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American Institute of Certified Public Accountants

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1990 Local Governmental Accounting Trends & Techniques

Third Edition

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Annual Survey of Accounting Practices Followed by 500 Local Governmental Units

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American Institute of Certified Public Accountants

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Third Edition

Local Governmental Accounting Trends & Techniques

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PREFACE

Local Governmental Accounting Trends & Techniques—1990, Third Edition, is a compilation of data obtained by a survey of 500 local governmental units which had single audit reports undertaken for the purpose of analyzing the accounting information disclosed in such reports. All financial statements, notes and reports were presented as issued unless indicated. The reports surveyed were those of selected entities for fiscal periods ending between July 1, 1987 and June 30, 1988.

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.

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John Graves, Director, Technical Services
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Section 1: General

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

ENTITIES SELECTED FOR SURVEY

The reports analyzed for this study were prepared by the governmental units during the period July 1, 1987 through June 30, 1988.

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

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

THE GOVERNMENT SECTOR

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

> Governmental accounting is an integral branch of the accounting discipline. It is founded 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 portrayed 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 audits 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 published by the U.S. General Accounting Office, and (3) the Single Audit Act of 1984.

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

To address the federal concerns the 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.

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, but such 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

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

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

2. A written report that the audited governmental entity complied with laws and regulations that may have a material effect on the financial statements.
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 auditing 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 its 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 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 (when appropriate).

Reports as Defined by AICPA

During 1989, the AICPA issued Statement on Auditing Standards 63, *Compliance Auditing Applicable to Governmental Entities and other Recipients of Governmental Assistance,* 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 hierarchical reporting requirements of government and changed the types of reports made by auditors to comply with the Single Audit Act of 1984 and OMB Circular A-128. Pursuant to SAS 63 the full reporting for a governmental entity now includes:

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

(2) For 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.)

In 1986, the AICPA issued its guide, *Audits of State and Local Governmental Units.* Appendix A to that guide illustrated several opinions and other audit reports related to audited financial statements and other reports issued in relation to audits of state and local governments. Since that time, the

*The same reports are required by the government auditing standards.

AICPA has also issued several Statements on Auditing Standards (SAS's) that affected the types of reports made by auditors of governments. These include:

- SAS No. 58—*Reports on Audited Financial Statements,* which changed the auditor's standard report;
- SAS No. 62—*Special Reports,* which changed the form of the auditor's report on financial statements prepared on a comprehensive basis other than generally accepted accounting principles;
- SAS No. 63—*Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance,* which changed reports on compliance with laws and regulations and on the internal control structure for audits made in accordance with government auditing standards.

Thus, in August 1989, the AICPA issued Statement of Position 89-6, which amended the 1986 audit guide. Specifically, SOP 89-6 supersedes report examples 1 through 20 that appear in Appendix A to the AICPA's 1986 audit guide and provides 26 report examples in response to SAS Nos. 58, 62, and 63, mentioned above.

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

CITY OF SIERRA VISTA, AZ (JUN '88)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

The City of Sierra Vista (City) was incorporated in May 1956. The City operates on a Council-Manager form of government and provides all municipal services, excluding water and electricity. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. All funds and entities related to the City of Sierra Vista that are controlled by the Mayor and Council are included in this report.

A. Reporting Entity

Management in determining what potential component entities should be included for financial reporting purposes considered accountability for fiscal matters, other manifestations of oversight responsibility, scope of public service, and special financing relationships. Fiscal accountability, the most significant of all the criteria, refers to conditions of financial interdependency between two entities including budgetary adoption, taxing authority, responsibility for debt, control over or responsibility for financial management. Other manifestations of oversight responsibility encompass the ability to select governing authority, designate management or significantly influence operations. The scope of public service evaluates the benefits derived in terms of the citizenry served or the geographic boundaries included.

Based upon these 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.

The Sierra Vista School District, which provides education services to the community, was not included since this governmental unit is governed by an independently elected board which controls the district's fiscal matters and staff selection. The Industrial Development Authority (IDA), assisting the City in the promotion of industry, was excluded even though its membership is appointed by the City because all fiscal responsibility remains with the IDA Corporation. The Economic Development Foundation, responsible for economic promotion of the community, although receiving funding from the City was excluded since no other oversight nor fiscal accountable condition exists.

CITY OF SOUTH TUCSON, AZ (JUN '87)

NOTES TO FINANCIAL STATEMENTS

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

A. Reporting Entity

In evaluating how to define the City of South Tucson, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the City's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Included within the reporting entity:

South Tucson Industrial Development Authority

The South Tucson Industrial Development Authority's governing board is appointed by the City's council. The bond issuance authorizations are also approved by the City's council.

South Tucson Municipal Property Corporation

The South Tucson Municipal Property Corporation governing board is appointed by the City Council. The City pays rent to the Municipal Property Corporation in order to fund the debt incurred to finance various City properties. The legal liability for the Municipal Property Corporation's debt remains with the City.

Housing Authority of South Tucson

The City Council serves as the governing board for the South Tucson Housing Authority. The Housing Authority operating budget is formally adopted within the City budget.

Excluded from the reporting entity:

Tucson Unified School District

This potential component unit has a separate elected board and provides service within the geographic boundaries of the government. This potential unit is excluded from the reporting entity because the City does not have the ability to exercise influence over their daily operations, approve budgets or provide funding.

CITY OF VIRGINIA BEACH, VA (JUN '87)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

B. Reporting Entity

1. The City's financial statements include the operations of all entities for which the City Council exercises oversight responsibility (basic criterion established by the Governmental Accounting Standards Board). Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities include the general operations of the City and the School Board. Also, the Mosquito Control Commissions have been included in this report (Special Revenue Fund) because they meet the aforementioned basic criterion.

2. Certain entities are not included in this report because they do not meet the aforementioned basic criterion and exist within the boundaries of the City of Virginia Beach and/or contributions are made thereto are as follows:

a. Virginia Beach Development Authority

The Virginia Beach Development Authority was established for the specific purpose of attracting new industries and the expansion of existing industries. The Authority is authorized to issue industrial development bonds after approval by the City Council and to purchase land to improve and sell for development. The bonds do not constitute indebtedness of the City but are secured solely by revenues from the organization on whose behalf the bonds were issued. Additionally, the City does not have title to any of the Authority's assets, nor does it have a right to the Authority's surpluses.

The City operates an Industrial Development Division within the Department of Economic Development (included in the financial statements). Activities of this division include industrial park development, financial planning and management, and land use planning for the Authority. Total expenditures on the aforementioned through June 30 amounted to $622,770 in 1988 and $607,112 in 1987.

b. Tidewater Transit District Commission

The City subsidizes its share of the operating cost deficit (included in the financial statements) of the regional mass transit operations. However, the City does not have title to any of the Commission's assets nor do the Commission's liabilities constitute indebtedness of the City. Total expenditures on the aforementioned through June 30 amounted to $650,000 in 1988 and $738,000 in 1987.

c. Contributions to Certain Other Entities

Virginia Beach Anglers Club	500
Arts and Humanities Commission	364,637
Southeastern Tidewater Opportunity Program	19,000
Tidewater Community College	4,500
Virginia Beach Safety Council	1,050
Eastern Virginia Medical Authority	404,401
Veterans Memorial Construction	4,956
Southeastern Virginia Areawide Model Program	27,300
Crime Solvers	2,000
Southeastern Virginia Planning District Commission	123,120
Virginia Dare Soil Conservation	5,000
Crime Prevention Steering Committee	2,500
Virginia Beach SPCA	10,000
Hospice Care Program	10,000
Shakespeare By-The-Sea Festival	23,618
Infant Death Conference	60,000
YMCA—Women in Crisis Program	18,750
Sanctuary of Tidewater	5,770
Virginia Beach Maritime Historical Museum	70,575
Independence Center	38,020
Virginia Beach Civic Leagues	822
Volunteer Fire Departments	50,400
Volunteer Rescue Squads	12,900
American Water Works Association Research Foundation	3,672
Total	$1,263,491

ELKO COUNTY, NV (JUN '88)

NOTES TO FINANCIAL STATEMENTS

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

Reporting Entity:

The statements included herein present only the financial position, results of operations and changes in fund balance/ retained earnings, changes in assets and liabilities of the certain fiduciary fund types and changes in financial position of the proprietary fund types of Elko County general government and its unincorporated towns enumerated in the Table of Contents. The scope of the audit examination is intended to cover those funds under the sole and direct jurisdiction of the Board of Commissioners of Elko County.

Activities under the jurisdiction of other governing boards, elected or appointed, that exercise substantial or total administrative and supervisory authority in their name are considered to be substantially autonomous from Elko County government and are, therefore, not included in this report. They include the incorporated cities of Elko, Wells and Carlin, the Elko County School District, the Elko General Hospital, the Elko City/County Civic Auditorium Authority, the Elko County Agricultural Association (Fair Board), Elko Television District and the Elko County Fair and Recreation Board.

In addition, the County receives and disburses money from various agency accounts held for other entities. These accounts which are maintained by the County for others in a fiduciary capacity, if subject to independent examination, are also reported upon separately.

COUNTY OF ERIE, NY (DEC '87)

NOTES TO FINANCIAL STATEMENTS

I—Summary of Significant Accounting Policies [In Part]

A. Financial Reporting Entity

The County of Erie was established in 1821. Subject to the State Constitution, the County operates pursuant to the County Charter and Administrative Code. Additionally, various New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government. The Charter was enacted by local law and approved by the electorate at a general election held in November 1959. The Administrative Code was enacted into local law in 1961. The Erie County Legislature is the legislative body responsible for overall operations, the County Executive serves as chief executive officer, the Commissioner of Finance serves as chief fiscal officer, and the County Comptroller serves as chief reporting officer.

The County provides mandated social service programs such as medicaid, aid to dependent children, and home relief. The County also provides services and facilities in the areas of culture, recreation, police, libraries, youth, health, senior services, roads, and sanitary sewerage. Additionally, the County operates a medical center, a home and infirmary, and a community college.

The financial reporting entity includes organizations, functions, and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

1. Included in the Reporting Entity

Based on the foregoing criteria and the significant factors presented below, the following organizations, functions, or activities are included in the reporting entity:

The Erie Community College was established in 1953 with the County of Erie as the local sponsor under provisions of Article 126 of the New York State Education Law. The college is administered by a board of trustees consisting of ten voting members; five are appointed by the County Executive and confirmed by the Legislature, four by the Governor, and one student is elected by the student body. The college budget is subject to the approval of the County Executive and the County Legislature and, in addition, the County provides one-half of the capital costs and approximately one-third of the operating costs for the college. Title to the real property of the college vests with the County. Bonds and notes for college capital costs are issued by the County and are County debt.

The Erie County Medical Center is a public general hospital opened in 1978 as the replacement for the E. J. Meyer Memorial Hospital that was operated by the County since 1946. The hospital is operated under provisions of Article 6 of New York State General Municipal Law. The hospital board of managers is appointed by the County Executive and confirmed by the County Legislature. The Legislature also approves the management contract with a hospital management firm which provides administrative expertise, a chief executive officer, and a chief financial officer. The hospital's budget is approved by the County Executive and the County Legislature and includes a subsidy from the County sufficient to cover annual operations. The County of Erie approves all capital expenditures. The board of managers is required to make a detailed annual report of the operations of the hospital to the Legislature including any matters the Legislature may require.

The Erie County Home and Infirmary is a public home operated under Section 193 of Title 5 of New York State Social Services Law. The director is appointed by the Commissioner of Social Services for the County. The annual budget is prepared in the same manner as for all regular County departments.

All borrowings related to the Erie County Medical Center and the Erie County Home and Infirmary are direct debt of the County, but are recorded as the Enterprise Funds' obligations.

The Buffalo and Erie County Public Library was established in 1953 by the County and granted a charter by the State Board of Regents, as provided in Article 5 of the New York State Education Law. The Mayor of the City of Buffalo and the County Executive appoint five and ten trustees, respectively, subject to approval of the County Legislature. The County raises taxes for library purposes, has title to real property used by the library, and issues all library indebtedness which is supported by the full faith and credit of the County of Erie.

2. Excluded from the Reporting Entity

Although the following organizations, functions, or activities are related to the County, they are not included in the County reporting entity for the reasons noted:

The Erie County Industrial Development Agency is a public benefit corporation created under Article 18-A, Title 1, of New York State General Municipal Law to promote the economic welfare, recreation opportunities, and prosperity of the County's inhabitants. This independent corporation is governed by a twenty-one member board, only two of whom are County officials. The board has total responsibility for the management of the Agency and accountability for fiscal matters. The County annually appropriates a sum for support but does not exercise oversight responsibility. The Agency has the power to issue its own debt, none of which is guaranteed by the County.

The Niagara Frontier Transportation Authority (NFTA) is a State agency created under Article 5, Title 13, of the New York State Public Authorities Law. The Authority is responsible for all public transportation systems in Erie and Niagara Counties. The Authority is governed by an 11-member board appointed by the Governor with the advice and consent of the New York State Senate. The board has complete responsibility for the management and financial operations of the Authority. The County exercises no oversight responsibility and is not liable for any debt issued by the Authority. Pursuant to Section 18-b of the New York State Transportation Law, "Statewide Mass Transportation Operating and Assistance Program," each year the Counties of Erie and Niagara must make an aggregate payment equal to that of the State for operating assistance. Erie County's payment for 1987 was set at approximately \$8.2 million which represents approximately 10.3% of the NFTA's total budget. This amount included \$3.4 million representing the County's matching share of the regular state operating assistance appropriation and \$4.8 million to match an additional state appropriation for special emergency operating assistance.

The Erie and Niagara Counties Regional Planning Board was established on June 1, 1966, pursuant to State enabling legislation under Articles 5-G and 12-B of the New York State General Municipal Law and according to an agreement and bylaws with Erie and Niagara Counties. Board membership totals 21 with the Erie County Executive appointing 11 members, and the Chairman of the Niagara County Legislature appointing 10 members. The governing board has complete managerial responsibility and financial accountability for organization activities. The counties do not have clear oversight responsibility and are only responsible for board expenditures to the extent of the amounts annually appropriated by the counties for board purposes.

The Erie County Water Authority is a public benefit corporation created under Article 5, Title 3, of the New York State Public Authorities Law to provide water to most municipalities within the County outside the City of Buffalo. The Erie County Water Authority and the cities and towns have maintained primary responsibility for the construction of water facilities. The Water Authority's three-member board has complete responsibility for its management and financial operations. County officials do not exercise any oversight responsibility for Water Authority operations. The County provides no financial operating assistance to, nor is the County liable for any debt issued by, the Water Authority.

Units of local government which operate within the boundaries of the County include the cities of Buffalo, Lackawanna and Tonawanda, as well as 25 towns and 16 villages. Public education is provided by the various city and other school districts. None of these entities is included in the financial statements as they are governed by independently elected bodies and are not influenced by the County.

CITY OF ALBANY, NY (DEC '87)

NOTES TO FINANCIAL STATEMENTS

1. The Reporting Entity and Description of Funds and Account Group [In Part]

The Reporting Entity:

The combined financial statements include substantially all departments, agencies and other organizational units, with the exception of the Albany Housing Authority, over which the

Mayor and Common Council of the City of Albany (the City) exercise oversight responsibility. Oversight responsibility, as defined by the National Council on Governmental Accounting (NCGA) Statement No. 3, was determined based on the organizational unit's scope of public service as well as the City's ability to significantly influence operations, select the governing authority and participate in fiscal management.

The Albany Housing Authority operates under the Public Housing Law of New York State to implement Federal and State housing programs, primarily for low-income families. Based on the application of the aforementioned criteria, this agency should be considered part of the City's reporting entity. Its financial position and results of operations have not been included in the combined financial statements of the City because audited financial statements for the year ended December 31, 1987 were not available. There were no significant transactions between the City and this agency during 1987.

The Albany School Board and the Port of Albany are not considered part of the City's reporting entity because the City does not select their governing boards, nor does it significantly influence or participate in their fiscal management. Their financial activities are therefore not included in these annual financial statements.

GASB PRONOUNCEMENTS*

During the past year, GASB's Five-Year Review was completed and the "jurisdiction issue" resolved. GASB issued five pronouncements, and two exposure drafts.

Five-Year Review. In October 1989 the Financial Accounting Foundation (FAF) acted positively on all but two of the recommendations of the Committee to Review Structure for Governmental Accounting Standards (CRSGAS). The CRSGAS recommendation relating to hierarchy was modified by the FAF such that GASB has the primary responsibility for setting standards for state and local government organizations and that these organizations are not required to change their financial reporting principles as a result of standards issued by other groups. Governments, however, are not precluded from following standards issued by the FASB when the GASB has not addressed a specific issue. (The previous hierarchy was that if GASB had not addressed a subject or issued a pronouncement, FASB statements would apply. That hierarchy had resulted in two "negative" statements being issued by GASB—one dealt with FAS 87, "Employers' Accounting for Pensions," and the second dealt with FAS 93, "Recognition of Depreciation by Not-for-Profit Organizations.") After carefully considering the jurisdiction issue, the FAF trustees decided that the jurisdiction for the separately issued general purpose financial statements of special entities should remain as established by the 1984 Structure Agreement and not as recommended by CRSGAS.

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

The following provides a brief summary of the pronouncements and exposure drafts issued by GASB since June 30, 1989.

Cash flow reporting. In September 1989 the GASB issued Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting." However, public employee retirement systems and pension trust funds are exempt from the requirement to present either a statement of cash flows or a statement of changes in financial position. Statement 9 requires that the statement of cash flows classify cash receipts and payments according to whether they arise from operating, noncapital financing, capital and related financing, or investing activities. Governmental enterprises are encouraged to report operating cash flows using the direct method, although the indirect or reconciliation method may be used. If the direct method is used, a reconciliation of operating income to net cash flow from operating activities is required to be provided. Statement 9 is similar to FASB's Statement 95 (FAS 95), "Statement of Cash Flows," except that Statement 9 requires the use of a fourth category—capital and related financing. As a result of adding this category Statement 9 differs from FAS 95 in that:

Construction and acquisition of capital assets are not classified as investing activities as in FAS 95, but are major elements in the capital and related financing category;

Cash inflows and outflows related to *both* capital and noncapital borrowing are included in the financing category in FAS 95; in Statement 9 only cash inflows and outflows from capital borrowing are included in the capital and related financing category;

Statement 9 includes interest payments on capital and related financing in this category; FAS 95 includes interest payments in the operating category;

Statement 9 includes interest on noncapital debt as part of noncapital financing so that interest is treated consistently with capital interest; and

Investment earnings are included as inflows from investing activities in Statement 9 rather than from operating activities as required by FAS 95.

Statement 9 is effective for annual financial statements for fiscal years beginning after December 15, 1989.

Risk management activities. In November 1989 GASB issued Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which establishes accounting and reporting for the risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools. Statement 10 generally requires public entity risk pools to follow the current accounting and financial reporting standards for similar business enterprises, based primarily on FASB Statement 60, "Accounting and Reporting by Insurance Enterprises." Public entity risk pools are also required to present disclosure of certain ten-year revenue and claims development data as supplementary information. State and local government entities other than public entity risk pools are required to report an estimated loss from a claim as an expenditure/expense and as a liability if information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability had been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Statement 10 also requires that if a governmental entity other than a pool uses a single fund to account for its risk financing activities, that fund should be either the general fund or an internal service fund.

For entities other than pools, Statement 10 is to be effective at the same date as Statement in Measurement Focus and Basis of Accounting for governmental funds, which is for periods beginning after June 15, 1994 (see the discussion below Statement 11). However, earlier application is permitted. The provisions of Statement 10 which apply to public entity risk pools are effective for financial statements for periods beginning after June 15, 1990, with earlier application permitted.

Measurement focus and basis of accounting. In May 1990 the GASB issued Statement 11, Measurement Focus and Basis of Accounting for governmental funds, which establishes an accrual basis of accounting with a financial resources measurement for governmental funds. Although the exposure draft issued in 1987 provided guidance on balance sheet display issues, Statement 11 does not address balance sheet presentation. A future statement on financial reporting is to provide that guidance and is to be implemented at the same time as Statement 11. Governmental revenues are to be recognized when the underlying transactions or event has taken place. Tax revenues are to be recognized when the underlying transaction has taken place and the government has demanded the taxes. Operating expenditures are to be recognized on the accrual basis—generally when the transactions that result in a claim against financial resources take place, regardless of when the cash is paid. Supplies, inventories and expenditures for prepaid items are to be recognized using the consumption method. Statement 11 also requires that when operating debt is issued (that is, debt whose proceeds are not being used to acquire or construct a capital asset), it should not be reported on the operating statement. Further guidance on where it should be reported is to be provided in a statement on financial reporting. Expenditures for interest on operating debt are to be recognized as they accrue. Capital debt (that is, debt issued to acquire or construct a capital asset) is to be reported as an other financing source in a governmental fund. Pending guidance in a subsequent statement on capital reporting, debt service expenditues for general long-term capital debt generally should be recognized when due.

Statement 11 is effective for fiscal periods beginning after June 15, 1994, and is to be implemented at the same time as final statements on pension accounting, financial reporting, capital reporting and the portion of Statement 10 not applicable to public entity risk pools.

Statement 11 is effective for fiscal periods beginning on or after June 15, 1994.

Operating leases. In May 1990 the GASB issued Statement 13, "Accounting for Operating Leases with Scheduled Rent Increases," which proposed accounting and reporting for operating leases with scheduled rent increases, regardless of fund type used to report the lease transactions. Unlike existing FASB pronouncements, Statement 13 requires that operating leases with scheduled rent increases be accounted for using the terms of the lease contract when those increases are intended to cover the anticipated effects of cost increases or property value appreciation. If the scheduled increases are for the purpose of compensating for the effect of a rent reduction designed to ease the lessee's near-term cash flow requirements, Statement 13 requires accounting for the implicit financing in the lease agreement. Proprietary and similar trust funds are required to recognize operating lease revenue and expense using an accrual basis of accounting; governmental and similar trust funds would be required to recognize operating lease revenue and expenditures using a modified accrual basis of accounting. Statement 13 is effective for lease transactions commencing on or after July 1, 1990, with earlier application, including retroactive application, permitted.

Postemployment benefits. In May 1990 the GASB issued Statement 12, "Disclosure of Information on Postemployment Benefits Other than Pensions by State and Local Governmental Employers." Statement 12 was issued in anticipation of a FASB final statement on other postemployment benefits which would supersede the disclosure requirements of FASB Statement 81, "Disclosure of Postretirement Health Care and Life Insurance Benefits." Statement 12 requires that a governmental entity that provides other postemployment benefits disclose: a description of the benefits provided, employee groups covered, and employer and employee obligations to contribute, a description of the statutory, contractual or other authority under which benefit provisions and obligations to contribute are established, a description of the accounting and funding policies followed for those benefits, and the expenditures/expenses for those benefits recognized for the period and certain related data. Statement 12 is effective for fiscal periods beginning after June 15, 1990. The GASB intends to provide guidance on the accounting and reporting for other postemployment benefits in a separate project.

Reporting entity. In (March 1990) the GASB issued an exposure draft, "The Reporting Entity," of a statement on defining the financial reporting entity. The definition of the reporting entity is proposed to be based on accountability—a primary government is accountable for the organizations that make up its legal entity and the legally separate organizations for which its officials appoint a voting majority of the governing body. Organizations which are potential component units of a primary government would be evaluated based on whether the potential component unit is accountable to an electorate and whether it has fiscal independence (i.e., able to determine its budget without review and modification by another primary government, to levy taxes or set rates or charges, and to issue bonded debt without approval by another primary government). The exposure draft proposes that once determined to be a component unit financial statement display would be that of either blending or discrete presentation. Only those component units which are, in substance, a part of the primary government would be blended. Other component units (those that are financially interdependent with the primary government or whose day-to-day operations can be significantly affected by the primary government) would be reported by discrete presentation, a method currently restricted to the display of college and university financial data in an oversight government's financial statements. The exposure draft proposes an effective date for years beginning after June 15, 1991.

Comments on the exposure draft are due to the GASB on (July 13, 1990) and a final statement is expected in the fourth quarter of 1990.

Pension accounting. In January 1990 the GASB issued an exposure draft, "Accounting for Pensions by State and Local Governmental Employers," which proposes standards for recognition and measurement of pension expenditure/expense and related liabilities or assets in the financial statements of governmental employers. The exposure draft would require accrual basis recognition of pension expenditure/expense in all fund types. However, governmental gas and electric utilities, hospitals, colleges and universities that use proprietary fund accounting or another accounting model similar to their private-sector counterparts would be given the option to apply either FASB Statement 87, "Employers' Accounting for Pensions," or the final standards of the GASB. In either case, existing governmental accounting standards for pension disclosures would continue to apply. The exposure draft proposes that employers that participate in *defined contribution plans* accrue periodic pension expenditure/expense equal to the employer contributions required by the plan. A pension liability or asset would be recognized for any difference between pension expenditure/expense and the employer's actual contribution for the period. The exposure draft proposes that employers participating in *defined benefit plans* measure expenditure/expense according to certain "Parameters for Calculating Pension Expenditure/Expense (the Parameters)." The Parameters would require the actuarially required contribution to be determined using (a) one of the following actuarial cost methods: projected unit credit, entry age, frozen entry age, attained age, frozen attained age or the aggregate actuarial costs method; (b) specific periods and methods for amortizing the unfunded actuarial accrued liability or funding excess at transition to the proposed standard; (c) specific periods and methods for amortizing subsequent changes in unfunded liabilities due to plan amendments, actuarial gains and losses, and changes in actuarial methods; (d) an interest rate assumption based on the estimated long-term investment yield on plan assets; (e) guidance for selecting other actuarial assumptions; and (f) guidance for valuing plan assets included in determining the actuarially required contribution. Liabilities or assets resulting from recognition of pension expense in proprietary and similar trust funds would be reported according to existing financial reporting standards for those funds. The exposure draft does not include guidance on balance sheet display of long-term liabilities or assets resulting from pension expenditures of governmental and expendable trust funds because such guidance will be provided in the same future statement on financial reporting which will also address balance sheet display issues arising from the measurement focus and basis of accounting for governmental funds project. The exposure draft proposes an effective date which would be the same as that for the management focus and basis of accounting final statement—periods beginning after June 15, 1993.

Comments on the exposure draft are due to the GASB on May 31, 1990 and a final statement is expected in the third quarter of 1990.

Capital assets: Budget/Actual. This project was undertaken as a result of the GASB's deliberations on the capital assets reporting project (see below). The GASB has decided that certain disclosures about the status of capital asset projects should be made. Those disclosures relate to the status of the project in relation to budgeted amounts and in relation to the availability of financial resources to continue funding those projects.

An exposure draft of a statement is expected in the second quarter of 1990 and a final statement expected in the fourth quarter of 1990.

Capital reporting. A discussion memorandum was issued in January 1989. The project is a result of the measurement focus and basis of accounting for governmental funds project and is the fourth phase of the financial reporting project. The purpose of the discussion memorandum was 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 capital assets, there is an opportunity to explore a governmental plant fund or account group 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 versions of this concept, called a "capital account group" and a "capital fund."

An exposure draft of a proposed statement is expected in the fourth quarter of 1990 and a final statement in the third quarter of 1991.

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:

*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. 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.

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	**1988**	**1987**	**1986**
Combined balance sheet	498	499	501
Combined statement of revenues, expenditures, and changes in fund balances—governmental fund types	455	447	401
Combined statement of revenues, expenditures, and changes in fund balances—budget and actual—governmental fund types	448	439	379
Combined statement of revenues, expenses, and changes in retained earnings—proprietary fund types	413	409	387
Combined statement of changes in financial position—proprietary fund types	404	395	313

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 there be information in the financial statements about the accounting policies adopted by a reporting entity. Accounting policies are defined by Opinion 22 as the specific accounting principles and methods of applying those principles judged by management to be most appropriate in the circumstances to present fairly the financial position, results of operations and cash flows in accordance with generally accepted accounting principles.

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

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

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

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

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

CITY OF CHARLESTON, IL (APR '88)

NOTES TO FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

The accounting policies of the City of Charleston, Illinois conform to generally accepted accounting principles as applicable to governments, except for the omission of a general fixed asset group of accounts and omission of parking system property and equipment accounts. The following is a summary of the more significant policies:

a) Financial Reporting Entity—For financial reporting purposes, in conformance with National Council on Governmental Accounting ("NCGA") Statement 3, as recognized by GASB Statement 1, the City of Charleston, Illinois includes all funds as well as boards over which the City exercises oversight responsibility. Oversight responsibility is defined to include the following considerations: selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, the scope of an organization's public service, and/or special financing relationships.

Based on the application of the NCGA Statement 3 criteria, the following organizations meet the oversight criteria and are included in the accompanying financial statements:

Carnegie Public Library
Playground and Recreation Department

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

Governmental Funds

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

Special Revenue Funds—Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for special purposes. The City has twelve special revenue funds which are listed in the table of contents.

Proprietary Funds

Enterprise Funds—Enterprise funds are used to account for operations (1) 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 (2) 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 Enterprise Funds of the City are the Water and Sewer Fund, and the Parking System Fund.

Fiduciary Funds

Trust Funds—Trust funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. These include the police and fire pension trusts. The pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

c) Fixed Assets and Long-Term Debt—The accounting and reporting treatment applied to the fixed assets and long-term debt associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) should be accounted for in the general fixed assets account group, rather than in governmental funds. The City does not, however, maintain such a group of accounts.

Long-term debts expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

All proprietary funds and pension trust 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 noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital, retained earnings components and designated for employee retirement systems. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The City has expensed all interest incurred on debt to fund construction in progress.

Depreciation of all exhaustible fixed assets used by the water and sewer utility is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided at a rate of 2% per year for all water and sewer utility property and equipment, except current year acquisitions on which 1% is provided.

The City has not established and does not maintain fixed asset records of the parking system. Such records, if established, would include the land, cost of parking lots, lot improvements, meter posts and meters. Capital assets, with respect to the parking system, are, therefore, not shown in the accompanying financial statements nor is depreciation on such capital assets shown therein.

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer receivables are stated at gross charges to users without provision for doubtful accounts which are considered minor. Such accounts as have been charged off as uncollectible have been deducted from revenues. Unbilled receivables from users are included at estimated amounts and such amounts are included as revenue in the accounting period in which service is rendered.

e) Budgets and Budgetary Accounting—The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget is submitted to the city council for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the appropriations are legally enacted through passage of an appropriation ordinance.
4. The tax levy ordinance is adopted and filed with the county clerk on or before the second Tuesday in Séptember.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for the general and special revenue funds are adopted on a cash basis which is inconsistent with generally accepted accounting principles (GAAP) which requires accrual basis reporting. All budgeting comparisons presented in this report are on a non-GAAP budgetary basis and are compared with actual cash receipts and disbursements.

f) Investments—Investments are stated at the lower of cost or market value if the decline in market value is judged to be other than temporary.

g) Inventory—Inventory held by the Water and Sewer Fund is priced at cost (first-in, first-out) which approximates market.

h) Property Taxes—Property taxes are deferred in the fiscal year for which they are levied and are recorded as revenue in the fiscal year in which they are received. Taxes levied and uncollected are carried as an asset of the appropriate fund.

The City's property tax calendar is as follows:

1. Property is assessed on January 1 each year.
2. The tax levy ordinance is adopted and filed with the county clerk on or before the second Tuesday of September.
3. Property taxes are due to be collected on June 1 (first installment) and September 1 (second installment) in the year following the levy year.

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

j) Total Columns on Combined Statements—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.

k) Fiscal Year End—The City has adopted an April 30 fiscal year end for all funds.

l) Cost of Employee Benefits—The City maintains a special revenue fund to provide for payment of Illinois Municipal Retirement Fund (IMRF) contributions, social security, group medical insurance and unemployment compensation. All funds, which have employees, transfer their share of such benefits to the employee benefits fund from which the costs are paid. The employee benefits fund also makes a tax levy to cover the employer's share of IMRF. The City also transfers the estimated cost of worker's compensation insurance from the funds having employees to the judgment fund from which the insurance is paid. The judgment fund makes a tax levy which is meant to cover insurance costs.

Note B—Cash Deposits and Investments

The City is allowed to invest in securities as authorized by the State of Illinois Statutes, Chapter 85, Sections 902 and 906; and Chapter 24, Section 3-10.

a) Deposits—At April 30, 1988, the carrying amount of the City's deposits was $9,992,809, the bank balance was

$10,014,155. The deposits are categorized in accordance with the risk factors created by governmental reporting standards.

LANE TRANSIT DISTRICT, OR (JUN '88)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting. Employer payroll tax subsidies are recorded when considered available as a resource, i.e., when collections are made by the Oregon Department of Revenue.

