs on each request for reimbursement submitted. Instead of using the applicable rate for engineering and construction, only one rate, the lowest of the two rates stated in the grant award, was used when claiming indirect cost, regardless of whether the costs were associated with engineering or construction force account charges.

We recommend that the Commission implement the following to ensure compliance with federal grant reporting requirements and to strengthen the internal controls for the federal grant accounting system:

- Approved provisional indirect cost rates or the rates stated in the grant awards should be used when calculating reimbursements for indirect costs.
- Separate rates should be applied to force account costs for fringe benefits, engineering, and construction costs.
- The approved indirect cost rates for each year should be applied to the actual force account charges for that same year when calculating amounts to be reimbursed.
- Adjustments should be made, if necessary, to amounts reimbursed for indirect costs to reflect finalized indirect cost rates.

In response to the 1985 audit report, EPA has requested that the Commission implement these recommendations.

Written Response from Louis B. Breimhurst, Chief Administrator, Metropolitan Waste Control Commission:

Beginning in October 1987, the Commission will undertake a project to review all on-going grant reimbursement requests. We will implement the changes recommended in the State Auditor's Management and Compliance Letters. This will include using separate indirect cost rates for force account fringe benefits, engineering and construction costs, adjusting the amounts reimbursed for indirect costs to reflect finalized indirect cost rates and where finalized rates do not exist, the Commission will use either the approved provisional indirect cost rates or the rates stated in the grant awards. As each of the grant reimbursements is reviewed and updated, the documentation will also be improved. The auditor's suggestions will be followed as closely as possible particularly for cost data for 1987 on.

Request for Reimbursements

The 1985 audit report noted that the Commission had not prepared detailed schedules (records) to support request for reimbursements submitted to EPA. As a result of the 1985 report, the Commission made changes during 1986 to improve supporting documentation but additional information is needed to provide complete documentation.

Because complete records were not available, we were not able to verify whether items selected for testing were eligible or ineligible for reimbursement. To gain an understanding of the costs claimed, we attempted to document these costs by selecting one request from each of the five largest grant awards. Our observations are that costs for force account engineering and project inspection are traceable to Commission accounting records after reconciling monthly financial statements and the general ledger. Indirect costs are not traceable to Commission accounting records until after September 1986. Construction costs claimed are generally based on payments made to contractors. In one instance, ineligible costs were included in the request for reimbursements. (See our comments on indirect costs and ineligible costs elsewhere in this report.)

We recommend that the Commission review the internal accounting controls relating to requests for reimbursements. At a minimum, we recommend that a record be established by grant award or by partial payment requests detailing costs claimed, by project, which are traceable to the Commission's underlying accounting records. The record should contain data by expense classification as follows:

- The force account costs record should indicate the source of data and the month or period for which reimbursement is requested. This would include reconciliation of the monthly financial report to the general ledger.

— The outside engineering record should include the name of the firm or firms, the estimate number of the payment request, check number, and date paid.

— The record of indirect costs should be summarized by month and year-to-date. The base salaries should be detailed by type so the appropriate approved provisional or final rate can be applied. The record should indicate reasons why adjustments are made to indirect costs claimed.

— Construction costs should be summarized by each estimate paid to contractors. The record should include: (a) estimate and check number and date paid; (b) costs of the original construction contract that were approved as grant-eligible by the MPCA; and (c) change orders detailed by the change order number, amount of the eligible and ineligible costs, and date approved by the MPCA. The above data should be summarized in a manner in which they are traceable to the Commission's accounting records and to each partial payment request.

In response to the audit report, EPA has requested that the Commission implement the recommendations.

Written Response from Louis B. Breimhurst, Chief Administrator, Metropolitan Waste Control Commission:

The Commission will implement the changes recommended by the State Auditor. See reponse under the indirect cost section.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our examination of the 1986 general purpose financial statements and (2) our examination and review of the Commission's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures for the major federal financial assistance program. This report does not affect our reports on the general purpose financial statements and on the Commission's compliance with laws and regulations, dated July 14, 1987, and August 21, 1987, respectively.

This report is intended solely for the use of management, the Metropolitan Waste Control Commission, and the U.S. Environmental Protection 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 Metropolitan Waste Control Commission, is a matter of public record.

[Signature]

August 21, 1987

REPORT ON INTERNAL CONTROLS

Harold Adams, Auditor
State of New Mexico
Board of Education
Hagerman Municipal School District No. 6

We have examined the general purpose financial statements of the Hagerman Municipal School District No. 6 for the year ended June 30, 1987, and have issued our report thereon dated October 6, 1987. 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 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:

(1) Payroll

(2) Expenditures other than Payroll

(3) Revenue

(4) Property and Equipment

(5) Federal Financial Report

(6) Eligibility

(7) Cost Allocation

The management of the School 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 June 30, 1987, the School expended 51% of its total federal financial assistance under major federal financial assistance programs and the following nonmajor federal financial assistance programs:

ECIA Chapter 1, Regular

With respect to internal control systems used in administering these major federal and nonmajor 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 other internal control systems used solely in administering the nonmajor federal financial assistance programs of the School, 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 School, 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 School. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the School. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the School.

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.

This report is intended solely for the use of management and the Office of the State Auditor, the New Mexico State Legislature and its committees, and the New Mexico Department of Finance and Administration 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 School is a matter of public record.

This audit report was discussed with Mr. John Wilbanks on October 6, 1987.

[Signature]

October 6, 1987

To the Honorable Mayor and
Members of the City Council
Meridian, Mississippi

We have examined the general purpose financial statements of the City of Meridian, Mississippi, for the year ended September 30, 1986, and have issued our report thereon dated April 29, 1987. 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 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:

Cycles of Activity
- Treasury or financing
- Revenue/receipts
- Purchases/disbursements
- Payroll
- External financial reporting

The following are general and specific administrative control categories identified by representatives of the federal government:

General Requirements
- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports

Specific Requirements
- Types of services
- Eligibility
- Matching level of effort
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

The management of the City of Meridian, Mississippi, 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 September 30, 1986, the City of Meridian, Mississippi expended 71% of its total federal financial assistance under the major federal financial assistance programs listed below and the remaining balance from the nonmajor federal financial assistance programs listed:

Program Title	CFDA Number
Major Programs	
State and local government Fiscal Assistance— General Revenue Sharing	21.300
Nonmajor Programs	
Airport Development Aid Program	20.102
Construction Grants for Wastewater Treatment Works	66.418

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 other nonmajor federal financial assistance programs of the City of Meridian, Mississippi, 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 Meridian, Mississippi, 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 Meridian, Mississippi. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Meridian, Mississippi. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the City of Meridian, Mississippi.

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 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.

Due to this being our first examination of the City of Meridian, and at the request of the Mayor, our comments below probably appear more voluminous than in past years. We hope that the items listed and the recommended solutions will serve as constructive criticisms which will eventually assist in improving the operation of city government. It appears that most of the conditions we have discussed above have existed in prior years, and some progress has been made on items that have been previously communicated to administration. It also should be noted that the fiscal year covered by this audit was the first year the "Single Audit Act of 1984" has applied to the City of Meridian. The advent of the "Single Audit Act of 1984" increased both audit procedures and reporting requirements for governmental entities.

ACCOUNTING STAFF

Our audit of City records revealed the need for more attention to the accounting function. We found that some basic records were lacking, that some general accounting maintenance had not been done, and that many of the basic principles of good governmental accounting had not been applied.

We feel that the above conditions exist because of the conflicting demands and excessive workload placed on the City Clerk and Treasurer. In a city as large as Meridian, accounting is a full time job. We recommend that a person with a recent governmental accounting background and experience be hired to oversee the accounting function and to coordinate the accounting functions within the various departments under the guidance of the clerk, as required by state law sections 21-15-21, 21-35-11, and 21-39-5.

GENERAL GOVERNMENTAL ACCOUNTING ISSUES

Special Revenue Funds

In reviewing the Special Revenue Fund types, we encountered the inappropriate classification of this fund type for any number of purposes unrelated to their intended use, including capital projects from general bond issue or tax revenue sources, segregation of funds for future projects, and the recording of some General Fund liabilities.

We recommend that the accounting staff review current accounting literature for the intended use of this fund type.

Agency Funds

During the course of our audit field work, we encountered a fund that was set up to record liabilities for other funds (i.e. Dependent Insurance Fund). Generally accepted accounting principles and the industry guide state that these liabilities should be recorded in the funds to which they relate. These sources also state that agency funds are used to record funds remitted to the entity to be held for others in a capacity as agent. In addition to the inappropriate classification of this fund type, we also encountered excessive cash balances in the fund mentioned that were greatly in excess of any liability to outside parties.

We recommend that accounting personnel review the proper use of agency funds and we recommend that management not transfer balances, for which no current liability exists, to agency funds.

Special Assessment Funds

Our work performed in the area of Special Assessment Debt disclosed that the City had not set up all necessary accounts in the Special Assessment Funds required by generally accepted governmental fund accounting to account for the transactions for this debt type.

Again, we recommend that accounting personnel review current governmental accounting literature for the proper handling of these types of funds and transactions.

Required Account Groups

Our work related to the required account groups, General Fixed Assets and General Long-Term Debt, indicated that the City has never set these account groups up to account for the related assets and liabilities. Guidelines for maintaining fixed asset records are being finalized by the State Department of Audit and will be required for fiscal years after September 30, 1987.

We recommend that accounting personnel review the proper use of these account groups and establish them within the City's accounting system.

Interfund Transfers

Our review of interfund transfers revealed that these transactions did not balance as far back as we could trace them. The term interfund transfer refers to the transfer from one fund to another. A transaction classified as a transfer-out of one fund needs to be classified as a transfer-in in another fund, and vice versa, to avoid the improper classification and overstatement of revenues and expenditures. We encountered this same problem when reviewing the City's budget. We found transfers-out budgeted as expenditures, but we could not find the related revenues coming in as transfers-in.

We recommend that accounting personnel exercise care when classifying these transactions and that transfers-out be balanced with transfers-in, monthly. In addition, we recommend extreme care when budgeting these transactions to avoid misleading budget statements being adopted.

Bank Reconciliations

Our review of payroll bank reconciliations revealed that interest income was not being posted as received, but was being carried as a reconciling item for months.

The City's monthly accounting system closely resembles cash basis, however, the exclusion of the posting of current interest received alters even that description. Generally accepted practice would reconcile the bank to the general ledger and would require the posting of interest received as it is received. We recommend that accounting personnel adopt general practice and post interest when received and reconcile the bank to the general ledger, rather than the general ledger to the bank.

RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS TO COLLECTIONS

When requested to provide a reconciliation of the original tax rolls to the collections for the year, the City's tax department had extreme difficulties in preparing this document and could only get within $8,041 of an accurate reconcilement.

As this document is a required part of the annual report and relevant information for internal purposes, we recommend that the tax department prepare this document monthly in the format described by the state auditor and forward it to the City Clerk. We also recommend monthly reconciliation of these balances to the general ledger.

GENERAL FIXED ASSET ACCOUNTABILITY SYSTEM

Our work in the area of general fixed assets disclosed a system in need of much work. Comprehensive detailed records were unavailable in a form to support the amounts in last year's audit report. Work to restore the necessary information had been sidelined for other duties and current year additions and deletions were not properly input into the system due to some confusion as to whose job this task was and at what point purchase values should be input.

First, we recommend that the City get its historical file in shape to tie to audited records. Second, we suggest that system responsibilities be clarified to clear up departmental responsibilities in this area. Third, we recommend that the system design be modified to record the asset when it is physically received and tagged as city property. Fourth, we suggest that they move to require an annual internal verification of the fixed assets owned by the City. Fixed asset accountability is also an important issue when considering adequate insurance coverage for the municipality.

INVENTORY

Inventory Control System

The City's inventory control system is inadequate to safeguard assets, allow for proper valuation and testing, and to produce accurate and timely information.

In discussions with management, they stated "When a new public works facility is constructed, the problem will be taken care of." Since the construction of a new facility is a "future project," we recommend in the interim, that the City acquire two micro-computers and the appropriate software to account for inventory receipt and disbursement at the point of transaction. These computers could possibly be linked with the computer at City Hall at some future date. We also recommend that the inventory be divided into twelve segments with one segment being verified each month so that every item is tested no less than once every twelve months.

Obsolete Inventory

At the present time, a substantial amount of obsolete inventory is being carried by the water department.

We suggest that the City identify this inventory and sell it for salvage values. We understand that the Administration is taking some action in this area.

ALLOCATION OF OVERHEAD ITEMS

We found that many overhead items, such as insurance, were being allocated among the different funds based upon a fund's ability to fund these items in cash or were not being allocated at all.

We recommend that management develop some system of allocation that is related to the contribution to cost or actual usage.

PURCHASE ORDER APPROVAL AND CASH DISBURSEMENT

Rubber Stamps and Check Signing Machine

We reviewed a number of purchase orders that had a rubber stamp in all three of the approval blocks. The City makes extensive use of rubber stamps in the approval process and makes no effort to control access to these stamps. On a number of occasions we observed all of the necessary rubber stamps lying next to the check signing machine with the key in it.

While a rubber stamp may be helpful for speed and efficiency, it is a poor form of internal control. We recommend that approval be delegated sufficiently to be practical and that access to rubber stamps be limited to the person whose signature appears on the stamp or eliminate the use of rubber stamps entirely. In addition, we recommend that the check signing machine be locked at all times when not in use and that the key be locked up under dual control. We understand that the Administration has implemented this procedure.

Checks Without Preprinted Serial Numbers

Our work in the area of cash disbursements revealed that the City was using a series of un-numbered checks to replace spoiled or voided checks. This technique destroys the internal control gained by using serially numbered checks.

We recommend that the City cease this practice at once and begin issuing a new check with a preprinted serial number when a check is voided or manually produced.

UNEMPLOYMENT ESCROW FUND

Our review of this fund indicated that it was underfunded by approximately $30,500.

We suggest that management review this situation and correct it as soon as possible.

ACCOUNT NUMBERING SYSTEM

State law section 21-39-5 states, "The clerk of the municipality shall open and keep a regular set of books, as prescribed by the state auditor, as the head of the state department of audit. . . ." The state department of audit has prescribed a uniform account numbering system to be used by Mississippi municipalities, the approved Mississippi Municipal Chart of Accounts. The City of Meridian is not using this account numbering system.

In addition to compliance with state law, we feel that this account numbering system has an advantage over the current system by allowing the creation of departments without creating new funds. Documentation of this account numbering system can be found in the Mississippi Municipal Accounting and Auditing Guide issued in June of 1984 and subsequently updated. We recommend that the City implement this account numbering system.

WATER DEPARTMENT CUSTOMER DEPOSIT RECORDS

Our work in the area of customer meter deposits disclosed a cumbersome card system that did not balance to the general ledger.

We recommend the timely completion of work to computerize these records and monthly reconciliation to the general ledger.

PAYROLL SYSTEM DEFICIENCIES

Our testing of the payroll system highlighted the following deficiencies:

1. Inadequate segregation of duties in the payroll department.
2. Time cards are often not signed by employees nor approved by the supervisor.
3. Payroll input sheets are not signed by the preparer nor initialed by the person verifying the accuracy of the work, thus not leaving an audit trail.
4. Time cards are not batched by the payroll department and tested against the input sheets as a second check.
5. As noted previously, dual controls are not maintained over the access to the check signing machine and signing process.
6. Payroll checks are handed out by the department heads that have the authority to hire and fire.
7. Surprise payroll observations are not conducted.
8. Employee payroll checks are being cashed out of City cash funds.

In response to the above deficiencies, we offer the following recommendations:

1. We recommend that payroll department duties be spread among existing City personnel to achieve adequate segregation of duties within this department.
2. We recommend that employees be required to sign time cards to attest to their accuracy and to allow the payroll department to periodically compare the time card signature against signatures in the employee personnel file. In addition, we recommend that at least once a year each employee's time card signature be compared to his or her personnel file to check for terminated employees still on the payroll. We also recommend that the supervisor sign the card attesting to the employee's attendance at work.
3. We recommend that payroll input sheets be signed by the preparer and initialed by the person verifying the accuracy of the work in order to leave an audit trail.
4. We recommend that the time cards be batched, totaled, and compared to input sheets for accuracy.
5. We again recommend dual controls over check signing equipment.
6. We recommend that the City consider mail delivery of payroll checks to avoid the extreme control weakness of having department heads hand deliver checks.
7. We recommend that at least annually the accounting department conduct a surprise payroll observation to audit for checks issued to terminated or nonexistent employees.
8. We recommend that the City implement a policy forbidding cashing of employee checks out of City cash funds.

RECORD RETENTION POLICY

The detailed listing for water department accounts receivable was destroyed at year end and no backup was available.

We suggest that City management review its record retention policy for adequacy, make any necessary corrections, and communicate this policy to all departments and divisions.

VACATION POLICY

We found that the City does not require two consecutive week vacations for its accounting personnel.

In the interest of good accounting control, the City should adopt as a matter of policy a required two consecutive week vacation for all accounting personnel. During the employee's absence, someone else should be required to perform the duties of the employee on vacation.

CITY-WIDE CONCESSIONS

During our review of the city-wide concession fund, we noted that as the cost of goods sold was going up, sales were going down. Our inquiries to management did not produce a satisfactory explanation of this trend.

We recommend that City management put tighter controls over this area. In light of the difficulties in controlling this type of enterprise, we suggest that City management, after proper consultation with its attorney, consider entering some sort of franchise agreement with a private enterprise to provide this service for a fixed rental fee plus a percent of sales.

BASES OF ACCOUNTING

While the state auditor recommends the cash basis of accounting for smaller municipalities, a city the size of Meridian should adopt generally accepted accounting principles to account for its governmental funds. The primary advantage of adopting these bases of accounting is an accurate reflection of position at all points in time rather than just at year end. A secondary advantage is the fact that City management would more clearly understand the information in its annual report. A third advantage would be to mitigate the amount of audit time and money spent reconciling between the cash basis of accounting and generally accepted bases of accounting for individual funds.

We recommend that, after a proper planning period, the City adopt the particular bases of accounting as required by generally accepted accounting principles for its various funds.

SPECIAL ASSESSMENT SUBLEDGER

As noted in comments above, the City had not set up the proper funds to account for its special assessment fund debt. In addition to this problem, the special assessment subledger was set up at the gross amount of the assessment, rather than the principal balance of the assessment.

In addition to our recommendation to set up the proper funds to account for these transactions, we recommend that the subledger be modified to reflect the net present value of the assessment to enable an accurate reflection of interest income, and that this subledger be reconciled to the general ledger by the tax department, monthly.

VOUCHERS PAYABLE AND ENCUMBRANCES

At year-end the City did not properly reverse encumbrances out of vouchers payable. This is a bookkeeping function and should be part of the City's year end closing procedures. It is not an audit procedure, and if left as such, requires an inordinate amount of time to properly post.

We recommend that prior to year-end, City accounting personnel add this procedure to their list of year-end closing procedures.

PETTY CASH

House Bill 811 (Chapter 425, Laws of 1985) authorized municipalities to establish petty cash funds, pursuant to regulations promulgated by the State Auditor's office. The State Auditor's office has promulgated regulations, the City is not in compliance with these regulations.

Documentation of the prescribed petty cash regulations can be found in the Mississippi Municipal Accounting and Auditing Guide issued in June of 1984 and mentioned above. We recommend that the City implement these petty cash regulations.

CASH RECEIPTS

Mail Receipts

Mail receipts are not listed when received by the City.

We recommend that the mail be opened in the presence of two employees and cash receipts be listed and deposited intact. Subsequently, these lists should be compared to deposits on a random basis. Proper audit trails should be established documenting these procedures.

Night Drop Receipts

At present, night receipts fall into an unlocked box downstairs in City Hall (in a locked office).

A locked box should be provided for these receipts and this box should be opened in the morning and listed in the presence of two employees. These receipts should be deposited at that time, intact. The listing should be subsequently compared to the deposit on a random basis with adequate documentation of this procedure.

COMPUTER DEPARTMENT INTERNAL CONTROLS

Offsite Storage of Data Files and Libraries

Tape backups of data files and program libraries from the City Hall system are currently stored offsite at the police department. Conversely, disk backups of data files and program libraries from the police department system are stored offsite at the City Hall. These two buildings are located across the street from each other. Neither tape storage location is capable of being locked during the day, nor offers any protection from fire. We understand that a tape backup system is currently being examined for the police department, which will reduce the storage area requirements needed for disk packs.

We would recommend that when feasible, a small fireproof vault be acquired for each location for the purpose of storing tape backups.

Disaster Recovery Plan

Detailed written instructions do not exist to be used in the event of a major emergency situation. Such instructions would help to insure that processing could continue on a timely basis if a major disaster should arise.

We recommend that a formal disaster recovery plan be compiled that would allow for the resumption of orderly processing in the event of a disaster. We would also recommend that the City obtain a formal agreement with a user of compatible computer hardware covering the use of backup equipment.

Documentation Standards

There are no written standards that cover documentation of the EDP systems in place in the City. The most complete documentation found was for the CRIMS System, which was purchased from NCR. The remaining documentation covering the applications that were developed internally tends to be out of date and not properly organized. The documentation covering the newly installed Court Management System was pending from Software & Services of La., Inc. at the time of our review. We understand that no reference manuals exist for the users in each department. Some elements of proper documentation were present, but need to be organized and formalized in order to be adequate. Good documentation of EDP procedures and programs reduce errors by clarifying tasks, helping detect errors which do occur, and is valuable in training new operators. It can also assure continuity and avoid confusion when the EDP manager is busy or absent.

We recommend that a complete review of all documentation requirements be made and all application documentation be upgraded to meet such requirements.

Password Security

Presently, there are (2) different Menu Password Systems being used. One system allows a user to individually change his password, while the other system requires that the security officer change a password. We understand that user passwords are not routinely changed.

We feel that a complete review of the Menu Password System is in order. This review should be made to determine the most feasible method of preventing unauthorized use of terminals. We would also recommend that one standard Menu Password System be adopted and that a regular system of changing user passwords be established.

WATER DEPARTMENT ADJUSTMENTS

Currently upper management approval of water department billing adjustments is not required.

Considering the aggregate magnitude of these adjustments, we recommend that the Mayor and Council be required to approve any individual adjustment over $50.

TAX DEPARTMENT CREDITS

Currently upper management approval of tax department credits is not required.

We recommend upper management not assigned to the tax department approve these credits.

POLICE FINES RECEIVABLE

The City has a balance of between $750,000 and $800,000 recorded in the police fines receivable subsidiary, some of which is very old and not realistically collectible.

Due to the cost of tracking these uncollectible fines, we recommend that the City management get with the City Attorney and take the necessary steps to get this subsidiary in a manageable state.

TRAINING

In our inquiries to department heads regarding how their particular areas fit into the accounting system, we found that most of them had no idea how the transactions generated by their departments fit into the system. This lack of understanding and training creates a bottleneck whenever the City Clerk is unavailable due to other commitments. It also creates a danger that serious accounting errors could be generated and not caught in a timely fashion. There are not enough hours in the day for one individual to review all of the accounting transactions generated by the City in that day. The personnel generating those transactions need to know how the debits and credits generated in their departments make their way to posting in the general ledger. They need to be able to review the accounting results of those transactions and know at a glance if the results appear reasonable.

We recommend that the City develop an in-house training program for the employees in its water billing department, purchasing department, tax department, payroll department, and its general accounting and administration department. We suggest that this training program instruct personnel, in detail, about the ins and outs of the City's accounting system and about governmental accounting in general. A well-trained staff makes informed decisions and less mistakes. The Administration is taking action in this regard with the addition of a new employee.

INTERNAL SERVICE FUND

The services provided by the City's internal service fund do not include the cost of the fixed asset depreciation, employee salaries, or other expenses utilized in providing the services offered by this fund.

We recommend that the City properly segregate the assets used by this fund and properly allocate the other expenses utilized in providing the services offered by this fund to get this fund in compliance with generally accepted accounting principles for intergovernmental service funds.

GOLF COURSE

The enterprise fund for the City golf course has not recorded the land on which the course is located.

We recommend that the City make an effort to properly identify and value this parcel of land and record it as an adjustment to fund balance on this fund so that assets utilized in this enterprise are properly recorded in accordance with generally accepted accounting principles.

SICK PAY CALCULATION

The City currently has a program that calculates sick pay at its gross amount; however, these amounts are not vested until death or retirement. In addition, the City does not accrue the balance in the enterprise funds as required by generally accepted accounting principles.

This program needs to be modified to also accumulate information on the accruable portion of sick pay. The sick pay becomes accruable in the enterprise funds when the employee has sufficient time in service to retire. The amount vested depends on time in service. In addition, the amounts on the governmental funds are required to be disclosed in the financial statements based upon whether they could be accrued in an enterprise fund. We also recommend that the City begin accruing this liability in its enterprise funds, monthly.

As was mentioned in the opening paragraph of this letter, this was our first examination of the City of Meridian, and our comments above probably appear more voluminous than in past years. We hope that the recommendations will serve as constructive criticisms which will assist in improving the operation of City government. It appears that most of the conditions discussed above existed in prior years, and progress has been made on items that have been previously communicated to the Administration.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1986 general purpose financial statements and our examination 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 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 City's compliance with laws and regulations dated April 29, 1987.

This report is intended solely for the use of management and relevant federal 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 State Auditor's office, is a matter of public record.

We would like to thank City management and employees for their cooperation in the completion of this year's Single Audit, and we would like to thank the City Council and Mayor for the confidence they have placed in us by selecting us to complete the City audit. We look forward to the opportunity of providing our city with services again at some time in the future.

[Signature]

April 29, 1987

To the School Board
Bismarck Public School District No. 1
Bismarck, North Dakota

We have examined the general purpose financial statements of the Bismarck Public School District No. 1, Bismarck, North Dakota, for the year ended June 30, 1987, and have issued our report thereon dated August 21, 1987. 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 consider 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 Controls:

Cycles of the Entities' Activity

- Treasury or financing
- Revenue/receipts
- Purchases/disbursements
- External financial reporting

Controls Used in Administering Federal Financial Assistance Programs:

- General requirements
- Allowable/non-allowable services
- Eligibility
- Matching, level of effort
- Reporting
- Special tests
- Monitoring of subrecipients

The management of the Bismarck Public School District No. 1, Bismarck, North Dakota, 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 June 30, 1987, the Bismarck Public School District No. 1, Bismarck, North Dakota, expended 57% of its total federal financial assistance under major federal financial assistance programs and the following nonmajor federal financial assistance programs: Headstart, Chapter 1, and Surplus Commodities. 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 other nonmajor federal financial assistance programs of the Bismarck Public School District No. 1, Bismarck, North Dakota, 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 Bismarck Public School District No. 1, Bismarck, North Dakota, 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 Bismarck Public School District No. 1, Bismarck, North Dakota. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Bismarck Public School District No. 1, Bismarck, North Dakota. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Bismarck Public School District No. 1, Bismarck, North Dakota.

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 disclosed in the fifth paragraph of this report.

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.

Status of Prior Year's Comments:

The District appears to have adequately addressed and resolved the prior year's comments:

Fixed Assets

Chapter 1

Currently, the District maintains an inventory record of its fixed assets. At the beginning of the school year, the records are given to the teachers responsible for the assets. These are the only records maintained. To maintain adequate control, we recommend that the district maintain a duplicate set of records and at the end of the school year, inventory the assets and compare to the duplicate records to insure their existence.

District Response:

The District is in the process of developing a Fixed Asset Group, which, when completed during the current year, should adequately address the above comment.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our examination of the 1987 general purpose financial statements and (2) our examination and review of the School District'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 School District's compliance with laws and regulations dated August 21, 1987.

This report is intended solely for the use of management and the North Dakota Department of Public Instruction 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 Bismarck Public School District No. 1, Bismarck, North Dakota, is a matter of public record.

[Signature]

AUDITORS' REPORT ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS AT THE FEDERAL FINANCIAL ASSISTANCE PROGRAM LEVEL

The Honorable Mayor, City Commissioners
and City Manager
City of Bozeman, Montana:

We have examined the general purpose financial statements of the City of Bozeman, Montana, for the year ended June 30, 1987, and have issued our report thereon dated October 9, 1987. As part of our examination we made a study and evaluation of the internal control systems, including applicable internal accounting and 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.* Under the date of October 9, 1987, we reported separately on the results of our study and evaluation of internal accounting and administrative controls other than those used in administering federal financial assistance programs. The results of our study and evaluation of internal accounting and administrative controls used in administering federal financial assistance programs are presented herein. 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

Revenue/receipts

Purchases/disbursement

Payroll

Administrative controls

Cash management

Federal financial reports

Our study and evaluation included all of the applicable control categories listed above.