Deposits with financial institutions and investments:

Deposits with financial institutions are fully collateralized by U.S. Treasury or U.S. Agency instruments in accordance with state statutes. The District's policy is that all surplus funds for which it is practicable to do so will be invested in the State of Oregon Local Government Investment Pool, U.S. Treasury Bills and Notes, time certificates of deposit up to $100,000 per financial institution, or repurchase agreements which are fully collateralized by U.S. Treasury Bills and Notes. Investments which consist of participation in the State of Oregon Local Government Investment Pool, certificates of deposit, and a U.S. Treasury Note are stated at cost which approximates market.

Inventory of parts and supplies:

Inventory is stated at the lower of average cost or market.

Property and equipment and depreciation:

Property and equipment are stated at cost. Depreciation is being provided by using the straight-line method over the estimated useful lives of the related assets.

Unearned revenue:

Income is deferred for the sales price of tokens when sold, and recognized as tokens are collected through farebox receipts. Income from sales of passes which pertain to the succeeding month is deferred until earned in the succeeding month.

Contributions under federal and state grant programs:

Federal and state grant contributions for all purposes other than capital outlay projects are included in non-operating income as earned. Grant contributions for capital outlay projects are credited directly to District equity as earned and the related project costs are capitalized as incurred.

Pension plans:

The District's policy is to fund pension costs as accrued according to an actuarial cost method plus interest on the unfunded liability. Past service costs are fully funded.

Budget and appropriations:

Expenditures are controlled by appropriations adopted by resolutions of the Board of Directors. Appropriations are adopted on a multi-fund basis, at a broad object classification level within departments or functions. This is the level at which expenditures may not legally exceed appropriations. More detailed classifications of expenditure appropriations are adopted for administrative control purposes.

The budget as originally adopted may be amended through appropriation transfers by official resolution of the Board of Directors. Budgeted amounts presented in the supplemental statements reflect certain amendments to the original budget, executed in accordance with local budget law.

Appropriations lapse at year end.

INDEPENDENT SCHOOL DISTRICT NO. 152, MN (JUN '88)

NOTES TO FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

The District was organized on April 15, 1873 and is governed by an elected Board of Education. The District provides regular and exceptional education for students in kindergarten through grade 12 (K-12) and operates Moorhead Technical Institute (MTI) which provides vocational instruction.

Except for the carrying value of general fixed assets, the accounting policies of the District, as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local governmental units. The following is a summary of the more significant policies:

A. Reporting Entity—The District's financial statements include all funds and account groups over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

The Moorhead Technical Institute and the Townsite Centre are included within the District reporting entity since the District's board is governing body for each.

The District is not includable as a component unit within another reporting entity.

B. Basis of Presentation—The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equities, revenues, expenses and expenditures. The various funds are grouped by type in the financial statements.

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 or results of operations 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.

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

The following fund types and account groups are used by the District:

GOVERNMENTAL FUND TYPES

General Fund—To account for all financial transactions not properly accounted for in another fund. The District uses this fund to account for expenditures principally for administration, instruction, pupil services, operation and maintenance of plant and related fixed charges.

Special Revenue Funds—To account for the proceeds of specific revenue sources (other than debt service or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects (Building)—To account for the revenues and expenditures associated with building and site improvements.

Debt Service Funds—To account for annual payments of principal and interest on long-term general obligation debt.

PROPRIETARY FUND TYPE

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 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 revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise fund of the District consists of the Townsite Centre Leasing Enterprise Fund which accounts for the operations of the Townsite Centre building which leases office space. Tenants are not related to the District, other than the District leasing administrative office space.

FIDUCIARY FUND TYPES

Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

ACCOUNT GROUPS

General Fixed Assets (Unaudited)—To account for all fixed assets of the District, other than those accounted for in the Townsite Centre Leasing Enterprise Fund.

General Long-Term Debt—To account for all long-term obligations of the District.

C. Basis of Accounting—The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used for all governmental and agency funds. Under this method, revenues are recognized when received, except for (a) those accruable, which are recorded as receivable when measurable and available to pay current-period liabilities, (b) property tax revenues (see Note 4 and paragraph below) and state revenues, which are recognized according to Minnesota statutes, and (c) federal revenues, which are generally recognized in the same year in which the related expenditures are made. Major revenues that are susceptible to accrual include interest, tuition and fees and state aids.

Property tax revenue is recognized under an intact levy concept as defined by state statute. This requires that current taxes collectible during a calendar year are recorded as revenue in the subsequent fiscal year, net of a state mandated property tax shift.

Expenditures are recorded on an accrual basis except for (a) interest on long-term debt, which is recorded when due, and (b) disbursements for inventory items which have been considered expenditures when purchased.

The proprietary, nonexpendable trust funds are accounted for on the accrual basis of accounting wherein revenues are recognized in the period earned and expenses are recognized when they are incurred.

D. Budgetary Accounting—State statutes require a budget be approved before any expenditures are made. The board will usually approve a preliminary budget in March or April for the fiscal year beginning July 1. A final operating budget is adopted by July 1 of each fiscal year for all governmental funds other than the capital projects fund, on the same modified accrual basis used to reflect actual revenues and expenditures.

The budget approval is done during a public board meeting. State statutes require the District to publish a summary of the budget in the District's official newspaper by October 1 of each year.

The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. The District is not subject to legal limitations on expenditures in excess of budget. Reported budgeted amounts are as originally adopted or as amended by board resolution. No significant amendments to the budget were made during the year. Unencumbered appropriations lapse at year-end.

E. Cash Deposits and Investments—Deposits and investments are stated at cost, which approximates market.

Cash balances for all District funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

F. Inventories—The cost of supplies, textbooks, food and other items are charged to expenditures as purchased in the year in which the expenditure is budgeted. Inventories of these items were immaterial at year-end.

Inventories of federal commodity food items are recorded on the balance sheet in the food service fund based on a standard price list furnished by the USDA and are offset by deferred revenue as required by Minnesota statutes. They are subsequently recorded as revenues and expenditures when used.

G. *Fixed Assets*—Fixed assets used in governmental fund-type operations are accounted for in the general fixed assets account group, rather than in the governmental funds. No depreciation has been provided on general fixed assets.

General fixed assets, as reported in these financial statements, are based on a combination of estimated historical costs, insurable replacement cost and historical costs and do not give effect to all acquisitions or disposals. Recent purchased fixed assets are valued at historical cost. Recent donated fixed assets are valued at market value on the date donated.

The fixed assets of the Townsite Centre Leasing Enterprise fund are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building	25 years
Improvements	10–15 years
Equipment	5 years

H. Long-Term Liabilities—Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt group, not in the governmental funds.

I. Advances to Other Funds—Noncurrent portions of long-term interfund loans receivable (reported in "advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets.

J. Compensated Absences—The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 1988, this amount did not exceed a normal year's accumulation.

Substantially, all employees are entitled to sick leave. Noncertified employees are compensated by medicare supplements for unused sick leave upon qualified termination of employment. For certified employees, unused sick leave enters into the calculation of severance pay.

Certified employees who are at least fifty-five (55) years of age and have rendered a minimum of ten (10) years of service are eligible for single health insurance coverage until age sixty-five (65). This coverage is also recorded as severance payable.

The long-term portion of severance pay is recorded as a liability in the general long-term debt account group.

K. Pension Costs—Pension costs are funded as they accrue.

L. Fund Equity Reserves and Designation

Reserved Fund Balance—Indicates that portion of fund equity which has been legally segregated for specific purposes.

Unreserved—Designated Fund Balance—Indicates that portion of fund equity for which the district has made tentative plans.

Unreserved—Undesignated Fund Balance—Indicates that portion of fund equity which is available for appropriation in future periods.

Note 2. Stewardship, Compliance and Accountability

A. Fund Deficits—Following are funds that have incurred deficits as of June 30, 1988, and the district's proposed actions to eliminate such deficits.

SPECIAL REVENUE FUNDS

K-12 Pupil Transportation—This deficit was caused primarily by the acquisition of buses during the year. Funding for these buses is expected to be realized in future years.

CITY OF DALLAS, TX (SEP '87)

NOTES TO COMBINED FINANCIAL STATEMENTS (In Thousands)

1. Summary of Significant Accounting Policies

The City of Dallas, Texas is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accounting policies of the City of Dallas as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

The combined financial statements of the City of Dallas include all government activities, organizations and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's combined financial statements include the degree of oversight responsibility exercised by the City Council over a government organization, activity or function, the City's accountability for the activity's fiscal matters, its scope of public service and the nature of any special financing relationships which may exist between the City and a given government activity. These are based upon and consistent with those set forth in National Council on Governmental Accounting Statement No. 3 "Defining the Governmental Reporting Entity," and Interpretation No. 7, thereof.

Therefore, the City's municipal services, which includes public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services, are included in the accompanying financial statements. In addition, the City owns and operates certain major enterprise activities including water and wastewater utilities, convention and event services, transportation, airport and other enterprise activities which are also included in the accompanying financial statements.

After due consideration of each criteria, especially the substance of the City's relationship with these organizations/entities and using professional judgment, management has decided to exclude certain organizations and activities from the City's combined financial statements because significant oversight responsibility does not exist. These organizations together with the reasons for their exclusion from the City's reporting entity are as follows:

Dallas/Fort Worth International Airport

The Dallas/Fort Worth International Airport (DFW Airport) is jointly owned by the cities of Dallas and Fort Worth in the ratio of seven and four elevenths, respectively. The airport is operated by an 11-member board comprised of seven members from the City of Dallas and four members from the City of Fort Worth. Members of the board are appointed by the respective City Councils.

The nature of financial interdependency between the City and the DFW Airport is discussed more fully in Note 16 to the combined financial statements. However, due to the lack of significant oversight responsibility and accountability of the Dallas City Council for the actions of the DFW Airport Board, the operations and fiscal matters of the DFW Airport, the degree of financial interdependency as described in Note 16 is considered insufficient to warrant inclusion of the DFW Airport with the City's reporting entity. Note 16 also includes summary financial information for the DFW Airport, in accordance with National Council on Governmental Accounting Statement No. 7 reporting requirements for joint ventures not included in the reporting entity.

Dallas Housing Authority

The Dallas Housing Authority (Authority) is an independent organization which has a scope of public service within the geographic boundaries of the city. Under Texas State Statutes, the responsibility for the administration and operations of the Authority is vested solely with the Authority's Board of Commissioners and the City has no oversight responsibility. The Authority is dependent on Federal funds from the Department of Housing and Urban Development and, as a result, is not financially dependent on the City of Dallas. Accordingly, the Authority has not been included within the City's reporting entity.

Pension Plans

The City contributes to four defined benefit pension plans. Brief descriptions of each plan are in Note 8 to the combined financial statements. The primary functions of the pension plans are the investment management and benefit management activities. The City's decision to exclude the pension funds from the reporting entity was reached after due consideration of the reporting definition criteria found in National Council on Governmental Accounting Statement No. 3. The City does not manifest oversight of the pension funds because it does not designate management, influence operations, nor have accountability for fiscal matters.

Under applicable sections of the State Statutes and the City's Municipal Code, the responsibility for the investment management and benefit management of the pension funds has been vested solely with the respective Pension Boards. City Council and City management have no review or approval authority for the investment management and benefit management activities. The Boards have contracted with the various investment managers and banks for management of the portfolios of the funds. Furthermore, the assets are under ownership and control of the pension funds and are not owned by the City. Pension benefits and administrative costs are paid directly from the assets of the plans.

The most critical indicator of manifestation of oversight is financial interdependency. The excess of required pension expense (as computed in accordance with Accounting Principles Board Opinion No. 8) over contributions made to the Police and Fire Pension Plans and the Dallas Transit System Pension Plans are recorded as a liability in the General Long-Term Debt Account Group and is being amortized over a 20 year period. Although this might indicate a degree of financial interdependency, the City does not consider this to be significant.

Therefore, based on the City's professional judgment, the pension funds have not been included within the City's reporting entity.

Dallas Area Rapid Transit

The Dallas Area Rapid Transit (DART) is a regional transportation authority created pursuant to Article 1118y of the State Statutes and is controlled by a 25 member board. Fourteen board members are appointed by the Dallas City Council, ten by participating suburban City Councils and one by Dallas County. Its purpose is to provide the transportation services in the DART service area. The voters in the DART service area approved a one percent sales tax to fund the authority. DART has contracted with the City of Dallas to provide transportation services which requires DART to pay the City the actual cost of providing transportation services, excluding depreciation.

DART has not been included within the City's reporting entity. While the City Council appoints some of the board members there is no significant oversight responsibility, the City does not have budgetary authority, nor does the City finance DART operations. The City is not responsible for any deficits incurred and has no fiscal management control.

On June 24, 1987, the City Council approved the transfer of the City's transit operations (Dallas Transit System) to DART effective October 1, 1987 (See Note 19).

Trinity River Authority of Texas

The Trinity River Authority of Texas (TRA) is a government agency of the State of Texas created as a conservation and reclamation district by the State Legislature. The TRA is governed by a Board of Directors who are appointed by the Governor of the State of Texas. The responsibility for the administration and operations of the TRA is vested with the TRA's Board of Directors.

The City of Dallas and 19 other entities have entered into waste disposal contracts with the TRA for wastewater treatment (See Note 9). The City does not own any assets of the TRA, has no control over the selection of governing authority or designation of management, has no fiscal management control and is not responsible for funding deficits and is not entitled to surpluses. Accordingly, the TRA has not been included within the City's reporting entity.

A. Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are maintained by the City:

GOVERNMENTAL FUNDS

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

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

Debt Service Fund—The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The principal source of revenue is ad valorem taxes.

Capital Project Funds—Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital projects are funded primarily by general obligation bonds.

PROPRIETARY FUNDS

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

Internal Service Funds—Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as proprietary funds, with the measurement focus on determination of net income and capital maintenance. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. The following are the City's account groups:

General Fixed Assets Account Group—This group of accounts is established to account for all fixed assets of the City, except those accounted for in the proprietary and trust funds.

General Long-Term Debt Account Group—This group of accounts is established to account for all long-term obligations including general obligation bonds and certificates of the City, except those accounted for in the proprietary funds.

B. Basis of Accounting

The modified accrual basis of accounting is followed by governmental funds, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 45 days. Within the governmental funds, significant revenues which have been accrued are:

General Fund—ad valorem taxes, sales tax, sanitation collection fees, alcoholic beverage tax and interest.

Special Revenue Funds—certain federal and state grant proceeds.

Debt Service Fund—ad valorem taxes and interest.

Under the modified accrual basis, expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Interest on long-term debt is not accrued.

All proprietary and nonexpendable trust funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable. Unbilled water and wastewater utility service receivables are recorded in the Water Utilities Fund under "Accounts Receivable" at year end.

C. Budget

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. By the fifteenth day of August each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund and Proprietary Funds. Formal budgetary integration is employed as a management control device in the Special Revenue Funds and Capital Project Funds for the life of the related grants or projects.
6. Annual budgets are legally adopted for the General Fund, Proprietary Funds, for the Federal Revenue Sharing Fund in Special Revenue Funds and for the Debt Service Fund. Certain differences, as described in Note 2, exist between the basis of accounting used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. Budgets for the Special Revenue Funds and Capital Project Funds are normally established pursuant to the terms of the related Federal and State grant awards or to the term of the related bond indentures, that is, on a program or project basis. Accordingly, Federal Revenue Sharing is the only Special Revenue Fund for which an annual budget is prepared as a part of the City's annual operating budget cycle and a comparison of budget to actual is presented in the financial statements. A comparison of budget to actual for the General Fund and the Debt Service Fund is also presented in the financial statements.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end except for that portion related to encumbered amounts. Outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

Certain individual funds within the Special Revenue Fund reflect reserves for encumbrances and corresponding deficits in undesignated fund balances. In accordance with City policy, these reserves are recorded for contractual obligations and other commitments entered into by the City and for which revenues will not be recognized until the related expenditures are made.

Encumbrances outstanding at year end are carried forward to the new fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes and accordingly the accompanying financial statements present comparisons of actual results to the budgets of governmental funds on the budget basis of accounting.

E. Pooled Cash and Investments

Investments in certificates of deposit, U.S. Government obligations and other investments are recorded at cost except for donated investments which are recorded at market value at the time of donation.

F. Inventory

Inventory is valued at average cost. Inventory for all funds generally consists of expendable supplies and automotive parts held for consumption and is recorded as an expenditure (or expense) when consumed. Inventories reported in the General Fund are offset by a fund balance reserve which indicates they do not represent "available spendable resources" even though they are a part of current assets.

G. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Transactions Between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

Nonrecurring or nonroutine transfers of equity between funds are reported as additions to or deductions from the fund balance of governmental funds. Transfers of equity to proprietary funds are treated as contributed capital and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as is appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

H. Property, Plant and Equipment—Proprietary Funds

Property, plant and equipment owned by the proprietary funds are stated at cost (estimated fair value for assets contributed).

Maintenance and repairs are charged to operations as incurred whereas improvements and betterments which extend the useful lives of fixed assets are capitalized.

Net interest cost during construction is capitalized when the effects of capitalization materially impact the financial statements.

Depreciation of plant and equipment components is provided by the straight-line method over the estimated useful lives as follows:

	Years
Land, navigation and water rights	50 to 100
Buildings	25 to 50
Improvements other than buildings	15 to 100
Equipment	3 to 50
Utility property	25 to 100

The costs of reservoirs and rights for water are depreciated/amortized over a period of one hundred years using the straight-line method. Included in "Land, navigation and water rights" is $128,060 of costs for water rights in supply reservoirs not yet in service. Land is not depreciated.

Contributions of funds from Federal, State or local grants for the purpose of purchasing property, plant and equipment are recorded as equity contributions when they are earned and become measurable. Depreciation on contributed assets is recorded as an expense in the statement of operations and then, with the exception of Internal Service Funds, charged to the related contributions account.

Certain plant assets of the Airport Revenue Fund (Airport) were financed with the contribution by the General Fund from the proceeds of various City of Dallas Aviation General Obligation Bonds issued between 1928 and 1967. The aggregate proceeds contributed from the issuance of the bonds was $22,186. No formal agreement exists between Airport and the General Fund requiring Airport to reimburse the General Fund for these contributions. However, Airport has the right to reimburse the General Fund for such contributions received. The amount of reimbursements, if any, is budgeted by Airport on an annual basis. Reimbursement of contributed amounts are recorded as a direct reduction of contributed equity. Airport has reimbursed the General Fund $11,587 through September 30, 1987.

I. General Fixed Assets

General fixed assets have been acquired or constructed for general governmental purposes. Assets are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded in general fixed assets at estimated fair market value at the time received.

Fixed assets which are paid for with general obligation bond proceeds (capital projects) for ultimate use by a proprietary fund are reported in the General Fixed Asset Account Group during construction. At the time the asset is placed in service it is removed from the General Fixed Assets Account Group and recorded in the appropriate proprietary fund as a contribution from the municipality.

The City records depreciation on "Buildings," "Improvements Other Than Buildings" and "Equipment" within the General Fixed Assets Account Group. The straight-line method of depreciation is applied to composite groups of assets over estimated useful lives ranging from 50 years for "Buildings," 15 to 50 years for "Improvements Other Than Buildings" and three to 50 years for "Equipment." The "Investment in General Fixed Assets" is reduced by the amount of accumulated depreciation. Such depreciation is not allocated to funds using the general fixed assets. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been capitalized as general fixed assets. The City does not capitalize net interest cost.

J. Federal and State Grants, Entitlements and Shared Revenues

Grants, entitlements and shared revenues received for purposes normally financed through the general government are accounted for within the Special Revenue Funds. Community Development Block Grants and Job Training Partnership Act Grants are the more significant grants so classified. Grant revenues are recognized when the expenditures are made, while shared revenues (Federal Revenue Sharing) are recognized as they become measurable and available.

Current revenues received for operating purposes of proprietary funds or which may be utilized for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund. Grant monies restricted for acquisition or construction of capital assets of proprietary funds are recorded as contributed capital within the applicable fund.

K. Vacation and Sick Leave

The City's employees earn vacation which may either be taken or accumulated, up to certain amounts, until paid upon retirement or termination. Unused sick leave may be accumulated up to certain limits and is subject to a specified reduction if paid in cash upon retirement or death. For all funds this liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment and reasonably estimated. The governmental and fiduciary type fund liability is recorded in the General Long-Term Debt Account Group as payment of this liability will not be made with expendable available financial resources. The liability related to Proprietary Funds is reflected in each Proprietary Fund. At September 30, 1987, $34,147 and $12,117 has been recorded in the General Long-Term Debt Account Group and Proprietary Funds, respectively.

L. Long-Term Debt

General obligation bonds which have been issued to fund capital projects of both the general government and certain proprietary funds are to be repaid from tax revenues of the City. General obligation debt is therefore recorded in the General Long-Term Debt Account Group except for certain general obligation bonds recorded in the Convention Center Fund (See Note 11). Any proceeds from issuance of general obligation bonds which are utilized for construction of proprietary fund fixed assets are reported as increases in equity contributions in the applicable proprietary fund.

Accreted interest on capital appreciation bonds is reflected as an addition to general obligation bonds payable. Accreted interest totaled $1,970 in 1987 for a cumulative total of $3,940 at September 30, 1987.

Revenue bonds which have been issued to fund capital projects of the Enterprise Funds are to be repaid from revenues of the Enterprise Funds. Such debt is recorded in the individual Enterprise Funds.

M. Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's financial statements.

N. Total Columns on Combined Statements

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

COUNTY OF CARVER, MN (DEC '87)

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Carver County was established March 3, 1855, and is an organized county having the powers, duties and privileges granted counties by Minn. Stat. ch. 373 (1986). The County is governed by a five-member board of commissioners elected from districts within the County. The Board is organized with a chairman and vice-chairman elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

The financial reporting policies of the County conform to generally accepted accounting principles.

A. Financial Reporting Entity

Carver County has implemented the provisions of the Governmental Accounting Standards Board, codified as GASB Cod. § 2100, "Defining the Governmental 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, responsibility for outstanding debt secured by Carver County's full faith and credit or revenues, and responsibility for funding deficits.

As a result of applying the criteria of GASB Cod. § 2100, certain organizations have been included or excluded from the County's financial statements:

Included

Entity	Reason for Inclusion
Carver County Library	The County appoints the governing authority and has financial control, responsibility for funding deficits, and ability to influence operations.

Excluded

Entity	Reason for Exclusion
Carver County Housing and Redevelopment Authority	The County's control is limited to appointment of governing authority and some financial contribution, but the County has no significant ability to influence the Authority's operations.
Carver County Developmental Achievement Center	Relationship is contract for services to residents of the County; the County has no direct control over operations or management.
Carver County Historical Society	The County appropriates funds for the Historical Society but has no significant ability to influence its operations.
Carver County Agricultural Society	The County appropriates funds for the Agricultural Society but has no significant ability to influence its operations.

B. Basis of Presentation—Fund Accounting

The accounts of Carver County 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. 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 five generic fund types and two broad fund categories. A description of the fund types and account groups used by the County follows.

Governmental Funds

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

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

The Agency Fund is used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups

The General Fixed Assets Account Group is used to record the County's fixed assets.

The General Long-Term Debt Account Group is used to record the County's long-term liabilities.

C. Basis of Accounting

Governmental and agency funds are reported on the modified accrual basis of accounting, in which revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include property taxes, special assessments, intergovernmental revenues, and investment earnings. Expenditures are recognized when the corresponding liabilities are incurred, except for principal and interest on general long-term debt, which are recognized when due, and compensated absences, which are recognized when paid to the employees.

D. Budgetary Data

General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, all Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The budgets may be amended or modified at any time by the County Board. Comparisons of estimated revenue and expenditures to actual are presented in the financial statements for the General, Special Revenue, Debt Service and Capital Projects Funds.

Encumbrances

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the governmental funds. Encumbrances outstanding at year-end are reported as reserved fund balances since they do not constitute expenditures or liabilities. Budget encumbrances lapse at year-end and are rebudgeted the following year.

Budget Basis of Accounting

Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

E. Assets, Liabilities, and Fund Equity Accounts

1. Assets

Investments

Fund and pooled (in lieu of cash) investments are stated at cost, which approximates market value.

Deferred Compensation Plan Assets

Deferred compensation plan assets are reported at market value.

Special Assessments Receivable

Special assessments receivable consists of:

- Unapportioned special assessments held in the Agency Fund.
- Delinquent special assessments payable in the years 1981 through 1987.
- Deferred special assessments payable in 1988 and after; no provision has been made for an estimated uncollectible amount.

Advance to Other Funds

Noncurrent portions of long-term interfund loans receivable (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute available spendable resources. Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered available spendable resources.

Food Stamps

Food stamp inventory is valued at the face value of the stamps. Food stamps are held by the County until they are issued to qualified individuals as prescribed by federal guidelines. Their value is not included in the County's financial statements.

Fixed Assets

General fixed assets are recorded as expenditures in the governmental funds when purchased. Valuation of purchased fixed assets shown in the accompanying financial statements is at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Public domain ("infrastructure") fixed assets—roads, bridges, curbs and gutters, sidewalks, drainage systems and lighting systems—are not capitalized, because such items are of value only to the County.

2. Liabilities

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

3. Fund Equity

Fund equity is divided into sections:

— The account "Investment in general fixed assets" represents the County's equity in general fixed assets.

— Fund balance accounts are subdivided:

- Reserved accounts indicate the portion of fund equity which has been legally segregated for specific purposes or is not appropriable for expenditure.
- The unreserved designated account indicates the portion of fund equity the County has set aside for planned future projects.
- The unreserved undesignated account indicates the portion of fund equity which is available for budgeting and expending in the future.

F. Revenues and Expenditures

1. Revenues

Property Taxes

Property taxes are recognized as revenue to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period.

Portions paid by the State in the form of tax credits are included in intergovernmental revenues. The property taxes receivable but not available are recorded as deferred revenue and will be recognized as revenue in the fiscal year that they become available.

Special Assessments

Special assessments are recorded as revenues in the year they are collected. Interest on special assessment levies is recognized in the year due. Interest on special assessment debt is recognized when due.

Intergovernmental Revenue

Intergovernmental revenues are reported under the legal and contractual requirements of the individual programs. Generally grant revenue is recognized when the corresponding expenditure is recorded. In certain programs, such as Federal Revenue Sharing, revenue is recognized when it is measurable and available.

State Aid Highway Allotments for highway maintenance and construction are recognized as revenue only after an expenditure has been recorded. The accounting for allotments is similar to grant accounting in that revenues equal expenditures.

Other Revenues

Other revenues, such as licenses and permits, charges for services, fines and forfeits, gifts and contributions, and miscellaneous revenues are recognized when received in cash because they generally are not measurable until then. Investment income is recognized when earned because it is measurable and available.

2. Expenditures

Expenditure recognition for governmental fund types includes only amounts represented by current liabilities. Since noncurrent liabilities do not affect net current assets, they are not recognized as governmental fund expenditures or fund liabilities. They are reported as liabilities in the General Long-Term Debt Account Group.

Compensated absences are considered expenditures when they are paid to employees. Earned but unpaid vacation and vested sick leave are shown in the General Long-Term Debt Account Group. Unvested sick leave is not reported in the financial statements.

G. Total Columns on Combined Statements

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 or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of the data.

TOPICS DISCUSSED IN OTHER NOTES TO THE FINANCIAL STATEMENTS

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

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

	Instances Observed		
Topic	**1988**	**1987**	**1986**
Employee benefits/plan/retirement/pension	474	461	370
Fixed assets	471	463	418
Pensions	461	443	366
Long-term debt	444	422	390
Investments	436	300	79
Commitments/contingencies	409	410	302
Interfund accounts/balances/commitments	339	295	204
Cash and investments	335	290	59
Litigation	303	275	160
General obligation bonds	289	283	203
Compensated absences	289	262	156
Property taxes	244	242	174
Capitalized lease obligations	242	216	133
Notes payable/receivable	241	209	164
Segment information/enterprise funds	224	190	110
Deferred compensation plan	224	177	55
Fund deficits	202	206	103
Property, plant, and equipment	198	180	138
Self-insurance	188	152	62
Subsequent events	149	120	68
Restricted assets	138	112	62
Excess of expenditures	134	114	82
Lease agreements/balances/commitments	124	108	59
Deferred revenues	111	97	75
Budgetary basis of accounting	102	92	51
Capital projects	90	105	46
Prior period adjustment	76	95	67
Due from governments	76	71	55
Changes in accounting principles	49	73	28

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

SAMPLE TRANSMITTAL LETTER FROM A FINANCIAL OFFICER

November 15, 1989

The Honorable T. Patton Adams, Mayor
Members of the City Council and City Manager
City of Columbia, South Carolina

Mayor and Members of Council:

The comprehensive annual financial report of the City of Columbia for the fiscal year ended June 30, 1989, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the City's organizational charts and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes a number of tables of unaudited selected financial and demographic information, generally presented on a multiyear basis.

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

This report includes all funds and account groups of the City. The City provides a full range of services contemplated by statute or charter. These services include the public safety (police, fire and central communications); sanitation and environmental health enforcements; recreational activities and cultural events; public improvements; planning; zoning and general administrative services. In addition to general government activities, the City of Columbia exercises, or has the ability to exercise, oversight of the Firemen's Fund of the City of Columbia (as of July 1, 1989 the City's firemen, active and retirees were transferred to the South Carolina Police Officers' Retirement System), Columbia Police Officers' Retirement System, Columbia Housing Development Corporation and Columbia Development Corporation; therefore these activities are included in the reporting entity. However, Columbia Museums of Arts and Sciences, Columbia Urban Lending Project and Columbia Housing Authority have not met the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

Economic Condition and Outlook

Columbia, the capital City of South Carolina, is the state's geographic center and the center for commerce, finance and government. It is the largest City in South Carolina and the central City for one of the highest growth metropolitan areas in the United States. The Columbia metro area is the nation's 78th largest, with a 1988 estimated population of 456,500, an 11 percent increase since 1980. The economic condition and outlook for Columbia continues strong. Columbia has a stable, balanced economy created by a diversity of public and private employers (education, government, military, business, and industry).

Fort Jackson, which is within the city limits, is slated to get about 800 more permanent military and civilian personnel and up to 22,000 additional basic trainees a year if Congress approves recommendations on closing other military facilities around the country. Fort Jackson is the largest Army initial training facility in the United States with over 52,000 acres under federal control. If the *Base Realignment and Closures Report of the Defense Secretary's Commission of December, 1988* recommendations are fully implemented, Fort Jackson's impact on the Columbia economy will be substantially greater.

The area has enjoyed a steady rate of quality growth, as evidenced by new and expanded retail, office, medical, hotel, industrial, and residential developments. This year the Koger Center for the Performing Arts and the South Carolina State Museum have given Columbia two more "quality of life" assets so important to attracting and retaining growth and progress. In addition, improvements that were made to the Township Auditorium, imminent completion of Sidney Park improvements establishing a "greenbelt" from Assembly Street to the Congaree River, and a $6.3 million expansion of the Riverbanks Zoo will greatly expand Columbia's visibility as a tourism center.

The outlook for the Columbia area appears to be very promising. Columbia was ranked among the twenty fastest growing metro areas by *Inc* magazine in February, 1989. The ranking is based on the rate of significant new business startups, the percentage of young companies with high growth rates, and job generation. The City of Columbia currently has a 4.3 percent unemployment rate as compared to a Columbia metro rate of 3.2 percent, a statewide rate of 4.5 percent and a national rate of 5.2 percent.

Based on current projections, this trend is expected to continue through the end of the century. While having a positive impact, this growth also presents significant challenges for the City of Columbia. If the present high level of services is to be maintained, the City will have to look at obtaining other financial resources. The City is anticipating the enactment of the Local Option Sales tax law when the General Assembly reconvenes in January, 1990. This would allow the City to take some of the tax burden off the property taxpayers and to provide additional monies for the ongoing and critical future service needs of our citizens.

Major Initiatives

For the Current Year

In preparing the 1988-89 budget, the City identified several projects/programs needed to meet its citizens' needs for services and to safeguard the environment, in conformity with South Carolina Department of Health and Environmental Control agency's standards.

These projects/programs include the police department's Law Enforcement Accreditation, implementation of Phase II, Project II of the COLUMBIA URBAN AREA SIGNAL SYSTEM, upgrading the City's wastewater plant to provide adequate treatment and to expand its capacity to meet the needs of an expanding system, upgrade the Canal water plant to eliminate the discharge of sludge into the river (or waterway) and the expansion of our Lake Murray water plant to supply the increasing demands for water in the western and northern sections of the metropolitan areas.

During the first full year of the Law Enforcement Accreditation program, the police department has seen a great deal of progress made in the self assessment phase of the process. Several new programs have been implemented, thirty-two policies developed and three standard operating procedures manuals revised. The Accreditation program is a voluntary process in which law enforcement agencies bring their operations into compliance with 904 nationally recognized standards. With the successful completion of this process, it will make for a more efficient, better trained, better equipped department and will become a nationally recognized agency committed to professionalism.

A major portion of Phase II, Project II of the COLUMBIA URBAN AREA SIGNAL SYSTEM was implemented which included computer installation, plan implementation, and debugging software. When complete, it will involve providing central computer control for all traffic signals in uptown Columbia, and should aid the flow of traffic during peak business hours.