The management of the City of Bozeman, Montana 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.

During the year ended June 30, 1987, the City of Bozeman, Montana had no major federal financial assistance programs and expended 92% of its total federal financial assistance under the following nonmajor federal financial assistance programs:

Revenue Sharing
Community Development Block Grant
Low Income Housing 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.

Our study and evaluation described in the two preceding paragraphs were more limited than would be necessary to express an opinion on the internal control systems used in administering the nonmajor federal financial assistance programs of the City of Bozeman, Montana. Accordingly, we do not express an opinion on the internal control systems used in administering the nonmajor federal financial assistance programs of the City of Bozeman, Montana. In our letter to management on internal accounting controls at the General Purpose Financial Statement level dated October 9, 1987, we have separately communicated our observations and recommendations regarding other matters. 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 City of Bozeman, Montana.

This report is intended solely for the use of management and cognizant Federal 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 of Bozeman, Montana, is a matter of public record.

[Signature]

October 9, 1987

AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL

School Board
Beulah Public School District No. 27
Beulah, North Dakota

We have examined the general purpose financial statements of the Beulah Public School District No. 27, Beulah, North Dakota, for the fiscal year ended June 30, 1987, and have issued our report thereon dated July 23, 1987. As part of our examination, we made a study and evaluation of internal accounting 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 in the following categories:

1. *Financial Statement Captions*
   Cash and cash equivalents
   Receivables
   Payables and accrued liabilities
   Debt
   Fund balance
2. *Non-major Federal Assistance*
   Eligibility
   Types of services
   Reporting
   Matching level of effort
   Special requirements, if any
3. *General Requirements*
   Political activity
   Davis-Bacon Act
   Civil Rights
   Cash management
   Relocation assistance and real property acquisition
   Federal financial reports

The management of the Beulah Public School District No. 27 is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling this 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; reliable data is obtained, maintained, and fairly disclosed in reports, and that transactions are executed in accordance with generally accepted accounting principles.

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 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 procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended June 30, 1987, the Beulah Public School District No. 27, Beulah, North Dakota, had no major federal financial assistance programs and expended 51% of its total federal financial assistance under the following nonmajor federal financial assistance programs:

National School Lunch Program
Food Distribution

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 Beulah Public School District No. 27, Beulah, North Dakota, 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 these nonmajor federal financial assistance programs of the Beulah Public School District No. 27, Beulah, North Dakota, 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 Beulah Public School District No. 27, Beulah, North Dakota. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Beulah Public School District No. 27, Beulah, North Dakota. It was not designed for and cannot be relied upon to detect fraud or other misapplications.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose all 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 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.

1. The Beulah Public School District No. 27 has one clerk responsible for most accounting functions. The clerk collects monies, issues receipts, deposits monies, issues checks, records receipts and disbursements in journals, maintains the general ledger, and prepares financial statements. Due to the size of the entity, it is not feasible to obtain proper separation of duties, and the degree of internal control is severely limited.

2. The School District does not maintain detailed records for the general fixed assets of the District. Lack of these detailed records prevents fair presentation of fixed asset costs as required by generally accepted accounting principles. Adequate accounting procedures and records of fixed assets are essential to the protective custody of governmental property.

   The governmental unit that maintains fixed asset records will realize several benefits:

   Fixed assets can be inventoried periodically to ensure that they are properly controlled.

   Responsibility for custody and effective utilization of fixed assets can be clearly established.

   Information regarding sources of supply, prices, and useful lives will be readily available. If information regarding maintainance costs is also included in the subsidiary ledgers, ratios of cumulative maintenance costs to original costs can be developed.

   Records will be available to substantiate the amount of special grants used to finance expenditures for fixed assets. Furthermore, the determination of costs for building or equipment is facilitated.

   Information is readily available both to determine insurance needs and to substantiate losses recoverable with insurance.

   Information is available for the preparation of a statement of general fixed assets.

   Fixed assets should include land, buildings, furniture and fixtures, and equipment. Such assets should be recorded at historical cost or estimated historical cost, if the original cost is not available, or, in the case of gifts or contributions, at the fair market value at the time recorded.

   We recommend that the School District take a physical inventory of all its fixed assets of substantial value acquired in prior years and value these assets at estimated costs. Once these records are established, they should be maintained on a current basis to reflect all acquisitions and disposals thereafter at actual cost.

3. In our testing of the cash disbursements system, we noted a check out of the money market account signed only by the administrative secretary. To provide for additional control over cash disbursements out of this account, we recommend having both the administrative secretary and superintendent sign these checks.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our examination of the general purpose financial statements for the year ended June 30, 1987 and (2) our examination and review of the School District'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 report on the general purpose financial statements and on the School District's compliance with laws and regulations dated July 23, 1987.

In addition to the above internal control recommendations, we have the following comments:

1. Checks outstanding for long periods of time are not being written off. To facilitate preparation of cash reconciliations and to properly control cash, we recommend establishing a policy to write-off checks outstanding for a specified period of time, possibly six months. This applies to the General Fund as well as the School Food Service Fund.

2. As discussed in the Schedule of Findings and Questioned Costs regarding the School Food Service Fund, we recommend the following:

   a. Reimbursement claim forms should be completed and dated before the 10th of the following month and a signed and dated copy of the form should be retained.
   b. The year-end report should be filed by July 15.

3. Records and policies regarding vacation time and sick leave are not adequate. To document these items properly, we recommend that the vacation and sick leave policies be put into writing. This written policy should provide for:

   — The number of days/hours of vacation accrued and allowed for employees.
   — The maximum accumulation of unused sick leave and vacation days.
   — The "use it or lose it" policy regarding carryover of unused time year-to-year.

4. An authorized signer on a savings account as reported by the Bank of North Dakota was outdated. To protect against unauthorized use of funds, we recommend that the name of the former board member be removed from the authorized signers list at the earliest opportunity.

5. A small amount included in the "cash" balance in the School Food Service Fund represents old NSF checks being held at the School. To more properly state the cash balance, if these checks are uncollectible, we recommend that this amount be written off.

This report is intended solely for the use of management, the cognizant audit agency and other federal 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 Beulah Public School District No. 27, Beulah, North Dakota, is a matter of public record.

We would like to acknowledge the assistance and courtesies extended to us by the personnel of the School District during our examination.

If you have any questions or need any additional information, please feel free to contact us.

Respectfully submitted,

[Signature]

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 that 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 are as follows:

TABLE 7-1. CRITERIA FOR REPORTING A FINDING

Criteria	Instances Observed 1987	1986
Untimely reporting/reporting requirements	125	88
Discrimination/Affirmative Action (DBE, MBE)	71	36
Cash/Financial management	62	56
Undocumented costs	60	36
Unallowable costs	37	29
Davis-Bacon Act	27	13
Improper cut-offs	26	3
Unapproved costs	23	27
Unreasonable costs	22	4
Mathematical errors/erroneous reporting	14	43

AUDITORS' REPORT ON FEDERAL GRANT COMPLIANCE

The Board of Directors
The Little Rock School District
of Pulaski County, Arkansas
Little Rock, Arkansas

We have examined the combined financial statements of The Little Rock School District of Pulaski County, Arkansas for the year ended June 30, 1987, and have issued our report thereon dated August 19, 1987. 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; the provisions of the Office of Management and Budget's *Compliance Supplement for Single Audits of Grants to State and Local Governments;* 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 Little Rock School District of Pulaski County is responsible for the School District's compliance with laws and regulations. In connection with the examination referred to previously, 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 the School District had, in all material respects, administered major programs and executed the tested nonmajor program transactions, in com-

*[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. See section 1 for a further discussion.]

pliance 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 no instances of significant noncompliance with those laws and regulations.

In our opinion, for the year ended June 30, 1987, the Little Rock School District of Pulaski County, 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 School District 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 School District administered those programs in compliance with 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 School District had not complied with laws and regulations.

[Signature]

August 19, 1987
Little Rock, Arkansas

The Board of Directors
Wet Walnut Creek Watershed
Joint District No. 58
La Crosse, KS 67548

We have examined the financial statements of the West Walnut Creek Watershed, Joint District No. 58, for the years ended December 31, 1986 and 1985, and have issued our report thereon dated October 20, 1987. Our examinations were 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 Wet Walnut Creek Watershed, Joint District No. 58, is responsible for the Watershed'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 Wet Walnut Creek Watershed, Joint District No. 58, 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 no instances of noncompliance with those laws and regulations.

In our opinion, for the years ended December 31, 1986 and 1985, the Wet Walnut Creek Watershed, Joint District No. 58, 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 testing the Wet Walnut Creek Watershed, Joint District No. 58, 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 Wet Walnut Creek Watershed, Joint District No. 58, 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 Wet Walnut Creek Watershed, Joint District No. 58, had not complied with laws and regulations.

[Signature]

Honorable Mayor and Council
City of Medford, Oregon
Medford, Oregon

We have examined the general purpose financial statements of the City of Medford, Oregon, as of and for the fiscal year ended June 30, 1987, and have issued our report thereon dated September 29, 1987. 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 City of Medford, Oregon is responsible for the City'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. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Medford, Oregon had, in all material respects, administered major programs in compliance with laws and regulations, including those pertaining to the 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 no instances of noncompliance with those laws and regulations.

In our opinion, for the fiscal year ended June 30, 1987, the City of Medford, Oregon 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.

[Signature]

Portland, Oregon
September 29, 1987

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Board of Directors
South Coast Area Transit

We have examined the financial statements of South Coast Area Transit (SCAT) for the year ended June 30, 1987, and have issued our report thereon dated August 3, 1987. 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 *Compliance Supplement for Single 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 SCAT is responsible for SCAT's compliance with laws and regulations. In connection with our examination 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 SCAT 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 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 no instances of noncompliance with those laws and regulations.

There were no questioned costs or findings reported with respect to the year ended June 30, 1986 which required resolution during the year ended June 30, 1987.

In our opinion, for the year ended June 30, 1987, SCAT 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.

[Signature]

August 3, 1987

REPORT ON COMPLIANCE AT THE FEDERAL FINANCIAL ASSISTANCE PROGRAM LEVEL

The Honorable Mayor Maurice Meyers
and Members of the City Council
City of Beaumont, Texas:

We have examined the general purpose financial statements of the City of Beaumont, Texas, for the year ended September 30, 1986, and have issued our report thereon dated January 9, 1987. 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 City of Beaumont, Texas, is responsible for the City'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 City of Beaumont, Texas, 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.

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 Recommendations on Compliance at the Federal Financial Assistance Program Level (Schedule 1). We do not believe these instances of noncompliance have a material effect on the allowability of program expenditures.

In our opinion, for the year ended September 30, 1986, the City of Beaumont, Texas, 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.

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 Beaumont, Texas, complied with the laws and regulations referred to in the second paragraph of our report, except as described in the accompanying Schedule of Findings and Recommendations on Compliance at the Federal Financial Assistance Program Level (Schedule 1). Our testing was more limited than would be necessary to express an opinion on whether the City of Beaumont, Texas, 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 the

City of Beaumont, Texas, 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 9, 1987

CITY OF BEAUMONT, TEXAS

SCHEDULE OF FINDINGS AND RECOMMENDATIONS ON COMPLIANCE AT THE FEDERAL FINANCIAL ASSISTANCE PROGRAM LEVEL–FOR THE YEAR ENDED SEPTEMBER 30, 1986

U.S. ENVIRONMENTAL PROTECTION AGENCY (E.P.A.)

Condition

The City could not find documentation of the bids or request for proposals for selecting the architectural engineering firm for the EPA project which began in 1978, which violated the *Office of Management and Budget Circular A-102, Attachment C.*

Cause

The record keeping policies cited above were not followed.

Effect

The City could not document that it obtained an adequate number of bids or proposals for the architectural engineering services for this project.

Recommendation

The City should follow their record keeping policies requiring maintenance of bids or proposals from qualified entities.

Management Comments

Management believes this firm was approved by the E.P.A. at the start of the project in 1978. Management is in the process of seeking written approval from the E.P.A.

Condition

For one of seventeen nonpayroll cash disbursements tested for the E.P.A. grant, we noted that the contractor did not provide the City with a Certificate of Labor Standards form. The purpose of this form is to document a contractor's adherence to applicable state and Federal laws related to hiring policies.

Cause

The City did not comply with Federal and state labor standards.

Effect

The City may engage contractors who are not in compliance with Federal labor laws through lack of adherence to this policy.

Recommendation

Designated personnel should ensure that a signed Certificate of Labor Standards form is on file with the City prior to disbursement of payments to contractors.

Management Comments

Procedures were initiated upon receipt of the prior year's management letter (in June 1986) requiring the accountants not to release payments to contractors until the Certificate of Labor Standards form is complete. We believe this isolated instance of noncompliance occurred prior to our implementation of the new procedures.

Board of Trustees
Township of Clinton, Michigan

We have examined the general purpose financial statements of the Township of Clinton, Michigan for the year ended March 31, 1987 and have issued our report thereon dated June 25, 1987. Our examination was made in accordance with generally accepted accounting 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 Township of Clinton, Michigan is responsible for the Township'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 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 Township of Clinton, Michigan 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, however, none of the items identified could have a material effect on the allowability of expenditures.

In our opinion, for the year ended March 31, 1987, the Township of Clinton, 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 the nonmajor federal financial assistance program indicate that for the transactions and records tested, the Township of Clinton, 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 Township of Clinton, 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 the Township of Clinton, 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]

June 25, 1987

TOWNSHIP OF CLINTON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED MARCH 31, 1987

Program	Finding	Questioned Costs
Community Development Block Grants	1) CONDITION—EXCESS FUNDS ON HAND *Criteria*—U.S. Treasury regulations prohibit funds in excess of $5,000 be on hand for greater than three days. *Effect*—The recipient drew down more funds than was required within three days. $370,000 of drawdowns were tested and amounts in excess of $5,000 allowed were noted as maintained for more than three days. These funds were generally disbursed within 15 days. *Cause*—The timing of receipt and disbursement of funds cannot always be accurately predicted. HUD has reviewed the cash management system of the recipient and has determined that it is operating efficiently. *Recommendation*—We recommend that the grantee more closely monitor cash projections. *Grantee Response*—We will continue to review our cash flow system and attempt to limit drawdowns to projected cash needs.	None
Community Development Block Grant	2) CONDITION—LACK OF APPROVAL FROM STATE FOR REHABILITATION OF OLDER STRUCTURES *Criteria*—Pursuant to Federal Regulation 24 CFR Part 58, Subpart A, Section 58.5, documentation should be submitted to the state for approval before rehabilitation work is done on older structures. *Effect*—No approval was received from the state for rehabilitation work performed on older residential buildings. *Cause*—Documentation was noted detailing age of structure, however, due to infrequency of working on older homes, the client was unaware of regulations requiring state approval. *Recommendation*—For all rehabilitation projects in older structures, approval should be obtained from the State Historic Preservation Officer before work commences. *Grantee Response*—We will submit rehabilitation projects to the state for approval when applicable.	None
Public Housing Program—Prior audit finding	3) The prior audit had a finding which was subsequently addressed by the grantee and resolved. No continued instance of a previously reported noncompliance condition was noted.	None
Community Development Block Grant and Public Housing Programs—Other HUD findings	4) HUD monitoring visits noted noncompliance conditions which related to compliance features in the Compliance Supplement for the Single Audits of State and Local Governments. Those instances of noncompliance conditions which were subsequently cleared by HUD are not included in this report. No continued instances of those noncompliance conditions were noted.	None

February 3, 1988

The Board of Directors
Salina Airport Authority
Salina, Kansas 67401

We have examined the general purpose financial statements of the Salina Airport Authority, Salina, Kansas for the years ended December 31, 1987 and December 31, 1986, and have issued our reports thereon dated February 3, 1988 and January 26, 1987, respectively. Our examinations were 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 Salina Airport Authority, Salina, Kansas, is responsible for the Salina Airport Authority's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each federal financial assistance program. The purpose of our testing of transactions and records from these federal financial assistance programs was to obtain reasonable assurance that the Salina Airport Authority, Salina, Kansas, 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, 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. We believe that the ultimate resolution of the instances of noncompliance identified in the accompanying schedule of findings and questioned costs could not have a material effect on the allowability of expenditures of the program identified in the schedule.

In our opinion, for the years ended December 31, 1987 and December 31, 1986, the Salina Airport Authority, Salina, Kansas, 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.

[Signature]

SALINA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

With respect to 3-20-0072-06

Aggregate quantities used for bituminous leveling and surface course for a portion of runway 12-75 were reported and billed at 9,795.79 tons. The actual tonnage used, according to weigh bills, was 9,818.74 tons; 22.95 tons more. Had quantities been properly billed, the Airport Authority would have paid additional costs of $619.65.

With respect to 3-20-0072-07	
Request for reimbursement #8, 12-07-87	
Cumulative costs per F.A.A. form 5100-60	$ 482,973.07
Less: Refund from Wilson & Co. improperly applied to settlement in full	(10,952.18)
Add: Allowable costs not claimed	197.64
Cumulative costs per Audit	$ 472,218.53
With respect to 3-20-0072-08	
Request for reimbursement #6 (Final), 12-21-87	
Cumulative costs per F.A.A. form 5100-60	$1,104,807.04
Less: Allowable program costs recorded in 1988	(12,556.19)
Add: Allowable costs not claimed	312.00
Cumulative costs per audit	$1,092,562.85

The Honorable County Judge and
Commissioners of Bell County
Bell County, Texas
Belton, Texas

We have examined the combined financial statements of Bell County, Texas for the year ended September 30, 1986, and have issued our report thereon dated November 26, 1986. 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 Bell County, Texas is responsible for the County's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from this major federal financial assistance program. The purpose of our testing of transactions and records from this federal financial assistance program was to obtain reasonable assurance that Bell County, Texas had, in all material respects, administered the major program, 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.

The results of our tests indicate that for the transactions tested, Bell County, Texas complied with those laws and regulations referred to above, except for the following matter:

1. The Federal Revenue Sharing budget for the 1985-1986 fiscal year was approved by the Commissioners' Court on July 22, 1985. The general circulation notice announcing that the budget was available for public inspection was on October 10, 1985. This is in violation of Section 51.14 which states that the notice must be published within 30 days after enactment of the budget.

   The County Commissioners consider budget enactment to be effective upon the start of the new fiscal year which began on October 1, 1985, rather than when the budget was approved by the Court.

It is our opinion that the ultimate resolution of this instance of noncompliance would not have a material effect on the allowability of expenditures of the Federal Revenue Sharing Program.

In our opinion, for the year ended September 30, 1986, Bell County, Texas 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.

[Signature]

Austin, Texas
November 26, 1986

March 11, 1988

Pima County Board of Supervisors
130 West Congress, 11th Floor
Tucson, AZ 85701

Members of the Board:

We have examined the general purpose financial statements of Pima County, Arizona, for the year ended June 30, 1987, and have issued our report thereon dated November 13, 1987. 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 County is responsible for the County's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records that included, but were not limited to, transactions and records relating to each major Federal financial assistance program and certain nonmajor Federal financial assistance programs. The purpose of our testing of transactions and records was to obtain reasonable assurance that the County had, in all material respects, administered its major Federal financial assistance 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 or on the County's general purpose financial statements. Such laws and regulations include those pertaining to Federal financial reports and claims for advances and reimbursements.

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 Pima County, Arizona, Report on Internal Controls.

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, 1987, the County 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.

Further, the results of our testing of transactions and records referred to in the second paragraph of this report indicate that for the transactions and records tested the County complied with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures or on the County's general purpose financial statements, except as noted in Pima County, Arizona, Report on Internal Controls. These instances of noncompliance were considered by us in evaluating whether the general purpose financial statements are presented fairly in conformity with generally accepted accounting principles. Our testing was more limited than would be necessary to express an opinion on whether the County administered the nonmajor 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. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the County had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

After this report is distributed to the Arizona State Legislature and the Board of Supervisors, it becomes public record.

Sincerely,

[Signature]

PIMA COUNTY, ARIZONA

REPORT ON INTERNAL CONTROLS—MARCH 1988

STATUS OF PREVIOUSLY REPORTED AUDIT FINDINGS

We have reviewed the status of action taken by the County on the audit findings and recommendations contained in our Report on Internal Controls dated January 20, 1987. The County has taken corrective action on certain reportable conditions; however, those conditions that still need to be corrected are set forth in this Report in the following categories.

Job Training Partnership Act (findings 1 and 2)

Social Services Block Grant (findings 1 and 2)

Federal Revenue Sharing

Subrecipient Reporting

Internal Audit

FEDERAL GRANT COMPLIANCE

Job Training Partnership Act (JTPA) 17.250

1. The Final Program and Fiscal Report to close out the fiscal year 1986-87 JTPA Title II-A program and the Administrative Cost Pool was not prepared within the 45-day deadline specified in the contracts. The report was not submitted to the Arizona Department of Economic Security (ADES) until February 1988, which was significantly past the September 15, 1987, extension granted by ADES.

The County should prepare the Final Program and Fiscal Report and submit it to the ADES within the time frame established by the JTPA contract.

County Response

The Community Services Department contends that the deadlines established by the JTPA contract, including the extension, are not physically attainable. The earliest that a reconciliation can occur is in January and most realistically, the final program and fiscal report will be submitted in February. The sequence of events include job placements up to June 30th with the related payments not payable until the end of September. Final subcontractor reports and payment requests are not reasonably due until October 15, with an additional 30 days required for County audit of those reports and resolution of questions. Initial data entry will be complete by November 30th, with final data entry into the County Financial System in December.

Reconciliation of the December activity will occur after the System Reports are generated in January and then the Final Program and Fiscal Report should reasonably be prepared in late January or early February.

2. Expenditures on the Provider Accrued Expenditure Report for the quarter ended June 30, 1987, were not reconciled to the County's expenditure detail records as of February 1988. As a result, we were unable to determine the accuracy of the report.

   To help ensure accurate reporting to the ADES, the County should reconcile expenditures on the quarterly Provider Accrued Expenditure Reports to the County's expenditure detail records prior to their submission.

   County Response

   The Community Services Department indicates that the reconciliation cannot occur until approximately 45 days after report preparation and submission. Community Services will, at time of preparing the Provider Accrued Expenditure Report (PAER), prepare a worksheet listing all transactions required to reconcile the most recent expenditure detail to the PAER. In addition, Community Services will, within 45 days of submitting the PAER, also reconcile the subsequent expenditure detail report to the PAER.

3. Expenditure amounts on the Contractor Request for Funds and Disbursement Reports were obtained from computer screens that were continually updated. As a result, we were unable to determine the accuracy of these reports.

   The County should obtain expenditure amounts for the Contractor Request for Funds and Disbursement Reports from its claim log to help ensure that the reports are properly documented.

   County Response

   The Community Services Department concurs with and has implemented the Auditors' recommendation to maintain detailed claim logs and to prepare the Request for Funds and Disbursement Reports from those logs.

4. The County did not monitor subcontractors who received cash advances from the County to ensure that proper fiscal controls were in operation.

   As required by the ADES, the County should monitor subcontractors who receive cash advances to help ensure that fiscal controls are operating effectively.

   County Response

   For the year 1986-87, the Community Services Department monitored cash advance requests to determine that they were in compliance with subcontract authorizations, however, we did not monitor the fiscal controls of the subcontractors. In 1987-88, the practice of authorizing cash advances was discontinued as a result of information obtained from Department of Labor monitors. Since the practice was discontinued, except for extreme hardship, no other action need be taken by Pima County.

Social Services Block Grant (SSBG) 13.667

1. The County's Department of Aging and Medical Services did not document the reasons for accepting or rejecting proposals submitted by agencies for receipt of SSBG funds.

   To document compliance with Office of Management and Budget (OMB) Circular A-102, Attachment O, Aging and Medical Services should evaluate, in writing, all proposals received.

   County Response

   The Department of Aging and Medical Services took corrective action in 1987 as a result of the finding and recommendation cited by the Auditor General in the report dated January 1987. Unfortunately, the finding and corrective action occurred after the proposals were submitted for fiscal year 1986-87. As a result of the 1987 report on internal controls, the Aging and Medical Services Department has evaluated all proposals received and has documented reasons for rejecting or accepting the proposals received for fiscal year 1987–88.

2. Affidavits of publication to support advertisements for requests for proposals were not retained.

   The Department of Aging and Medical Services should retain the appropriate affidavits of publication to support compliance with OMB Circular A-102, Attachment O.

   County Response

   The Department of Aging and Medical Services took corrective action in 1987 as a result of the finding and recommendation cited by the Auditor in the report dated January 1987. Advertisements appearing in January 1987, and subsequent to that date as they pertain to SSBG are supported by affidavits of publication. Unfortunately, advertisements from January 1987 through June 1987 were for the fiscal year 1987-88. Advertisements that were associated with 1986-87 were already made prior to the Auditor General's Report of January 1987.

Federal Revenue Sharing (FRS) 21.300

The County's notice of the fiscal year 1986-87 budget hearing for revenue sharing funds was published only seven days prior to the hearing.

The County must publish a notice of the budget hearing for revenue sharing funds at least ten days prior to the hearing as required by 31 CFR 51.13(c).

County Response

The Office of Budget and Research in Pima County confirmed that the notice of the 1986-87 budget hearing for Revenue Sharing Funds was published seven days prior to the hearing. The Office of Budget and Research also confirmed that the notice of the 1987-88 budget hearing for Revenue Sharing Funds was published on July 9, 1987 and that the hearing was held on July 20, 1987 as advertised.

Subrecipient Reporting

The County did not ensure that fiscal year 1986-87 audits were performed at the subrecipient level as required by OMB Circular A-128. In addition, the County did not implement a system to ensure that appropriate corrective action was taken within six months after receipt of the subrecipient audit report on instances of noncompliance with Federal laws and regulations.

The County must ensure that required audits are performed of all subrecipients and that reports are submitted to the County in accordance with OMB Circular A-128, section 9. The County must also implement a system to ensure that subrecipients take corrective action on instances of noncompliance with Federal laws and regulations.

County Response

The various departments of the County took corrective action in 1987 as a result of the finding and recommendation cited by the Auditor in the report dated January 1987. Unfortunately, at that time the contracts in effect (for 1986-87) did not necessarily require that subcontractors have annual audits. Since that time, effective for fiscal years 1987-88 and subsequent, the County required that all subrecipients have annual audits as required by OMB Circular A-128. In addition, the County departments have a corrective action system which is based on recovery of noncompliance funds or the negotiation of additional uncompensated service which, at existing contract rates, equal the noncomplying expenditure.

INTERNAL AUDIT

The County's internal audit staff reported directly to the Finance Director.

Internal auditing is the independent appraisal function established within an organization. Accordingly, the independence of internal auditors is determined by the level of management to whom they report. The County should consider establishing an audit committee to set the internal auditors' agenda and to act on the findings and recommendations of the audits.

County Response

Pima County is currently studying the establishment of an Audit Committee. The Treadway Commission Report issued this year is being reviewed before any firm action will be taken. While Pima County supports the concept of an independent internal audit function as encouraged by the Auditor General's Report on Internal Controls, the scope of the internal audit function in Pima county has been limited to financial areas for which the Finance Director has ultimate responsibilities. As such, the daily supervision of the Internal Audit Division has been under the direction of the Finance Director. Pima County desires to establish an independent, responsible Audit Committee that will set the agenda and provide overall direction to the Internal Audit function.