For the Future

Over the next five years the City plans to expend over $101 million for capital improvements to the water system and to the sewer system. A part of this expenditure is to upgrade the wastewater plant to meet more stringent treatment standards and to expand its capacity to meet the needs of an expanding system. Phase 1 of the metro treatment upgrade began in July, 1989 and is expected to cost $9.4 million. It includes construction of a new digester, head house, chlorine building, renovations for a sulphur dioxide facility, installing a new incinerator, installing a channel monster at the DAF Wetwell and constructing a dump station for receiving septic waste haulers. Most of the first phase is mandated by the South Carolina Department of Health and Environmental Control. Phase II, expansion of the treatment capacity from 40MGD to 60MGD will follow phase I. In addition, plans have been completed on the sludge dewatering facilities at the Canal water plant, which will eliminate the discharge of sludge back into the river, at an estimated cost of $3.5 million. *The Clean Water Act* requires a zero discharge of lime/alum sludge to surface waters. When construction is complete, the sludge will be dewatered and hauled to the Richland County landfill. Also expansion of the Lake Murray plant from 30MGD to 55MGD is necessary to supply the increasing demands for water in the western and northern sections of our service areas. The contract for the engineering and design will be awarded in fiscal year 89/90, with construction to start in fiscal year 90/91. Plans are currently underway for the construction of phase I for water service to the Town of Chapin.

The City plans to build a new fire station in northern Richland County on Campground Road. The new station will be a combination of paid City of Columbia firefighters and a volunteer facility. This will bring us to a total of 5 stations in our City/County wide fire protection service since the fire service agreement was made with Richland County in June, 1984. Also, the City maintains two volunteer stations in Richland County.

Plans have been made to upgrade our present Unisys computer system from a V-340 to a V-380. Current projects are underway to automate our building inspections division and to update/rewrite our payroll system. These changes will enhance the operations of these two important areas.

Financial Information

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

Single Audit

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

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 1989 provided no instances of material weaknesses in the internal control structure and all applicable laws and regulations were complied with.

Budgeting Controls

The City of Columbia, South Carolina maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund are included in the annual appropriated budget. The special revenue fund, debt service fund, and capital projects fund are not formally budgeted. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance accounting system as a way of accomplishing budgetary controls. Encumbrances which would result in an overrun of sub-function balances are not released until additional approval is made. The City Manager is authorized to administer the budget and may authorize the transfer of appropriated funds within and between the departments and funds as necessary to achieve the goals of the budget. Encumbrances outstanding at June 30, 1989 are reported as a reservation of the General Fund's fund balance since they do not constitute expenditures or liabilities. Encumbrances do not lapse but are brought forward to the new year and added to the budget adopted by City Council for that year.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

General Government Functions

The following schedule presents a summary of general fund, special revenue funds and debt service fund revenues for the fiscal year ending June 30, 1989 and the amount and percentage of increases and decreases in relation to prior year's revenues.

Revenues and Other Financing Sources	Amount	Percent of Total	Increase (Decrease) from 1988	Percent of Increase (Decrease)
Property Taxes	$16,394,549	37.92%	$1,534,240	10.32%
Licenses and Permits	8,496,027	19.65	446,223	5.54
Fines and Forfeitures	1,337,616	3.09	306,562	29.73
Revenues From Use of Money and Property	669,653	1.55	231,460	52.82
Revenues From Other Governments and Agencies	6,262,284	14.48	67,938	1.10
Charges for Services	6,128,507	14.17	369,508	6.42
Other Revenues	2,003,262	4.63	820,367	69.35
Total Revenues	41,291,898	95.49	3,776,298	10.07%
Other Financing Sources	1,952,195	4.51	1,093,943	127.46
Total Revenues and Other Financing Sources	$43,244,093	100.00%	$4,870,241	12.69%

The most significant increase in actual continued revenue sources was derived from property taxes.

Property tax revenue increased by 10.32 percent, which was brought about by a five mill increase on the value of all real estate and personal property of every description owned and used in the City of Columbia, except such as is exempt from taxation under the Constitution and law of the State of South Carolina; and an increase in delinquent property tax collections.

Property taxes are assessed and collected by Richland County under a joint billing and collection agreement. City residents are required to pay the total tax notice, including City and County taxes. Current tax collections were 96.01 percent of the tax levy, an increase of .30 percent from last year. The ratio of total collections (current and delinquent) to the current tax levy was 101.61 percent, an increase of 3.56 percent from last year. Property tax was allocated 100 percent to the general fund. Fire tax assessments are allocated 100 percent to Richland County fire service fund.

Licenses and permits had a substantial increase, particularly in the collection of delinquent business licenses. This was attributed to the fact that at the initial start up of collection and administering the Richland County business license ordinance which was effective January 1, 1988, the collection of delinquent business licenses was slowed down. More stringent enforcement was resumed in the 88/89 fiscal year.

Charges for services had an increase due partly to a hydrant fee increase effective with the August, 1988 water billing cycle. The fee went from $2.00 to $3.00 on all out-of-town customers. Also the Town of Forest Acres long-standing contract with the City of Columbia for fire protection had expired and a change in the method of billing and the hydrant fee increase produced additional revenue.

Other revenues had a significant increase due to a nonrecurring revenue source. The City sold a lot in the central business district of downtown for $700,000. This lot was acquired through a land swap deal many years ago, that included a building that was sold some years earlier.

The following schedule presents a summary of general fund, special revenue funds and debt service fund expenditures for the fiscal year ended June 30, 1989 and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase (Decrease) From 1988	Percent of Increase (Decrease)
Current:				
General Government	$2,005,601	4.74%	$ 25,843	1.31%
Judicial	814,382	1.92	83,369	11.40
Finance Department	666,840	1.57	(76,030)	(10.23)
Public Safety	18,598,030	43.90	2,472,653	15.33
Community Development	2,790,146	6.59	(1,229,389)	(30.59)
Public Services	10,962,601	25.88	1,531,499	16.24
Health Department			(170)	(100.00)
Beautification, Parks and Recreation	3,202,505	7.56	219,928	7.37
General Services	1,698,038	4.01	(14,041)	(.82)
Non-Departmental	880,739	2.08	121,792	16.05
Debt Service:				
Principal Retirement	150,000	.35	—	.00
Interest and Fiscal Charges	593,247	1.40	(234,633)	(28.34)
Total	$42,362,129	100.00%	$2,900,821	7.35%

Major increases in expenditures were in the areas of public safety and public services department.

Public safety had an increase due to the fact that both the police department and the fire department were given additional personnel and equipment to keep up the level of service satisfactory to Columbia citizens. Also the police department handled 24 percent more special events than it had the past year.

The City of Columbia police department's detention services merged with Richland County effective July 1, 1988. The City entered into a contract with Richland County for the construction of the Richland County Detention Center Module Building in an effort to provide additional space to house City/County detainees and/or inmates. Total cost to the City was $650,000. Twenty security guards were also transferred to the county's payroll. The City had budgeted for the detention service operations for 1988/89 so a decrease in expenditures will not come about until 1989/90.

Public services had increases in capital expenditures due primarily to the purchase of four 1989 truck cabs and chassis for the sanitation division. In an attempt to further automate the collection of residential refuse, the City in a previous year had leased an automated sideloader refuse truck and 2,200 roll carts. Since this refuse truck did not prove feasible, the City terminated the lease for the truck and bought out the lease for the roll carts, which could be used with the existing refuse equipment.

Decreases from last fiscal year occurred in the finance department and in community development.

Finance department's expenditures decreased because the operations of one of its divisions, parking tickets, was transferred to the parking operating fund. In fiscal year 1987-88, non-moving violations fines were pledged 100 percent to the parking operating fund for the Parking Revenue Bonds, Series, 1987. This division is responsible for the collection of these non-moving violations.

Community development had a substantial decrease due to the fact that the Pavilion Towers HODAG project neared completion and was occupied during the latter part of the year. This was a $16,821,000 project to provide some 240 apartment units (48 units for lower income) for low and moderate income housing for the elderly and handicapped and some commercial space. It was financed by a $10,665,000 FHA loan, $4,456,000 HODAG Loan, and $1,700,000 from Pavilion Properties, A Limited Partnership.

General Fund Balance

The fund balance of the general fund increased by 30 percent in 1989. The $1,205,243 increase provides the City with a fund balance that is the equivalent of 8.48 working days of expenditures.

Enterprise Operations

The City of Columbia's enterprise operations are comprised of five separate and distinct activities; the Water and Sewer Facilities Fund, the Parking Facilities Fund, the Palmetto Center Fund, the Columbia Development Corporation and the Columbia Housing Development Corporation. Most of the City's ongoing and major future initiatives directly relate to the water and sewer systems. As mentioned earlier, improvements and expansions in progress will provide more citizens in outlying areas with quality water and sewer services through the end of this century. To provide the necessary resources for the repayment of the proposed bond issue of $35 million, the City increased the basic water rates and sewer service charges by approximately 21 percent effective August 1, 1989.

The City's parking facilities include on street meters, strong performance in operating revenue, numbers of customers, net income and debt service coverage. Comparative data for the past two fiscal years are shown in the following tabulation.

	Fiscal Year Ending	
	June 30, 1989	June 30, 1988
Gross Revenue	$34,186,188	$29,875,125
Operating Income	$12,519,284	$ 9,241,298
Net Revenue Available for Debt Service	$18,519,575	$15,222,110
Annual Debt Service	$ 9,253,275	$ 9,264,278
Coverage (income available for debt service divided by annual debt service)	2.00	1.64

During the year $2,295,000 maturing revenue bonds were retired.

The City's parking facilities, including on-street meters, parking buildings, lots and fines from non-moving violations continue to provide funds to cover debt service requirements. Effective January, 1987, the City has appropriated and authorized the use of all revenues and fees received by reason of the assessment and collection of any and all citations from non-moving violations (the parking fines) to pay any immediate operation and maintenance expenses of the facilities and the City's on-street parking facilities. Non-moving violations produced $1,069,668 revenue for the facilities. Comparative data for the past two fiscal years are presented in the following tabulation:

	Fiscal Year Ending	
	June 30, 1989	June 30, 1988
Gross Revenue	$3,859,702	$3,420,327
Net Revenue Available for Debt Service	$3,145,236	$2,861,490
Annual Debt Service	$ 840,428	$ 850,216
Coverage (income available for debt service divided by annual debt service)	4.59	4.02

The Capital Center Garage located at the corner of Assembly and Lady Streets was completed and put into operation in February, 1989. Consisting of seven levels and 1000 parking spaces, it will relieve some of the parking shortage in the central business district of the City. Plans have begun to contract for the sale of commercial space on the ground level. During the year, $200,000 revenue bonds and $200,000 Parking General Obligation Bonds were retired.

The Palmetto Center Fund was established to account for the costs of financing, construction and sale of a downtown convention facility, forming a part of the Palmetto Center and the repayment of the revenue bonds from the sale of the facility. The activities of this fund is addressed under Debt Administration.

The Columbia Development Corporation was organized by the City for the purpose of promoting and assisting the economic development and growth of the City. The corporation is financially dependent upon the City and is governed by board members appointed by the City Council.

The Columbia Housing Development Corporation was organized by the City to stimulate the development of housing within the City. The City has complete control over all activities of this corporation.

Pension Trust Fund Operations—These consist of Columbia Police Officers' Retirement System and the Firemen's Fund of the City of Columbia.

From the assets of the Columbia Police Officers' Retirement System, an annuity in the amount of $56,859 was purchased to provide retirants with a 2.2 percent cost of living increase effective March 1, 1989. According to the City of Columbia's Code of Ordinances, whenever the consumer price index for the most recent December increases by at least three percent over the previous December, or decreases by at least five percent over the previous December, an adjustment in the retiree's benefits shall be made. The percentage increase, or decrease in the pension benefit will be equal to one half of the actual percentage rise or fall in the consumer price index as published by the United States Department of Labor, with a maximum of six percent. The consumer index for 1988 was 4.4 percent.

The Firemen's Fund of the City of Columbia revenue increase of 10.52 percent was attributed to investment income. The City's contribution of 7.3 percent of annual income remained the same as last year, however; the employee portion increased from $32.12 to $33.61. Effective July 1, 1989 pension plan coverage for all firemen both active and retired was transferred to the South Carolina Police Officers' Retirement System.

Debt Administration

As of June 30, 1989, the City of Columbia had a number of debt issues outstanding. These issues included $4,250,000 General Obligation Bonds of which $3,400,000 is being repaid through the Parking Fund and $850,000 for the Performing Arts Center, $81,980,000 Water and Sewer Refunding and Improvement Bonds, $10,000,000 Tax Increment Bonds, $9,450,000 Parking Facilities Revenue Bonds, and Fire Protection System Revenue Bonds in the amount of $1,700,000.

The City's bonds continue to enjoy excellent ratings as indicated below:

	Moody's Investor's Service	Standard & Poor's
General Obligation Bonds	Aa	AA
Water & Sewer Revenue Bonds, Series '85	A-1	AA
Water & Sewer Revenue Bonds, Series '59 to '84 (defeased)	Aaa	AA
Parking Facility Revenue Bonds		
Series '64-'72	Not Rated	BBB
Series '87	Baa-1	A
Tax Increment Bonds, Series '86 (Insured)	Aaa	AAA
Fire Protection System Revenue Series '85 (sold locally non-rated)		

Under current state statutes, the City's general obligation bonded debt is subject to a legal limitation based on eight percent of total assessed value of real and personal property. As of June 30, 1989, the City's net general obligation bonded debt of $4,250,000 was $9,456,567 below the legal limit of $13,704,567 and debt per capita equaled $8.02.

During the year, in consideration of the surrender and cancellation of the Palmetto Center Revenue Bonds, the City

Council passed a resolution authorizing the assignment of the City's note and mortgage from Hampton Street Associates in the amount of $2,800,000, to the holders of the Palmetto Center bonds. Additionally, Council authorized the subordination of the City's mortgage receivable from Hampton Street Associates in the amount of $4,000,000 to the lien of the $2,800,000 mortgage assigned above.

Cash Management

Cash temporarily idle during the year was invested in Savings and Loan Associations, U.S. Treasury Bills and Bonds, and Obligations of Agencies of the Federal Government. Cash temporarily idle at the end of the fiscal year was invested as follows: In Savings and Loans, 1.91 percent, U.S. Treasury Bills and Bonds, 61.07 percent, and Agency Obligations, 37.02 percent. The average yield on general investments and regular cushion fund investments during the year was 7.64 percent and the amount earned was $2,973,185 at June 30, 1989.

Risk Management

The City established a self-insurance fund in a prior fiscal year for the handling of employees' unemployment claims, medical insurance, workmen's compensation insurance, and tort liability insurance. The workmen's compensation office handled 307 new claims at a cost of $513,319 and paid benefits on 95 continuing claims from prior years at a cost of $450,775. The City has purchased insurance to cover individual claims in excess of $200,000 through a private carrier. The City also participates in a Second Injury Fund, which is a state fund set up to reimburse carriers or self-insured employers for a portion of expenses on certain claims made by employees with preexisting impairments. The City has also established a payable for anticipated prior year claims in the amount of $1,012,904. In addition to the payable for prior year claims, the City has an additional reserve of $352,977 for future claims. On July 1, 1987 the City transferred $1,000,000 from the water and sewer operating fund to the self-insurance fund to establish a reserve for future claims for tort liability. The reserve now totals $1,831,103 and the City will continue each year to increase the reserve balance for future claims. Every year the City reviews and establishes premium charges to be paid by the various funds to the automobile liability portion of the Self-Insurance Fund.

Automobile liability claims are reviewed each year and premiums are paid from the various funds to the automobile liability portion of the Self-Insurance Fund. All claims are reviewed and approved for payment by the City's legal staff.

The City continues to purchase commercial insurance for employee fidelity bonds and fire, theft, and casualty coverage. The premiums are paid from the various funds to the respective portion of the self-insurance fund.

Capital Projects

A major commitment to the capital projects for the City of Columbia involves the Congaree Vista, a large portion of the City, bounded by Blossom Street to the south, Elmwood Avenue to the north, Main Street to the east and the Congaree River to the west, and containing approximately 700 acres.

While some projects in the Vista are in the planning stages, several have been completed and others are under construction.

The first of these projects was phase I of the Riverfront Park and Historic Columbia Canal. Constructed at a cost of approximately $2 million, the park offers visitors a unique opportunity to enjoy nature, just minutes from the uptown area. The park is built along the canal levee and the river, with a converted turn-of-the-century waterworks as the centerpiece. Plans are now being finalized to add a second pedestrian bridge over the canal. The new bridge will be constructed behind the South Carolina State Museum.

The completion of the first portion of the massive $25 million Railroad Relocation Project in early 1987 opened the way for the overall redevelopment of the Vista. Traffic movement through the area flows more freely now, unhampered by the movement of freight trains. The remaining at-grade passenger train line is also scheduled to be relocated, opening even more land for development. The second phase in this project is the Elmwood Loop phase of the Railroad Relocation. Construction began in the fall of 1988 at a total cost of $8,586,200 with the assistance of a $5.73 million grant from the Economic Development Administration and the continuing cooperation of the railroad companies involved in the use of the lines. An alternative site for a new AMTRAC station and operations has been selected.

Total railroad consolidation will allow for the development of the "greenbelt" parkway linking downtown to the river. The "greenbelt" will include a series of small parks bordered by the Riverfront Park on the west side and Sidney Park on the eastern border. The plans for Sidney Park, which is under construction, include transforming approximately 17 acres of presently idle land into a people-oriented park. It will consist of a small lake surrounded by exercise trails, an amphitheater, an overlook, picnic areas, and restaurant with completion scheduled by June 30, 1990. The project is financed by Tax Increment Bonds, which is a new type of bond in South Carolina. The taxes generated by real property improvements in the redevelopment area will be used to retire the bonds. Construction began in the summer of 1987 in a joint project with the South Carolina Department of Highways and Public Transportation. The Highway Department portion of the contract calls for the widening of Laurel Street, an east-west connector, from two lanes to four lanes from Assembly Street west to Huger Street. To the southwest of the Sidney Park construction is Memorial Park, the site of the South Carolina Vietnam Memorial. The names of South Carolinians killed in Vietnam are permanently engraved in South Carolina granite. The park was built by City forces utilizing state, local and private funds. Dedicated on Veterans Day in 1986, the monument is one of the largest in the country, outside Washington, D.C., built to honor those who served in Vietnam.

Growth in the Congaree Vista must continue with careful planning. The Open Space Master Plan created by Robert E.

Marvin and Associates provides a corridor concept of land planning which allows land owners and businesses to comfortably remain in their present locations. It also allows the area to retain the contrasting elements that give it such a distinctive character.

The City was also firmly committed to the construction of the Koger Performing Arts Center on Assembly Street. The edifice was constructed through private donations, local and state funds, and will benefit the entire Columbia Metropolitan area. The City of Columbia donated the land and $2,000,000 toward the construction cost. The University of South Carolina was responsible for funding coordination and construction management. Total project cost is estimated at $15,102,063 and was completed in early 1989. Title to the center is vested in the University of South Carolina.

Other Information

Independent Audit

Section 5-7-240 of the State Code requires an annual audit by independent certified public accountants. The accounting firm of J.W. Hunt and Company, CPA's, was selected to perform the audit for a period of three years, beginning with fiscal year 1986/87. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-128. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the Single Audit Section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Columbia for its comprehensive annual financial report for the fiscal year ended June 30, 1988.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards, such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

This was the fourth consecutive year that the City has received this prestigious award.

Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the accounting division. I should like to express my appreciation to all members of the division who assisted and contributed to the preparation. I should also like to thank the Mayor, City Council, and City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

[Signature]
Assistant City Manager for
Administration and Finance
Director

SAMPLE TRANSMITTAL LETTER FROM A
CHIEF EXECUTIVE OFFICER

October 16, 1989

TO THE MEMBERS OF THE MADISONVILLE CITY COUNCIL

This report has been prepared following the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. The GFOA Certificate of Achievement for Excellence in Financial Reporting Awards are given to those governments whose annual financial reports are judged to conform with the high standards of public financial reporting based on generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. It is my belief that the accompanying 1989 financial report, which will be submitted to the GFOA for review, meets all program standards.

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

1. Introductory Section which includes the City Administrative Officer's letter of transmittal.
2. Financial Section which includes financial statements and supplemental data of the City accompanied by our independent auditor's opinion.
3. Statistical Section which includes a number of tables of data depicting the financial history of the government for the past ten years, demographic and other miscellaneous information.
4. Compliance and Internal Control Section which includes our independent auditor's opinion on compliance and comments on internal control.

The City of Madisonville concluded its 1988-89 fiscal year in sound financial condition. The annual financial report has been accomplished through the dedicated efforts of the City Administrative Officer and his staff. Their continuing efforts to upgrade the accounting and financial reporting systems of the City of Madisonville have resulted in the improved quality of the information compiled and reported to the Madisonville City Council and its citizens.

Sincerely,

[Signature]
Mayor

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	**1988**	**1987**	**1986**
July '87	2	0	0
August '87	9	4	0
September '87	43	28	1
October '87	0	1	0
November '87	1	1	0
December '87	151	136	257
January '88	0	0	0
February '88	2	4	5
March '88	7	15	33
April '88	3	3	6
May '88	0	0	1
June '88	280	300	194
Other	2	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 the amount of claims recorded as expenditures in governmental funds shall be the amount accrued during the year that normally would be liquidated with expendable available financial resources. The following information should appear on the face of the financial statements or in the notes thereto:

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

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

GASB Cod. Sec. 1500.107 requires "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 notes to the financial statements.

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

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

COMMITMENTS AND CONTINGENCIES

Many governments, in the notes 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 notes of many of the financial statements surveyed.

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

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

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

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

CITY OF AUSTIN, TX (SEP '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

21—Commitments and Contingencies

a—Fuel Contracts

The City of Austin and the Lower Colorado River Authority (LCRA) have entered into two long-term coal contracts with suppliers who have contracted to supply fuel for operation of the Fayette Power Project. The contracts expire in 1995 and 2002 and require a minimum annual purchase of approximately 1,800,000 tons and 2,000,000 tons, respectively. Both contracts provide for price escalation based on changes in certain price indices and other factors. As described in Note 20, the City and LCRA have filed suit against one of the coal suppliers seeking to have the contract declared void or reformed. This suit was settled in January, 1988 (See Note 24). The City has replaced this coal supply with coal from various other sources.

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

b—South Texas Project (STP) Fuel Contracts

The primary source of ore for nuclear fuel fabrication for STP is through an Agreement of Settlement (the "Westinghouse Settlement") between Houston Lighting and Power Company, acting individually and as STP project manager, and Westinghouse Electric Corporation ("Westinghouse") dated October 2, 1978, as amended and a contract among STP participants and Chevron U.S.A. Inc. dated August 18, 1977, as amended August 1, 1979, (the "Chevron Contract"). Scheduled deliveries under the Westinghouse Settlement and the Chevron Contract provide a source of ore for STP into the 1990's. STP currently has on hand approximately 7,600,000 pounds of uranium concentrate equivalent, and has scheduled deliveries of an additional 4,000,000 pounds through 1991.

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

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

c—Purchased Power Contracts

In October, 1984, the City signed a contract with the Valley View Energy Corporation to purchase up to 100 MW of electric power from Valley View's facilities located in the Texas Panhandle which are fueled by cattle manure.

Approximately 50 MW was to be available in late 1986, with an additional 50 MW available in 1987. Valley View is responsible for making wheeling arrangements for the delivery of such power. The contract is for a 30-year period beginning 1986, and provides for a capacity payment and an energy payment for each kilowatt-hour ("kWh") of energy delivered to the City. Because of unanticipated wheeling and construction delays, the schedule for both units has been delayed by at least 36 months. Beginning October 1, 1986, Valley View began paying the City $1,000 per day in liquidated damages until the first 50 MW unit begins commercial operation. Since April 1, 1987, Valley View has been paying an additional $1,000 per day penalty for the second unit.

The capacity payment under the contract would have been 3.21¢ per kWh beginning in 1986 and escalating at 2% per year, with the energy payment being based on the City's average monthly cost of fossil fuel. When both units are operating fully, the pricing arrangements are forecasted to result in City payments of approximately $50 million per year.

d—Certificates of Participation

During 1987, The City entered into several capital lease arrangements through the issuance of Certificates of Participation as follows:

$24,445,000	Certificates of Participation, City of Austin, Texas Personal Property Leasing Program, Series 1987;
$23,060,000	Certificates of Participation, City of Austin, Texas Electric Utility Office Project, Series 1987;

$14,000,000 Certificates of Participation, City of Austin, Texas Water and Wastewater Utility Office Project, Series 1987.

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

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

The following table presents information regarding these certificates:

	Equipment	Electric Office Project(1)	Water and Wastewater Office Project(1)
Date issued	January 1987	February 1987	August 1987
Amount issued	$24,445,000	23,060,000	14,000,000
Interest rates	4.00% - 5.40%	4.00% - 7.00%	5.25% - 8.00%
Interest accrues beginning	January 15, 1987	February 1, 1987	August 15, 1987
Interest payable on	October 1 and April 1	March 15 and September 15	May 15 and November 15
Maturity dates	October 1 1987-1991	September 15 1988-2007	November 15 1989-2007
Present value of lease payments	$23,977,146	21,060,000	12,250,000
Reserve fund(2)	$467,854	2,000,000	1,250,000

(1) Subject to mandatory redemption upon the occurrence of certain events.

(2) Held by trustee; to be used to make final payments.

The January, 1987 Certificates issued for lease equipment, contained a clause which required all acquisitions to be completed by November 30, 1987. If acquisitions were not completed by that time, any monies remaining in the acquisition account were to be used to redeem certificates on April 1, 1988. This was the case, and as of that date, some $13.5 million remained to be disbursed. The City issued $11,820,000 Certificates of Participation, City of Austin, Texas Personal Property Leasing Program, Series 1987A in December, 1987 to finance the equipment not purchased as of November 30, 1987 (See Note 24).

The Certificates are reflected as a capital lease liability in these financial statements in the fund for which the corresponding assets were acquired or in the General Long-Term Debt Account group for General Fixed Assets. Certificates outstanding at September 30, 1987 for which a corresponding asset had not been acquired, are shown as a short term liability in an Agency Fund.

e—Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights of way, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expense for the year ended September 30, 1987 amounted to approximately $12,735,000. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments for these leases should be approximately the same amount.

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

The following is an analysis of equipment, buildings and land leased under capital leases by fund and type of equipment as of September 30, 1987:

	Electric System Fund	Water and Wastewater Fund	Hospital Fund	Sanitation Fund	Growth Services Fund	General Services Fund	General Fixed Assets	Total
Assets								
Machinery and equipment								
Computer	$ 588,817	—	3,807,339	—	868,486	—	7,603,305	12,867,947
Communication	—	—	1,175,524	—	324,561	—	1,885,802	3,385,887
Medical	—	—	2,422,953	—	—	—	—	2,422,953
Furniture	438,171	—	258,310	—	499,891	—	7,877	1,204,249
Other	—	—	219,485	2,197,979	—	235,030	1,431,928	4,084,422
Building	23,060,000	12,750,000	—	—	—	—	—	35,810,000
	24,086,988	12,750,000	7,883,611	2,197,979	1,692,938	235,030	10,928,912	59,775,458
Accumulated depreciation	261,630	—	1,397,839	332,366	276,947	68,550	3,627,465	5,964,797
	$23,825,358	12,750,000	6,485,772	1,865,613	1,415,991	166,480	7,301,447	53,810,661

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments as of September 30, 1987:

Year Ended September 30	Electric System Fund	Water and Wastewater Fund	Hospital Fund	Sanitation Fund	Growth Services Fund	General Services Fund	General Long-term Debt	Total
1988	$ 2,405,247	772,354	1,821,866	654,392	535,719	60,973	2,579,948	8,830,499
1989	2,352,922	1,029,806	1,206,714	613,520	366,459	30,487	1,586,639	7,186,547
1990	2,234,271	1,394,963	877,864	409,075	11,006	—	750,469	5,677,648
1991	2,225,558	1,399,119	622,873	276,932	7,337	—	589,275	5,121,094
1992	2,116,085	1,400,900	19,624	—	—	—	—	3,536,609
Later years	31,749,265	22,278,135	—	—	—	—	—	54,027,400
Total minimum lease payments	43,083,348	28,275,277	4,548,941	1,953,919	920,521	91,460	5,506,331	84,379,797
Less:								
Amount representing interest	19,319,240	14,275,277	418,707	196,973	44,765	3,806	487,307	34,746,075
Present value of net minimum lease payments	23,764,108	14,000,000	4,130,234	1,756,946	875,756	87,654	5,019,024	49,633,722
Current portion	909,696	—	1,745,465	554,707	500,856	57,643	2,306,758	6,075,125
Long-term portion	$22,854,412	14,000,000	2,384,769	1,202,239	374,900	30,011	2,712,266	43,558,597

MORAINE PARK VOCATIONAL, TECHNICAL AND ADULT EDUCATION DISTRICT, WI (JUN '88)

NOTES TO COMBINED FINANCIAL STATEMENTS

11. 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, 1988.

At June 30, 1988, the District had no material leases that were not capitalized.

CITY OF MILWAUKEE, WI (DEC' 87)

NOTES TO THE FINANCIAL STATEMENTS

10. Commitments and Contingencies

Claims and Other Legal Proceedings

The City is involved in numerous lawsuits arising in the normal course of business, including claims for property damage, personal injury and personnel practices, disputes over contract awards and property condemnation proceedings, and suits contesting the legality of certain taxes. Under the Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the city, agencies, officials, officers or employees cannot exceed $50,000, with certain exceptions. In the opinion of management, the ultimate outcome of these lawsuits, including the lawsuit discussed in the following paragraph, will not have a material adverse effect on the City's financial position as of December 31, 1987.

The City is a defendant in a lawsuit involving damages to a vessel while berthed in the Port of Milwaukee. The City has counterclaimed for damages to the Port. The trial began in 1986, but a decision has not yet been rendered. The City intends to vigorously defend the litigation.

The City is self-insured for workers' compensation, employee health and dental and general liability claims.

Intergovernmental Grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City 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 December 31, 1987.

Commitments

At December 31, 1987, the City had no material leases that were not capitalized.

MONROE COUNTY, FL (SEP '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 19—Commitments and Contingencies

Self Insurance Programs—The County is self-insured for losses in the areas mentioned below. Claims are paid from the Group Insurance and Workmen's Compensation Internal Service funds which are funded by contributions from other funds and in the case of Group Insurance, employees. The contributions are determined by projected losses based on historical claims experience.

Estimated liabilities for claims and judgments are accrued as liabilities of the funds. As of September 30, 1987, there are no material long-term liabilities for claims and judgments.

The following schedule reflects the amounts of self insurance and outside coverage as of September 30, 1987:

Area Covered	Deductible Amount (Self-Insured)	Limits of Outside Liability Coverage
Workers' Compensation ..	$200,000	$5,000,000 each occurrence
Group Medical.............	25,000	$1,000,000 each occurrence

Grant Programs—The County participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. As of March 3, 1987 there were no material questioned or disallowed costs as a result of grant audits in process or completed.

THE CITY OF DAYTONA BEACH, FL (SEP '87)

NOTES TO FINANCIAL STATEMENTS

24. Commitments and Contingencies

A. Various suits and claims arising in the ordinary course of the City's operations are pending against The City of Daytona Beach. The ultimate effect of such litigation cannot be ascertained at this time. These claims consist of false arrest suits; sidewalk fall downs; improper placement of a traffic control device; traffic enforcement; motorcycle accident; alleged battery, assault, false imprisonment, malicious prosecution and negligence; and auto accidents involving City vehicles.

B. Vested and nonvested amounts for vacation and sick leave benefits to which the employees may be entitled are as follows:

	September 30 1987
Vacation leave—vested	$1,018,704
Sick leave—non-vested......................................	2,916,437
TOTAL	$3,935,141

Vacation leave has been recorded in accordance with NCGA Statement No. 4 in the General Long-Term Debt Account Group and applicable Proprietary Funds. Sick leave does not vest.

C. On April 21, 1982, The City of Daytona Beach entered into an Interlocal Agreement with the County of Volusia, Florida, to assist the county in the financing of a Civic and Convention Center to be built within the boundaries of The City of Daytona Beach. The relationship of The City of Daytona Beach in this project is strictly that of assisting in enhancing the credit worthiness of the debt incurred by the County of Volusia. The City does not have any control over the management, operations or budget of the Convention Center. The obligation of the City hereunder is limited to Debt Service only in an aggregate principal amount not exceeding $29,000,000 with the City not obligated for more than $3,100,000 in any fiscal year or portion thereof. The Interlocal Agreement was validated in Circuit Court on May 12, 1982 and was further upheld on appeal to the State of Florida Supreme Court. The City Funds pledged are restricted to the Guaranteed Entitlement Portion of State Revenue Sharing entitlements and Franchise Fees. Any City Funds provided to the County are subject to being reimbursed to the City by the County during any year in which there are "excess project funds."

On October 16, 1986 after having deemed desirable the refunding of these Bonds for the benefit of both the City and the County, the refinancing was completed which resulted in a savings in debt service payments over the life of the original issue. The financial statements and records for this facility are accounted for on the books and records of the County of Volusia and accordingly have not been included in the City's Annual Financial Report.

D. As per the Ocean Center Hotel Development Agreement between The City of Daytona Beach, the Community Redevelopment Agency of The City of Daytona Beach, and Pawnee-Daytona Beach Hotel Venture, the City has agreed to improve the area commonly known as the "Boardwalk Park" estimated to cost Five Hundred Thousand Dollars ($500,000).

Also, per terms of the above mentioned development agreement, the Community Redevelopment Agency is to acquire property identified as the "Remote Parking Site." As of September 30, 1987, four (4) parcels in the "Remote Parking Site" have yet to be acquired. The Community Redevelopment Agency is pursuing eminent domain proceedings to acquire these remaining parcels.

METROPOLITAN DADE COUNTY, FL (SEP '87)

NOTES TO FINANCIAL STATEMENTS

Note 11—Contingencies and Commitments

Federal grant awards are audited in accordance with OMB Circular A-128 to determine that the terms and conditions of the grant awards have been complied with. State of Florida grant awards are subject to audit by the respective Florida grantor agencies. It is management's opinion that no material liabilities will result from any such audits.

The County has a contingent liability to make debt service payments from ad valorem taxes for $66,518,000 of Waterworks System Bonds currently outstanding to the extent that revenues of the Miami-Dade Water and Sewer Authority Department (a component unit of the Water and Sewer Operations Enterprise Fund) are not sufficient to meet such debt service requirements. As of September 30, 1987, the Miami-Dade Water and Sewer Authority Department has met all of its debt service obligations on the aforesaid bonds.

Contracts and commitments relating to Phase I Construction of the Metrorail Rapid Transit System amounted to $9,800,000 at September 30, 1987. Approximately 7% of the commitments will be funded from Federal and State sources.

As of September 30, 1987, the Water and Sewer Operations and Public Health Trust Enterprise Funds had major construction commitments totaling $15,597,000 and $7,748,000, respectively.

The Reserve for Encumbrances at September 30, 1987, for the Capital Projects Fund reflects construction commitments for which the County is obligated. The following table set forth by program classification these commitments (in thousands):

Street and Safety Improvements	$20,047
Recreational Facilities and Cultural Improvements	1,096
Public Safety Facilities	22,768
Judicial and Correctional Facilities	23,531
General Governmental Facilities	2,818
Other Facilities	130
Total	$70,390

On November 12, 1987, the County issued $46,445,000 Special Obligation Refunding Bonds (Miami Beach Convention Center Project) Series 1987A and $4,800,000 Series 1987B on behalf of the City of Miami Beach. The proceeds of the bonds were to be used to advance refund $46,595,000 of the Special Obligation Bonds (Miami Beach Convention Center Project) Series 1985A, to fund the reserve account and to pay the costs of issuance. The Series 1987B bonds were issued to pay a part of the costs of the 1987 project, fund the reserve account and pay part of the cost of issuance. The Convention Center is owned by the City of Miami Beach; accordingly, the debt is not included in the County's financial statements. However, the County is contingently liable to make debt service payments, solely from the County's local Government Half-Cent Sales Tax receipts, provided that the City of Miami Beach's pledged revenues are insufficient. It is the County's opinion, based upon the report of feasibility consultants, that the City of Miami Beach's pledged revenues will be adequate to meet future debt service requirements. The County is a defendant to legal proceedings which occur in the normal course of operations. In the opinion of the County Attorney, the ultimate resolution of these legal proceedings is not likely to have a material, adverse impact on the financial position of the County or the affected funds.

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 normally would be liquidated with expendable available financial resources.

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

Proprietary Funds

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

Trust Funds

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

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

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

TABLE 2-3. LIABILITIES FOR COMPENSATED ABSENCES

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

BOULDER VALLEY SCHOOL DISTRICT RE2, CO (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 1—Significant Accounting Policies

F. Amounts to be Provided for Early Retirement and Future Compensated Absences

In accordance with generally accepted accounting principles, the District accrues, in the General Long-term Debt account group, liabilities for early retirement benefits and compensated absences when incurred.

Early retirement benefits are paid to qualifying District employees who elect to retire and this amount may be paid in up to five annual installments. The amount presented is the total District liability as of December 31, 1987.

Compensated absences reflect the potential cost of sick leave and vacation payoffs for all employees as of December 31, 1987.

CHATHAM COUNTY, GA (DEC '87)

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

F. Claims, Judgments, and Compensated Absences

The liability for claims and judgments for compensated absences has been accrued as follows:

In Governmental Funds, liabilities are not considered current until they are expected to be liquidated with expendable available financial resources. Therefore, the current liability is accrued in the governmental funds, and the non-current portion of the liability is recorded in the General Long-Term Debt Account Group. The total liability for Proprietary Funds is recorded in the Proprietary Fund Type.

CITY OF NEVADA, MO (DEC '87)

NOTES TO THE FINANCIAL STATEMENTS

8. Compensated Absences

The City has adopted a policy whereby overtime compensation is provided in the form of compensatory time off at time and one half which can be accumulated for a total of 240 hours. Accumulated overtime in excess of 240 hours is paid at time and one half as incurred.

Regular employees earn and accumulate vacation leave from the beginning of employment. The maximum number of vacation days which can be accumulated by employees is based upon number of years of full-time service and varies from 20 days to 35 days. Upon separation, employees with at least six months service are paid for unused vacation.

Regular employees earn and accumulate sick leave from the beginning of employment. An unlimited number of sick days may be accumulated. Upon normal retirement, employees with at least ten years of continuous service are compensated at their final payrate for one-half of the sick leave earned and not taken, up to a maximum of sixty days additional compensation.

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 totaling $151,173.66. For governmental funds, the liability for compensated absences totaled $118,098.55 and 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 totaled $33,075.11 for proprietary fund types and is recorded as an accrued liability in accordance with FASB Statement 43.

CITY OF WATERTOWN, SD (DEC '87)

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

F. Revenues, Expenditures and Expenses [In Part]

Compensated Absences—Annual Leave and Sick Leave

Annual leave is earned by all full-time employees, regular part-time employees and appointive officers. Upon termination, officers and employees are entitled to receive compensation for their unused accrued annual leave. Sick leave is earned by all full-time employees, regular part-time employees and appointive officers. Upon retirement, officers and employees are entitled to receive, up to sixty days, compensation for their accrued sick leave balance.

Liabilities for compensated absences are determined at the end of the year based on current salary rates. Compensated absences are reported in the General Long-Term Debt Account Group and are not reported as expenditures in the governmental funds. Upon death of employees, provisions have been made to pay the full amount of unused sick leave through insurance policy #GLUG 4118 with the United of Omaha Life Insurance Company.

The accumulated annual leave of enterprise funds is included as an accrued liability of such funds. Based upon historical trends, projected probabilities and the vesting of sick leave with a maximum of sixty days, the financial statements of the enterprise funds include accrued sick leave liabilities in amounts earned by employees up to a maximum of sixty days per employee. These annual and sick leave amounts do not give any effect to the employer's share of related payroll deductions, and do not exceed a normal year's accumulation.

Accrued Liability—Unemployment Compensation

An estimated accrued liability for claims incurred but not reported, for unemployment compensation benefits, as of fiscal year ending December 31, 1987 is shown on the balance sheet of the Unemployment Trust Fund. The accrued liability has been estimated on the assumption that current trends remain the same as in the past. The City does not anticipate any changes in employment practices or elimination of any employment position currently held. The history of unemployment payments indicates that most benefits were made in temporary personnel/position circumstances.

TOWN OF FARMINGTON, CT (JUN '88)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

Vacation and Sick Pay

Under the terms of its various union contracts, Town and Board of Education employees are granted vacation in varying amounts based on length of service. Town and non-certified Board of Education employees may carry over five unused vacation days to subsequent years. Police may carry over vacation days equal to the number of days the employee was entitled to for the present year. In the event of termination, employees are reimbursed for accumulated vacation.

Town employees covered by the union agreement accumulate 1¼ sick days per month up to a maximum of 150 working days. Employees receive 35% of accumulated sick leave upon retirement or 25% upon termination after at least five years of service in good standing.

Board of Education employees and Town employees not covered by the union agreement are not compensated for accumulated sick leave upon retirement or termination. Sick leave is expensed when incurred.

Vested and earned vacation and sick pay are recognized as a liability of the Town. The long-term portions of the general fund liability at June 30, 1988 are recognized in the general long-term debt account group.

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 the acquisition or construction of a general fixed asset is accounted for as a capital lease, the acquisition or construction of the general fixed asset should be reflected as an expenditure and other financing source, consistent with the accounting and financial reporting for general obligation bonded debt.

Lessor Accounting

In governmental funds, lease receivables and deferred revenues should be used to account for leases entered into by a state or local government as lessor. Only the portion of lease receivables that represents revenue or other financing sources that are measurable and available should be recognized as revenue or other financing sources in governmental funds. The remainder of the receivable should be deferred.

Proprietary Funds

Lease accounting for proprietary funds should follow FASB Statement 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, 242 provided note 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 how some governments report these assets and liabilities. It also includes excerpts from notes related to capital and noncancellable leases.

PENSION ACCOUNTING AND REPORTING*

An analysis was made of the financial statements of the 500 governmental entities of which 473 of these statements contained a footnote describing the existence of or providing other details on pension plans. This analysis was made to identify the various types of pension presentations and disclosures found in the financial statements.

TYPES AND NATURE OF PENSION PLANS

The study disclosed the following types of plans for the surveyed units. Multiple responses were possible, because many governmental units had more than one pension plan.

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

	Instances Observed		
Pension Plans	**1988**	**1987**	**1986**
Multiple employers	155	328	283
Single employer	103	158	59
Not determinable	151	22	77

TABLE 2-5. NATURE OF PENSION PLANS

	Instances Observed		
Nature of Plan	**1988**	**1987**	**1986**
Defined benefit	393	335	233
Defined contribution	78	46	39
Money purchase	23	14	10
IRA	5	3	3
Other (not disclosed or unclear)	80	113	135

ACTUARIAL VALUATIONS

An actuarial valuation is the process by which an actuary reviews the terms of a pension plan, the demographics of the workforce covered by the plan, the investment results of the plan, etc. and thus estimates the present value of benefits to be paid under the plan and calculates the amount of employer contributions and accounting charges for the period. Actuarial valuations normally only are conducted for defined-benefit plans, because for defined-contribution plans both the current period contribution and expense already are known and the benefits to be paid are determined by the funds available. However, for some defined-contribution plans actuarial studies may be performed for other reasons.

As required by paragraph 30c.(2) of GASB Statement No. 5, for fiscal years beginning after December 15, 1986 (earlier application is encouraged) actuarial valuations must be performed at least biennially, with an actuarial update to the date 12 months after that biennial valuation. A new valuation is required if significant changes were made to benefit provisions since the last valuation.

*On January 31, 1990 the GASB issued an exposure draft titled, "Accounting for Pensions by State and Local Governmental Employers." It would require accrual basis recognition of pension expenditure/expense in all fund types. See section 1, "General," for a further discussion.

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 198 survey units that disclosed the rates.

TABLE 2-6. RATE OF RETURN ON PLAN BENEFITS

	Instances Observed		
Rate of Return Percentage	**1988**	**1987**	**1986**
5	4	3	1
6	12	14	10
6.5	9	10	13
7	17	19	28
7.5	41	38	13
8	29	17	9
8.5	26	10	1
9	14	8	1
9.5	1	1	—
Over 9.5	1	1	—
Multiple rates	44	21	3

The actuarial cost method used for funding or expensing purposes also is an essential element in pension plan accounting. The following types of actuarial cost methods were disclosed for the units surveyed.

TABLE 2-7. ACTUARIAL COST METHOD FOR FUNDING PURPOSES*

	Instances Observed		
Cost Method	**1988**	**1987**	**1986**
Entry age normal cost method	78	36	18
Entry age actuarial cost method	34	14	4
Projection of actuarial cost forecast method	32	1	1
Aggregate actuarial cost method	19	12	5
Frozen entry age actuarial cost method	7	6	2
Unit credit actuarial cost	6	4	2
Others	18	20	7

*Some statements contained multiple plans.

For those 473 financial statements containing a pension note, the basis of the pension plan investment assets was disclosed in several instances. Further, there were circumstances where different bases were used for different types of investment assets within the same governmental unit. Those cited could be categorized as follows:

TABLE 2-8. BASIS OF INVESTMENT ASSETS

Basis	Instances Observed 1988	1987	1986
Market value	131	47	21
Cost	112	34	8
Cost, which approximates market value	2	2	2
Other basis	47	16	1

REFERENCE TO FASB AND GASB STATEMENTS

Few of the 473 governmental units with footnotes specifically made reference to FASB Statement of Financial Accounting Standards No. 35 or to GASB Statement No. 4 of the Governmental Accounting Standards Board. The disclosure requirements pertaining to the actuarial present value of vested accumulated plan benefits, the actuarial present value of nonvested accumulated plan benefits, and the plan net assets available for benefits were surveyed. The following data illustrate the extent to which each of these items was observed.

TABLE 2-9. BENEFITS AND NET ASSETS DISCLOSURE*

Disclosure	Instances Observed 1988	1987	1986
Plan net assets available for benefits	323	204	122
Actuarial present value of credited projected benefits	274	47	6
Actuarial present value of both vested and nonvested accumulated plan benefits	50	128	78
Actuarial present value of vested accumulated plan benefits (only)	4	12	15
Actuarial present value of nonvested accumulated plan benefits (only)	2	3	4

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

REFERENCE TO PENSIONS IN AUDITORS' REPORTS

The auditors' reports made reference in 14 instances to the pension plan and contained qualifications related to pension accounting and reporting.

Some auditor's reports were qualified because of a pension GAAP departure. Those departures included using the pay-as-you-go method for recording pension expense and for funding, and where the entity recorded an expense less than the amount actuarially determined.

See the following illustrations of notes related to pension disclosures.

CARROLL COUNTY, GA (JUN '88)

NOTES TO FINANCIAL STATEMENTS

Note (10) Retirement Plan

Plan Description

The County Commissioner approved the adoption of a retirement plan on October 25, 1982.

The County contributes to the Association of County Commissioners of Georgia (ACCG) Pension Plan ("Plan"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for counties in the State of Georgia. The County's payroll for employees covered by the Plan for the year ended December 31, 1987, was $1,229,469.

All full-time County employees are eligible to participate in the Plan after three years of service. Benefits vest after five years of service. County employees may retire at age 60 under the early retirement provision if they have completed ten years of service. Normal retirement is at age 65. Benefits are payable for life in an amount equal to 1% of annual salary up to $6,600, plus 1½% of salary in excess of $6,600, plus $36 multiplied by total years of service. Said benefits are based on final average salary which is computed using the highest five consecutive years of the last ten years. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the ACCG Pension Trust and the Adoption Agreement executed by the County.

County employees are not required to contribute to the Plan. The County is required to contribute the amounts necessary to fund the Plan, using the actuarial basis specified by the Plan.

Plan Asset Matters and Accounting Policies

The Plan financial statements are prepared on the cash basis of accounting, modified to include contributions receivable, unrealized gains or losses on marketable securities owned by the Plan, and increments in the cash value of death benefits.

Investments in securities are valued at current market prices. Guaranteed Investment Contracts (G.I.C.'s) are reported at cost plus accrued interest credited to valuation date.

The Plan assets do not include any loans, notes, bonds or other instruments or securities of the County or related parties.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1987. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7½ percent a year compounded annually, (b) projected salary increases of 4 percent a year compounded annually, attributable to inflation, and (c) no post-retirement benefit increases.

Total unfunded pension benefit obligation applicable to the County's employees at December 31, 1987, was as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 425,994
Current employees:	
Accumulated employee contributions including allocated interest	—
Employer-financed vested	1,053,929
Employer-financed nonvested	4,030
Total pension benefit obligation	1,483,953
Net assets available for benefits, at market	446,797
Unfunded pension benefit obligation	$1,037,156

Actuarially Determined Contribution Requirements and Contribution Made

The Plan funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. The rate for the County's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate is determined using the aggregate cost method with funding based on the average age of the participants. This actuarial method does not create any past service liabilities.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

The contribution to the Plan for 1987 of $153,244 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 1987. The County contributed $153,244 (12 percent of current covered payroll).

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. In accordance with the provision of GASB-5, during the transition period information required by paragraph 32a will be presented for only those years as is available. For the year ended 1987, available assets were sufficient to fund 30 percent of the pension benefit obligation. Unfunded pension benefit obligation represented 84 percent of the annual payroll for employees covered by the plan for 1987. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes.

Revenues	1987
Contributions	$ 153,244
Investment income	34,545
Total	187,789
Expenses	
Benefits	55,996
Administrative	8,880
	64,876
Other Information	
Net assets available for benefits	446,797
Pension benefit obligation	1,483,953
Percentage funded	30%
Unfunded pension benefit obligation	1,037,156
Annual covered payroll	1,229,469
Unfunded pension benefit obligation as a percentage of covered payroll	84%

GWINNETT COUNTY, GA (DEC '87)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1987

9. Employee Benefits

Accumulated Leave Benefits

The following is a summary of changes in accumulated leave benefits accounted for in the General Long-Term Debt Account Group for the year ended December 31, 1987:

Accumulated leave benefits at January 1, 1987	$2,510,227
Benefits earned	2,463,280
Benefits paid	(2,443,214)
Accumulated leave benefits at December 31, 1987	$2,530,293

Defined Benefit Pension Plan

Plan Description:

The County contributes to the Association of County Commissioners of Georgia (ACCG) Pension Plan ("Plan"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for counties in the State of Georgia. The County's payroll for employees covered by the Plan for the year ended December 31, 1987 was $26,790,759. The County's total payroll for the year ended December 31, 1987 was $48,089,423.

All full-time County employees are eligible to participate in the Plan after 3 years of service. Benefits vest after 5 years of service. County employees may retire at age 60 under the early retirement provision if they have completed 10 years of service. Normal retirement is at age 65. Benefits are payable for life in an amount equal to 1 percent of annual salary up to $6,600 plus 2% of salary in excess of $6,600 plus $36 multiplied by total years of service. Said benefits are based on final average salary which is computed using the highest five consecutive years of the last ten years. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the ACCG Pension Trust and the Adoption Agreement executed by the County.

County employees are not required to contribute to the Plan. The County is required to contribute the amounts necessary to fund the Plan, using the actuarial basis specified by the Plan.

Plan Asset Matters and Accounting Policies:

The Plan financial statements are prepared on the cash basis of accounting, modified to include contributions receivable, unrealized gains or losses on marketable securities owned by the Plan, and increments in the cash value of death benefits.

Investments in securities are valued at current market prices. Guaranteed Investment Contracts (GIC's) are reported at cost plus accrued interest credited to valuation date.

The Plan assets do not include any loans, notes, bonds or other instruments or securities of the County or related parties.

Funding Status and Progress:

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credit projected benefits and is independent of the funding method used to determine contributions to the Plan.

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1987. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4 percent a year compounded annually attributable to inflation, and (c) no post-retirement benefit increases.

Total unfunded pension benefit obligation of $14,832,784 applicable to the County's employees at December 31, 1987 was as follows:

	Plan I	Plan II
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$1,197,709	$ 610,827
Current employees:		
Employer-financed vested	12,091,986	11,782,315
Employer-financed nonvested	159,749	173,867
Total pension benefit obligation	13,449,444	12,567,009
Net assets available for benefits, at market ..	6,697,586	4,486,083
Unfunded pension benefit obligation .	$6,751,858	$8,080,926

Plan I covers all employees of the County except for law enforcement, fire protection and court system personnel who are covered under Plan II.

Actuarially Determined Contribution Requirements and Contribution Made:

The Plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. The rate for the County's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate is determined using the aggregate cost method with funding based on the average age of the participants. This actuarial method does not create any past service liabilities.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Pension expense for Plan I was $1,132,059, and for Plan II was $1,037,236 in 1987. Contributions in the current year are equal to the amounts recorded as pension expense in the prior year as determined by the actuary. Such contributions for Plan I were $904,883 and for Plan II were $713,218 in 1987. The contribution equaled 6 percent of current covered payroll.

Trend Information:

Trend information gives an indication of the process made in accumulating sufficient assets to pay benefits when due. In accordance with the provision of GASB-5, during the transition period information required by paragraph 32a will be presented for only those years for which it is available. At December 31, 1987, available assets were sufficient to fund 43 percent of the pension benefit obligation. Unfunded pension benefit obligation represented 55 percent of the annual payroll for employees covered by the Plan for 1987. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes.

CITY OF MANCHESTER, NH (DEC '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

5. Retirement Benefits

Substantially all employees of the City of Manchester participate in one of the City's pension plans or the State of New Hampshire retirement system.

City Plans

All eligible City employees except for teachers, police and fire department employees participate in the New System or the Old System. In addition, teachers, police and fire department employees covered by the State System may also qualify for supplementary benefits that are administered and paid for by the City.

New System

The City of Manchester is the administrator of a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS is considered to be part of the

City of Manchester's financial reporting entity and is included in the City's financial reports as a pension trust fund. Effective January 1, 1987, the PERS adopted Governmental Accounting Standards Board Statement No. 5 (GASB 5): Disclosure of Pension Information by Public Employee Retirement Systems and Local Governmental Employers. GASB 5 is intended to provide information needed to assess a) funding status of a PERS on a going-concern basis, b) progress made in accumulating sufficient assets to pay benefits when due, and c) whether employers are making actuarially determined contributions. At January 1, 1987, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits		231
Terminated employees entitled to benefits but not yet receiving them		24
Current employees:		
Vested	548	
Nonvested	380	928
Total participants		1,183

The City provides all employee retirement benefits through a single employer, contributory, defined benefit plan. Under the Plan, all employees hired more than five years prior to the Normal Retirement Age of 62 are eligible. Employees are 100 percent vested after five years of service. The retirement benefit is calculated at 1½% of average total compensation during the highest three years of service in the last 10 years of service, multiplied by the years of service. There is a minimum benefit of 50% of average compensation for employees hired prior to January 1, 1974 who complete 20 years of service. All employees are generally required to contribute 2½% of their salaries to the PERS. If an employee leaves covered employment or dies before 5 years of service, accumulated employee contributions and related investment earnings are refunded. The City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen, subject to the approval of the voters of the City of Manchester through referendum.

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 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 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 at January 1, 1987, and projected to January 1, 1988. Significant actuarial assumptions used in the determination of the contribution and, where applicable, in arriving at the following information include (a) a rate of return on the investment of present and future assets of 7½ percent per year compounded annually, (b) projected salary increase of 6 percent per year compounded annually, attributable to seniority, merit and inflation, (c) no postretirement benefit increases, (d) retirement at age 62, and (e) mortality based on the 1971 Group Annuity Mortality Table.

At December 31, 1987 the unfunded pension benefit obligation was estimated to be $9,295,732 as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits	$ 7,258,447
Terminated employees not yet receiving benefits	346,627
Current employees:	
Accumulated employee contributions including allocated investments earnings	3,392,013
Employer-Financed Vested	20,930,358
Employer-Financed Nonvested	576,788
Total Pension Benefit Obligation	32,504,233
Net assets available for benefits, market value	23,208,501
Unfunded Pension Benefit Obligation	$ 9,295,732

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Contributions totaling $1,473,193 ($1,100,000 employer and $373,193 employee) were made in accordance with requirements determined by an actuarial valuation performed as of January 1, 1987 using the frozen initial liability entry age normal actuarial cost method. The City's contribution consisted of normal cost of $1,331,526, amortization of unfunded actuarial accrued liability of $221,493 reduced by a recognition of investment gains of $453,019 in 1987. Unfunded prior service costs are being amortized over forty years. The employer and employee contributions for the year ended December 31, 1987 represented 6.9% and 2.3%, respectively, of covered payroll.

Ten-year historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is being developed on a year by year basis. Significant trend information for the periods available is included in the accompanying supplementary information.

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. 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, 1987, there were 496 participants, including 126 active employees, covered by the Old System. Benefits under 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 a pay-as-you-go basis.

Pension benefits under this plan (including supplementary benefits) recognized as expenditures for the year ended December 31, 1987 were $1,382,600.

As of January 1, 1982, (the most recent date for which information is available), 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 at least 50% of the last annual wage. These costs are accounted for on a pay-as-you-go basis in the general fund.

As of January 1, 1982 (the most recent date for which information is available) the actuarially computed present value of vested and nonvested accumulated benefits for the Supplementary Benefits Plan was $3,702,161.

State System

The City participates in the New Hampshire Retirement System (the State System), a multiple-employer public employee retirement system. The State System is a defined-benefit contributory retirement plan, administered by the State of New Hampshire which covers substantially all employees of the State, teaching and professional staff of the public school system, and permanent policemen and firemen. The City payroll for employees covered by the State System was approximately $39,400,000; the City's total payroll for all employees was approximately $63,800,000.

The State System provides retirement, disability, and death benefits according to predetermined formulas. Employees contribute a fixed percentage of annual compensation and the City contributes the remaining amounts necessary to pay benefits when due. During 1987, contributions of $1,278,753 from the City were required based upon the following contribution rates of covered payroll:

Employees	—	.66%
Teachers	—	.57%
Policemen	—	7.54%
Firemen	—	9.56%

In addition to the normal contribution rates 2% of covered payroll is contributed for expenses.

The State System does not make separate measurements of assets and pension benefit obligation (see New System for a definition of pension benefit obligation) for individual employers. The pension benefit obligation at June 30, 1987 for the State System as a whole, determined through an actuarial valuation performed as of that date, was approximately $798,300,000. The State System's net assets available for benefits on that date, valued at fair value, which is current market price for securities, appraised value for real estate, outstanding principal for mortgages, and cost for temporary investments, were approximately $1,048,400,000. The City's 1987 contribution represented approximately 2% of total contributions required of all participating entities.

Historical trend information showing the State System's progress in accumulating sufficient assets to pay benefits when due is presented in the State Retirement System's June 30, 1987 financial report.

CITY AND COUNTY OF DENVER, CO (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note I—Pension Plans

The City has several pension plans covering substantially all of its employees, as follows:

The Denver Employees' Retirement Plan
Water Board Retirement Plan
State of Colorado—Police and Fire Post Retirement Adjustment Fund
State of Colorado—Fire and Police Pension Association

Substantially all employees are covered under the Denver Employees' Retirement Plan except for firemen and policemen covered under the State of Colorado—Fire and Police Pension Plan, and Water Board employees covered under the Water Board Retirement Plan. The Police and Fire Post Retirement Adjustment Fund is administered by the State of Colorado—Fire and Police Protection Association and provides benefits in addition to those provided for by the State of Colorado—Fire and Police Pension Plan.

The City makes annual contributions to the plans equal to the amounts accrued for pension expense. Employer (City) contributions to the pension plans for 1987 were as follows:

The Denver Employees' Retirement Plan	$21,971,833
Water Board Retirement Plan	$ 2,530,700
Police and Fire Post Retirement Adjustment Fund	$ 542,600
State of Colorado—Fire and Police Pension Plan	$32,341,998

Changes which affect the accounting and reporting policies of government pension plans have been issued by GASB in its Statement No. 5. The pronouncement requires different approaches to a common objective of standardizing the basis for evaluation of investments, and the recognition of gains and losses thereon, in pension plan financial statements. The Statement is effective for years beginning after December 15, 1986.

Descriptions of the Plans

The following descriptions of the Retirement Plans are provided for general information purposes only. Plan participants should refer to the appropriate source documents for more complete information on the plans.

1. Denver Employees' Retirement Plan

(a) Plan Description

The Denver Employees' Retirement Plan (the Plan) is a defined benefit pension plan established by the City to provide pension benefits for its employees. The Plan is considered part of the City and County of Denver financial reporting entity and is included in the City's financial reports as a pension trust fund.

At January 1, 1987, the Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	2,829
Terminated employees entitled to benefits but not yet receiving them	1,069
	3,898
Current employees	8,056
Total	11,954

The following brief description of the Plan is provided for general information purposes only. Sections 18.401 through 18.422 of the "Revised Municipal Code of the City and County of Denver" should be referred to for complete information on the Plan.

The Plan provides retirement benefits plus death and disability benefits. Employees who retire at or after age 65 (or age 55 if the sum of age plus credited service is 88 or more) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to as much as 1.5% of their final average salary, for each year of credited service. Final average salary is the average salary based on the employee's highest salary in a 60-consecutive month period of credited service. Employees with 5 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. The City currently contributes an amount equal to 10% of the salary of covered employees to the Plan. If an employee leaves covered employment before 5 years of credited service, accumulated employee contributions, if any, plus 3% interest may be refunded to the employee. Benefit and contribution provisions are established by the Denver City Council.

(b) Summary of Significant Accounting Policies

Basis of Accounting:

The Plan's 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.

Method Used to Value Investments:

The Plan's equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary. Investment income is recognized as earned. Gains and losses on sales and exchanges of securities are recognized on the transaction date.

(c) Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, 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 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 retirement systems.

Additionally, the pension benefit obligation is being compared with plan assets at cost while the required contribution calculation (see below) uses total projected benefits and the actuarial value of plan assets. The pension benefit obligation is thus independent of the actuarial funding method used to determine contributions to the Plan, discussed below in Contributions Required and Contributions Made.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1986. Significant actuarial assumptions used include (1) a rate of return on the investment of present and future assets of 7% per annum, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases of 4.5% to 9.6% depending on age attributable to seniority/merit. At December 31, 1986 (the most recent evaluation available), the pension benefit obligation was as follows:

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits	$ 97,104,500
Terminated employees not yet receiving benefits	3,393,400
Current employees	
Vested	112,758,000
Nonvested	76,201,000
Total pension benefit obligation	$289,456,900
Net assets available for benefits, at cost (market value $347,043,300)	$331,014,255

The portion of net assets available for benefits which represents members' contributions and accumulated interest thereon was $15,162,339 at December 31, 1986.

(d) Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at rates determined by ordinance that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due.

For 1987, contributions totaling $19,282,200 were required to be made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at December 31, 1986. These contributions consisted of (a) $13,412,900 normal cost and (b) $5,869,300 amortization of the unfunded actuarial accrued liability. The required contribution is based on a rate of 9.29% of covered payroll. The actual contribution of $21,971,833 was made using a rate of 10% of covered payroll. For 1986, the required contribution was $17,459,700 ($11,873,300 normal cost and $5,586,400 amortization of the unfunded actuarial accrued liability), based on an 8.7% rate. The actual contribution was $20,945,084 using a rate of 10% of covered payroll. The City's entire payroll was $327,244,727.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in note I(1)(c), above. The value of assets used in that actuarial valuation is based on the asset valuation procedure adopted by the Retirement Board in 1981. Under that method, assets are written up or down toward their market value each year by adding to the preliminary value 20% of the difference between the market value and the preliminary value as of the valuation date. The preliminary value is the asset value used for valuation purposes as of the prior year, adjusted for net contributions, benefit payments and dividend and interest income earned during the year.

Regular contributions from participants are no longer allowed under the Plan.

(e) Deposits and Investments

Deposits:

At December 31, 1987, the carrying amount of the Plan's deposits was $925,673 and the bank balance was $970,577, all of which were covered by FDIC insurance.

Investments:

The Retirement Board of the Plan is authorized by City ordinance to have sole discretion over the investments of the Plan. The Plan contracts with two investment managers to manage substantially all of the Plan's investments. These investments are held by the Chase Manhattan Bank under a custodian agreement with the Plan dated July 1, 1983.

Investments held by the Plan at December 31, 1987 and 1986 are summarized below:

	1987		1986	
	Cost	Fair Value	Cost	Fair Value
Equity securities	$168,963,942	$159,564,413	$138,762,550	$153,198,150
Short-term investments	23,487,846	23,487,846	34,199,078	34,199,078
Corporate bonds	44,018,143	40,414,321	112,448,428	113,501,833
U.S. Treasury bonds and notes	105,644,313	105,718,909	32,773,553	32,974,787
GNMA securities	20,369,613	18,893,525	12,473,481	12,812,293
Real estate group trust	4,013,924	4,013,924	—	—
Real estate mortgages	76,823	76,823	86,072	86,072
Cash	925,673	925,673	821,415	821,415
TOTAL	$367,500,277	$353,095,434	$331,564,577	$347,593,628

(f) Commitments

During 1987, the Plan entered into an agreement to participate in a group trust primarily investing its funds in real estate. At December 31, 1987, the Plan had a commitment to invest an additional $3,000,000 in the trust.

(g) Historical Trend Information

Trend information gives an indication of the Plan's progress in accumulating sufficient assets to pay benefits when due. For the year ended December 31, 1986, available net assets were sufficient to fund 114.36 percent of the pension benefit obligation. Assets in excess of pension benefit obligation represented 19.84 percent of the annual payroll for employees covered by the Plan for 1986. In addition, for the two years ended December 31, 1987 and 1986, contributions to the Plan, all made in accordance with actuarially determined requirements, were 10 percent of annual covered payrolls. Selected ten year historical trend information is presented in the Plan's December 31, 1987 and 1986 separately issued financial report.