To the Honorable Mayor and Aldermen
City of Manchester
Manchester, New Hampshire

We have examined the general purpose financial statements of the City of Manchester, New Hampshire (the City) for the year ended December 31, 1986, and have issued our report thereon dated October 23, 1987. 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 City is responsible for the City'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 City 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 compliance 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 December 31, 1986, the City 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 complied with the laws and regulations referred to in the second paragraph of our report, except as noted in the accompanying schedule of compliance findings. Our testing was more limited than would be necessary to express an opinion on whether the City 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 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]

October 23, 1987

CITY OF MANCHESTER, NEW HAMPSHIRE

SCHEDULE OF COMPLIANCE FINDINGS—YEAR ENDED DECEMBER 31, 1986

Program	Findings/Noncompliance
National School Lunch Program	Of the thirty (30) pupils receiving free or reduced price lunches selected for testing one of the two free and reduced price lunch application forms for Southside High School and two of the applications for Weston School had not been signed by the principal of the school to evidence eligibility under the program. Based on our testing, these students were eligible to participate in the program. However, because responsibility for eligibility determinations is vested in the principal of each school, the principal should consistently sign these forms indicating review and approval for a student to receive either free or reduced price lunches. One of the pupils receiving a reduced price lunch at Webster School exceeded the income eligibility level and should be paying full price for lunch.
Urban Development Action Grants B-84-AA-33-0010 Z15 B-81-AA-33-0002 Z25	The Community Improvement Program Department is responsible for preparing and submitting the UDAG Quarterly Progress Report (HUD Form 3440) to the U.S. Department of Housing and Urban Development. The Community Improvement Program Department obtains the total amount of the State of New Hampshire investment and other private investment verbally from the Manchester Housing Authority for the Granite Street Development project and from the Greater Manchester Development Corporation for the Wall Street project. No written documentation of these two investment amounts could be provided by the Community Improvement Program. In the future, the Greater Manchester Development Corp. and the Manchester Housing Authority should be required to submit to the Community Improvement Program written documentation supporting balances for the State of New Hampshire and other private investment to facilitate the preparation of the UDAG Progress Report.
Revenue Sharing	In accordance with Title 31 of the Code of Federal Regulations Chapter 51.55 (1c)(d) the recipient of revenue sharing funds is required to prepare a transition plan to provide accessibility to all City buildings for handicapped persons. Although a committee has been established and a self-evaluation completed to implement this accessibility objective, a transition plan has not yet been formulated.

AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Honorable Mayor Dale Danks, Jr. and
Honorable Members of the City Council
City of Jackson, Mississippi

We have examined the general purpose financial statements of the City of Jackson, Mississippi, for the year ended September 30, 1986, and have issued our report thereon dated January 30, 1987. 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 City of Jackson, Mississippi, is responsible for the City'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. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Jackson, Mississippi, 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, 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 September 30, 1986, the City of Jackson, Mississippi, 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. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Jackson, Mississippi, 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 30, 1987

CITY OF JACKSON

AUDITORS' FINDINGS AND COMMENTS WITH RESPECT TO FEDERAL COMPLIANCE WITH GRANT CONDITIONS—YEAR ENDED SEPTEMBER 30, 1986

Federal Agency/Program	Grant Number	Findings and Comments	Questioned Costs
U.S. Department of Labor Job Training Partnership Act (Governor's Office of Federal-State Programs-Job Development and Training)	4-99-700-TF-01 6-99-700-TF-11	The City of Jackson is a subrecipient of Job Training and Partnership Act (JTPA) funds issued by the Mississippi Governor's Office of Federal-State Programs-Job Development and Training. In turn, the City disburses these funds to other subrecipients for which the City is responsible for the audit coverage of these various agencies. In reviewing the monitoring process in place, we determined that it did not adequately meet the subrecipient provisions of the Single Audit Act of 1984. The City of Jackson has been notified by the Mississippi Governor's Office of Federal-State Programs letter dated December 23, 1986, that the City's JTPA subrecipients would be included in the state wide audit coverage of such entities. This audit will be performed to meet the requirements of the State of Mississippi, which is the primary recipient of the Federal funds. As of the date of this report, the referenced audit has not been performed.	
Job Training Partnership Act (Governor's Office of Federal-State Programs-Job Development and Training)	All JTPA Grants	During the audit period, the Mississippi Governor's Office of Federal-State Programs issued the following monitoring reports: March 3-5, 1986 — Cash management June 23-July 3, 1986 — Programmatic review and the Department of Labor conducted an on-site review during February, 1986. A number of findings and recommendations were made regarding the operation of the City's JTPA program as summarized below: Cash Management report: a. Excess cash was being maintained. b. The City's accounting records do not agree to the consortium's cash receipt and disbursement journal. c. A payroll bank account was maintaining a cash balance. Programmatic review report: a. Private Industry Council minutes documentation was not satisfactory. b. Various worksite agreements for the Summer Youth Program were not signed by the subcontractor. c. The minimum standards of one subcontractor's agreement were not clearly defined to identify the required part-time hours by JTPA participants. d. All contracts for on-the-job training subcontractors did not properly identify their workers' compensation coverage. e. An on-the-job training subcontractor had not provided proper support to document participant's	

continued

CITY OF JACKSON *(continued)*

Federal Agency/Program	Grant Number	Findings and Comments	Questioned Costs
		reimbursed wages. The Governor's office made no recommendation or questioned no costs concerning this finding, but filed a report with the Department of Labor for resolution. Department of Labor on-site review report: Various procurement files reviewed did not properly document the history of the procurement. For each of the findings above, except the finding pending Department of Labor resolution, the City has taken corrective action to satisfy the stated deficiency and is in the process of implementing applicable recommendations.	
U.S. Department of Treasury General Revenue Sharing	25-2-025-04	Under the Federal Revenue Sharing (FRS) program, the City does not require audits in accordance with the stated guidelines for Federal Assistance Programs, from its secondary recipients. Upon review of the procedures in place to monitor the City's secondary recipients, we determined that sufficient audit coverage was being obtained. Considering the elimination of the FRS program in 1987, it is not deemed necessary to recommend implementation of this requirement.	
U.S. Department of Housing and Urban Development	B-82/83/84/85-28-003	The U.S. Department of Housing and Urban Development (HUD) performed a 104(d) Monitoring review (labor standards) of the City's Community Development Block Grant Program (CDBG), May 22-23, 1986, resulting in the following: a. The City had failed to obtain payrolls for certain contractors. b. Underpayments of employee's wages occurred during the period, and the necessary action was not taken to rectify the situation. c. Certain payrolls were not properly certified by the contractors. The City took action to clear the findings and responded to HUD by letter, dated July 24, 1986. HUD has not accepted the letter as clearance of the finding at the date of this audit report.	
U.S. Environmental Protection Agency Construction Grants Program	C280-679-03	The grant period expired June 30, 1986, and has not been extended; however, the project is not complete. In accordance with the Standard Conditions of the U.S. Environmental Protection Agency agreement, an extension of the grant and budget period must be requested and approved by EPA to allow the continuation of the eligibility of costs under the agreement. Therefore, the City cannot be reimbursed for eligible costs until the grant and budget period is extended.	
Construction Grants Program	C280-392-02 C280-595-01 C280-679-04	The City does not have a monitoring system in effect to insure the performance of employee interviews of contractors' employees to verify compliance with the Davis-Bacon Act. As required by 29 CFR, a monitoring system must be maintained to insure that 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.	

To the Honorable Mayor of the
City of Albany, New York

We have examined the general purpose financial statements of the City of Albany, New York, for the year ended December 31, 1986, and have issued our report thereon dated May 15, 1987, except for Note 13, as to which the date is October 27, 1987. 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 except we were not engaged to examine the Library Fund, which was examined by other auditors, whose report thereon has been furnished to us, and the capital assets, construction in progress or accumulated depreciation of the Water Fund. The general fixed assets account group and the financial position and results of operations of the Albany Housing Authority have not been included in the financial statements of the City as required by generally accepted accounting principles. The Sewer Fund 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 the Notes to the financial statements, the City does not accrue unbilled pension costs in its governmental funds as required by generally accepted accounting principles.

The management of the City of Albany, New York is responsible for the City'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. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Albany, New York 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, 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, 1986, the City of Albany, 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.

[Signature]

Albany, New York
May 15, 1987

CITY OF ALBANY, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED DECEMBER 31, 1986

Program	Finding/Noncompliance
Department of the Treasury: State and Local Government Fiscal Assistance—Revenue Sharing	The City did not complete a self-evaluation review of policies, practices, programs, and activities to determine if they discriminate against the handicapped.
Department of Labor: Job Training Partnership Act	For the program year ended June 30, 1986, the City did not have a mechanism in place to properly monitor federal monies passed through to subrecipients for contracted services.
	For one file tested, the City did not distribute a copy of the JTPA complaint guidelines to the participant.
	For one of the files tested, the City did not obtain the signature of parent or guardian on the eligibility application of a minor.
Department of Housing & Urban Development: Community Development Block Grant	For two items tested, the City did not include expended funds on a request for payment in the Letter of Credit and Status of Funds Report.
	The City has not utilized or accounted to HUD regarding program income generated by the close-out of urban renewal projects funded by federal monies.
	For the program year ended May 31, 1986, grant monies expended for planning and administration exceeded 20% of the total grant by approximately $244,000.

AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Honorable Mayor
and Members of the City Council
City of Austin, Texas

We have examined the general purpose financial statements of the City of Austin, Texas, for the year ended September 30, 1986, and have issued our report thereon dated February 19, 1987. 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 City of Austin, Texas, is responsible for the City'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 a certain 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 City of Austin, Texas, 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 September 30, 1986, the City of Austin, Texas, administered each of its major federal 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 a nonmajor federal financial assistance program (Women, Infants, and Children; U.S. Department of Agriculture; administered by the Texas Department of Health and the City of Austin) indicate that, for the transactions and records tested, the City of Austin, Texas, 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 Austin, Texas, administered the 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 City of Austin, Texas, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above, except that other auditors have conducted tests of transactions and records of the program, and the extent of noncompliance noted in their testing indicates that, with respect to the transactions that occurred in the administration of the program and that were not tested by us, there is more than a relatively low risk that the City of Austin, Texas may have violated applicable laws and regulations.

[Signature]

Austin, Texas
February 19, 1987

CITY OF AUSTIN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED SEPTEMBER 30, 1986

Program	Finding/Noncompliance	Questioned Costs
Davis-Bacon Act	1. Contractors and subcontractors performing services related to construction contracts with the City are required to pay their employees "prevailing wages" under the provisions of the Davis-Bacon Act.	N/A
	In a test of 100 wage payments reported to the City by contractors, 3 instances of underpayment of wages were noted. In addition, we noted 17 instances where the reported wage rate did not appear to be improper but the contractor-provided description of the employee's position was not specific enough to allow a definitive evaluation of compliance with the prevailing wage guideline.	
	2. The Department of Labor conducted an investigation regarding wage payment practices of a major contractor and its related subcontractors performing services on the Onion Creek Waste Water Treatment Facility. The investigation resulted in findings against seven subcontractors. As of September 30, 1986, only one subcontractor's violations had not been remedied. In February 1987, the EPA instructed the City to request that the prime contractor issue a check to the Department of Labor which will disburse the backwages due the employees. The amount questioned in-	$45,991

Program	Finding/Noncompliance	Questioned Costs
	cludes $740 in liquidated damages and would be due from the City only in the event of refusal of the prime contractor to make the requested payments.	
General Revenue Sharing—16th Entitlement	1. The Survey of Federal General Revenue Sharing Expenditures filed by the City on November 18, 1986, for its fiscal year ended September 30, 1985, included a $111,127 understatement of approximately $6.4 million of Building Inspection revenues. This $111,127 appears to be accounted for correctly in the City's financial accounting system (FAS), but was overlooked in preparing the Survey. As the data provided in this Survey would not be used as part of the formula used to allocate Federal General Revenue Sharing assistance to the City prior to the expiration of Revenue Sharing, the City has no plans to file an amended Survey.	N/A
	2. Recipients must publish notice of the availability of the use report filed with the Office of Revenue Sharing within 10 days of the filing. The use report for the fiscal year ended September 30, 1985 was filed on November 19, 1986 and the notice was published 30 days later, on December 19, 1986.	N/A
General Revenue Sharing—17th Entitlement	1. Recipients must maintain records showing date of purchase and value; date of transfer (if applicable); location of property; and date of disposal of real or personal property (if applicable), having a minimum value of $1,000, purchased in whole or	Could not be determined
	in part with revenue sharing funds. The 17th entitlement year was the first year in which revenue sharing funds were used in such a manner. To date, no such records have been established.	
Department of Transportation—Capital Improvement Grant No. 3-48-0013-03	1. Subsequent to September 30, 1986, amounts requested for reimbursement and recorded by the City as an intergovernmental receivable at September 30, 1986 were disallowed and reimbursement was not received by the City. The amount noted includes $4,500 related to the Runway 13L project, for damages associated with a disallowed extension of a construction contract (20 days at $225 per day) and $34,726 related to a second runway marking expense for the 817014 Runway Overlay project. As the grant allows only one runway marking charge during the life of the project, the second charge was disallowed.	$39,226*

*As these costs were disallowed and funds were not received by the City, no refund to the Department of Transportation is required.