2. Water Board Retirement Plan

(a) Plan Description

The Water Board Retirement Plan (the Plan) is a defined benefit, single-employer, noncontributory plan covering substantially all permanent full-time employees of the Water Board. The Plan benefits are integrated with Social Security benefits and are determined as defined in the Plan. The plan is exempt from compliance with the Employee Retirement Income Security Act of 1974.

All full-time Water Board employees who are under 60 years of age upon hire are members of the Plan. As of December 31, 1987, there were 218 retirees and beneficiaries receiving benefits, 34 terminated employees entitled to benefits but not yet receiving them, and 426 fully vested and 596 nonvested active Water Board employees covered by the Plan.

Participants become fully vested either after 15 years of employment, or after 10 years of employment and attaining the age of 40. The requirements for early retirement with reduced benefits are that an employee reaches age 55 and has 15 years of service. Unreduced retirement benefits prior to age 65 are provided for employees who are age 62 and whose age and years of service total 88. This age requirement will be reduced to 61 years on January 1, 1988, and 60 years on January 1, 1989. The Plan also includes a minimum benefit provision, and the service requirement for entitlement to spousal benefits is 15 years of service.

The Plan is sponsored and administered by the Water Board who also acts as the trustee of the Plan's assets. The Plan's assets are managed by two investment managers: Denver Investment Advisors (a subsidiary of the First Interstate Bank-Denver) and United Capital Management (a division of United Bank of Denver).

(b) Summary of Significant Accounting Policies

Fair Value of Investments:

Plan investments are valued at quoted market value for financial statement purposes except for the cash equivalents, which are valued at cost, and the first mortgage real estate notes, which are shown as the amount of outstanding principal balances. There are no individual investments that represent five percent or more of net assets available for plan benefits.

Actuarial Present Value of Accumulated Plan Benefits:

The actuarial present value of accumulated Plan benefits was determined using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation as of January 1, 1987 (the date of the latest Plan valuation) include (a) a rate of return on 7.5 percent per year compounded annually, (b) projected salary increases of 5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 2.1 percent per year, attributable to performance, and (d) post-retirement benefit increases of 3 percent per year compounded annually.

The actuarially computed present value of accumulated plan benefits at January 1, 1987, increased $3,505,100 in comparison to the related January 1, 1986 amount. This increase resulted primarily from benefit accruals and interest of $1,449,000 and $2,056,100, respectively, net of benefit payments.

The actuarially computed present value of accumulated plan benefits is as follows:

	As of January 1, 1987	1986
Vested benefits:		
Participants currently receiving payments	$ 9,453,900	$ 8,835,500
Other participants	18,831,800	16,183,600
	28,285,700	25,019,100
Nonvested benefits	3,062,600	2,824,100
TOTAL	$31,348,300	$27,843,200

As of January 1, 1987 and 1986, the fair value of net pension fund assets ($44,036,800 and $38,133,900, respectively) exceeded the actuarially computed present value of accumulated Plan benefits by $12,688,500 and $10,290,700, respectively.

Income Taxes:

Pursuant to a determination letter received from the Internal Revenue Service, the Plan is exempt from federal income taxes. The Plan will be revised during 1988 to conform to the requirements of the Tax Reform Act of 1986.

(c) Plan Assets

The Water Board has determined that no more than 50% of Plan assets be invested in equity securities, including common and preferred stock. The remainder of the Plan's assets are to be invested in fixed income securities. Fixed income securities include corporate bonds rated BAA or better by Moody's Investors Service or BBB or better by Standard & Poor's Corporation; obligations of the United States or any agency thereof; cash equivalents including short term debt instruments consisting of prime rated commercial paper, obligations of the United States or any agency thereof, certificates of deposit or savings accounts in financially sound commercial banks or savings and loan corporations; and mortgages. Plan investments and deposits are held separate from other Water Board investments.

Plan investments are categorized to give an indication of the level of risk assumed by the Plan at year end. Category 1 includes investments which are insured or registered or held by the Plan or its agent in the Plan's name. Category 2 includes investments which are uninsured and unregistered, with securities held by the broker's or dealer's trust department or agency in the Plan's name. Category 3 includes investments which are uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent, but not in the Plan's name.

Investments at December 31, 1987, consisted of the following:

	Category 1	2	3	Carrying Amount
Common stock	$22,301,000	$—	$ —	$22,301,000
Government securities	17,449,000	—	—	17,449,000
Corporate bonds and debentures	8,023,200	—	—	8,023,200
Cash equivalents	—	—	1,195,300	1,195,300
Preferred stock	109,900	—	—	109,900
First mortgage real estate notes	10,900	—	—	10,900
Total	$47,894,000	$—	$1,195,300	$49,089,300

(d) Contributions

The Plan funding policy provides for periodic Water Board contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. The entry age actuarial cost method is used to determine the normal cost, and the unfunded actuarial accrued liability is amortized using a standard amortization at an assumed rate of 7.5 percent over 40 years. It is the Water Board's intention to continue to make annual contributions to the Plan based on current annual actuarial valuations.

Contributions totaling $2,530,700 were made by the Water Board during 1987 in accordance with an actuarial valuation performed as of January 1, 1987. This contribution included $1,791,100 of normal cost and $739,600 of amortization of the unfunded actuarial accrued liability. Contributions during 1987 were 7.8 percent of covered payroll. The City's entire payroll was $327,244,727.

(e) Unrealized Gain (Loss) on Investments

The unrealized gain (loss) on investments is based on the change in market value of investments during the year. The unrealized gain (loss) for the years December 31, 1987 and 1986 is as follows:

	1987	1986
Unrealized gain (loss) during the year on investments, as determined by quoted market prices:		
Common stocks	$ 529,400	$(1,800,300)
Government securities	(1,461,700)	(538,600)
Corporate bonds and debentures	(480,100)	(54,400)
Preferred stocks	(17,200)	41,900
Unrealized net loss on investments during the year	$(1,429,600)	$(2,431,400)

(f) Funding Status and Progress

The "pension benefit obligation" represents a standardized disclosure measure of the present value of pension benefits payable in the future, which incorporates the effects of projected salary increases. The measure is intended to provide information regarding the Plan's funding status on a going-concern basis, progress made in accumulating sufficient assets to pay benefits when due, and comparability to other plans. The pension benefit obligation is determined utilizing an actuarial method (unit credit actuarial cost method with salary projections) different from the actuarial method used to determine Water Board contributions to the Plan (entry age actuarial cost method).

The significant actuarial assumptions used to determine the pension benefit obligation at December 31, 1987 are the same as the actuarial assumptions used to determine the actuarial present value of accumulated Plan benefits, as discussed above.

The total unfunded pension benefit obligation was $296,400 at December 31, 1987, as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$13,324,600
Current employees	
Accumulated employee contributions including allocated investment income	2,072,400
Employer-financed vested	28,435,700*
Employer-financed nonvested	6,154,500
	49,987,200
Net assets available for benefits at fair value	49,690,800
Unfunded pension benefit obligation	$ 296,400

*Includes $11,129,300 of vested benefits in projected salary increases.

The change in Plan benefits, reducing the eligibility age for the special early retirement benefit from age 62 to age 61, increased the pension benefit obligation at December 31, 1987, by approximately $1 million.

(g) Historical Trend Information

The following schedule gives an analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation. Ten-year historical trend data is presented in the Plan's December 31, 1987 and 1986 separately issued financial report.

	Net assets Available for Benefits	Unfunded Pension Benefit Obligations	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Obligation as a % of Covered Payroll
1987	$49,690,800	$49,987,200	99.4%	$296,400	$32,494,300	0.9%
1986	44,036,800	n/a	n/a	n/a	30,834,000	n/a
1985	38,133,800	n/a	n/a	n/a	29,370,000	n/a

3. State of Colorado—Fire and Police Pension Plan

All full-time firemen and policemen of the City participate in the State of Colorado Fire and Police Pension Association (the Plan), a multiple-employer public employee retirement system. The Plan includes the State of Colorado Police and Fire Post Retirement Adjust Fund. The total payroll for City employees covered under this Plan for the year ended December 31, 1987 was $75,032,097; the City's entire payroll was $327,244,727.

All full-time firemen and policemen of the City are eligible to participate in the Plan. The Normal Retirement Date (NRD) of firemen and policemen hired before April 8, 1978, shall be the date on which they have attained 50 years of age and completed 25 years of service for Firemen; and the date they have completed 25 years of service for Policemen. The NRD of all other firemen and policemen shall be the date on which they complete at least 25 years of active service and have attained the age of 55.

The retirement benefit of firemen hired before April 8, 1978 who retire on their NRD shall be equal to one half of their monthly salary at the date of retirement. If the fireman retires after January 1, 1986, each year of service beyond the member's NRD shall increase his pension by 2% of salary up to a maximum monthly pension of 60% of the monthly salary at retirement. There are no early retirement benefits for this class of firemen.

The retirement benefit for policemen hired before April 8, 1978 who retire on or after their NRD shall be eligible for a monthly pension equal to 2% per year of service to a maximum of 39 years multiplied by the average salary received one year before retirement. This class of employee who terminates after ten years of service and before completing 20 years is entitled to a refund of contributions at age 55 without interest. Vested employees of this class may retire early and receive reduced benefits.

The retirement benefit of all other firemen and policemen who retire at or after their NRD shall be 2% of the average of the member's highest three years base salary multiplied by the member's years of service prior to age 65, not to exceed 25 years. A member shall be eligible for early retirement after completion of 30 years of service or the attainment of age 50. The benefit for early retirement shall be the normal benefit reduced by one half of one percent for each month that the benefit commences prior to age 55.

The monthly Post-Retirement Death Benefit available for retired employes', hired before April 8, 1978, spouses is two thirds of the monthly benefit of the member at the time of death. This benefit is paid until the spouse dies or remarries.

Contribution requirements are established by State statute. All covered employees and their employers each contribute at the rate of 8% of base salary. The total actuarially computed contribution requirement for covered firemen and policemen of the City for the year ended December 31, 1987 was $53,054,965. The actual contribution made by the City was $32,341,998; and by the employees was $6,072,860. These contributions represented 43.1% and 8.1% of covered payroll by the City and employees, respectively.

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 systems and employers. The pension benefit obligation at January 1, 1988 for the Plan as a whole, determined through an actuarial valuation performed as of that date, was $685,040,950. The Plan's net assets available for benefits on that date (valued at market) were $192,261,505, leaving an unfunded pension benefit obligation of $492,779,445. The City's 1987 contribution represented 97.96% of total contributions required of all participating entities.

Ten year historical trend information showing the Plan's progress in accumulating sufficient assets to pay benefits when due is presented in the Plan's December 31, 1987 separately issued financial report.

BUENA VISTA SCHOOL DISTRICT, MI (JUN '88)

NOTES TO FINANCIAL STATEMENTS

Note 3—Pension Plan

A. Plan Description

The District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits. A member may retire after reaching the age of 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. Benefits vest after 10 years of service. The rule of 80 window period is in effect January 1, 1986 through January 1, 1989, during which an active member may retire without penalty if the member's combined age and service credit total 80 or more.

There is no mandatory retirement age.

Employees who retire after reaching the above mentioned requirements are entitled to 1½ percent of their final average compensation multiplied by the number of years of credited service.

Pension provisions include deferred allowances whereby an employee may terminate employment with school districts after accumulating 10 years of service.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits, whereas a surviving spouse is entitled to reduced benefits.

The District's current year covered payroll and its total current year payroll for all employees amounted to $6,152,125 and $6,174,916, respectively.

B. Contributions Required and Made

Employees of the District have an option to contribute 4% of their gross wages to the retirement system which qualifies them for additional benefits. If an employee leaves MPSERS' service and no allowance is payable, the employee's accumulated contributions plus interest are refundable. For the year ended June 30, 1988 the District forwarded $165,398 of contributions collected from its employees, who elected the option, to the State.

The District also makes contributions to the pension plan equal to 5% of covered payroll. Total contributions made for the year ended June 30, 1988 amount to $308,058. These contributions are required by law.

C. Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by (Public Employee Retirement Systems) 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. Based on this measurement the system is 81.6% funded. The pension benefit obligation for the District could not be obtained and, therefore, is not presented here.

Ten-year historical trend information is presented in the September 30, 1987 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.

MUSCOGEE COUNTY SCHOOL DISTRICT, GA (JUN '88)

NOTES TO FINANCIAL STATEMENTS

C. Pension Plans

All employees, except bus drivers, cafeteria workers, custodians and maintenance workers, are covered by the Teachers' Retirement System (TRS), which is a cost-sharing multiple-employer PERS. Bus drivers, cafeteria workers, custodians and maintenance workers are covered by the Public School Employees' Retirement System (PSERS), which is also a cost-sharing multiple-employer PERS. Details concerning these plans follow:

1. Plan Description

TRS

TRS provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 or accumulating 30 years of service with the School District or another entity covered by TRS. Benefits vest after 10 years of service. Employees who retire at or after age 60 with 10 or more years of service are entitled to pension payments for the remainder of their lives equal to 2% of their highest two consecutive years' average monthly salary times the number of years for which they were employed.

Pension provisions include deferred allowances whereby an employee may terminate his or her employment with the School District after accumulating 10 years of service, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching the age of 60.

Pension provisions include death and disability benefits. Disability benefits are equal to 2% times years of creditable service times the average monthly salary for the two highest consecutive years. These benefits are available for life. Death benefits are dependent upon the number of years of service. If there are less than ten years of service, a lump sum refund of the employee's contributions and interest is made to the beneficiary. If there are more than ten years of service, the beneficiary will choose between a lump sum refund or a monthly benefit that would have been payable to the employee upon retirement.

Both the School District's current-year covered payroll and its total current-year payroll for all employees subject to TRS amount to $65,500,000.

PSERS

PSERS provides pension benefits and death and disability benefits. A member may retire after age 60 with at least 10 years of service. Maximum pension payments are equal to $7.72 per month times the number of creditable years of employment. Benefits are reduced by ½ of 1% per month that the employee is under 65.

Pension provisions include death and disability benefits. Disability benefits are the same as if the employee had retired at 65 as long as the employee has 15 or more years of creditable service. Death benefits are dependent upon the number of years of service. If there are less than ten years of service, a lump sum refund of the employee's contributions and interest is made to the beneficiary. If there are more than ten years of service, the beneficiary shall receive for life half of what the employee would have received upon retirement.

2. Contributions Required and Made

TRS

Employees covered by TRS are required to pay 6% of their gross earnings to the pension plan. The School District makes annual contributions to the pension plan equal to the amount required by state statutes. During 1988, the School District was required to contribute 13.63% of its gross payroll to the plan.

Total contributions made during fiscal year 1988 amounted to $12,678,000, of which $8,749,000 was made by the School District and $3,929,000 was made by employees.

PSERS

Employees covered by PSERS are required to pay $4 per month of their gross earnings from September to May to the pension plan. The School District does not make contributions to the plan. Total contributions made during 1988 amounted to $30,916.

3. Funding Status and Progress

The amount of the total pension benefit obligation for both plans is based on a standardized measurement established by GASB-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 obligations of both plans as of June 30, 1987, were as follows:

	TRS (in millions)	PSERS (in millions)
Total pension benefit obligations	$7,778	$270
Net assets available for pension benefits, at market	5,802	211
Unfunded pension benefit obligation .	$1,976	$ 59

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 1987. Net assets available to pay pension benefits were valued as of the same date.

The School District's 1988 required contribution to TRS represents 5.3% 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 each plan's annual financial statement. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

CITY OF RENO, NV (JUN '88)

NOTES TO FINANCIAL STATEMENTS

17. Retirement Plan

All City full-time employees are covered by the State of Nevada Public Employees Retirement System (the "Plan"), a multiple-employer cost sharing public employee retirement system. The payroll for employees covered by the Plan for the year ended June 30, 1988 was $27,678,272 and the City's total payroll was $30,211,559. At June 30, 1988, the City employed 985 full-time employees.

All City full-time employees are mandated by State law to participate in the Plan. Members who retire with 10 or more years of service at age 60 or with 30 years or more of service at age 55 are entitled to a retirement benefit, payable monthly for life, equal to 2½ percent of a member's average compensation for each year of service up to 36 years with a maximum of 90 percent. Member's average compensation is the average of the member's highest compensation for 36 consecutive months. Benefits fully vest on reaching 10 years of service. The Plan also provides death and disability benefits. Benefits are established by State statute.

Effective July 1, 1985 all new hires and vested employees are enrolled under the Plan. The City's contribution was based on a percentage of gross compensation and amounted to approximately $5,273,477 for the year ended June 30, 1988. The City's 1988 contribution represented approximately 3 percent of total contributions to the Plan required of all participating entities.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increase and step-rate benefits, estimated to be payable in the future as a result of 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 Systems and employers. The Plan does not make separate rate measurements of assets and pension benefit obligations for individual employers.

The Plan has an actuarial valuation once every two years. The most recent actuarial valuation report, which is as of June 30, 1988, includes the following financial information.

Pension benefit obligation:

Pensioners and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$1,042,792,800
Current employees	
Accumulated employer contributions	161,588,700
Employer financed vested	853,132,000
Employer financed non-vested	917,501,300
Total pension benefit obligation	2,975,014,800
Net assets available for benefits, at market value	2,637,335,600
Unfunded pension benefit obligation	$ 337,679,200

In the Plan's actuarial report dated October 13, 1988, the actuarial consultant determined that the 1988 contribution rate is not sufficient to fund current benefits and the unfunded liability over a 38-year period assuming 8 percent per year return compounded annually and projected salary increase of 6½ percent per year compounded annually. The City is not liable for any unfunded liabilities of the Plan.

The method of determining the total pension obligations was changed in fiscal year 1987-1988 to meet the requirements of GASB Statement No. 5, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers.* The result of this change is that the total pension benefit obligation, $2,975,014,800, is less than the total accrued actuarial liability, $3,936,691,700. The total pension benefit obligation is determined on the basis of the projected unit credit method, whereas the total accrued actuarial liability is determined on the basis of the entry age normal cost method. The resulting decrease amounted to $961,676,900.

Ten-year historical trend information is presented in the Plan's Annual Financial Report for the year ended June 30, 1988. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become available.

CHARTER TOWNSHIP OF EMMETT, MI (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 4—Defined Contribution Retirement Plan

The Township provides pension benefits to all of its fulltime employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to join the plan on January 1 of each year. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township. The employer contribution, however, cannot exceed 5% of total compensation. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township.

The Township's total payroll during the current year was $453,854. The current year contribution was calculated based on covered payroll of $339,693, resulting in an employer contribution of $16,053 and employee contributions of $20,795.

CITY OF GLENWOOD SPRINGS, CO (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 11. Retirement Plans

a. Employees other than volunteer firemen and certain police officers—The City participates in the federal social security system for all employees except volunteer firemen and except police officers hired before April 8, 1978. The City has no liability for benefit payments other than current payroll taxes.

The City has established a contributory pension plan under section 401(k) of the Internal Revenue Code for all full-time employees except the police officers as noted above. Eligibility commences at six months of employment. The City contributes 4% of base salary and the employee may voluntarily contribute up to 10% of base salary. The City also matches employee contributions up to an additional 3%, or a total of 7% of base salary. Employee contributions are fully vested at all times and vesting in the City portion becomes fully vested at 7 years. The plan is administered by and benefits are paid by the Massachusetts Mutual Insurance Company. After payment of contributions, the City has no further involvement with eligible recipients.

b. Police pension—A defined benefit plan for police officers hired prior to April 8, 1978. The City and eligible active officers each contribute at the rate of 8.0% of base salary. Normal retirement date shall be the date on which the officer has attained 55 years of age and completed 20 years of service, or upon completion of 25 years of service, if earlier. Officers electing to retire on or after the normal retirement date shall be eligible to receive a monthly pension equal to one half (½) the amount of the average salary received for one year before retirement. No pre-retirement death and disability benefits. Contributions without interest are refunded to police officers who terminate employment after five years of service and before retirement eligibility. If a retired Police Officer dies, the surviving spouse shall receive, until death or remarriage, a monthly pension equal to one half of the monthly pension the officer was entitled to receive prior to death.

There are currently eight officers included in the plan, five active and three retirees or beneficiaries. An actuarial valuation of the plan as of January 1, 1986, established the actuarial present value of benefits as:

Retired members	$ 90,899
Beneficiaries	8,316
Active members	885,668
	$984,883
Actuarial present value of future normal cost	$211,012
Total liability	$773,871
Actuarial value of assets	715,983
Unfunded accrued liability as of January 1986	$ 57,888

The level annual payment required to amortize the above unfunded actuarial accrued liability from January 1, 1982, over 37 years was determined to be $4,448. One individual terminated and withdrew from the plan during 1987.

c. Firemen's Pension—A defined contribution plan for volunteer fire-fighting personnel. The City contributes $10,000 per year to the plan and the State of Colorado contributes at the present rate of $8,200 per year to the plan.

Eligibility for benefits may commence at age 50 and completion of 20 years of service, or upon line of duty injury of a permanent nature, or upon death from injuries received in the line of duty. Benefits may be paid at the rate of $100 per month for life (up to $300 per month, if the fund is shown to be actuarially sound) to retirees. Death benefits may be paid to surviving spouse or children up to $150 per month for the life of surviving spouse or until children reach the 18th birthday.

Benefits are determined by the retirement board, and are limited to actual funds available. No unfunded liability exists.

CITY OF VICTORIA, TX (SEP '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 5: Employees' Retirement Plan

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 500 administered by TMRS, an agent multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Benefits depend upon the sum of the employees' contributions to the plan, with interest, and the city-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or at ages 50-59 with 25 or more years of service or with 28 years of service regardless of age. The plan provides death and disability benefits. A member is vested after 10 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 5%, and the City matching percent is currently 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. Part of the City contribution rate (the normal cost) is to fund the currently accruing monetary credits, with the other part (the prior service contribution rate) calculated as the level percent of payroll needed to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 1987. The unit credit actuarial cost method is used for determining the City contribution rate. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Both the City and the covered employees made the required contributions, amounting to $921,027.84 (8.32% of covered payroll for the months in calendar year 1986 and 8.56% for the months in calendar year 1987) for the City and $542,274.27 (5%) for the employees. The City adopted changes in the plan since the previous actuarial valuation, which had the effect of increasing the City's contribution rate for 1987 by 0.03% of payroll. There were no related-party transactions.

Even though the substance of the City's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the City for services rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits. The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1986. Because of the money-purchase nature of the plan, the interest rate assumption, currently 5% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets is not determined for each city's plan, but the market value of assets for TMRS as a whole was 108% of book value as of December 31, 1986.

Pension Benefit Obligation	
Annuitants	$ 2,356,486
Members	
Accumulated employee contributions including allocated invested earnings	5,430,829
Employer-financed vested	11,224,841
Employer-financed nonvested	1,274,802
	$20,286,958
Net Assets Available for Benefits, at Book Value	$12,792,418
Unfunded Pension Benefit Obligation	7,494,540
Total	$20,286,958

The book value of assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the pension benefit obligation. The numbers above reflect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded pension benefit obligation by $378,183.

CITY OF BEAUMONT, TX (SEP '87)

NOTES TO THE FINANCIAL STATEMENTS

Pensions

A. Texas Municipal Retirement System

The City participates in a non-traditional joint contributory defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 500 administered by TMRS, an agent multiple-employer public employee retirement system. The TMRS is administered in accordance with the Texas Municipal Retirement System Act, Subtitle G of Title 110B, Revised Civil Statutes of Texas, 1925, as amended, and is governed by a board of directors appointed by the Governor of the State of Texas in accordance with that Act.

The TMRS plan covers all full-time employees of the City except firefighters and those employees who were 55 years or older at their original hire date. The contribution rate for the civilian employees is 5% while that of police employees is 7%. The City's matching ratios are 1.5 and 1, respectively. Contributions are made on a monthly basis.

Under the state law governing TMRS, the City's contribution rate is annually determined by an actuary. The unit credit actuarial cost method is used in determining the City's contribution rate. The unfunded accrued liability of $11,385,553 is being amortized over the 25 year period which began January 1, 1987.

Because the TMRS plan is substantially a defined contribution plan, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. Additionally, the City may grant an updated service credit which theoretically allows retirement plans in the TMRS to be more responsive to inflation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions and the employer-financed monetary credits with interest were used to purchase an annuity.

Members may retire at ages 60 and above with 10 or more years of service or at ages 50-59 with 25 or more years of service or with 28 years of service regardless of age. A member is vested after 10 years of service for retirement benefits; however, accumulated earnings must remain in the plan. Even if vested, members who withdraw their contributions are not entitled to the employer-financed monetary credits. The plan's provisions are adopted by the City Council within actuarial constraints and the options available in the state statutes governing TMRS.

For the year ended September 30, 1987, the City's total payroll for all employees amounted to $28,676,211 and the City's contributions to the plan were based on a payroll of $21,696,515. Both the City and the covered employees made the required contributions. These amounted to $1,514,861 (6.52% of covered payroll for the months in calendar year 1986 and 7.12% for the months in calendar year 1987) for the City and $1,213,138 (7%) for the employees. The City adopted changes in the plan since the previous actuarial valuation, which had the effect of increasing the City's contribution rate by 0.33% of payroll.

The nontraditional nature of the TMRS defined contribution plan is due to the initial unfunded pension benefit obligation resulting from the monetary credits granted for service rendered prior to the beginning of the plan, as well as the fact that periodic adoption of increases in benefit credits and/or benefits may have the effect of increasing the unfunded pension benefit obligation. Therefore, the following disclosure of the pension benefit obligation, similar to the standardized disclosure measure required for defined benefit plans, is provided.

Pension Benefit Obligation	
Annuitants	$ 3,352,560
Members	
Accumulated employee contributions including allocated invested earnings	14,049,366
Employer-financed vested	20,292,289
Employer-financed non-vested	3,159,725
Total pension obligation	40,853,940
Less net assets available for benefits at book value	29,468,387
Unfunded Pension Benefit Obligation	$11,385,553

Projected salary increases are not included because benefit credits earned for service to date are not dependent upon future salaries. The above calculations are part of the annual actuarial valuation as of December 31, 1986. Because of the money purchase nature of the plan, the 5% per year interest rate assumption does not have the same impact as if it were a defined benefit plan. Market value of assets is not determined for each city's plan; however, the market value of assets for TMRS as a whole was 108% of book value as of December 31, 1986. The book value of assets is the amortized cost for bonds and original cost for short-term securities and stocks. There were no related party transactions.

The actuarial assumptions used to compute the City's contribution rate are the same as those used to compute the pension benefit obligation. The numbers above reflect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded pension benefit obligation by $4,440,371.

B. Beaumont Fireman's Relief and Retirement Fund

All City firefighters participate in the Fireman's Relief and Retirement Fund, a single employer defined benefit plan established and controlled through state legislative enactments. The retirement fund is administered locally by a seven-member board of trustees, independent of the City Council. The board includes the Mayor or his designee, the City's Chief Financial Officer, three firefighters elected by a majority vote of the firefighters, and two citizens appointed by a unanimous vote of the first five trustees. The Board of Trustees is subject to the administrative supervision of the Commissioner of State Firemen's Pension Fund.

For the year ended September 30, 1987, the City's covered payroll for the firefighters participating in the plan was $5,423,958, or approximately 19% of the City's total payroll of $28,676,211. Every firefighter is eligible to participate in the plan, which also provides death and disability benefits. Benefit provisions depend upon the firefighter's age at retirement, the number of years of service, as well as the "Highest 60 Month Average Salary." In order to be eligible for a service retirement benefit, the firefighter must have attained 50 years of age and have completed 20 years of service. Vested termination benefits on a deferred basis are available to firefighters who terminate with 20 or more years of service but who have not attained age 50 at their date of termination.

The monthly retirement income will be calculated as a standard monthly benefit equal to 56% of the "Highest 60-Month Average Salary" plus an additional service benefit equal to $50 per month for each whole year of service in excess of 20 years. The "Highest 60-Month Average Salary" is defined as the average of the firefighter's total pay (including regular, longevity and overtime pay, and excluding lump sum distributions for unused sick leave or vacation) for the 60 calendar months of service during which the total pay was highest. These benefit provisions and all other requirements are established through original statute and/or modifications permitted under Section 7F of said statute.

Firefighters are required to contribute 10 percent of their pay to the retirement fund. This amount is established through a majority vote of the fund members. The City, under the provisions set out by the statute, is required to contribute an amount equal to that of the firefighters or an additional 10 percent.

The pension benefit obligation, 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 is intended to help users assess the funding status of the retirement fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is called the "actuarial present value of credited projected benefits" and is independent of the actuarial funding method, if any, used to determine contributions to the retirement fund.

The pension obligation was computed as part of an actuarial valuation performed as of December 31, 1986. Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 8.5 percent a year, compounded annually, projected salary scale increases of 6.5 percent a year, attributable to inflation, additional projected salary increases of 6.5 percent a year, attributable to merit, promotion and longevity increases, and no post retirement benefit increases.

The actuarial cost method used in the valuation was the Entry Age Actuarial Cost Method. Under this method, the actuarial present value of projected benefits for each firefighter included in the valuation is allocated as a level percentage of the earnings of the firefighter between entry age and assumed exit. The unfunded actuarially accrued liability is to be amortized with a level percentage of payroll which is equal to the total contribution rate less the normal cost contribution rate. The normal cost totals 13.55% of the covered payroll.

The total unfunded pension benefit obligation applicable to the City's firefighters was $7,632,886 at December 31, 1986 as follows:

Total Pension Benefit Obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 8,397,635	
Current contributory members eligible to receive benefits in the future	21,783,564	$30,181,199
Less assets available for benefits:		
Taxable assets available for benefits at book value for all assets except stocks valued at adjusted market value (market value $13,938,257)	12,658,505	
Future normal cost contributions	9,889,808	22,548,313
Unfunded pension benefit obligation		$ 7,632,886

The above stated actuarial evaluation reflects changes in the actuarial assumptions in order to better represent the future experience of the plan. Prior assumptions included a rate of return on the investment of present and future assets of 8.25 percent, projected salary increases of 7 percent a year attributable to inflation and additional projected salary increases of 7 percent a year attributable to merit, promotion and longevity increases.

The funding policy of the retirement fund requires that sufficient contributions be made to pay the plan's normal cost and amortize the plan's unfunded actuarial accrued liability over a reasonable period of time, determined to be 25 to 30 years given the actuarial assumptions and cost methods employed. The contribution requirements are not actuarially determined; however, a qualified actuary is required to evaluate the status of the fund biennially and to approve the validity of any contribution rate which may be implemented by a majority vote of all fund members. For the period ended December 31, 1986, it was actuarially determined that 28 years would be required to fund the unfunded pension benefit obligation of $7,632,886.

For the year ended September 30, 1987, both the City and firefighters made the required contributions to the retirement fund. These amounted to $542,396 (10% of the covered payroll) for the City and $542,396 (10% of the covered payroll) for the employees.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. For each of the three years ended September 30, 1985, 1986, and 1987, available assets were sufficient to fund 71.3, 71.3 and 74.7 percent of the pension benefit obligation, respectively. The City's unfunded pension benefit obligation represented 46.7, 52.0, and 40.7 percent of the annual covered payroll.

In addition, the City's contributions to the system, all made in accordance with actuarially determined requirements, were 10 percent of the annual covered payroll for the last three years. Ten year trend information is unavailable.

HARRIS COUNTY, TX (FEB '88)

NOTES TO THE FINANCIAL STATEMENTS

9. Retirement Plan

Plan Description

All officials and permanent employees ("employees") of the County are members of the Texas County and District Retirement System ("TCDRS"), 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, is fully vested after 10 years' continuous service. Forfeited County contributions and related interest are allocated to the remaining plan participants pending vesting.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the County conditioned by the actuarial constraints imposed by statute that the resulting benefits can be expected to be adequately financed by the commitment of the County to contribute the same amount as the number of employees. The County's current benefit plan provides for employer-financed monetary credits for service since the plan began of 220% of the employee's accumulated contributions, and for employer-financed monetary credits for service before the plan began of 160% of a theoretical amount equal to twice what would have been contributed by the employee, with interest, prior to establishment of the plan. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions and employer financed monetary credits was used to purchase an annuity.

Contribution Requirements

The contribution rate of the County is 7% of the employee member's earnings. This rate, which is not actuarially determined, is a fixed percent equal to the contribution rate payable by the employee member.

The County's total payroll for fiscal year 1988 was $223,045,356, of which $215,751,169 was covered by the plan. Employer and employee contributions for the year were made as required and each totaled $15,102,582 for the year.