Program	Finding/Noncompliance	Questioned Costs
Department of Housing and Urban Development—Community Development Block Grants (B-84MC-48-0500) & (B-85MC-48-0500)	1. A recipient's system for monitoring advances and payment requests by secondary recipients should be sufficient to assure that payments are limited to amounts needed to meet immediate cash requirements. It is the City's policy with regard to sole-source and limited-source subrecipients that up to 10% of the annual award may be advanced prior to initial costs associated with the project being incurred. The City advances these funds to its	N/A

continued

Program	Finding/Noncompliance	Questioned Costs
	subrecipients and then requests reimbursement from HUD. When subsequent requests for reimbursement are received from the secondary recipient, the amount initially advanced is not offset against actual expenditures, the effect of which is to carry the advance amount for working capital purposes throughout the term of the contract. Our review of eighteen subrecipients receiving such advances revealed that the amounts advanced represented a range of from 20 to 240 days' worth of subsequently reported expenditures. Within this range, the median number of days' expenditures was 50 and the dollar-value weighted average was 98 days.	
Environmental Protection Agency—(EPA) Govalle, Hyacinth and Hornsby Bend (48-1241-03-1)	1. Effluent limitations as stated in the National Pollutant Discharge Elimination System (NPDES) permit were exceeded at the Govalle site in November 1985. Both the EPA and the Texas Water Development Board have been notified of the violations.	N/A
	2. An engineering inspection of the Govalle project by the EPA on January 30, 1986 revealed two technical violations of the NPDES permit. In a letter to the City's project engineer dated April 11, 1986, the violations were described in this manner: a) "Chain-of-custody receipts were not being used for industrial user samples, and b) oil and grease samples were not being taken in wide-mouth glass containers with teflon lids for industrial user samples."	N/A
	3. A mathematical error was noted in the draw request submitted on September 30, 1986 which resulted in cumulative project costs of approximately $10.6 million being understated by $360. The error was not noted by the approving project engineer. As the result was an understated request for funds, no costs are shown as questioned.	N/A
	4. Under Federal regulation, the grantee must make provision to assure economic and effective operation and maintenance of the treatment facility including the development and filing of an operations and maintenance manual. Under the terms of the contract, the City was required to submit such a manual not later than upon 90% completion of the construction. The 90% of building costs level was achieved in July, 1986, and the operation and maintenance manual was not submitted for approval until September 5, 1986.	N/A
Environmental Protection Agency—(EPA) Govalle (48-1241-03-1) and Onion Creek (48-1161-13-0)	1. The grant agreement states that the recipient shall request payment monthly. During the year ended September 30, 1986 the City submitted nine draw requests.	N/A
	2. The grant award agreement includes a special condition requiring the City to submit an implemented Sewer Use Ordinance not later than the time at which 90% of building costs have been paid. As of September 30, 1986, no Sewer Use Ordinance had been submitted although 93% of building costs had been paid.	N/A

Program	Finding/Noncompliance	Questioned Costs
NOTE: Our investigation of the following program was undertaken based on a preliminary calculation of the City's major federal financial assistance programs. Subsequent to our beginning work on this program, we became aware of an additional major program which substantially altered the expenditure threshold for a major program. Since total federal financial assistance for the year ended September 30, 1986 is comprised in such a manner that no nonmajor programs would need to be examined under The Single Audit Act of 1984, we ceased further work on the program as of the date at which it became known to be a nonmajor program. The findings noted below represent those instances of noncompliance which had come to our attention as of that date.		
Department of Agriculture—Special Supplemental Food Program for Women, Infants, and Children—(WIC) (TDH #C6000601)	1. The Department of Agriculture's grant agreement with the State of Texas requires that each year the State shall spend on nutrition education, an amount not less than one-sixth of its administrative costs. The State's implementation agreement with the City requires that not less than 20% of the City's total, annual administrative costs shall be expenditures directly related to nutrition education. For the year ended September 30, 1986, 17.9% of the City's administrative costs were expenditures directly related to nutrition education. The implementation agreement states that the City will be reimbursed at a rate not to exceed five times its documented nutrition education expenditures. This is the manner in which the State has reimbursed the City. The amount questioned represents the difference between total reported costs for the year and five times the amount of documented nutrition education expenditures. This amount which is included as accrued revenue as of September 30, 1986 should properly be recorded as in-kind matching expenditures rather than accrued revenue.	$72,187
	2. A procedure instituted by the City's Health Department involving a crossmatch of applicants approved to receive vouchers under the WIC program with City employees resulted in the identification of several questionable program participants. A subsequent investigation conducted by the Texas Department of Health resulted in the termination of two City Health Department employees and the temporary suspension without pay of five other City Health Department employees, who, upon reinstatement, were reassigned to positions not related to the WIC program. All of the expenditures recorded on the books of the City are administrative costs, while all costs associated with the redemption of food vouchers are reported at the State level. As a result of the investigation noted above, the Texas Department of Health determined that there were approximately $16,000 of questioned costs related to redeemed food vouchers distributed to ineligible participants. While these costs are not administrative, and therefore not reported by the City, the nature of the finding is such that we felt it appropriate to include the amount in this report. As of the date of this report, neither the State nor the City were aware of the existence of any administrative costs reported by the City which are considered questioned as a result of the investigation noted herein.	N/A

AUDITORS' REPORT ON COMPLIANCE AT THE FEDERAL FINANCIAL ASSISTANCE PROGRAM LEVEL (NO MAJOR PROGRAMS)

The Honorable Mayor, Commissioners
and City Manager
City of Bozeman, Montana:

We have examined the general purpose financial statements of the City of Bozeman, Montana, for the year ended June 30, 1987, and have issued our report thereon dated October 9, 1987. 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 City of Bozeman, Montana, is responsible for the City'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 City's compliance with those laws and regulations for which noncompliance 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 City of Bozeman, Montana, complied with the laws and regulations referred to above. Our testing was more limited than would be necessary to express an opinion whether the City of Bozeman, Montana, 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 the City of Bozeman, Montana, 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]

October 9, 1987

Board of Commissioners
Butler Township
Lyndora, Pennsylvania

We have examined the general purpose financial statements of the Township of Butler, Butler County, Pennsylvania as of and for the year ended December 31, 1987, and have issued our report thereon dated February 18, 1988. 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 Township of Butler, Butler County, Pennsylvania is responsible for the Township'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 Township'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 Township of Butler, Butler County, Pennsylvania 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 Township of Butler, Butler County, Pennsylvania 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 Township of Butler, Butler County, Pennsylvania had violated laws and regulations.

[Signature]

Butler, Pennsylvania
February 18, 1988

Board of Education
Tioga Central School District

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS IN CIRCUMSTANCES IN WHICH THE RECIPIENT RECEIVED NO MAJOR PROGRAM FUNDING

We have examined the general purpose financial statements of the Tioga Central School District for the year ended June 30, 1987, and have issued our report thereon dated August 20, 1987. 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 Tioga Central School District 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 nonmajor federal financial assistance programs to determine the District'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 Tioga Central School District complied with the laws and regulations referred to above, 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 the Tioga Central School District 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 Tioga Central School District had violated laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

August 25, 1987

TIOGA CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED JUNE 30, 1987

Program	Finding/Noncompliance	Questioned Costs
	The retained unappropriated fund balance of the Tioga Central School District at June 30, 1987 is in excess of the two percent limitation permitted under Section 1213 of New York State Real Property Tax Law.	N/A
National School Lunch Program Grant No. 10.555	The program administrator approved one application as eligible for free lunch when it actually qualified only for reduced lunch. Program administrator later corrected error.	Undetermined
	From two monthly school lunch menus reviewed, no bread or bread alternative was noted on the menu for two days. No vegetable or fruit was noted for two other days.	N/A
Chapter II—Computer Awareness and Enhancement	Purchase orders for equipment were signed as approved by District Treasurer in place of District Purchasing Agent.	$12,250

AUDITOR'S LETTER ON COMPLIANCE

The Honorable Mayor and
Board of Commissioners
Borough of Collingswood
Collingswood, New Jersey 08108

I have examined the financial statements of the Borough of Collingswood for the year ended December 31, 1986, and have issued my report thereon dated December 31, 1987. My examination of the financial statements was made in accordance with generally accepted auditing standards and, for the purpose of this report, in accordance with the provisions of the *Standards for Auditing of Governmental Organizations, Programs, Activities and Functions* and the *Guidelines for Financial and Compliance Audits of Federally Assisted Programs,* the provisions of the Office of Management and Budget's ("OMB") Compliance Supplement for *Single Audits of State and Local Governments,* the provisions of OMB's Circular A-128, *Audits of State and Local Governments,* and the *New Jersey State Grant Compliance Supplement* and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The management of the Borough of Collingswood, New Jersey, is responsible for the Borough's compliance with laws and regulations. In connection with the examination referred to above, I selected and tested transactions and records for certain nonmajor federal and state financial assistance programs. The purpose of my testing of transactions and records from those federal and state financial assistance programs was to determine the Borough's compliance with laws and regulations, noncompliance with which I believe could have a material effect on the allowability of program expenditures.

The results of my tests indicate that for the transactions and records tested, the Borough complied with the laws and regulations referred to above, except as described in the accompanying schedule of findings and questioned costs. My testing was more limited than would be necessary to express an opinion on whether the Borough administered those programs in compliance in all material respects with laws and regulations noncompliance with which I believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions that were not tested by me, nothing came to my attention to indicate that the Borough had violated laws and regulations other than those laws and regulations for which I noted violations in my testing referred to above.

This report is intended solely for the use of the Borough, the Division of Local Government Services (the cognizant audit agency), other state and federal audit agencies, and should not be used for any other purpose.

Respectfully submitted,

[Signature]

Voorhees, New Jersey
December 31, 1987

FEDERAL FINANCIAL ASSISTANCE ADMINISTRATIVE FINDINGS AND RECOMMENDATIONS SCHEDULE OF FINDINGS AND NONCOMPLIANCE

FINDING NO. 1

Program:

Revenue Sharing Funds, Account Number 31-2-004-010.

Condition

A self-evaluation of all municipal programs and activities, to determine whether they are accessible to handicapped persons, was not performed.

Criteria

It is required under the Code of Federal Regulations that Revenue Sharing recipients perform a self-evaluation of all municipal programs and activities to determine if policies and procedures and all facilities are free from discriminatory effects on the handicapped. (31CFR 51.55(c)(1))

Recommendation

That a self-evaluation of all municipal programs and activities, to determine whether they are accessible to handicapped persons, be performed immediately.

Response

The Borough concurred with the finding and recommendation.

FINDING NO. 2

Program:

Revenue Sharing Funds, Account Number 31-2-004-010.

Condition

The Borough failed to appoint an individual to oversee Civil Rights compliance.

Criteria

It is required under the Code of Federal Regulations that Revenue Sharing recipients appoint someone as Civil Rights Compliance Officer.

Recommendation

That the Borough appoint a Civil Rights Compliance Officer.

Response

The Borough concurred with the finding and recommendation.

FINDING NO. 3

Program:

Revenue Sharing Funds, Account Number 31-2-004-010.

Condition

The Borough has not adopted a formal policy concerning nondiscrimination.

Criteria

It is required under the Code of Federal Regulations that Revenue Sharing recipients adopt formal policies concerning nondiscrimination.

Recommendation

That the Borough formally adopt nondiscrimination policies.

Response

The Borough concurred with the finding and recommendation.

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:

ACCOUNTANT'S REPORT ON FRAUD AND ILLEGAL ACTS

The Board of Commissioners

The former director of the County was found making fraudulent housing assistance payments to fictitious program participants and diverting these funds to herself in 1984. It is believed that this fraudulent activity took place during the years 1982 through 1984. It is estimated that the amount of the defalcation was approximately $30,000 for the year 1984 only. The years 1982 and 1983 were not audited under this engagement and no estimate of the loss for those years was attempted.

The fraudulent activity was investigated by the Federal Bureau of Investigation, the U.S. Department of Housing and Urban Development and the County Sheriff's Department. The former director was convicted of the illegal acts.

[Signature]
Certified Public Accountants

[Date]

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.

Appendix A

List of Governmental Entities Whose Financial Statements Were Included in the Survey

State	Census Bureau Number	Entity Name
Alabama	01 2 000028	City of Gadsden
	01 2 008001	City of Anniston
	01 4 051901	Montgomery Airport Authority
Alaska	02 1 006002	Fairbanks North Star Borough
Arizona	03 1 010010	Pima County
	03 1 007007	Maricopa County
	03 2 002004	City of Sierra Vista
	03 2 007002	Town of Buckeye
	03 2 007003	City of Chandler
	03 2 007008	City of Mesa
	03 2 007011	City of Scottsdale
	03 2 007012	City of Tempe
	03 2 008601	Lake Havasu City
	03 2 010001	City of South Tucson
	03 2 010002	City of Tucson
	03 2 014003	City of Yuma
Arkansas	04 1 060060	Metroplan
	04 2 004001	City of Bentonville
	04 2 035003	City of Pine Bluff
	04 2 060004	City of Little Rock
	04 5 060001	Little Rock School District
	04 5 066001	Fort Smith School District #100
California	05 1 001001	County of Alameda
	05 1 007007	County of Contra Costa
	05 1 010010	County of Fresno
	05 1 029029	County of Nevada
	05 1 034034	County of Sacramento
	05 1 041040	County of San Mateo
	05 1 043042	County of Santa Clara
	05 1 054053	County of Tulare
	05 2 019007	City of Beverly Hills
	05 2 019016	City of Gardena
	05 2 019026	City of Long Beach
	05 2 019029	City of Manhattan Beach
	05 2 019033	City of Monterey Park
	05 2 019041	City of Santa Monica
	05 2 019507	City of Paramount
	05 2 019514	City of Commerce
	05 2 019523	City of Rosemead
	05 2 030013	City of Orange
	05 2 030016	City of Santa Ana
	05 2 037002	City of Chula Vista
	05 2 040003	City of Pismo Beach
	05 2 043012	City of San Jose
	05 2 049004	City of Santa Rosa
	05 2 056003	City of Oxnard
	05 4 001612	Association of Bay Area Governments
	05 4 019025	County Sanitation Districts of Los Angeles County
	05 4 023602	Community Development Commission of County of Mendocino
	05 4 042702	Santa Maria Public Airport District
	05 4 054053	Housing Authority of the County of Tulare
	05 4 056901	South Coast Area Transit
	05 5 010016	Caruthers Union High School District
	05 5 019024	Covina-Valley Unified School District
	05 5 030801	Saddleback Community College District

State	Census Bureau Number	Entity Name
Colorado	06 1 003003	Arapahoe County
	06 1 049048	Pitkin County
	06 2 001006	City of Thornton
	06 2 007001	City of Boulder
	06 2 016001	City and County of Denver
	06 2 023002	City of Glenwood Springs
	06 2 035003	City of Fort Collins
	06 5 001701	School District No. 12, Adams County
Connecticut	07 2 002002	City of Hartford
	07 2 005005	Borough of Naugatuck
	07 2 006005	City of Norwich
	07 3 001002	Town of Brookfield
	07 3 001004	Town of Darien
	07 3 001011	Town of Newtown
	07 3 001013	Town of Ridgefield
	07 3 001015	Town of Stratford
	07 3 005005	Town of East Haven
	07 3 005017	Town of Southbury
	07 4 002901	Greater Hartford Transit District
	07 4 008006	Putnam Housing Authority
	07 5 003802	Shepaug Valley Regional School District No. 12
	07 5 005501	Regional High School District No. 5
Delaware	08 1 001001	Kent County
	08 1 002002	New Castle County
	08 2 001005	City of Dover
	08 2 003013	City of Milford
Florida	10 1 012012	Columbia County
	10 1 013013	Metropolitan Dade County
	10 1 045045	Nassau County
	10 1 050050	Palm Beach County
	10 1 052052	Pinellas County
	10 2 016003	City of Jacksonville
	10 2 017001	City of Pensacola City
	10 2 031003	City of Vero Beach
	10 2 037001	City of Tallahassee
	10 2 050023	City of West Palm Beach
	10 2 064001	City of Daytona Beach
	10 4 036703	Lee Memorial Hospital
	10 5 031001	Indian River County School District
Georgia	11 1 025025	Chatham County
	11 1 029029	Clarke County
	11 1 033033	Cobb County
	11 1 067067	Gwinnett County
	11 1 113113	Pierce County
	11 1 121121	Richmond County
	11 2 092004	City of Valdosta
	11 2 101002	City of Camilla
	11 4 011002	Housing Authority of the City of Macon
	11 4 060002	Housing Authority of the City of Atlanta
	11 5 106001	Muscogee County School District
Hawaii	12 1 003003	County of Kauai
	12 2 002001	City and County of Honolulu
Idaho	13 2 003009	City of Pocatello
	13 2 010002	City of Idaho Falls
	13 5 004001	Bear Lake School District No. 33
	13 5 020004	Glenns Ferry Joint School District No. 192
	13 5 020006	Mountain Home School District #193
	13 5 024002	Gooding Joint School District No. 231

State	Census Bureau Number	Entity Name
Illinois	14 1 007007	Calhoun County
	14 1 098098	Whiteside County
	14 2 016016	City of Chicago
	14 2 016027	City of Evanston
	14 2 022017	City of Wheaton
	14 3 016015	Niles Township
	14 3 016023	Township of Rich
	14 3 058003	Town of Decatur
	14 3 092005	Danville Township
	14 3 099011	Township of Lockport
	14 4 016962	Regional Transportation Authority
	14 4 091001	Housing Authority of the County of Union
Indiana	15 2 012002	City of Frankfort
	15 2 071003	City of Mishawaka
Iowa	16 1 035035	Franklin County
	16 2 017003	City of Mason City
	16 2 070003	City of Muscatine
	16 4 031601	Eastern Iowa Regional Housing Authority
	16 5 014005	Carroll Community School District
	16 5 077009	Des Moines Independent Community School District
Kansas	17 0 085005	Salina Airport Authority
	17 1 020020	Decatur County
	17 2 006002	City of Fort Scott
	17 2 008005	City of El Dorado
	17 2 087014	City of Wichita
	17 4 083701	Wet Walnut Creek Watershed Joint District No. 58
	17 5 001701	Allen County Community College
Kentucky	18 2 042002	City of Mayfield
	18 2 075003	City of Livermore
	18 2 118001	City of Corbin
	18 4 019901	Transit Authority of Northern Kentucky
	18 5 001001	Adair County School District
	18 5 074001	McCreary County School District
Louisiana	19 1 009009	Caddo Parish Commission
	19 1 026025	Jefferson Parish
	19 1 052050	St. Tammany Parish
	19 2 009003	City of Shreveport
	19 2 040001	City of Alexandria
	19 2 051004	City of Morgan City
	19 2 057001	City of Abbeville
Maine	20 2 010001	City of Bangor
	20 2 010002	City of Brewer
	20 2 016002	City of Saco
	20 3 002020	Town of Fort Kent
	20 3 010048	Town of Orono
	20 3 015026	Town of Machias
	20 4 002007	Presque Isle Housing Authority
	20 4 016801	Town of Sanford Housing Authority
	20 5 003701	Maine School Administrative District No. 51
Maryland	21 1 002002	Anne Arundel County
	21 1 003003	Baltimore County
	21 1 008007	Board of Education of Cecil County
	21 1 013012	Hardford County
	21 1 016015	Montgomery County
	21 1 019018	Board of Education of St. Mary's County
	21 2 011004	City of Frederick
	21 2 022003	Mayor and Council of Funkstown

State	Census Bureau Number	Entity Name
	21 2 023006	City of Salisbury
	21 4 016801	Housing Opportunities Commission of Montgomery County
	21 4 024701	Worcester County Sanitary District
Massachusetts	22 2 005008	City of Salem
	22 2 011001	City of Quincy
	22 3 007005	Town of East Longmeadow
	22 3 009021	Town of Lexington
	22 3 011003	Town of Braintree
	22 4 005601	Merrimack Valley Regional Transit Authority
	22 4 007601	Pioneer Valley Transit Authority
	22 4 012007	Plymouth Housing Authority
	22 5 002001	Southern Berkshire Regional School District
	22 5 008501	Amherst-Pelham Regional School District
	22 5 009906	Shawsheen Valley Regional Vocational/Technical School District
Michigan	23 0 082802	Romulus Housing Commission
	23 2 013003	City of Battle Creek
	23 2 020001	City of Grayling
	23 2 024004	City of Petoskey
	23 2 025003	City of Fenton
	23 2 033002	City of East Lansing
	23 2 050801	City of Sterling Heights
	23 2 082802	City of Romulus
	23 3 013010	Charter Township of Emmett
	23 3 023006	Charter Township of Delta
	23 3 025004	Charter Township of Clayton
	23 3 025007	Charter Township of Flint
	23 3 050004	Township of Clinton
	23 3 058002	Township of Bedford
	23 4 033803	Capital Region Airport Authority
	23 5 003103	Saugatuck Public Schools
	23 5 073025	Carrollton Public Schools
Minnesota	24 1 002002	Anoka County
	24 1 010010	County of Carver
	24 1 014014	Clay County
	24 1 027027	Hennepin County
	24 2 002008	City of Fridley
	24 2 002903	City of Ramsey
	24 2 008005	City of New Ulm
	24 2 009003	City of Cloquet
	24 2 019901	City of Eagan
	24 2 055004	City of Rochester
	24 4 019801	Housing and Redevelopment Authority of South St. Paul
	24 4 027605	St. Louis Park Housing and Redevelopment Authority
	24 4 062003	Metropolitan Waste Control Commission
	24 4 069801	Housing and Redevelopment Authority of City of Ely
	24 5 014011	Moorhead School District No. 152
	24 5 018003	Independent School District No. 181
	24 5 075004	Independent School District No. 768, Hancock
Mississippi	25 2 025002	City of Durant
	25 2 025004	City of Jackson
	25 2 038001	City of Meridian
	25 4 038001	Housing Authority of the City of Meridian
	25 4 044501	Housing Authority of the City of Columbus
	25 5 059601	Booneville Municipal Separate School District
Missouri	26 1 010010	Boone County
	26 1 024024	Clay County
	26 1 036036	County of Franklin
	26 1 039039	Greene County
	26 1 098097	Saline County

State	Census Bureau Number	Entity Name
	26 2 035008	City of Malden
	26 2 036011	City of Washington
	26 2 049008	City of Joplin
	26 2 050006	City of Pevely
	26 2 095002	City of Ballwin
	26 2 096001	City of St. Louis
	26 2 109006	City of Nevada
	26 5 010004	Columbia Public School District
	26 5 048017	Consolidated School District No. 2
	26 5 049034	Jasper County School District R-VIII
Montana	27 1 016016	Gallatin County
	27 2 016002	City of Bozeman
	27 2 025002	City of Helena
	27 4 032607	Missoula Urban Transportation District
	27 5 027005	School District No. 4, Lincoln County
Nebraska	28 2 028004	City of Omaha
	28 4 055501	Airport Authority of the City of Lincoln
Nevada	29 1 001001	Churchill County
	29 1 002002	Clark County
	29 1 004004	Elko County
	29 1 016016	Washoe County
	29 2 002002	City of Las Vegas
	29 2 002003	City of North Las Vegas
	29 2 016001	City of Reno
	29 4 002903	Las Vegas—Clark County Library District
	29 5 001001	Churchill County School District
	29 5 002001	Clark County School District
	29 5 003001	Douglas County School District
	29 5 004001	Elko County School District
	29 5 008001	Lander County School District
	29 5 013001	Carson City School District
New Hampshire	30 1 009009	County of Strafford
	30 2 005501	City of Lebanon
	30 2 006001	City of Manchester
	30 2 008001	City of Portsmouth
	30 2 009001	City of Dover
	30 2 009003	City of Somersworth
	30 3 005017	Town of Hanover
	30 4 001701	Laconia Housing and Redevelopment Authority
	30 5 006003	Merrimack School District
	30 5 007008	Concord School District
New Jersey	31 1 020020	County of Union
	31 2 004010	Borough of Collingswood
	31 4 004003	Housing Authority of the City of Camden
	31 5 001004	Township of Galloway School District
	31 5 004701	Township of Cherry Hill School District
	31 5 007401	Board of Education of the City of Newark
	31 5 011901	Board of Education of the Trenton School District
New Mexico	32 1 016016	County of Luna
	32 1 026026	Santa Fe County
	32 2 007002	City of Las Cruces
	32 2 013002	City of Hobbs
	32 2 026001	City of Santa Fe
	32 5 001001	Board of Education, Albuquerque
	32 5 003003	Hagerman Municipal School District No. 6
	32 5 007003	Las Cruces School District No. 2
	32 5 025001	Las Vegas City School District No. 2
	32 5 026001	Santa Fe Public School District C

State	Census Bureau Number	Entity Name
New York	33 1 015014	County of Erie
	33 1 028026	County of Monroe
	33 1 030028	County of Nassau
	33 1 032029	County of Niagara
	33 1 044039	County of Rockland
	33 2 001001	City of Albany
	33 2 015017	Town of Tonawanda
	33 2 028008	City of Rochester
	33 2 031001	City of New York
	33 2 035004	City of Geneva
	33 3 014014	Town of Poughkeepsie
	33 3 015017	Town of Lancaster
	33 3 036017	Town of Wallkill
	33 3 060008	Town of Mount Pleasant
	33 5 015023	Kenmore—Town of Tonawanda Union Free School District
	33 5 015034	Tonawanda City School District
	33 5 015036	West Seneca Central School District
	33 5 019002	City School District of Batavia
	33 5 052060	Riverhead Central School District
	33 5 054020	Tioga Central School District
North Carolina	34 1 006006	County of Avery
	34 1 014014	Caldwell County
	34 1 018018	Catawba County
	34 1 019019	County of Chatham
	34 1 023023	Cleveland County
	34 1 065065	New Hanover County
	34 2 007005	City of Washington
	34 2 018008	City of Newton
	34 2 025003	City of New Bern
	34 2 026001	City of Fayetteville
	34 2 032001	City of Durham
	34 2 039002	City of Oxford
	34 2 044004	Town of Waynesville
	34 2 045001	City of Hendersonville
	34 2 060001	City of Charlotte
	34 2 067002	City of Jacksonville
	34 2 068002	Town of Chapel Hill
	34 2 070001	City of Elizabeth City
	34 2 084001	City of Albemarle
	34 2 098007	City of Wilson
	34 4 025001	Housing Authority of the City of New Bern
	34 4 026002	Fayetteville Metropolitan Housing Authority
	34 4 033002	Housing Authority of the City of Rocky Mount
	34 4 060001	Housing Authority of the City of Charlotte
North Dakota	35 1 045045	Stark County
	35 5 008005	Bismark Public School District No. 1
	35 5 018035	Grand Forks Public School District No. 1
	35 5 029004	Beulah Public School District No. 27
Ohio	36 1 048048	Lucas County
	36 2 012008	City of Springfield
	36 2 018001	City of Bay Village
	36 2 018003	City of Bedford
	36 2 018014	City of Cleveland
	36 2 025003	City of Columbus
	36 4 025901	Central Ohio Transit Authority
	36 4 048802	Toledo Area Regional Transit Authority
	36 5 018009	Cleveland City School District
Oklahoma	37 2 007005	Town of Calera
	37 2 055015	City of Oklahoma City
	37 2 060006	City of Stillwater

State	Census Bureau Number	Entity Name
Oregon	38 1 003003	Clackamas County
	38 1 020020	Lane County
	38 1 026026	Multnomah County
	38 1 027027	Polk County
	38 1 034034	Washington County
	38 2 015007	City of Medford
	38 2 020004	City of Eugene
	38 2 020009	City of Springfield
	38 2 024014	City of Stayton
	38 2 026003	City of Portland
	38 2 027001	City of Dallas
	38 2 034002	City of Beaverton
	38 4 006015	Oregon International Port of Coos Bay
	38 4 020901	Lane Transit District
	38 4 021008	Housing Authority of Lincoln County
	38 5 001001	School District No. 5-J, Baker County
	38 5 003040	Clackamas County School District No. 62
	38 5 006008	Coos County School District No. 8
	38 5 020501	South Lane School District 45J3
	38 5 024901	Marion Education Service District
	38 5 026018	School District No. 1, Multnomah County
Pennsylvania	39 1 009009	County of Bucks
	39 1 022022	County of Dauphin
	39 1 038038	County of Lebanon
	39 1 043043	County of Mercer
	39 1 067066	County of York
	39 2 002056	City of Pittsburgh
	39 2 014010	Borough of State College
	39 2 022006	City of Harrisburg
	39 2 028001	Borough of Chambersburg
	39 2 051001	City of Philadelphia
	39 3 002023	Mt. Lebanon
	39 3 009012	Township of Lower Makefield
	39 3 010005	Butler Township
	39 4 002701	Port Authority of Allegheny County
	39 5 001015	Gettysburg Area School District
	39 5 002701	Allegheny Valley School District
	39 5 002711	South Allegheny School District
Rhode Island	40 2 004002	City of Cranston
	40 3 004006	Town of Johnston
	40 3 004008	Town of North Providence
	40 3 005004	Town of Narragansett
	40 3 005006	Town of Richmond
South Carolina	41 1 004004	Anderson County
	41 1 037037	Oconee County
	41 2 004001	City of Anderson
	41 2 024001	City of Greenwood
	41 2 036003	City of Newberry
	41 4 010604	Charleston County Substance Abuse Commission
	41 4 023601	Greenville Transit Authority
	41 4 030003	South Carolina Regional Housing Authority No. 1
	41 5 006001	Barnwell School District #45
	41 5 007001	Beaufort County School District
	41 5 013001	Chesterfield County School District
	41 5 021001	Florence School District One
South Dakota	42 1 050049	Minnehaha County
	42 1 052051	Pennington County
	42 2 007001	City of Aberdeen
	42 2 015005	City of Watertown
	42 5 020011	Clear Lake School District No. 19-2