Funding Status

Although the substance of the County's plan is not to provide a defined benefit in some form, additional disclosure is appropriate due to the nontraditional (for a defined contribution plan) existence of an unfunded pension benefit obligation and employer-financed monetary credits in excess of 100% of the employee's personal contributions. The County's 7% contribution includes the normal cost of 6.22% to fund the currently accruing monetary credits and 0.78% to amortize the unfunded pension benefit obligation quantified below. The plan had an initial unfunded pension benefit obligation due to the monetary credits granted by Commissioners Court for services rendered before the plan began and can have additions to the unfunded pension benefit obligation through the periodic adoption or increases in benefit credits and benefits.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1986. Because of the money-purchase nature of the plan, the interest rate assumption, currently 9% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets was not determined as of December 31, 1986, but TCDRS management believes that market value exceeds book value as of that date.

The unfunded pension benefit obligation at December 31, 1986 includes the following:

Annuitants	$ 27,945,534
Members:	
Accumulated employee contributions including allocated investment earnings	111,478,265
Employer-financed vested	100,770,691
Employer-financed nonvested	46,140,920
Total	286,335,410
Net Assets Available for Benefits, at Book Value	257,008,017
Unfunded Pension Benefit Obligation	$ 29,327,393

The unfunded pension benefit obligation is to be amortized with a level percent of payroll assumed to be 0.78% each year in the valuation above. The rate available to amortize the unfunded pension benefit obligation may, however, vary slightly from year to year since it is determined as the County contribution rate (7%) minus its normal cost contribution rate (recalculated annually). As a result, the amortization period may vary from year to year. At December 31, 1986 the amortization period was 23 years.

The amounts above reflect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded pension benefit obligation by $2,605,791.

Trend Information

For the plan year ending December 31, 1986, available assets were sufficient to fund 90% of the pension benefit obligation. The unfunded pension obligation represented 14% of the annual payroll for employees covered by the plan for 1987. In addition, the County's contribution to the plan for 1987 was 7% of the annual covered payroll for such year.

Additional trend information relating to the funding status of the plan may be found in the separate annual report of the TCDRS.

Post Retirement Benefits

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 1988, these costs were not material.

CITY OF THORNTON, CO (DEC '87)

NOTES TO FINANCIAL STATEMENTS

I. Pension Plans:

City employees are covered under one of four different pension plans, depending on occupation and date of hire. The different plans are the Employee Pension Plan, Police Pension Plan, City Fire Pension Plan and State Fire Pension Plan. All are administered by outside trustees and do not meet the standards of NCGA Statement 3 for inclusion as part of the reporting entity. A description of each plan and selected financial information follows:

1. Employee Pension Plan

The defined benefit pension plan for eligible full-time employees of the City was replaced in 1982 with a defined contribution, money purchase retirement plan. Plan assets equal to the actuarial present value of accumulated benefits of employees in the defined benefit plan were transferred to the money purchase plan over a period of two years and the remaining plan assets are being transferred over a period of five years.

The defined contribution pension plan is maintained for full-time permanent employees who complete at least 1,000 hours of service within a 12-month period commencing on the date of employment and ending on the day before the first anniversary date of employment. Firemen and policemen are excluded from the plan and are covered by separate programs described in (b) and (c) below. The employees' plan requires the City to contribute 4% of the eligible employees' compensation to the Plan trustee on a quarterly basis. Contributions to the plan by employees are voluntary, but may not exceed 10% of annual compensation for non-deductible voluntary contributions and $2,000 for a deductible voluntary contribution. Employees vest in the employer contributions at the rate of 10% per year of service with the City.

Employer contributions are funded by the Governmental and Proprietary Funds. Contributions for 1987 amounted to $147,938 for the General Fund and $95,388 for the Enterprise Funds. Assets held in the City's name by the trustee as of December 31, 1987 totaled $2,002,037 with a market value of $1,945,727, of which $1,696,277 was vested at that date.

2. Police Pension Plan

A defined benefit plan covering substantially all police employees was replaced in 1982 with a defined contribution, money purchase retirement plan. All plan assets held by the City for pre-1978 hirees and the State of Colorado for post-1978 hirees were transferred in 1983 to an outside trustee in accordance with the new plan. Assets were allocated to all current members of the plan by a prorated formula of years of service and contributions to each plan. By state statute, all assets were distributed to current members upon formation of a defined contribution plan. All full-time, sworn police officers of the City are eligible upon hire to participate in the plan. Eligible employees contribute 8% of base pay bi-monthly, and the employer contributes 8% of base pay, to the Plan trustee. Additional contributions, not to exceed 7%, are voluntary. Employees do not vest in the employer contributions and allocated assets of the prior defined benefit plan until year four when the vesting is 40% and increases at the rate of 10% per year thereafter.

Employer contributions are funded annually from the General Fund. Assets held in the City's name by the trustee as of December 31, 1987 totaled $3,285,753, of which $3,198,738 was vested at that date. Contributions for 1987 amounted to approximately $382,087.

3. Fire Pension Plan

City Plan:

The Fire Pension Plan was established in accordance with Colorado law and covers employees hired prior to April 8, 1978. All plan assets held by the City were transferred in January, 1986 to the State of Colorado Fire and Police Pension Association. The Fire Pension Plan is financed by contributions from plan participants of 8.1% of monthly pay, and by contributions from the City of 14.9% of monthly pay. In accordance with state law on Fire Pension Plan Funds, contributions from the City and from plan members hired prior to April 8, 1978 equaled 8% of their monthly pay. The total contribution for 1987 was $204,584, which includes amortization, over 37 years from January 1, 1982, of an unfunded accrued liability of $345,276 as of January 1, 1987.

In accordance with a 1976 decision by the Colorado Supreme Court, the City must return all individual employee contributions upon termination. The accumulated firemen's contributions subject to refunding totaled $568,336 at December 31, 1987.

State Plan:

State law, effective January 1, 1980, created a new retirement benefit plan for policemen and firemen hired on or after April 8, 1978; created a new death and disability benefit plan for policemen and firemen, regardless of when they were hired; and created a state fire and police pension association to administer the new plans and perform certain other functions relating to policemen's and firemen's pensions. The state association will determine future contributions to the retirement plan. The State of Colorado will contribute certain amounts to be allocated among the retirement and death and disability plans, and all previous state contribution formulas have been terminated. Policemen and firemen hired before April 8, 1978 may voluntarily associate with the new retirement plan under certain circumstances, while those hired after April 8, 1978 are automatically associated with it. Employer and employee contributions for 1987 were $74,757 each.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 1988 in accordance with Statement No. 5 of the Governmental Accounting Standards Board (GASB). Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of .5% to 3% a year, attributed to seniority/merit, and (d) no postretirement benefit increases.

Pension benefit obligations:	
Retirees and beneficiaries currently receiving benefits	$ 787,828
Terminated vested employee not yet receiving benefits	—
Current employees:	
Accumulated employee contributions	532,837
Employer-financed vested	—
Employer-financed nonvested	1,998,924
Total pension benefit obligation	3,319,589
Net assets available for benefits	3,185,816
Unfunded pension benefit obligation	$ 133,773

CAPITALIZATION OF INTEREST

Many governmental units provided note 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 that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided (for example, by avoiding additional borrowings or by using the funds expended for the assets to repay existing borrowings) if expenditures for the assets had not been made.

FASB Statement 62 amended FASB Statement No. 34, "Capitalization of Interest Cost," (a) to require capitalization of the interest cost of restricted tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use, and (b) to prescribe capitalization of the interest cost on qualifying assets acquired using gifts or grants that are restricted by the donor or grantor to acquisition of those assets.

GASB Cod. Sec. 1400.111 states that the accounting policy with respect to capitalization of interest costs incurred during construction should be disclosed and consistently applied.

Examples for the disclosure of capitalization of interest follow.

CITY OF HARRISBURG, PA (DEC '87)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

I. Interest Capitalization:

Interest costs incurred by a proprietary fund for the acquisition and/or construction of capital assets are subject to capitalization based on the guidelines established by FASB-34 (Capitalization of Interest Cost). The interest capitalization period begins when the following conditions are present:

Expenditures for the capital asset have been made.

Activities that are necessary to get the capital asset ready for its intended use are in progress.

Interest cost is being incurred.

The amount of interest cost to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the proprietary fund's interest rate for the obligation incurred specifically to finance the construction of the capital asset. During 1987, Proprietary Fund interest expense is net of $53,049 of capitalized interest.

METROPOLITAN DADE COUNTY, FL (SEP '87)

NOTES TO FINANCIAL STATEMENTS

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

Interest

Enterprise Fund interest is charged to expense as incurred except for interest related to borrowings used for construction projects which is capitalized net of interest earned on construction funds borrowed. Interest capitalization ceases when the construction project is substantially complete. Net interest capitalized during fiscal 1987 amounted to $16,954,000.

CITY OF SANTA ROSA, CA (JUN '88)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

14. Capitalization of Interest

Interest Expense and Interest Earned in the Wastewater Utility Fund is net of interest capitalized during construction as follows:

Construction Period—Interest Expense	$2,667,980
Plus Discount Amortized	17,500
	2,685,480
Less:	
Investment Earnings on Proceeds	1,524,807
Amount Capitalized	$1,160,673

CITY OF JACKSON, MS (SEP '87)

NOTES TO FINANCIAL STATEMENTS

(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(i) for the amount of interest capitalized during the year ended September 30, 1987.

HARFORD COUNTY, MD (JUN '88)

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 asset's acquisition period which theoretically could have been avoided if expenditures for the asset had not been made.

In fiscal year ended June 30, 1988 $1,244,902 in construction expenditures was made. During this same period, Federal and State grants were recorded as revenue. 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 reason.

HERNANDO COUNTY, FL (SEP '87)

NOTES TO THE FINANCIAL STATEMENTS

Note 15: Capitalization of Enterprise Fund Interest Expense

Interest incurred during the period of construction and preparation for use of assets constructed in the Enterprise Funds is capitalized as part of those assets. During the year ended September 30, 1987, interest costs incurred totaled $963,688 for the Water and Sewer District; $90,192 for the Aviation Authority; and $1,042 for the Landfill, of which $5,516 was capitalized in the Water and Sewer District, none in the Aviation Authority or Landfill.

COMPLIANCE, STEWARDSHIP, AND ACCOUNTABILITY

Several of the surveyed governments provided a grouping of note disclosures under the heading "compliance, stewardship, and accountability." This disclosure may have been included as part of the note titled "summary of significant accounting policies" or separately. Generally, subjects such as fund deficits, grants from other governments, budget compliance and adjustments, and debt were discussed.

The following are excerpts from selected financial statements on this type of note disclosure.

CUMBERLAND COUNTY, NC (JUN '88)

NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance and Accountability

Deficits in Fund Balance and Retained Earnings

Fund balance shown in the General Fund includes a deficit balance in the Job Training Partnership Act Funds totaling $26,652.

Retained earnings shown in the Proprietary Fund Types include a deficit balance in the Cumberland County Memorial Auditorium Fund totaling $874,826.

Excess of Expenditures over Appropriations

The General Fund reflected departmental expenditures of $13,640 which had exceeded related budgetary appropriations at year end by $13,640.

The Cumberland County Hospital Fund reflected expenditures of $48,552,683, which had exceeded related budgetary appropriations at year end by $5,842,683.

MUSCOGEE COUNTY, GA (JUN '88)

NOTES TO FINANCIAL STATEMENTS

II. Stewardship, Compliance and Accountability

A: Excess of Expenditures over Appropriations in Individual Funds

Debt Service Fund

Expenditures exceeded the budget for 1988 by $719,700. This excess was a result of higher than anticipated interest resulting from voter approval of and the issuance of $18,000,000 in general obligation bonds. Cash sufficient to provide for the excess expenditures was made available in the fund.

BRIGHAM CITY CORPORATION, UT (JUN '88)

NOTES TO THE FINANCIAL STATEMENTS

Note 17. Stewardship, Compliance, and Accountability

Expenditures over budget:

The following individual funds incurred expenditures in excess of budget:

	Budget	Actual	Actual Over Budget
All governmental fund types:			
General Fund:			
Buildings	$186,406	$196,252	$ 9,846
Inspection	39,980	40,504	524
Miscellaneous	121,140	121,403	263
Special Revenue Funds:			
Redevelopment Agency:			
Trust	—	5,775	5,775
Debt Service Fund:			
Special Assessment District #19	—	4,636	4,636
Capital Project Funds:			
Special Assessment District #19	12,000	307,439	295,439

Individual fund deficits of equity accounts:

The following funds had deficits in equity accounts (fund balance)

Special Revenue Funds:	
Redevelopment Agency Funds:	
Agency #1	$13,220
Agency #2	3,032
Golf Fund	6,943
Internal Service Fund	149,091
Capital Projects Funds:	
Special Assessment District #21	7,750
Golf Course	819,046

CITY OF FENTON, MI (JUN '88)

NOTES TO FINANCIAL STATEMENTS

II. Stewardship, Compliance, and Accountability

A. Expenditures over budget:

The following individual funds incurred expenditures in excess of appropriations:

Fund	Activity	Budget	Actual	Actual Over Budget
Debt Service Fund Type:				
Sanitary Sewer Debt Service	Interest and fiscal charges	$16,386	$16,834	$448
1976 Special Assessment Debt Service	Interest and fiscal charges	5,439	5,440	1
Library Debt Service	Principal retirement	24,527	24,528	1

CITY OF OXFORD, NC (JUN '88)

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance of Individual Funds

The Community Development Block Grant Fund for Goshen Street, a Special Revenue Fund, had a deficit fund balance of $(24,979) as of June 30, 1988. This was the result of contractual retainage payable on street improvements in the amount of $25,215 which is in excess of assets of $236 in this fund. The retainage will not be paid until the project is completed. Therefore the City had not requested any reimbursement from its grant as of June 30, 1988, to pay the retainage.

The Street Improvement fund, which is included in the General Fund in these financial statements, had a deficit of $(35,484) as of June 30, 1988. This fund is used to account for street assessments used to pay part of the cost of paving streets. The deficit is the result of uncompleted street paving projects for which costs have been incurred and assessments cannot be billed until completion in order to determine total costs to be assessed.

CLEVELAND COUNTY, NC (JUN '87)

NOTES TO FINANCIAL STATEMENTS

Note 13. Stewardship, Compliance and Accountability

Overexpended Budgets

North Carolina G.S. 159-28(a) prohibits the County from incurring an expenditure unless an unencumbered balance remains in the appropriation sufficient to pay the expenditure in the current fiscal year. The following department expenditures exceeded the budget for the year ended June 30, 1988:

Department	Amended Budget	Expenditures	Unfavorable Variance
General Fund:			
Tax listing	$447,292	$498,656	$51,364
Public buildings	664,766	670,289	5,523
Court facilities	136,427	139,643	3,216
Personnel	58,722	58,745	23
Emergency management	603,812	609,531	5,719
Medical examiner	26,243	28,096	1,853

Repurchase Agreements

During the early part of the year, the repurchase agreements the County had were not being conducted properly in accordance with the provisions of G.S. 159-30.c(12) in that the County was not issued safekeeping receipts issued by a third-party depository.

Preaudit Authorization of a Contract

One contract was noted which did not include the "preaudit certificate" evidencing authorization of the Finance Director, as required by G.S. 159-28(a).

These findings are more fully developed in the Compliance Section of this report and were not deemed to have a material effect on the general purpose financial statements.

ENCUMBRANCES

According to GASB Cod. Sec. 1700.129 and .130 encumbrances—commitments related to unperformed (executory) contracts for goods or services—often should be recorded for budgetary control purposes, especially in general and special revenue funds. Encumbrance *accounting and reporting* may be summarized as follows:

a. Encumbrance accounting should be used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

b. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

c. If performance on an executory contract is complete, or virtually complete, an expenditure and liability should be recognized rather than an encumbrance.

d. Where appropriations lapse at year-end, even if encumbered, the governmental unit may intend either to honor the contracts in progress at year-end or to cancel them. If the governmental unit intends to honor them: (1) encumbrances outstanding at year-end should be disclosed in the notes to the financial statements or by reservation of fund balance, and (2) the subsequent year's appropriations should provide authority to complete those transactions.

e. Where appropriations do not lapse at year-end, or only unencumbered appropriations lapse, encumbrances outstanding at year-end should be reported as reservations of fund balance for subsequent year expenditures based on the encumbered appropriation authority carried over.

Under the recommended approach, encumbrances outstanding at year-end should not be reported as expenditures. The method by which encumbrances are accounted for and reported should be consistently applied and should be disclosed in the Summary of Significant Accounting Policies.

Many of the governmental units provided information concerning the status of outstanding encumbrances at the end of the fiscal year. The following are examples of notes related to encumbrances.

CITY OF GENEVA, NY (DEC '87)

NOTES TO FINANCIAL STATEMENTS

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

Encumbrances

Encumbrances are recorded at the time a purchase order or another commitment is entered into. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

CITY OF VICTORIA, TX (SEP '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

CITY OF SPARTA, GA (APR '88)

NOTES TO FINANCIAL STATEMENTS

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

E. Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods or services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

OREGON CITY SCHOOL DISTRICT NO. 62, OR (JUN '88)

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Significant Accounting Policies [In Part]

Encumbrances

Encumbrances represent commitments related to unperformed (executory) contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the governmental funds.

Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

For budgetary purposes, appropriations lapse at year end except for that portion related to encumbered amounts. Encumbrances outstanding at year end and the related appropriation are carried forward to the new year through a supplemental budgetary allocation.

Encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to the budgets for governmental funds on budget basis.

COUNTY OF UNION, NJ (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

B. Description of Funds [In Part]

Expenditures—are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the County's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal and interest payments on outstanding general capital bonds and notes are provided on the cash basis.

JOINT VENTURES

Governmental units commonly have joint agreements with other units to provide services to their respective constituents. These arrangements might be with, for example, nongovernmental units, authorities, or regional quasi-governmental entities. GASB Cod. Sec. J50.102a states that for proprietary and similar trust funds the joint venture should be included in the investing fund's financial statements using the equity method of accounting under APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," even though there is no common stock. For governmental and similar trust funds the joint venture should be disclosed in the notes to the financial statements if not accounted for under the equity method of accounting.

The notes to the financial statements should contain the following disclosures for both proprietary and governmental fund joint ventures:

a. A general description of each joint venture, including:
   (1) Identifying the participants and their percentage shares
   (2) Describing the arrangements for selecting the governing body or management
   (3) Disclosing the degree of control the participants have over budgeting and financing
b. Condensed or summary financial information on each joint venture, including:
   (1) Balance sheet date
   (2) Total assets, liabilities, and equity
   (3) Total revenues, expenditures/expenses, other financing sources (uses), and net increase (decrease) in fund balance/retained earnings
   (4) Reporting entity's share of assets, liabilities, equity, and changes therein during the year, if known

The following are excerpts from several notes relating to joint ventures.

CITY OF FORT COLLINS, CO (DEC '87)

NOTES TO GENERAL PURPOSE 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. Additional information regarding the City's joint ventures is provided in Note 9. The following are joint ventures in which the City participates:

City of Fort Collins-Larimer County Block 31 Joint Venture is owned 50% by Larimer County and 50% by the City. The two entities acquired property which is to be used for the site of a future City-County facility. A parking lot was constructed on the site which requires periodic expenditures for maintenance and upkeep.

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 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, 1987, the four cities have residual equity interests in the Authority of 46.63%, 6.08%, 21.04% and 26.25%, 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
As of and for the year ended	12/31/87	12/31/86	12/31/87
Total assets.........................	$ 106	$15,436	$1,198,028
Liabilities			
—Current	18	279	21,442
—Long-term	—	2,012	1,025,834
Total liabilities......................	18	2,291	1,047,276
Total equity	88	13,145	150,752
Total liabilities and equity	106	15,436	1,198,028
Total revenues	437	6,791	167,759
Total expenses/expenditures	450	6,394	156,305
Net increase (decrease) in equity.................................	$ (13)	$ 397	$ 11,454

The only significant long-term debt reported by these entities is $991,264,000 of electric and power revenue bonds ($10,580,000 current portion) issued by Platte River Power Authority. Electric revenue bonds are secured by a pledge of the revenues of Platte River after deducting "operating expenses" as defined in the general bond resolution. Power revenue bonds are subordinate to the pledge of net revenues on the electric revenue bonds. Principal and interest payments are met from net revenues earned from wholesale electric rates charged to the municipalities and others.

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 1987:

Fort Collins-Loveland Airport—In 1982, the City of Fort Collins issued sales and use tax revenue bonds, $2,360,000 of which were 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 semiannual 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 contribute funds to the Authority so that it can make its lease payments and intends to contribute such funds in the future, if the Authority is unable to meet its obligation. The City contributed $137,890 to the Authority for lease payments during 1987.

Poudre Fire Authority—As mentioned in the summary of significant accounting policies, the City provides funding for the Authority. During 1987, such funding amounted to $4,255,700 for operations and $125,000 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 1987. Payments of $22,215 were made in accordance with the lease agreements in 1987.

Platte River Power Authority—The Light and Power Fund purchases all of its electrical power from the Authority. During 1987, these purchases amounted to $21,713,799 of which $2,047,159 is included in accounts payable at December 31, 1987.

City of Fort Collins Housing Authority—The Community Development Block Grant Fund contributes to the Authority and to programs sponsored by the Authority. During 1987, payments amounting to $137,166 were made.

CITY OF WALLA WALLA, WA (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 11: City-County Airport Joint Venture

The City of Walla Walla participates with Walla Walla County at the City-County Airport. This joint venture is considered a separate reporting entity. The City's and County's share of authority is defined by the Restated Joint Agreement established by the City-County Airport Board. By terms of the joint agreement, the airport will be managed by an Airport Board consisting of five people-two appointed by the City, two by the County and a fifth person appointed by the other four members.

The Walla Walla City-County Airport was created January 16, 1950, from property deeded to the City and County in 1948 by the Federal Government. The terms of the current agreement provide the City a 50% interest in the equity and operations of the airport after a credit for the City of $79,536.

The balance sheet, statement of revenues, expenses and changes in retained earnings, and the statement of the County's interest in equity and operations for this joint venture, for the year ended December 31, 1987, are as follows: Current liabilities consist of leasehold taxes payable and accrued payroll taxes. There are no long-term liabilities.

Walla Walla City-County Airport
Year Ended December 31, 1987

Assets:	
Current assets	$1,245,936
Property, plant and equipment	7,064,218
Accumulated depreciation	(3,555,545)
Total assets	$4,754,609
Liabilities and Fund Equity:	
Current liabilities	$ 23,240
Total liabilities	$ 23,240
Contributed capital	6,504,843
Less retirement	(5,080,763)
Retained earnings	3,307,289
Total fund equity	$4,731,369
Total liabilities and equity	$4,754,609
Statement of Revenues, Expenses and Changes In Retained Earnings:	
Operating revenues:	
Rentals and other	$ 755,286
Total revenues	$ 755,286
Operating expenses	505,977
Operating income (loss)	$ 249,312
Retained earnings as of January 1	1,384,786
Contributed capital adjustment	1,673,191
Retained earnings as of December 31	$3,307,289
Statement of City's Interest in Equity and Operations:	
City's share of equity as of January 1	$ 732,161
Share of 1987 increase (decrease)	961,251
City's share of equity as of December 31	$1,653,644

HAMILTON COUNTY, TN (JUN '88)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note A—Significant Accounting Policies [In Part]

Note M—Joint Venture

The Industrial Development Board of Hamilton County, Tennessee issued Lease Rental Revenue Bonds, Series 1985, dated March 1, 1985, in the amount of $17,950,000 for the purpose of providing funds to pay the principal and interest on certain bond anticipation notes issued in anticipation of the issuance of the Series 1985 bonds. The proceeds of said bond anticipation notes were used to provide funds for the acquiring, construction, improving and equipping of certain public building facilities comprised of a trade center and a parking garage owned by Carter Street Corporation, a not-for-profit organization, whose board consists of five members. Two of the members are appointed by the County Executive and two by the mayor of Chattanooga. The appointment of the fifth member, who serves as chairman, is agreed on by the County Executive and the Mayor. The City of Chattanooga and Hamilton County, Tennessee have leased the project from the Carter Street Corporation. While the bonds do not constitute an indebtedness of the County or the City, under the lease the County and City are unconditionally obligated to make rental payments (one-third by the County and two-thirds by the City) to the Corporation which, in the aggregate, will be sufficient to pay principal and interest on the bonds. Such rent amounted to $654,232 for the County during fiscal year 1988. Construction on the project was substantially completed in 1985.

Condensed financial information for the Carter Street Corporation as of June 30, 1988 is as follows:

ASSETS		
Cash		$ 298,185
Accounts Receivable		1,086,135
Bond and Construction Funds in Trust		175,310
Plant and Equipment, net		20,446,914
Prepaid Expenses		16,951
Bond Issue Costs, net		1,371,835
Inventories		258,336
TOTAL ASSETS		$23,653,666
LIABILITIES AND FUND EQUITY		
Current Maturities of Bonds Payable		$ 600,000
Accounts Payable		74,562
Accrued Interest		511,846
Unearned Rental Revenue		415,199
Long-term Debt, net of discount		20,472,013
Fund Equity:		
Contributed Capital:		
City of Chattanooga	$ 3,557	
Hamilton County	3,557	
Urban Development Action Grants	5,997,326	6,004,440
Retained Earnings (deficit)		(4,424,394)
		1,580,046
TOTAL LIABILITIES AND FUND EQUITY		$23,653,666

Schedule of Revenues, Expenses and Changes in Fund Equity:

Total operating revenues	$1,904,592
Total operating expenses	(2,341,065)
(Loss) from operations	(436,473)
Nonoperating revenues	2,841,798
Nonoperating expenses	(2,301,968)
Net Income	103,357
Fund equity at July 1, 1987	1,476,689
Fund equity at June 30, 1988	$1,580,046

CITY OF GARDENA, CA (JUN '88)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(10) Joint Venture

The City is a member of the South Bay Regional Public Communication Authority (SBRPCA), which provides financing and equipment for a police communication system for the City and the other member municipalities of SBRPCA—El Segundo, Hawthorne and Manhattan Beach. The City's share of financing at June 30, 1988 is $291,636, payable in 13 semiannual installments of $22,433 on every January 1 and July 1 through 1994.

As of and for the year ended June 30, 1988, SBRPCA's summary financial information is as follows:

Total revenues	$2,605,238
Total expenditures	2,846,651
Excess of expenditures over revenues	$ (241,413)
Cash and investments	$ 970,505
Other assets	2,629,428
	$3,599,933
Long-term debt	$1,062,658
Other liabilities	241,528
	1,304,186
Members' equity	2,295,747
	$3,599,933

Should the Authority liquidate, all members would receive their equity in the Authority based upon their cumulative contributions.

CITY OF NEPHI, UT (JUN '88)

NOTES TO THE FINANCIAL STATEMENTS

4. Investments Held in Bonds and Construction Escrows [In Part]

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 Cooperation 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, 1988 is summarized below:

Assets	Total	Nephi City (5.839%)
Current Assets	$ 1,128,942	$ 65,919
Restricted Assets	10,545,771	615,768
Net Utility Plant and Equipment	35,154,668	2,052,681
Deferred Charges and Other Assets	9,737,557	568,576
Total Assets	$56,566,938	$3,302,944
Liabilities and Members' Equity		
Liabilities:		
Current Liabilities	$ 595,452	$ 34,768
Liabilities Payable from Restricted Assets	2,193,156	128,058
Long-Term Liabilities	53,775,000	3,139,922
Total Liabilities	56,563,608	3,302,748
Members' Equity:		
Members' Contributions	3,350	196
Total Liability and Members' Equity	$56,566,958	$3,302,944

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 covered from future billings to members for the year ended June 30, 1988 were $21,236,336 and $7,295,643, respectively.

NEW FUNDS

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

CITY OF CORPUS CHRISTI, TX (JUL '87)

NOTES TO FINANCIAL STATEMENTS

13. Fund Changes

As required by Governmental Accounting Standards Board Statement 2, the financial statements of the City's Deferred

Compensation Plan are included in this report as an Agency Fund. The Corpus Christi Retirement Plan is now reported as a Pension Trust Fund instead of an Expendable Trust Fund due to the nature of activities financed. The Insurance Fund, comprised of two insurance funds and previously reported as one, has been separated and is now reported as two funds, the Self Insurance Fund and Group Life and Health Insurance Fund, to better assess the separate financial activities of these funds.

CHATHAM COUNTY, GA (DEC '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

(14) Fund Changes

Two new funds were created in 1987, one in the Special Revenue Fund type and another in the Proprietary Fund type. The Chatham Area Transit Authority Special Revenue Fund has been established to account for the special levy ad valorem taxes for the provision of the services to be rendered in the special district for transit services. The County has engaged the Transit Authority to provide transit services and uses the proceeds of the special tax levy to fund the Chatham Area Transit Authority Enterprise Fund, which is also another fund added to the County reporting entity. Four Capital Projects Funds that were established to account for Library Construction have been closed off since construction is completed. The assets (cash balances in the funds) have been transferred to the General Fund.

TOWN OF FARMINGTON, CT (JUN '88)

NOTES TO FINANCIAL STATEMENTS

16. Special Revenue Funds

Beginning July 1, 1987, two new funds, Municipal Liability and Town Aid Road, were added to special revenue funds to account for certain State grants formerly recorded in the general fund. The Municipal Liability fund is used to record activity of a State grant to aid municipalities in taking preventative measures against future incurrance of liability and loss. The Town Aid Road fund is used to record activity of a State grant for maintenance of the Town's roads and bridges.

CITY OF BEAUMONT, TX (SEP '87)

NOTES TO FINANCIAL STATEMENTS

15. Establishment of New Funds

The City established the following new funds:

The Marina Fund was established as a new enterprise fund to account for the operation of the City's boating facilities.

The Fire Training Grounds Fund was established as a new enterprise fund to account for the operation of a regional fire training facility. This activity was previously accounted for in the General Fund. The assets and liabilities associated with this new fund were transferred during fiscal year 1987. Restatement was not considered necessary due to the immateriality of the amounts.

The Convention Facilities Fund was established as an enterprise fund to account for the operation of the City's convention, tourism and promotional activities. This activity was previously accounted for in the General Fund. In creating this fund, all of the general fixed assets associated with its operation were reclassified from the General Fixed Assets Account Group to the Convention Facilities Fund. These assets, consisting primarily of buildings and land, were reclassified net of estimated accumulated depreciation. The original cost of these assets was $13,835,862. The related estimated accumulated depreciation was $2,699,911 resulting in a transfer of assets valued at $11,135,951. The effect of the establishment of this fund as of October 1, 1986, is as follows.

Fund	Balance October 1, 1986, as Previously Reported	Retroactive Adjustments Add (Deduct)	Balance October 1, 1986, as Restated
Enterprise Funds:			
Convention Facilities Fund:			
total assets	$ —	$ 11,136,313	$ 11,136,313
total liabilities	$ —	$ 362	$ 362
total contributed capital	$ —	$ 11,135,951	$ 11,135,951
total fund equity	$ —	$ 11,135,951	$ 11,135,951
Total Enterprise Funds:			
total assets	$104,381,222	$ 11,136,313	$115,517,535
total liabilities	$ 34,831,625	$ 362	$ 34,831,987
total contributed capital	$ 37,100,617	$ 11,135,951	$ 48,236,568
total fund equity	$ 69,549,597	$ 11,135,951	$ 80,685,548
General Fund:			
total assets	$ 10,665,386	$ (362)	$ 10,665,024
total liabilities	$ 5,209,785	$ (362)	$ 5,209,423
General Fixed Assets Account Group:			
Investment in property acquired prior to September 30, 1984	$198,944,945	$(13,835,862)	$185,109,083
Investment in general fixed assets	$211,285,758	$(13,835,862)	$197,449,896
Combined Proprietary Fund Types and Similar Trust Funds:			
contributed capital	$ 42,759,728	$ 11,135,951	$ 53,895,679

CITY OF WILSON, NC (JUN '88)

NOTES TO FINANCIAL STATEMENTS

2. Changes in the Reporting Entity

Fund Changes

Effective June 30, 1988, the City Council approved the abolishment of the Debt Service Fund and the Newton Park Capital Project Fund, transferring the remaining equity in those funds to the General Fund as residual equity transfers.

Restatements

The Health Insurance Reserve Fund was previously reported as an Expendable Trust Fund. The City has subsequently determined that this fund should be reported as an Internal Service Fund, thus transferring the fund balance of $116,928 at July 1, 1987.

The Community Development and Community Development Loan Funds were previously reported as individual Special Revenue Funds. The City has subsequently determined that the activity of these funds is similar in nature and is more appropriately reported in one combined fund and, effective July 1, 1987, has combined the activity into one Community Development Special Revenue Fund.

OPERATING LEASES

According to GASB Cod. Sec 1400.108, significant noncapitalized lease commitments should be disclosed in the notes to the financial statements.

Many governmental units had significant operating-type leases for which disclosure was made in the notes to the financial statements. The following illustrates several examples of these disclosures.

CADDO PARISH COMMISSION, LA (DEC '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

(6) Lease Commitments

The Commission has commitments under several operating lease agreements for office space, warehouse space and office equipment. Generally, these lease agreements are cancellable by the Commission at any time. Commission management does feel, however, that such leases will generally be renewed or replaced each year. Total rental expense under operating leases was approximately $83,082 during 1987.

In addition, the Commission has operating leases that are not cancellable. Commitments for rental expenses under these leases are:

Year ending December 31,	
1988	$24,919
1989	5,230

MORAINE PARK VOCATIONAL, TECHNICAL AND ADULT EDUCATION DISTRICT, WI (JUN '88)

NOTES TO COMBINED FINANCIAL STATEMENTS

10. Operating Leases as Lessee

The District, as lessee, leases certain buildings under operating leases that have remaining non-cancellable lease terms in excess of one year. The leases expire at various times through November, 1989. Minimum annual rentals are as follows:

Year ending June 30	Annual rental
1989	$27,469
1990	9,671
Total minimum lease payments	$37,140

Rent expense under all operating leases amounted to approximately $47,000 for the year ended June 30, 1988.

HARRIS COUNTY, TX (FEB '88)

NOTES TO THE FINANCIAL STATEMENTS

11. Astrodome Lease

The Astrodome was built at a cost of about $28,000,000 with the proceeds of limited tax bonds and is leased to the Houston Sports Association, Inc. ("HSA") for 40 years beginning in 1965. HSA also has two successive options to renew the lease for additional periods of 10 years each. Annual base rentals for the lease are approximately $750,000. Annual special purpose rentals of $100,000 and special purpose variable rentals equal to the greater of $125,000 or 2% of the parking receipts are due from the HSA each year. All such additional rentals, including interest earned thereon, are used to fund capital improvement projects at the Astrodome.

The lease is classified as an operating lease and maintenance and insurance costs are paid by HSA.

The following is a schedule by years of minimum future rental income as of February 29, 1988:

Fiscal Year Ending February 28,	
1989	$ 968,250
1990	968,235
1991	967,035
1992	966,450
1993	964,680
Later years	11,571,795
Total	$16,406,445

CITY OF GALVESTON, TX (SEP '87)

NOTES TO FINANCIAL STATEMENTS

(7) Significant Commitments under Non-capitalized Leases and Contracts

General Fund:

Effective October 1, 1985 the City contracted with McDonald Transit Associates, Inc. for the operation and management of its public transit system. This contract is for a two-year period. The City has agreed to pay a monthly management fee of $5,350 for the services of the resident manager and other undertakings of the management company.

Waterworks System Fund:

By contract, dated January 15, 1971, with the Galveston County Water Authority, approved by election on March 11, 1969, the City purchases surface water from the Authority. The City agreed to purchase, whether taken or not, the following quantities of water:

1-1-76 to 12-31-80	8 million gallons per day
1-1-81 to 12-31-85	10 million gallons per day
1-1-86 to 12-31-90	12 million gallons per day
1-1-91 to 12-31-08	15 million gallons per day

The City has exercised its option to purchase water in excess of the minimum. Purchases during the current year averaged over 10 million gallons per day. The price of water increases periodically based on the actual cost of water to the Authority.

In addition to water purchase payments the City agreed to pay its proportionate share (89.87%) of the Authority's debt service requirements on the revenue bonds issued to finance construction of the water conveyance facilities. The fixed debt service charge is paid monthly and is based upon the amount of the Authority's debt currently maturing. Annual debt requirements to be paid by the City increase from $251,690 in the fiscal year ending September 30, 1988 to $264,221 in the year ending September 30, 2001. Upon the Authority's debt being paid in full this fixed charge to the City will cease. At September 30, 1987, the total principal payable on the Authority's bonds was $2,660,000, of which the City's proportionate share was $2,391,340.

The Authority is paid an operating charge as reimbursement for actual maintenance and operating expenses incurred in providing water to the City.

By amendment to the 1971 Water Supply Contract, dated April 10, 1987, the City received from the Authority an ownership interest in water production facilities known as the Southeast Water Purification Plan (the "Ellington Plant"). Pertinent amendments to the agreement are as follows.

A. The Authority contracted with the City of Houston for 26.25% of the production capacity of the Ellington Plant at a rate of delivery equal to 10.845% of the pumping capacity of the plant. Those percentages are the equivalent of 21 MGD production capacity and 24.4 MGD pumping capacity. The Authority then conveyed to the City of Galveston 16/21 of its interest in the production capacity of the Ellington Plant and 18.4/24.4 of its interest in the pumping capacity of the Ellington Plant. The Authority is not obligated to deliver more than 25 MGD.

B. The City will be billed for monthly operating charges of the Ellington Plant.

C. Fixed charges will be billed to the City for its proportionate share of the debt service requirements on the revenue bonds of the Authority issued to pay the cost of Phase I and Phase II of the Project, including reasonable reserve balances, and for the proportionate share of debt service requirements on the Special Project Bonds, including reasonable reserve balances.

D. The City's fixed charges on the Authority's revenue bonds issued to finance the cost of the Project shall be apportioned as follows:

Phase I	83⅓%
Phase II	100%
Phase III	0%

E. The City's fixed charges on the Special Project Bonds shall be apportioned as follows:

Production	76.19%
Pumping	75.41%
Distribution	75.41%

The allocation is required in order that the City of League City, Texas be assessed proper charges for its share of the Authority's interest in the Ellington Plant.

F. Operating charges prior to completion of the Ellington Plant will be for the City's proportionate share of the amount paid to Houston by the Authority for interim water supply.

G. After completion of the Ellington Plant the operating charge will be for the City's proportionate share of the operating and maintenance charges under the Ellington Plant Contract (Authority and City of Houston).

H. Operating charges shall be expressed as a specified sum for 1,000 gallons of water delivered each year.

The Ellington Plant is expected to be complete and placed in operation in June 1988. Special Project Bonds, titled "Galveston County Water Authority, Water System Contract Bonds, Series 1987, City of Houston Southeast Water Purification Plant Project," were issued on July 10, 1987 in the amount of $25,840,000. The City of Galveston's share of the total debt is 76.08%, and the City of League City's share is 23.92%. The first interest payment was due on January 10, 1988. The first principal payment is due on July 10, 1990. The City of Galveston's debt service payments for principal and interest range from $1,230,501 to $1,744,002, annually from January 10, 1988 through July 10, 2012. The interest rate on the bonds varies from 4.7% to 7.0%.

Of the total $3,192,047 paid to the Authority, under the 1971 Contract, during the fiscal year, $331,985 was for debt service on the 1987 bonds, $158,994 was for debt service on the 1971 bonds, $2,348,546 was for surface water and $352,522 was for operating and utility charges.

CITY OF PITTSBURGH, PA (DEC '87)

NOTES TO FINANCIAL STATEMENTS

(9) Operating Leases

The Stadium Authority has operating leases with Pittsburgh Associates and Pittsburgh Steelers Sports, Inc. Under terms of the basic agreement and amendments to the basic agreement dated January 1, 1982, these operating leases provide for guaranteed payments of approximately $1,160,000 annually for a 40-year period which began April 1, 1971. Payments from leases to the Authority are secured by escrow deposits from Three Rivers Management Corporation and Alco Parking Corporation of $1,000,000 and $500,000, respectively.

The City has operating leases for office space, copier rental and various other small office machines. During 1987, expenditures on such items amounted to approximately $1,360,000.

RELATED PARTY TRANSACTIONS

Many of the surveyed governmental units had operations that involved agreements and arrangements that were termed to be related party transactions by the reporting governments. These transactions involved a wide variety of transactions between funds and organizations.

The following are excerpts from the notes to the financial statements of some of the surveyed governmental units of related party transactions.

CITY OF IDAHO FALLS, ID (SEP '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note G. Related Party Transactions

The Electric Light Fund provides energy to the City at rates established by the City Council. Sales to the City for the year ended September 30, 1987 amounted to $880,000. The Fund is charged by the General Fund of the City for services provided by the City in connection with customer accounting and collection. The charge is based upon an estimate of the percentage of the total cost, which directly benefits the utility. Charges for the year ended September 30, 1987 amounted to $730,000. The Fund also makes payments to the City's General Fund in lieu of taxes, based upon a percentage of utility sales, and a fixed amount as a return on the General Fund's investment. Such payments, for the year ended September 30, 1987, amounted to $1,658,000. In addition, the various other funds of the City charge the other funds for services, financing and debt service. These transactions are treated as normal operating revenues and expenditures rather than transfers. No elimination of interfund charges and credits is made for financial statement purposes.

METROPOLITAN DADE COUNTY, FL (SEP '87)

NOTES TO FINANCIAL STATEMENTS

Note 10—Related Party Transactions

Various departments within the County provide goods, administration, public safety, maintenance and various other services to other operating departments. Charges for these services are determined using direct and indirect cost allocation methods or amounts determined based upon direct negotiations between the related parties.

The most significant of these transactions involves the County and the Public Health Trust, a political subdivision of Dade County. Annually, the Public Health Trust enters into a contract with the County whereby the Public Health Trust provides health care services to eligible County residents and charges the cost of these services to the County. The County pays for these services by providing security, collection and other services in addition to making cash transfers to the Public Health Trust. The County's purchase of services from the Public Health Trust amounted to $98,718,000 in fiscal year 1987.

CITY OF PITTSBURGH, PA (DEC '87)

NOTES TO FINANCIAL STATEMENTS

(14) Related Party Transactions

Under the terms of agreements dated July 1, 1965 and April 1, 1986, the City of Pittsburgh agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operation and maintenance of the Stadium complex and debt service on the Stadium bonds over the total funds available to the Stadium Authority for those purposes.

The Stadium Authority is required to repay these grants to the extent that its revenues are not required for operation and maintenance of the Stadium complex and debt service on the Stadium bonds.

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 ($14,342,697) and future ($5,657,303) grants by the City to the Stadium Authority. The balance sheet of the Stadium Authority as of March 31, 1987 reflects an advance of $2,985,303 to the City of Pittsburgh in consideration of future grants. Grants by the City after this date and prior to December 31, 1987 were sufficient to eliminate the liability for this advance in the City's General Fund.

The City disbursed $20,000,000 to the URA, which is not a component unit of the City, to fund its Business Reinvestment Fund. Under the terms of a cooperation agreement between the two, these funds were then used to make a loan to a private coalition organized to acquire the assets of the Pittsburgh Athletic Company, Inc. (owner of the Pittsburgh Pirates). The URA is obligated to repay the $20,000,000 if funds become available through the occurrence of certain events, principally the sale of the Pittsburgh Pirates major league baseball franchise.

The City has entered into an intergovernmental cooperation agreement with the County of Allegheny, Pennsylvania, setting forth their mutual understandings regarding financial assistance to be provided by the County in connection with the City's efforts to retain the Pittsburgh Pirates major league baseball franchise. In connection with this agreement, the County has agreed to make annual grants through the year 2011 to the Authority for Improvements in Municipalities (AIM) in an amount equal to (a) all County real estate taxes generated by virtue of the taxability of Three Rivers Stadium and (b) $426,000. AIM has agreed to make annual grants equal to the amounts described in (a) above and deferred loans of $426,000 to the City for projects and facilities located within the City (see note 8G). The sale of the Stadium to private owners has not taken place. Accordingly, no amounts were due under (a) above.

The City is responsible for the billings and collections of the Water and Sewer Authority's water charges. At December 31, 1987, the reserve for uncollectible accounts and City water usage is $15,157,000 which includes $8,120,000 recorded prior to the inception of the Authority.

CITY OF FORT COLLINS, CO (DEC '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 9: Joint Ventures/Related Party Transactions [In Part]

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 1987:

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 semiannual 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 contribute funds to the Authority so that it can make its lease payments and intends to contribute such funds in the future, if the Authority is unable to meet their obligation. The City contributed $137,890 to the Authority for lease payments during 1987.

Poudre Fire Authority—As mentioned in the summary of significant accounting policies, the City provides funding for the Authority. During 1987, such funding amounted to $4,255,700 for operations and $125,000 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 1987. Payments of $22,215 were made in accordance with the lease agreements in 1987.

Platte River Power Authority—The Light and Power Fund purchases all of its electrical power from the Authority. During 1987, these purchases amounted to $21,713,799 of which $2,047,159 is included in accounts payable at December 31, 1987.

City of Fort Collins Housing Authority—The Community Development Block Grant Fund contributes to the Authority and to programs sponsored by the Authority. During 1987, payments amounting to $137,166 were made.

CITY OF CARROLLTON, KY (JUN '88)

NOTES TO THE FINANCIAL STATEMENTS

Note 9—Related Party Transactions

Robert Shelton, father of the City Treasurer, is a 50% shareholder in Glauber and Shelton Insurance Agency, Inc. The Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances—All Government Types include payments of $37,933 for insurance contracts with Glauber and Shelton Insurance Agency, Inc.

Glauber and Shelton Insurance Agency, Inc. was selected to provide insurance coverage for the City through the bidding process. There were other bids received, however, Glauber and Shelton's bid was selected unanimously by the council. Glauber and Shelton was awarded the contract in the amount of $33,978. Excess payments represent amounts paid for insurance which were not included in the bid.

COUNTY OF ALLEGHENY, PA (DEC '87)

NOTES TO FINANCIAL STATEMENTS

(15) Related Party Transactions

Port Authority of Allegheny County

The County is authorized, but not legally required, to issue its own general obligation bonds for the purpose of providing funds to PAT for the acquisition, construction or improvement of the transportation system. The County also has the power, but is not legally required, to make grants or loans to PAT from either current revenues or from the proceeds of general obligation bonds to assist in defraying PAT's costs. As of December 31, 1987, the County had general obligation bonds outstanding of $67,416,928 to finance such activities; those bonds are included in the County's General Long-term Debt Account Group. The County, the United States Department of Transportation and the Commonwealth of Pennsylvania assist in financing PAT capital improvement projects. Presently, the capital funding proportions are: 80%-Federal; 16.67%-Commonwealth of Pennsylvania; and 3.33%-County. The County Capital Projects Fund includes a receivable from PAT of approximately $1.5 million at December 31, 1987. Expenditures in 1987 included $224,497 for this purpose, and $500,000 has been included in the proposed capital budget for 1988.

The County historically has participated with the Commonwealth of Pennsylvania and the Federal government in funding PAT's constrained operating deficit (fares plus Federal operating revenues less total operating expenses). General Fund expenditures in 1987 included $16,243,000 for this purpose and $16,500,000 has been budgeted for 1988. PAT completed its most recent fiscal year on June 30, 1987 with audited results wherein revenues, including governmental grants, were sufficient to satisfy operating expenses, and with an audited accumulated operating deficit of approximately $15,254,000. PAT is seeking increased financial support from the County, Federal and State governments, and other sources, to continue its current and planned levels of service and to reduce its operating deficits.

Community College of Allegheny County

The County acts on behalf of the Community College of Allegheny County (CCAC), in levying taxes for the purpose of operating and maintaining CCAC. The tax millage rate, which is accounted for in the General Fund, at December 31, 1987 was $.225 per $100 of assessed valuation. The related 1987 General Fund expenditures to CCAC were $14,500,000. The County is responsible for two-thirds of CCAC's operating expenditures, less student tuition and fees, and one-half of CCAC's capital budget. The Commonwealth of Pennsylvania is generally responsible for the remaining one-third of operating expenditures and one-half of the capital budget.

At December 31, 1987, the County had general obligation bonds outstanding of $6,796,781 to finance some of its share of the capital budget activities of CCAC; those bonds are included in the County's General Long-term Debt Account Group.

SELF-INSURANCE

Many of the surveyed governments self-insured certain risks. The areas of self-insurance varied and included risks for workers compensation, property liabilities, medical claims, and, in some cases, general liability. In several instances, governments provided self-insurance up to a specified maximum; in other instances deductible-type insurance programs were used. Examples of notes related to some of the reported self-insurance programs appear as follows.

TOWN OF FARMINGTON, CT (JUN '88)

NOTES TO FINANCIAL STATEMENTS

17. Self-Insurance

The Town's self-insurance program, which commenced July 1, 1983, is used to account for accident and health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis. Retired employees are also covered by the program provided that they pay a yearly premium to the Town. Under the program, the Town is obligated for claim payments. A stop loss insurance contract executed with an insurance carrier covers claims in excess of 120% of expected claim payments. During 1988, total claims expense of $1,383,265, which did not exceed 120% of expected claim payments, was incurred which represents claims processed and an estimate for claims incurred but not reported as of June 30, 1988.

Resources to pay claims are derived from the General Fund and are recorded as revenues of the internal service fund and expenditures of the General Fund in accordance with NCGA Interpretation 11, Claims and Judgment Transactions for Governmental Funds. Consequently the fund deficit of $200,277 at June 30, 1988 will be eliminated by transfers from the General Fund in the subsequent year.

TOWN OF TONAWANDA, NY (DEC '87)

NOTES TO FINANCIAL STATEMENTS

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

H) Insurance

Since September 14, 1985, the Town of Tonawanda has been chiefly self-insured except for auto physical damage, buildings and contents physical damage and paramedic malpractice liability. The Town currently does not carry general, police or auto liability insurance. The self-insurance program is administered by a service agent.

METRO REGIONAL TRANSIT AUTHORITY, OH (DEC '87)

NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Self Insurance—The Authority is self-insured for public liability and property damage claims on the first $15,000 in

1987 and $250,000 in 1986 of any accident and for the amount, if any, in excess of $10,000,000. The Authority carries liability insurance for amounts not otherwise self-insured. Estimated losses on claims are charged to expense in the period the loss is determinable.

HARRIS COUNTY, TX (FEB '88)

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

Workers' Compensation Insurance

The County has established a Workers' Compensation Self-Insurance Program for the purpose of providing medical and indemnity payments as required by law for on-the-job related injuries. A contract with Jardine, Emett, and Chandler for plan administration services expired on October 1, 1987. These services provided a guideline for administrative services for which the County now handles in-house or by separate contract. Claims processing is handled by General Adjustment Bureau with the County Attorney representing the County in legal matters associated with the program. Under the program, the County has obtained reinsurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the policy for the fiscal year ended February 29, 1988 is $1 million per occurrence.

The liability for outstanding losses includes approximately $2,000,000 for incurred but not reported claims, as determined by the previous plan administrator.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY, OH (DEC '87)

NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies [In Part]

Self-Insurance—The Authority is self-insured for public liability and property damage claims on the first $250,000 of any accident and for the amount, if any, in excess of $10,000,000. The Authority carries liability insurance for amounts not otherwise self-insured. Estimated losses on claims are charged to expense in the period the loss is determinable.

The Authority is also self-insured under professionally administered plans for sickness and accident benefits for eligible transportation and maintenance employees. TARTA is also self-insured for hospitalization and medical expenses for approximately one-half of its employees while the remainder of eligible employees are covered under HMO provider contracts. Operations are charged for premiums and estimated claims as incurred.

CADDO PARRISH COMMISSION, LA (DEC '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

(10) Contingencies [In Part]

Self-Insurance

The Commission is self-insured for medical benefits coverage. Employees contribute for medical benefits coverage and each department that pays salaries contributes for coverage. The Commission maintains stop-loss coverage with an insurance company of $50,000 per claim for medical coverage.

All known claims filed and an estimate of all incurred but unreported claims existing at December 31, 1987 have been recorded as accrued insurance claims payable in the General Fund.

SUBSEQUENT EVENTS

In some cases, governments reported events, such as incurrence of debt, that occurred subsequent to the close of the fiscal year. Disclosure of such subsequent events is required. Excerpts of notes related to subsequent events are as follows.

CITY OF DAYTONA BEACH, FL (SEP '87)

NOTES TO FINANCIAL STATEMENTS

26. Subsequent Events

Effective October 1, 1987, and thereafter, any Employee retiring or leaving the City with ten (10) or more years service is entitled to be paid for accrued unused sick leave benefits to their credit up to a maximum of 200 hours at their current rate of pay.

On October 7, 1987, the City Commission passed a resolution to appeal the decision of the Circuit Court of the Second Judicial Circuit upholding chapters 86-41 and 86-42, Laws of Florida, which effects the Pension Trust Fund.

On October 21, 1987, the City Commission passed a resolution approving the exercise of the power of eminent domain by the Community Redevelopment Agency of The City of Daytona Beach to acquire four (4) parcels of land in an area identified as the "Remote Parking Site" as per terms of the Ocean Center Hotel Development Agreement.

On November 24, 1987, the City entered into an agreement with the neighboring cities of Ormond Beach and Port Orange to create a regional water supply authority for the purpose of developing regional water supplies and supplying water at wholesale to the cities involved with the cities retaining the sole authority to supply water at retail.

On December 16, 1987, the Police and Fire Pension Board of Trustees was reconstituted as required under Chapters 86-41 and 86-42, Laws of Florida. Notice of Compliance was transmitted to the State Treasurer on December 17, 1987.

Subsequent to September 30, 1987, a decline in the stock market caused a decrease in market value from that reported in the financial statements to approximately $17,638,224 as of November 30, 1987, as compared to a market value of $21,838,200 as of September 30, 1987. Thus, the market value of these securities declined 19.2% as compared to a decline in the Standard & Poor's 500 Index of 28.5%. It is the intention of the pension board to invest on a long-term basis and, accordingly, the board believes the decline will not affect the long-term financial position of the pension funds.

NASSAU COUNTY, FL (SEP '87)

NOTES TO FINANCIAL STATEMENTS

9. Subsequent Events

As noted in the Notes to Financial Statements for the year ended September 30, 1986, a civil action was brought by an individual against the Sheriff and the Board of County Commissioners. This action was filed in the Circuit Court, Fourth Judicial Circuit, in and for Nassau County, Case No. 86-296-CA. The action was dismissed during the year ended September 30, 1987.

As noted in the Notes to Financial Statements for the year ended September 30, 1986, a civil action was brought by an individual against the Board of County Commissioners and the Building Inspector. This action was filed in the Circuit Court, Fourth Judicial Circuit, in and for Nassau County, Case No. 85-858-CA. The action was dismissed during the year ended September 30, 1987. However, the plaintiff has filed a third amended complaint and a motion to dismiss is pending. The County attorney stated that in his opinion the suit has no merit and should be dismissed. The amount of monetary obligation, if any, could not be reasonably estimated.

As noted in the Notes to Financial Statements for the year ended September 30, 1986, a civil action was brought by an individual against various County officials including the Board of County Commissioners. This action was filed in the United States District Court for the Middle District of Florida, Jacksonville Division, Case No. 86-400-CIV-J-10. The action was dismissed during the year ended September 30, 1987.

CHARTER TOWNSHIP OF EMMETT, MI (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 13—Subsequent Event—1988 Unlimited Tax Refunding Bonds

In May 1988, the Township issued $3,180,000 in revenue bonds to advance refund 1978 Sanitary Sewer Revenue Bonds. The refunding included forgiveness of debt of $1,329,606 by Farmers Home Administration and advance refunding of $3,045,394 totaling $4,375,000.

Although the advance refunding created an accounting gain of $1,329,606, the Township in effect reduced its aggregate debt service payments by $724,045 over the next 30 years and obtained an economic gain of $303,365.

HARRIS COUNTY, TX (FEB '88)

NOTES TO THE FINANCIAL STATEMENTS

14. Subsequent Events

On April 28, 1988 the Toll Road issued $85,695,000 Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1988 to advance refund a portion of the outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1985 and to achieve a net present value debt service savings of approximately $5,000,000.

COUNTY OF STRAFFORD, NH (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 12—Subsequent Events

On January 20, 1988 the County issued tax anticipation notes totaling $3,000,000 at a rate of 5.19%, due December 29, 1988.

On March 24, 1988, the County bought out their contract with EUA Cogenex for $361,760. This expenditure will be financed by proceeds of general obligation bonds to be obtained in July 1988.

BENTON COUNTY PUBLIC UTILITY DISTRICT NO. 1, WA (DEC '87)

NOTES TO FINANCIAL STATEMENTS

Note 8—Subsequent Events

The district refunded $22,855,000 of 1985 Refunding Bonds by issue of $23,665,000 Electric Revenue Refunding Bonds dated February 1, 1988, together with other funds of the district.

As a result of the refunding transaction, the district will incur savings via reduced debt service through the year 2004 of $5,369,866 and incur an extraordinary loss in 1988 of $3,995,585.

CITY OF CORPUS CHRISTI, TX (JUL '87)

NOTES TO FINANCIAL STATEMENTS

19. Subsequent Events

The City is expected to sell $8,250,000 of General Improvement Bonds, Series 1987, sometime during December 1987. This will be the second sale under the $106,365,000 bond issues authorized and approved by the voters on April 5, 1986 and April 4, 1987.

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*	**1988**	**1987**	**1986**
Governmental funds:			
General fund	461	452	411
Special revenue funds	447	427	380
Capital projects funds	390	367	220
Debt service funds	355	328	280
Special assessment funds*	47	119	117
Proprietary funds:			
Enterprise funds	393	378	364
Internal service funds	226	178	82
Fiduciary funds:			
Trust and agency funds	415	398	296
Expendable Trust	229	196	125
Non-Expendable Trust	119	81	54
Account groups:			
General fixed assets account group	414	379	306
Long-term debt account group	442	418	337

*As required by GASB Statement No. 6, for periods beginning after June 15, 1987, the special assessment fund type is eliminated for financial reporting purposes.

ASSETS

CASH AND INVESTMENTS

A variety of accounts are used by governmental units to report on unrestricted cash, investments, and cash and cash equivalents. Table 3-2 shows that fewer than half the surveyed governmental units presented cash as a single item in their balance sheets. Many units elected to combine cash with investments or other cash equivalents. Below are excerpts relating to the presentation of cash and investments from the combined balance sheets of several governmental units.

TABLE 3-2. CASH-BALANCE SHEET CAPTIONS

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Cash	179	200	285
Cash and investments	129	177	110
Cash and cash equivalents[1]	75	63	48
Cash with additional wording[2]	69	63	109
Cash with fiscal agent	61	57	NC[3]
Cash and temporary investments	27	NC	NC
Certificates of deposit	12	18	NC

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

CITY OF OXNARD, CA (JUL '88)

NOTES TO COMBINED FINANCIAL STATEMENTS

3. Cash and Investments

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and except for amounts in its deferred compensation plan (see note 10). Amounts held by fiscal agents amounted to $93,739,022, relating principally to agency funds, at June 30, 1988.

Interest income earned on pooled cash and investments is allocated monthly to the General Fund and those other funds for which such allocation is a legal contractual requirement based on the month-end cash balances. Interest income from cash and investments with fiscal agents and from the deferred compensation plan is credited directly to the related fund.

Deposits—At June 30, 1988, the carrying amount of the City's deposits was $44,593,000. Of that amount, $1,792,000 was covered by federal depository insurance. The remainder of the deposits are collateralized in accordance with state law. The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's (agency) deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits.

Authorized Investments—Under provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

Obligations of the United States Treasury, or its agencies

Obligations of the State of California

Local government bonds

Bankers Acceptances

Commercial paper

Repurchase and Reverse Repurchase Agreements

Financial Futures and Financial Option Contracts

Local Agency Investment Fund (State Pool) Deposits

The City's investments are categorized to provide an indication of the level of risk assumed by the City. 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 broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

	Category			Carrying	Market
	1	2	3	Amount	Value
U.S. Treasury Bills	$ 931,200		$922,200	$ 1,853,400	$ 1,906,340
Commercial paper	1,925,000			1,925,000	1,925,000
Bankers Acceptances	11,436,591			11,436,591	11,508,321
Total investments held by City	14,292,791		922,200	15,214,991	15,339,661
Investment in State of California Local Agency Investment Fund				10,000,000	10,000,000
Total investments	$14,292,791		$922,200	$25,214,991	$25,339,661

All the investments held by the City at June 30, 1988, had maturities of less than one year.

At June 30, 1988, the City had no investments in repurchase agreements. However, the City utilized repurchase agreements at various times during the year ended June 30, 1988 for temporary investment of City funds. Such repurchase agreements did not exceed three days in maturity or twenty-one percent of the City's investment portfolio. At no time during the fiscal year did the City borrow funds through the use of reverse-repurchase agreements even though such transactions are authorized by the City's investment policy.

The following is a summary of the City's cash and investments at June 30, 1988:

Cash	$ 2,496,550
Certificates of deposit	44,593,000
Cash with fiscal agents	93,739,022
Investments	25,214,991
Total	$166,043,563

CITY OF ALEXANDRIA, LA (APR' 88)

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments

Cash. At April 30, 1988, cash consisted of the following:

	Total	Unrestricted	Restricted
Petty cash and change funds	$ 5,470	$ 5,470	$
Cash with bond paying agents	3,172,004		3,172,004
Cash in banks	14,229,962	5,288,942	8,941,020
	$17,407,436	$5,294,412	$12,113,024

At year-end, the carrying amounts of the City's deposits were $14,229,962 (cash in banks above) and the bank balances were $17,477,670. A summary of collateralization of the bank balances is presented below:

Insured or collateralized with securities held by the City or its agent in the City's name	$12,239,857
Uncollateralized (In accordance with GASB 3, this category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name although balances so collateralized meet the requirements of state law. Of the $5,237,813 included in this category, $5,236,586 is collateralized by securities held by the pledging financial institution's agent but not in the City's name.)	5,237,813
	$17,477,670

Investments. The City may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, an investment as stipulated in LSA-RS 39:1271, or any other federally insured investment. In addition, the City's pension plans may invest in corporate stocks and bonds.

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments insured or registered, or securities held by the City or its agents in the City's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. (In accordance with GASB 3, this category includes certificates of deposit or money market accounts that are collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name although balances so collateralized meet the requirements of state law. All of the amount shown in Category 3 is collateralized by securities held by the pledging financial institution's agent but not in the City's name.)

	Category			Carrying	Market
	1	2	3	Amount	Value
Certificates of deposit and money market accounts	$19,940,501	$	$13,328,799	$33,269,300	$33,269,300
U.S. Treasury obligations	2,898,890			2,898,890	2,847,524
GNMA notes	8,278,393			8,278,393	8,453,899
Corporate bonds	6,816,865			6,816,865	6,073,065
Corporate stocks	2,555,948			2,555,948	1,935,976
	$40,490,597	$-0-	$13,328,799	$53,819,396	$52,579,764

CITY OF PHOENIX, AZ (JUN '88)

NOTES TO THE FINANCIAL STATEMENTS

7. Equity in Pooled Cash and Investments, Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds except the Pension Trust Fund and the Deferred Compensation Agency Fund. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments." In addition, investments are separately held by several of the City's funds. The deposits and investments of the Pension Trust Fund and the Deferred Compensation Agency Fund are held separately from those of other City funds.

The Pooled Cash and Investments Account is comprised of the following:

	June 30	
	1988	1987
Cash in Bank	$ 5,253,558	$ 16,191,430
Imprest Funds	1,351,113	3,862,872
Investments	236,708,754	323,913,925
Interest Receivable	693,753	4,010,376
Interest Purchased	2,117	125,837
	$244,009,295	$348,104,440

A summary of the amount of equity in or the amount due to the Pooled Cash and Investments Account by fund at June 30, 1988 follows:

	Pooled Cash and Investments Account	
Fund	Equity In	(Due To)
General Fund	$ 60,147,155	$
Special Revenue Funds		
Library	340,456	
Highway User Revenue	24,076,989	
Parks and Recreation	383,675	
Excise Tax		(9,125,494)
Cable Communications	229,315	
Development Services		(147,369)
Local Transportation Assistance	90,141	
Grants	1,082,556	(2,787,744)
Transit		(7,526)
Public Housing	5,105,059	
Debt Service Funds		
Secondary Property Tax		(2,374,587)
General Obligation	5,334,827	
Streets and Highways	138	
Public Housing	1,103,957	
City Improvement	48,575	
Special Assessment	4,560,900	
Capital Projects Funds		
Police and Fire Protection	7,328,932	
Parks, Recreation and Libraries	2,784,648	
Public Housing	1,006,584	
Municipal Buildings and Service Centers	870,010	
Transit	4,210,906	

(continued)

CITY OF PHOENIX, AZ *(continued)*

Fund	Pooled Cash and Investments Account: Equity In	(Due To)
Fiduciary Funds		
Pension Trust		(937,214)
Expendable Trust	325,555	
Agency	17,998,644	(4,265)
Enterprise Funds—Unrestricted		
Aviation	17,799,885	
Phoenix Civic Plaza	5,756,470	
Water System	8,346,022	
Wastewater	12,998,776	
Refuse	18,036,837	
Golf Courses	591,155	
Enterprise Funds—Restricted		
Aviation	20,993,263	(5,319,267)
Phoenix Civic Plaza	189,201	
Water System	28,980,098	
Wastewater	11,949,384	
Refuse	2,042,648	
	264,712,761	
	(20,703,466)	$(20,703,466)
Net Equity	$244,009,295	

Deposits

At year end, the carrying amount of the City's deposits was $7,869,467 and the bank balance was $8,263,573. Of the bank balance $8,090,756 was covered by federal depository insurance or by collateral held by the City's agent in the City's name, $20,458 was covered by collateral held in the pledging banks' trust department in the City's name, and $152,359 was uninsured and uncollateralized. The $152,359 is made up of the uninsured portions of certain certificates of deposit. These certificates have been pledged as collateral for loans issued by a local financial institution to private businesses participating in the Commercial Reserve Program of the Neighborhood Improvement and Housing Department. This program is funded with Community Development Block Grant funds.