State	Census Bureau Number	Entity Name
Tennessee	43 1 033033	Hamilton County
	43 1 047047	Knox County
	43 1 057057	Madison County
	43 1 079079	Shelby County
	43 2 016002	City of Tullahoma
	43 2 033001	City of Chattanooga
	43 2 036002	City of Savannah
	43 2 056002	City of Red Boiling Springs
	43 2 079005	City of Memphis
	43 5 009003	Huntingdon Special School District
Texas	44 1 014014	Bell County
	44 1 043043	Collin County
	44 1 101101	Harris County
	44 2 057007	City of Dallas
	44 2 058002	City of Lamesa
	44 2 084001	City of Galveston
	44 2 116010	City of Wolfe City
	44 2 123001	City of Beaumont
	44 2 227001	City of Austin
	44 2 235001	City of Victoria
	44 4 015601	Via Metropolitan Transit
	44 5 031003	Harlingen Consolidated Independent School District
	44 5 049005	Gainesville Independent School District
	44 5 101015	Katy Independent School District
Utah	45 1 005005	Daggett County
	45 1 018018	Salt Lake County
	45 1 021021	Sevier County
	45 1 025025	Utah County
	45 2 002003	Brigham City Corporation
	45 2 006009	Layton City Corporation
	45 2 012004	City of Nephi
	45 2 018005	Salt Lake City Corporation
	45 2 020002	Ephraim City
	45 2 029003	City of Ogden
	45 5 005001	Daggett County School District
	45 5 018001	Granite School District
	45 5 018004	Salt Lake City School District
Vermont	46 2 011004	City of Rutland
	46 5 004015	South Burlington School District
Virginia	47 1 002002	County of Albemarle
	47 1 007007	Arlington County
	47 1 008008	County of Augusta
	47 1 024024	County of Culpeper
	47 1 030030	County of Fairfax
	47 1 044044	Henrico County
	47 2 018001	Town of Hillsville
	47 2 054001	Town of Hamilton
	47 2 054003	Town of Leesburg
	47 2 122001	City of Norfolk
	47 2 127001	City of Richmond
	47 2 131001	City of Suffolk
	47 2 132001	City of Virginia Beach
	47 4 002901	Charlottesville-Albemarle Airport Authority
	47 4 115601	Peninsula Transportation District Commission
Washington	48 1 006006	Clark County
	48 1 017017	King County
	48 2 006002	City of Camas
	48 2 017021	City of Seattle
	48 2 034701	City of Lacey

State	Census Bureau Number	Entity Name
	48 2 036004	City of Walla Walla
	48 4 005014	Public Utility District No. 1 of Clallam County
	48 4 011008	Public Utility District No. 1 of Franklin County
	48 5 029002	Burlington-Edison School District No. 100
West Virginia	49 1 020020	BCKP Regional Intergovernmental Council
	49 2 035004	City of Wheeling
	49 4 006901	Tri-State Transit Authority
	49 4 020901	Kanawha Valley Regional Transportation Authority
Wisconsin	50 1 005005	Brown County
	50 1 011011	Columbia County
	50 1 013013	County of Dane
	50 1 014014	County of Dodge
	50 1 032032	La Crosse County
	50 1 036036	Manitowoc County
	50 1 037037	Marathon County
	50 1 041041	County of Milwaukee
	50 2 005003	City of Green Bay
	50 2 030001	City of Kenosha
	50 2 037014	City of Wausau
	50 2 041009	City of Milwaukee
	50 2 060010	City of Sheboygan
	50 3 052004	Town of Mount Pleasant
	50 4 013901	Dane County Housing Authority
	50 5 020701	Moraine Park Vocational, Technical Adult Education District
Wyoming	51 1 011011	Laramie County
	51 1 013013	Natrona County
	51 1 018018	Sublette County
	51 1 021021	Uinta County
	51 2 001001	City of Laramie
	51 2 011003	City of Cheyenne
	51 2 019002	City of Green River
	51 5 005005	Converse County School District No. 2
	51 5 007003	Fremont County School District Number 9
	51 5 009011	Hot Springs County School District No. 1

Appendix B

Introduction to The National Automated Accounting Research System (NAARS) and the Local Governmental Reports (GR) File

The American Institute of Certified Public Accountants has established the National Automated Accounting Research System (NAARS) as an additional means of information retrieval. The database includes three types of files: (1) Corporate annual reports (AR); (2) Accounting Literature (LIT) and (3) Local Governmental Reports (GR). NAARS is available through the AICPA's Total On Line Tax and Accounting Library (TOTAL) or through Mead Data Central. The GR file contains the full text of 504 local governmental reports which had a single audit. For information on AICPA TOTAL call Hal Clark at (212) 575-6391.

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.

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)
Footnotes 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)

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 footnote with both the *gcommt* and *gdeprec* descriptors.

TRANSMIT: *gcommt* W/SEG *gdeprec*

Remarks: Although FTNT (footnote) is a group segment, each individual footnote in an annual report is a separately searchable segment. You want to find annual reports with *both* descriptors in the *same* footnote. The W/SEG connector requires this, whereas the AND connector would find annual reports with the *gcommt* and *gdeprec* descriptors in different footnotes. 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 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)
Footnotes to General Purpose Financial Statements ....FTNT (group segment)
Schedule of compliance findings..........FNDG (group segment)

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
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—(Footnotes)	TITLE-FTNT
FTNT	Footnotes (Segments)	
	Note-1 thru Note-48	NOTE-1 THRU
	Also Note A-Z	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	FNDG-20
	Also finding A-U	
	Report on internal control	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

Fund types presented (FND/TYP)

Governmental Fund Types	
General	GGENL
Special Revenue	GSPECREV
Debt Service	GDBTSVC
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 and Fixed Asset	GGAFA
General Long-term Debt	GLTD
Memorandum Totals:	
Current and prior years	GCURPRI
Current year only	GCURONLY

Combined balance sheet (B/S)

Reporting of commitments and contingencies	
No caption in balance sheet	
FOOTNOTE 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)

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

	Descriptor
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)

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

	Descriptor
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

Footnotes
Disclosure of pension plans

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

	Descriptor
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 non-vested 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

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

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	Budet 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
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) footnote:

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).

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
No oversight authority	GOVRSIHT
Management not appointed or controlled by the reporting entity	GMGTNAPT
Discrete government entity apart from the reporting entity	GSEPENT
Not accountable for fiscal matters	GNTACTBL
Not a significant influence on operations	GNOINFLU
Not financially interdependent	GNTDEPND
Not funded by the reporting entity	GNTFNDED
Budgets not approved by the reporting entity	GBDGNAPR
Not controlled by the reporting entity	GNCONTRL
Joint venture	GJNTVENT
Not administered by oversight authority	GNTADM
Not part of taxing authority	GNOTXATH
Not within scope of public service entity	GNTWISCOP
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

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
long-term liabilities	GPRACT W/SEG GLGTRM
inventory	GPRACT W/SEG GINVENT
budget process	GPRACT W/SEG GBUDGAC
compensated absences	GPRACT W/SEG GABSCOMP
total columns	GPRACT W/SEG TOTCLMN
investment	GPRACT W/SEG GNVSTMT
encumbrances	GPRACT W/SEG GNCUMBR
reporting entity	GPRACT W/SEG GENTYP
budget reconciliation	GBDGREC
changes in accounting principle and estimate	GPRACT W/SEG (GACCTEST or ACCTPRN)
pension plans	GPRACT W/SEG PENS

*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 86-87 file. This list of search strategies may be used to obtain examples from more recent NAARS GR files.

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

Topic	Search Strategy
Fixed assets	GPROP NOT W/SEG GPRACT
Employee benefits/plan/retirement/pension	GPENS OR (GCOMN W/SEG ((EMPLOYEE W/2 BENEFIT) OR (HEALTH OR DENTAL)) NOT W/SEG GPRACT)
Pensions	GPENS NOT W/SEG GPRACT
Long-term debt	GLGTRM NOT W/SEG GPRACT
Commitments/contingencies	GCOMMT NOT W/SEG GPRACT
Investments	GNVSTMT NOT W/SEG GPRACT
Interfund accounts/balances/commitments	GINTFND OR GTRNSFR NOT W/SEG GPRACT
Cash and investments	GNVSTMT W/SEG (CASH OR DEPOSIT) NOT W/SEG GPRACT
General obligation bonds	GDEBTAC W/SEG GENERAL OBLIGATION BOND
Litigation	GLITGAT NOT W/SEG GPRACT
Compensated absences	GABSCOMP NOT W/SEG GPRACT
Property taxes	GPTXREV NOT W/SEG GPRACT
Capitalized lease obligations	GCAPLSE NOT W/SEG GPRACT
Notes payable/receivable	FTNT ((NOTES W/2 (RECEIVABLE OR PAYABLE)) NOT W/SEG GPRACT)
Fund deficits	GNEGBAL NOT W/SEG GPRACT
Segment information/enterprise funds	GLOBU NOT W/SEG GPRACT
Property, plant, and equipment	GPROP W/SEG (PROPERTY W/4 EQUIPMENT) NOT W/SEG GPRACT
Deferred compensation plan	(GCOMPEN W/SEG (DEFER! W/2 COMPENSATION)) NOT W/SEG GPRACT
Self-insurance	(SELF W/2 INSURANCE) NOT W/SEG GPRACT
Subsequent events	GSUBEV NOT W/SEG GPRACT
Excess of expenditures	GXCES NOT W/SEG GPRACT
Restricted assets	FTNT (RESTRICT! W/6 ASSET) NOT W/SEG GPRACT
Lease agreements/balances/commitments	GOPLSE NOT W/SEG GPRACT
Capital projects	GPROP W/SEG (CAPITAL W/2 PROJECT) NOT W/SEG GPRACT
Deferred revenues	GREVREC W/SEG (DEFER! W/4 REVENUE)
Prior period adjustment	GPRIPER NOT W/SEG GPRACT
Budgetary basis of accounting	GBUDGAC NOT W/SEG GPRACT
Changes in accounting principles	GACCTPRN NOT W/SEG GPRACT
Due from governments	GREC W/SEG (DUE OR RECEIVABLE W/4 GOVERNMENT) NOT W/SEG GPRACT

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

End of Fiscal Year	Search Strategy
July '86	DB/S(=7/31/86)
August '86	DB/S(=8/31/86)
September '86	DB/S(=9/30/86)
October '86	DB/S(=10/31/86)
November '86	DB/S(=11/31/86)
December '86	DB/S(=12/31/86)
January '87	DB/S(=1/31/87)
February '87	DB/S(=2/28/87)
March '87	DB/S(=3/31/87)
April '87	DB/S(=4/30/87)
May '87	DB/S(=5/31/87)
June '87	DB/S(=6/30/87)

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
Contract dispute	GCONDSPU
Action of governmental personnel (e.g., accident by government driver, malpractice by government doctor, or improper arrest)	GGVTEMPL
Claim for property damage	GPRPDMG
Compensation claim	GCOMPENCL
Other descriptors	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 liabilities and equity section	GBETLEQU
Caption between equity total and total liability and equity	GBETTOT
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	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
Frozen entry age actuarial cost method	GFZNTRACT
Unit credit actuarial cost:	
Projected	GUCRCTP
Not projected	GUCRCTNP
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	FTNT (MONEY PURCHASE)
IRA	FTNT (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	RVNUE (GENERAL)
Special revenue funds	RVNUE (SPECIAL W/20 REVENUE)
Capital projects funds	RVNUE (CAPITAL W/20 PROJECT)
Debt service funds	RVNUE (DEBT W/20 SERVICE)
Special assessment funds	RVNUE (SPECIAL W/20 ASSESSMENT)
Expendable trust funds	RVNUE (EXPENDABLE)
Memorandum totals:	
Current and prior year	GCURPRI
Current year only	GCURONLY
Expenditures, grouped by	
program/function	GPROFUNC
character (current, capital, debt)	GXPNDCHAR
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:	
General fund	BA/RVNUE (GENERAL)
Special revenue funds	BA/RVNUE (SPECIAL W/20 REVENUE)
Debt service funds	BA/RVNUE (DEBT W/20 SERVICE)
Capital projects funds	BA/RVNUE (CAPITAL W/20 PROJECT)
Special assessment funds	BA/RVNUE (SPECIAL W/20 ASSESSMENT)
Expendable trusts	BA/RVNUE (EXPENDABLE)

TABLE 5-1. DATA IN CHANGES IN FINANCIAL POSITION STATEMENT

Data	Search Strategy
Units whose report contained a change in financial position statement	GCHGFPPR
Proprietary fund data:	
Enterprise funds	SCF/P (ENTERPRISE)
Internal service funds	SCF/P (INTERNAL W/8 SERVICE)
Fiduciary fund data:	
Pension trust funds	SCF/P (PENSION)
Nonexpendable trust funds	SCF/P (NONEXPENDABLE OR (NON PRE/1 EXPENDABLE))
Reports with memo columns:	SCF/P (MEMO!)
	SCF/P ((1985 W/SEG 1986) OR (1986 W/SEG 1987) W/SEG MEMO!)

TABLE 6-1. TYPE OF AUDITOR EXAMINING GOVERNMENTAL FINANCIAL STATEMENTS*

Type of Auditor	Search Strategy
Certified public accountants	GCRTFDPBL
State audit agency	REPRT (GGOVTAGCY)
Two or more public accounting firms	GMNYPBLC
Municipal accountant or auditor	GMUNIAUD

TABLE 6-2. ACCOUNTING PRINCIPLES USED IN FINANCIAL STATEMENT PRESENTATION*

Accounting Principles	Search Strategy
Generally accepted accounting principles (GAAP)	REPRT (GGNLYACC)
State government principles	REPRT (GSTGPRIN)
State principles and other basis	REPRT (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

*Due to key punching errors the tabulations were revised.

TABLE 6-5. ANALYSIS OF QUALIFICATIONS WITH REFERENCE TO DEPARTURES FROM GAAP

Basis of Departures	Search Strategy
Incomplete financial statements	REPRT (GNCOMPLE)
Fixed asset accounting or valuation	REPRT (GPROP NOT W/SEG GNCOMPLE)
Pension liability	REPRT (GPENS)
Reporting entity	REPRT (GENTYP)
Compensated absences	REPRT (GABSCOMP)
Cash basis of accounting	REPRT (GCASH)
Inventory valuation accounting	REPRT (GINVENT)
Method of accruing revenues and expenditures	REPRT (GREVREC)
Other reasons	REPRT (GOTHDEPT)

TABLE 7-1. CRITERIA FOR REPORTING A FINDING

Criteria	Search Strategy
Untimely reporting/reporting requirements	GCTIM
Discrimination/Affirmative Action (DBE, MBE)	GCVLRGHT
Cash/Financial management	GCCAS
Undocumented costs	GCUDC
Unallowable costs	GCUNA
Davis-Bacon Act	GCDBA
Improper cut-offs	GCIMP
Unapproved costs	GCUNPP
Unreasonable costs	GCUNR
Mathematical errors/erroneous reporting	GCMAT
Other	GCOTH

INDEX

M

N

O

P

Q

R

S

T

U

V

W

Y

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