Cash and securities with fiscal agents and trustees totalling $129,820,403 on June 30, 1988 were covered by collateral held in the fiscal agents' and trustees' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds.

Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, interest earning money market accounts, certificates of deposit and the State Treasurer's investment pool. The investments are carried at cost net of amortized premium or discount. It is the City's policy generally to hold investments until maturity.

The General Employees' Retirement Plan is also authorized to invest in common stocks, corporate bonds rated AA or better by Standard and Poor's Corporation or Aa or better by Moody's Bond Ratings, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City Charter allows up to a 60% investment in common stocks. The Pension Board's present policy has resulted in approximately 25% being invested in common stocks and the remainder in bonds and cash equivalents.

The Deferred Compensation Plan is also authorized to invest in high quality corporate bonds rated "A" or better by Standard and Poor's, as well as Guaranteed Insurance Contracts with insurance companies rated "A+" by Best.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the City of Phoenix at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

	Category 1	2	3	Carrying Amount	Market Value
Repurchase Agreements	$ 81,575,000	$	$	$ 81,575,000	$ 81,575,000
U.S. Government Securities	447,231,620			447,231,620	451,999,356
Money Market Accounts	6,035,133			6,035,133	6,035,133
Commercial Paper	19,841,000			19,841,000	19,841,000
Corporate Bonds	64,821,892			64,821,892	63,316,474
Improvement District Bonds	151,000			151,000	151,000
Common Stock	78,086,605			78,086,605	80,591,638
	$697,742,250	$	$	697,742,250	703,509,601
Investments in State Treasurer's Investment Pool				36,330,000	36,330,000
ICMA Deferred Compensation Plan				5,749,745	5,749,745
				$739,821,995	$745,589,346

The Pension Trust Fund owns approximately 43% of the investments and the Deferred Compensation Plan, approximately 5% of the investments.

Investments in the General Employees' Retirement Plan at June 30, 1988 are as follows:

	Amortized Cost	Market Value
U.S. Government Bonds	$204,017,903	$209,006,186
Corporate Bonds	14,854,892	13,349,474
Common Stocks	78,086,605	80,591,638
Commercial Paper	19,600,000	19,600,000
	$316,559,400	$322,547,298

The Deferred Compensation Plan is currently invested in U.S. Government bonds, although the ordinance allows for the investment in corporate bonds and common stock.

Investments of the Deferred Compensation Plan at June 30, 1988 are as follows:

	Amortized Cost	Market Value
U.S. Government and Government Agency Bonds	$33,029,910	$33,085,744
Commercial Paper	241,000	241,000
Certificates of Deposit	1,300,000	1,300,000
	$34,570,910	$34,626,744
Investments in ICMA Plan		5,749,745
		$40,376,489

All investments made during the year were authorized and in accordance with the provisions of the City Code. There were no situations that occurred during the year which posed greater credit risk than at June 30, 1988. As of June 30, 1988 there are no commitments to resell securities under yield maintenance repurchase agreements.

City policy requires that securities underlying repurchase agreements must have market values of at least 102% of the cost of the repurchase agreement. The market values of the securities underlying repurchase agreements were at or above the required level during the year.

The Phoenix City Code does not permit the City to enter into reverse repurchase agreements.

CITY OF GLENDORA, CA (JUN '88)

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund's or fund type's share of the pool balance is reported in the financial statements as "cash and cash investments." Earnings from the pooled investments are allocated monthly to each participating fund based on a formula that takes into consideration each fund's average investment in the pool.

At year-end, the book amount of the City's deposits was $3,969,871 and the bank balance was $4,126,077. The insured and collateral status of the year-end bank balance was as follows:

Status	Amount
Covered by federal depository insurance or by collateral held by the City's agent in the City's name	$2,687,000
Covered by collateral held in the pledging bank's trust department in the City's name	1,439,077
Uninsured and uncollateralized	—
Total	$4,126,077

State statutes authorize the City to invest any available funds in securities issued or guaranteed by the United States Treasury or agencies of the United States, bank certificates of deposit, bankers acceptances, negotiable certificates of deposit, the State Treasurer's investment pool, repurchase agreements, commercial paper, and bonds, registered warrants or treasury notes of the State of California and its local agencies.

The City's investments are categorized in the following schedule to give an indication of the level of risk assumed by the City at year-end.

	Category			Carrying	Market
Investment Type	1	2	3	Amount	Value
U.S. government and government agency securities	$1,228,097	$	$875,041	$2,103,138	$2,081,209
Investment in State Treasurer's Investment Pool				6,225,000	6,225,000
Investment in deferred compensation mutual funds				218,096	218,096
Total investments				$8,546,234	$8,524,305

The three preceding risk description categories are defined as follows:

Category	Description
1	Investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.
2	Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name.
3	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.

CITY OF SPRINGFIELD, MO (JUN '88)

NOTES TO THE FINANCIAL STATEMENTS

(3) Cash and Investments:

The City's investment policies are governed by the City Charter and unwritten management policies. City monies are deposited in FDIC-insured banks located within the state. The City is authorized to use demand and time deposits. Permissible investments include obligations of the U.S. Government, State of Missouri, City of Springfield, bonds, bills or notes guaranteed by the U.S., State or City governments, certificates of deposit and repurchase agreements. The City purchases investments from SEC-registered broker-dealers and banks. The funds are not transferred until the security is delivered to the custodial bank. Investments, except those of the Policemen's and Firemen's Retirement Fund, are held primarily in the bank's custodial account at the Federal Reserve Bank in the name of the bank. A safekeeping receipt is issued by the bank.

Collateral is required for demand deposits and certificates of deposits. The market value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are of the same type in which the City may invest. Obligations pledged to secure deposits are delivered to the bank's joint custody account at the Federal Reserve Bank. Written custodial agreements are required that provide, among other things, that the collateral be held separate from the assets of the custodial bank. At least quarterly, the City determines that the market value of the collateral is adequate to cover the deposits.

Repurchase agreements are purchased from banks located within the state. Securities underlying a repurchase agreement must have a market value of at least 100% of the cost of the repurchase agreement. No substitution of securities is permitted. Securities underlying overnight repurchase agreements are held as collateral in the bank's account at the Federal Reserve Bank. The securities are not held in the City's name but are pledged against the repurchase agreement pool held by the dealer bank. At year end the City held an overnight repurchase agreement of $1,730,000 at 7% interest, collateralized by U.S. Government Securities with an aggregate market value of $1,801,000.

The City also maintains The Policemen's and Firemen's Retirement Fund (the Fund) which is managed by a board of trustees. The investing of the Fund is governed by the same state laws which are applicable to life insurance or casualty companies. The plan agreement specifies that not more than one-fourth of the Fund may be invested in common stocks nor more than 2% in the common stock of any one corporation. Investments in the Fund are valued at market.

City Utilities' investments consist primarily of U.S. Treasury and federal agency obligations and are carried at amortized cost plus accrued interest of $3,785,000 at September 30, 1987. The market value of investments held at September 30, 1987 was approximately $137,961,000 (cost $135,137,000). City Utilities carries such investments at cost since their policy, in general, is to hold such investments until maturity. The difference between cost and market reflects the normal fluctuations of market value during periods of changing interest rates.

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of deposits, repurchase agreements and other investments with maturities primarily less than one year. The City's (including City Utilities') cash and investments at year end are categorized below to give an indication of the level of risk assumed by the City at year end in accordance with Governmental Accounting Standards Boards Statement 3.

The investments of the City are categorized as either: (1) insured or registered, with securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the broker or dealer or by its trust department or agent in the City's name or (3) uninsured and unregistered with securities held by the broker or dealer or by its trust department or agent but not in the City's name.

	Category			Carrying	Market
	1	2	3	Amount	Value
U.S. Treasury securities	$12,234,545	$ 42,520,000	$32,082,009	$ 86,836,554	$ 88,367,935
Federal agency obligations	1,508,968	88,617,000	—	90,125,968	91,308,968
Corporate bonds	14,997,842	—	—	14,997,842	14,997,842
Common stocks	8,704,473	—	—	8,704,473	8,704,473
Preferred stocks	106,600	—	—	106,600	106,600
Repurchase agreements	—	—	5,730,000	5,730,000	5,730,000
	$37,552,428	$131,137,000	$37,812,009	206,501,437	209,215,818
Deferred compensation deposits (mutual funds)				2,905,795	2,905,795
				209,407,232	$212,121,613
Accrued interest included in City Utilities' investment balance				3,785,000	
Book balance of cash and deposits				4,071,787	
Total cash and investments				$217,264,019	

The above categorization includes the amounts shown on the combined balance sheet as cash and short-term investments, investments, cash on deposit with fiscal agent, deferred compensation deposits, funds for bonded indebtedness, cash overdrafts, and cash and short-term investments included in restricted assets.

At year end, the bank balance of the City's deposits was $5,628,373. Of this balance, $1,359,062 was insured or collateralized with securities held by the City's agent in the City's name and $4,269,311 was collateralized with securities held in the pledging financial institution's joint custody account at the Federal Reserve Bank.

ACCOUNTS, NOTES, TAXES, AND SPECIAL ASSESSMENTS RECEIVABLE

Generally, receivables are amounts due to the entity—on open account or from notes, loans, or the provision of materials and services. Receivables also may be special amounts due from private citizens and organizations, taxes due, and the current portion of special assessments due.

Table 3-3 summarizes the balance sheet titles used by governmental units to report receivables due. Excerpts from several combined balance sheets showing how some governmental units accounted for and reported various types of receivables are shown as follows.

TABLE 3-3. CURRENT RECEIVABLE

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Taxes receivable[1]	352	340	288
Accounts receivable[2]	327	315	305
Interest receivable[3]	239	200	153
Special Assessments	142	132	NC[4]
Other receivables	136	135	109
Notes receivable	89	75	54
Receivables	48	32	26
Grants receivable	43	43	36

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

BEAR LAKE COUNTY, ID (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types			Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
Assets								
Cash	$415,482	$1,076,075	$ 6,630	$ 75,652			$1,573,839	$1,544,321
Net Taxes Receivable	73,995	135,871	15,502	349,850			575,218	508,298

2. Taxes Receivable

Property taxes are levied in September of each year and become payable on December 20, and June 20 of the following year for real property taxes; and December 20, for personal property taxes.

Property taxes attach as an enforceable lien as of December 20th following the levy in September.

CADDO PARISH COMMISSION, SHREVEPORT, LA (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1986

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligation	1987	1986
Assets									
Cash (note 2)........	$ 492,689	$ 580,693	$ 132,586	$1,639,417	$ 523,389	—	—	$ 3,368,774	$ 598,373
Investments, at cost (note 2)............	—	100,000	1,650,000	1,475,000	1,050,000	—	—	4,275,000	10,450,000
Receivables, net:									
Ad valorem taxes (note 3).........	1,992,172	12,220,826	4,152,009	—	—	—	—	18,365,007	15,647,909
Paving assessments...........	—	48,166	—	—	—	—	—	48,166	51,278
Accrued interest..	—	—	5,659	1,484	7,503	—	—	14,646	—
Other...............	143,766	63,869	—	—	40,238	—	—	247,873	196,691

NOTES TO COMBINED FINANCIAL STATEMENTS

(3) Property Taxes [In Part]

The Commission levies taxes on real and business personal property located within Caddo Parish's boundaries. Property taxes are levied by the Commission on property values assessed by the Caddo Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The Caddo Parish Sheriff's Office bills and collects property taxes for the Commission. Collections are remitted to the Commission monthly. Commission property tax revenues are recognized when levied to the extent that they result in current receivables. Collections of 1987 property taxes in 1988 were used for repayment of revenue anticipation notes payable. The proceeds of the revenue anticipation notes payable were used to finance 1987 activities.

Property Tax Calendar

Assessment date........................	January 1, 1987
Levy date................................	Not later than June 1, 1987
Tax bills mailed..........................	On or about November 15, 1987
Total taxes are due......................	December 31, 1987
Penalties and interest are added......	January 1, 1988
Lien date..................................	January 1, 1988
Tax sale—1987 delinquent property .	May 18, 1988

The Commission is permitted to levy taxes up to 10% of the assessed property valuation for each specified purpose, or, in the aggregate for all purposes, 25% of the assessed valuation for the payment of principal and interest on long-term debt after approval by the voters of the Parish. Property taxes are recorded as receivables and revenues in the year assessed, net of combined estimated allowance for uncollectible accounts of $1,327,386.

LULING INDEPENDENT SCHOOL DISTRICT, TX (AUG '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	10 General Fund	20/30/40 Special Revenue Fund	50 Debt Service Fund	60 Capital Projects Fund	80 Agency Fund	91 General Fixed Assets	92 General Long-Term Debt	98 August 31, 1987	97 August 31, 1986
ASSETS:									
Cash.....................	$ 209,423	$57,745	$ 7,923	$130,034	$ 3,503	$ 0	$ 0	$ 408,628	$ 563,255
Temporary Investments, at cost......	1,750,000	0	582,000	0	12,000	0	0	2,344,000	1,744,351
Receivables:									
Property Taxes—Delinquent (Note C)..................	433,508	0	86,827	0	0	0	0	520,335	506,621
Due from State Agencies..........	39,228	0	0	0	0	0	0	39,228	18,037
Sundry Receivables	966	0	0	0	0	0	0	966	240
Allowance for Uncollectible Taxes (Credit)............	(135,813)	0	(24,209)	0	0	0	0	(160,022)	(143,973)
Accrued Interest....	20,656	0	4,471	0	585	0	0	25,712	30,126
Due From Other Funds (Note G)..	3,508	108	0	0	0	0	0	3,616	50,423

NOTES TO THE FINANCIAL STATEMENTS

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written-off, but the district is prohibited from writing-off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF VICTORIA, TX (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
ASSETS:											
Cash..................	$1,417,596	$262,444	$125,320	$1,014,570	$1,928,910	$447,523	$119,604	$ -0-	$ -0-	$5,315,967	$10,399,497
Investments at cost or amortized cost.	1,479,467	-0-	800,000	6,479,466	-0-	-0-	794,982	-0-	-0-	9,553,915	8,000,000
Accounts receivable (net):											
Accounts...........	-0-	80,922	-0-	-0-	286,124	1,074	-0-	-0-	-0-	368,120	558,257
Taxes..............	421,579	-0-	211,658	-0-	-0-	-0-	-0-	-0-	-0-	633,237	550,349
Paving assessments...........	219,397	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	219,397	188,496
Other..............	247,584	-0-	-0-	-0-	5,879	-0-	-0-	-0-	-0-	253,463	329,470

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 2: Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by the following January 31. The Victoria Independent School District bills and collects both its own and the City of Victoria's property taxes. Collections of the City taxes and daily remittance of them to the city are accounted for by the school district. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The City is permitted by local charter to levy taxes up to \$2.00 per \$100 of assessed valuation. The combined tax rate for the year ended September 30, 1987 was \$0.53 per \$100, which means that the City has a tax margin of \$1.47 per \$100 and could raise up to \$19,236,345 per \$1,645,152,850 before the limit is reached.

BOULDER VALLEY SCHOOL DISTRICT RE 2, CO (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Food Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
ASSETS									
Equity in pooled cash and investments (Note 2)...............	\$10,059,111	\$6,834,371	(\$266,018)	\$105,616	(\$77,554)	\$634,121	\$ 0	\$ 0	\$17,306,537
Cash held by County Treasurer	827,761	83,020	56,101	0	0	0	0	0	966,882
Accounts receivable....	77,768	607,238	0	0	143,760	6,370	0	0	818,246

NOTES TO FINANCIAL STATEMENTS

Note 3—Property Taxes Receivable/Deferred Property Tax Revenue

Property tax is reported as a receivable when the levy is certified by the Assessor. All current taxes receivable are offset by the full amount of the deferred revenue and allowance for uncollectibles. Taxes are due January 1, following the year levied. Taxes paid in full must be paid before April 30. Taxes may be paid in two equal payments. To avoid interest, the first and second halves are due on the last day in February and July, respectively. Tax rate levy authority was approved by the Board on December 29, 1987.

CITY OF OXNARD, CA (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

		Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Assets	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)
Cash and investments	3	\$2,074,872	\$8,926,493	\$33,694	\$2,884,919	\$27,215,103	\$9,701,122	\$20,377,864			\$71,214,067
Cash with fiscal agent	3	1,095,815	109,659	3,835			85,000	92,444,713			93,739,022
Accounts and other receivables.........	14	1,657,379	1,041,660		54	2,606,412		1,171,002			6,476,994

NOTES TO COMBINED FINANCIAL STATEMENTS

5. Note Receivable

As part of a series of transactions to facilitate the location of a Price Club general merchandise outlet in Oxnard, the City took a \$1,764,180 note receivable, bearing 9.2% interest per annum, in 1987 from a developer. The note is secured by certain real property. The developer is in default of its obligation to the City as of June 30, 1988 in the amount of $2,239,641 (including accrued interest) which is recorded in the accompanying financial statements of the General Fund. The City is pursuing the collection of the note and believes that a satisfactory agreement will be reached. The City also believes that sufficient collateral has been pledged as security on the note in the unlikely event that the City should foreclose on the property.

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	1988	1987	1986
Due from other funds[1]	387	348	282
Due from other governments[2]	275	252	221
Advance to other funds	73	50	26
Due from federal government	17	17	33

[1]Includes general fund or any other fund.

[2]Includes state, county or other governmental unit or agency; excludes federal government and federal agencies.

THE CITY OF FREDERICK, MD (JUN '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR JUNE 30, 1987

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Trust	General Fixed Assets	General Long-Term Obligations	1988	1987
Assets:									
Cash	$ -0-	$ 11,743	$ 18,880	$ -0-	$ -0-	$ -0-	$ -0-	$ 30,623	$ 16,528
Temporary investments—at cost	23,481,482	47,066	-0-	927	6,752,000	-0-	-0-	30,281,475	29,370,782
Receivables:									
Taxes—net of allowance for estimated uncollectibles of $28,000	373,128	-0-	-0-	-0-	-0-	-0-	-0-	373,128	341,855
Water and sewer charges—net of allowance for estimated uncollectibles of $10,000	-0-	-0-	-0-	118,124	-0-	-0-	-0-	118,124	136,500
Loans and notes	-0-	774,978	-0-	-0-	-0-	-0-	-0-	774,978	548,156
Accrued interest	426,641	-0-	-0-	-0-	-0-	-0-	-0-	426,641	493,968
Other	59,760	865	250	27,632	63,123	-0-	-0-	151,630	387,600
Due from other funds	-0-	805,025	5,807,637	12,356,396	7,510	-0-	-0-	18,976,568	18,036,757
Due from other governments	879,745	82,354	150,988	60,203	-0-	-0-	-0-	1,173,290	3,003,525
* * *									
Liabilities and Fund Equity:									
Liabilities:									
Cash overdraft	$ 435,571	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 435,571	$ 306,496
Accounts payable	133,926	42,958	540,131	1,723,910	-0-	-0-	-0-	2,440,925	2,894,966
Accrued liabilities	55,046	-0-	-0-	27,609	-0-	-0-	-0-	82,655	49,344
Due to other funds	18,976,568	-0-	-0-	-0-	-0-	-0-	-0-	18,976,568	18,036,757

NOTES TO FINANCIAL STATEMENTS

4. Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at June 30, 1988 are as follows:

Fund	Interfund Receivables	Interfund Payables
General	$	$18,976,568
Special Revenue:		
Parking	774,109	
Revenue Sharing	21	
Housing and Community Development	30,895	
Capital Projects		
Parking	1,019,406	
General	4,788,231	
Enterprise		
Water and Sewer	12,336,568	
Rental Operations	19,828	
Non-Expendable Trust	7,510	
	$18,976,568	$18,976,568

COUNTY OF SANTA CLARA, CA (JUN '88)

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	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
ASSETS										
Cash and investments:										
Unrestricted	$32,531,495	$13,254,203	$ 4,771	$64,848,313	$44,088,332	$33,733,588	$869,978,929	$ —	$ —	$1,058,439,631
Restricted with fiscal agents	15,367	2,079	13,073,594	62,156,448	24,256,392	10,159,853	48,389,170	—	—	158,052,903
Restricted for payment of short-term notes	31,500,000	—	—	—	57,049,865	—	—	—	—	88,549,865
Other restricted	—	—	13,198,986	—	90,483,540	—	—	—	—	103,682,526
Receivables										
Property taxes	—	—	—	—	—	—	113,014,806	—	—	113,014,806
Other, net of allowances	8,233,094	1,735,732	704,786	378	62,763,660	428,929	11,696,684	—	—	85,563,263
Due from other funds	61,814,329	890,168	370,161	2,057,633	46,650,237	3,432,577	16,870,810	—	—	132,085,915
Due from other funds—property taxes	38,160,329	4,513,217	—	1,559,778	—	—	—	—	—	44,233,324
Advances to other funds	89,000	—	—	1,580,484	—	—	—	—	—	1,669,484
Due from other governmental agencies	21,580,866	779,656	—	31,013,681	—	61,933	6,683,891	—	—	60,120,027
LIABILITIES										
Cash pool overdraft	$ —	$ 40,500	$ —	$ 3,728,886	$17,498,286	$ 459,001	$ —	$ —	$ —	$ 21,726,673
Accounts payable	6,375,469	3,050,435	1,836,338	10,841,348	15,181,181	1,350,776	9,488,191	—	—	48,123,738
Accrued salaries and benefits	23,606,176	2,077,441	—	—	14,379,792	1,660,052	84,988	—	—	41,808,449
Insurance claims	—	—	—	—	—	39,375,706	—	—	—	39,375,706
Other accrued liabilities	17,445,108	784,289	—	—	7,824,990	—	145,179,125	—	—	171,233,512
Due to other funds	47,897,644	687,792	4,771	1,083,484	47,010,897	1,046,331	34,354,996	—	—	132,085,915
Due to other funds—property taxes	—	—	—	—	—	—	44,233,324	—	—	44,233,324
Advances from other funds	—	—	—	—	89,000	—	1,580,484	—	—	1,669,484
Due to other governmental agencies	1,651,860	105,632	—	6,199	2,304,168	—	801,939,783	—	—	806,007,642

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

3. Interfund Receivables and Payables

Interfund receivables and payables by individual fund are summarized as follows:

	Due from other funds	Due to other funds
General fund	$61,814,329	$47,897,644
Special revenue funds:		
Roads	627,661	375,907
Job Training and Partnership Act	1,336	6,076
County Library	25	43,899
Parks Operation and Maintenance	27,232	112,516
Housing and Community Development	—	863
Recorder's Modernization & Document Storage	49,852	92,793
Fire Districts	181,882	15,549
Other	2,180	40,189
Total special revenue funds	890,168	687,792
Debt service funds:		
General Obligation Bonds	—	4,771
Hospital Facilities Bonds	151,444	—
Justice Facility Bonds	218,717	—
Total debt service funds	370,161	4,771
Capital projects funds:		
General Capital Improvement	503,579	502,826
Parks Acquisition and Development	1,053,995	202,846
Jail Facilities Construction	222,129	102,431
Elmwood and Courthouse Construction	—	133,101
Hospital Facilities	240,791	97,922
Justice Facility Construction	—	37,226
Juvenile Facility Construction	37,139	7,132
Total capital projects funds	2,057,633	1,083,484
Enterprise funds:		
Valley Medical Center	$43,848,713	$45,145,211
Transit District	2,703,984	1,840,416
Airport	97,540	25,270
Total enterprise funds	46,650,237	47,010,897
Internal service funds:		
Data processing	1,251,939	166,961
Garage	353,948	148,964
Insurance	333,234	150,530
Printing	119,168	16,292
Communications	358,674	73,657
Transportation	569,463	161,768
Motor Pool	77,252	77,742
Unemployment Insurance	—	155,921
Workers' Compensation	368,899	94,496
Total internal service funds	3,432,577	1,046,331
Fiduciary funds:		
Expendable trust funds:		
Inmate Welfare	51,783	209,579
Juvenile Rehabilitation	—	—
Inmate Work Furlough	357	—
New Childrens' Shelter Escrow	13,492	—
Confiscated Assets Proceeds	345	—
Donations	464	—
Endowments	589	—
Pension Trust fund	585,939	—
Agency funds	16,217,841	34,145,417
Total fiduciary funds	16,870,810	34,354,996
TOTAL	$132,085,915	$132,085,915

CITY OF PHOENIX, AZ (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS WITH COMPARATIVE TOTALS FOR JUNE 30, 1987

	Governmental Fund Types				Fiduciary Fund Types	Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Enterprise	General Fixed Assets	General Long-Term Obligation	1988	1987
ASSETS AND OTHER DEBITS										
Equity in Pooled Cash and Investments	$60,147,155	$31,308,191	$11,048,397	$16,201,080	$18,324,199	$63,529,145	$ —	$ —	$200,558,167	$271,744,638
Cash and Securities with Fiscal Agents/Trustees	—	—	57,163,607	6,819,911	—	—	—	—	63,983,518	57,107,907
Cash Deposits	101,257	34,830	—	2,637,353	—	—	—	—	2,773,440	2,337,655
Investments, at Cost, Net of Amortized Premium or Discount	—	—	23,670	—	356,935,889	—	—	—	356,959,559	317,175,062
Accrued Interest Purchased	—	—	—	—	125,007	—	—	—	125,007	167,237
Interest Receivable	—	—	—	—	5,343,555	—	—	—	5,343,555	3,688,159
Due from Other Funds	1,386,964	—	—	—	—	—	—	—	1,386,964	4,628,411
* * *										
LIABILITIES AND FUND EQUITY										
Liabilities										
Due to Equity in Pooled Cash and Investments	$ —	$12,068,133	$ 2,374,587	$ —	$ 941,479	$ —	$ —	$ —	$ 15,384,199	$ 31,295,923
Due to Trustee	—	—	—	—	—	—	—	—	—	6,269,695
Warrants Payable	14,023,904	—	—	—	—	—	—	—	14,023,904	17,972,902
Due to Other Funds	—	—	—	1,386,964	—	—	—	—	1,386,964	4,628,411

NOTES TO THE FINANCIAL STATEMENTS

8. Due To/From Other Funds

Due To/From Other Funds consists of the following at June 30, 1988:

	Due From	Due To
General Fund	$1,386,964	$ —
Capital Projects Funds		
Municipal Buildings and Service Centers	—	1,386,964
	$1,386,964	$1,386,964

CITY OF BEDFORD, OH (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
ASSETS:											
Equity in pooled cash and cash equivalents......	$ 33,506	$323,441	$192,893	$38,468		$1,893				$ 590,201	$1,053,955
Segregated cash and cash equivalents......			26,471		$644,452		$242,731			913,654	637,383
Receivables........	413,998	675	712,226		868,004		22			1,994,925	2,057,743
Due from other funds............	200,141		224,406							424,547	420,714
Due from other governments/ governmental agencies.........	149,655	24,973								174,628	205,360
Due from Bedford Community Hospital.........											759,610
* * *											
LIABILITIES:											
Accounts payable and accrued expenses........	$641,481	$ 98,291			$650,621					$1,390,393	$2,490,101
Due to other funds.........		25,000	$224,406		115,000		$ 60,141			424,547	420,714
Due to other governments/ governmental agencies......							66,424			66,424	75,807
							78,657			78,657	80,418

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Receivables [In Part]

Amounts due from other governments/governmental agencies at December 31, 1987, represent local government fund remittance from the Cuyahoga County Auditor amounting to $1,830, motor vehicle reimbursement due from the State of Ohio in the amount of $7,126, court cost reimbursements due from various other users of the court amounting to $97,802 (Note 7), cigarette excise tax reimbursement due from Cuyahoga County in the amount of $961, Community Development Block Grant reimbursement due from Cuyahoga County in the amount of $2,285, reimbursement of Automobile Registration Fees due from Cuyahoga County in the amount of $7,862, Highway Distribution due from various local and state governmental units in the amounts of $7,700, amount due under the fire protection contracts with Walton Hills, a neighboring community for which the City provides related services, amounting to $49,062.

Interfund receivables (payables) at December 31, 1987, are detailed below:

FUND	Interfund Receivables	Interfund Payables
GENERAL...	$200,141	
SPECIAL REVENUE—Community Development Block Grant...............................		$ 25,000
ENTERPRISE—Water		115,000
DEBT SERVICE (Note 13):		
General Obligation Bond Retirement..........	224,406	
Special Assessment Bond Retirement........		224,406
AGENCY—Municipal Court........................		60,141
TOTAL..	$424,547	$424,547

CITY OF GLENDORA, CA (JUN '88)

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
ASSET											
CASH AND CASH INVESTMENTS	$ 318,059	$433,400	$ 274,200	$ 302,443	$1,114,956	$1,230,296	$ 296,517	$ —	$ —	$ 3,969,871	$6,948,627
CASH DEPOSITS WITH FISCAL AGENTS	—	—	6,890,229	—	45,360	—	—	—	—	6,935,589	7,535,451
OTHER INVESTMENTS	499,142	690,462	—	2,793,789	1,765,648	1,956,111	841,082	—	—	8,546,234	12,504,893
RECEIVABLES											
Taxes	116,624	—	132,113	—	—	—	—	—	—	248,737	408,290
Accounts, consumers, less allowance for doubtful accounts of $40,836	94,931	—	—	—	250,615	—	—	—	—	345,546	324,376
Unbilled utility usage	85,462	—	—	—	454,817	—	—	—	—	539,849	544,190
Direct financing lease	—	—	—	2,716,453	—	—	—	—	—	2,716,453	2,669,975
Accrued interest	26,457	16,085	9,035	27,326	41,109	60,165	14,054	—	—	194,231	268,296
Due from other governmental agencies	22,884	28,193	—	—	—	—	—	—	—	51,077	80,045
DUE FROM OTHER FUNDS	1,272,289	—	1,309,452	2,343,863	274,070	4,797,498	2,645,507	—	—	12,642,679	3,683,447
LIABILITIES											
Accounts payable	$ 292,688	$ 38,739	$ —	$ 24,648	$ 352,536	$ 68,703	$ —	$ —	$ —	$ 777,314	$ 964,478
Accrued employee benefits	497,365	—	—	—	270,400	—	—	—	1,333,984	2,101,749	1,964,660
Other liabilities	114,838	—	78,233	—	—	384,100	—	—	—	577,171	688,708
Deferred compensation payable	—	—	—	—	—	—	1,652,782	—	—	1,652,782	1,563,309
Due to other funds	—	284,931	86,174	11,641,574	—	—	—	—	630,000	12,642,679	3,683,447

NOTES TO FINANCIAL STATEMENTS

Note 3. Interfund Receivables and Payables

At June 30, 1988, interfund receivables and payables are as follows:

	Receivable	Payable
General Fund	$ 1,272,289	
Debt Service	1,309,452	
Capital Projects Funds	2,343,863	
Enterprise Funds	274,070	
Internal Service Funds	4,797,498	
Trust and Agency Funds	2,645,507	
Special Revenue Funds	$12,642,679	$ 284,934
Debt Service Fund		86,171
Capital Projects Funds		11,641,574
General Long-Term Debt Account Group		630,000
		$12,642,679

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

Account Title	Instances Observed 1988	1987	1986
Cash and investments	77	77	56
Receivables[1]	77	61	45
Cash	57	72	81
Restricted assets	33	NC[2]	NC
Investments[3]	29	40	45
Due from other funds	24	NC	NC

[1] Includes net and allowances, accounts receivable, interest and accrued interest, special assessments receivable, notes receivable, other receivables, and all taxes receivable.

[2] Not compiled.

[3] Includes investments at cost.

Examples from combined balance sheets showing the manner in which some governmental units accounted for restricted assets and examples of liabilities that could be paid only from the above-defined restricted funds follow.

METROPOLITAN DADE COUNTY, FL (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART]
(in thousands)

	Governmental Fund Types					Fiduciary Fund Type	Proprietary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Trust and Agency	Enterprise	General Fixed Assets	General Long-Term Obligations	September 30, 1987	1986
ASSETS:											
Cash and cash equivalents...	$40,631	$35,651	$41,150	$203,346	$4,425	$161,424	$181,328			$667,955	$674,008
Restricted assets:											
Cash and cash equivalents							522,586			522,586	464,116
Other restricted assets......							29,407			29,407	32,350
LIABILITIES AND FUND EQUITY:											
LIABILITIES:											
Accounts and contracts payable, accrued expenses and deferred revenues.........	$20,795	$17,186		$ 2,242	$5,664	$ 4,474	$114,509			$164,870	$142,168
Current portion of bonds and notes payable							9,136			9,136	4,217
Current liabilities payable from restricted assets.........							113,406			113,406	105,611

NOTES TO FINANCIAL STATEMENTS

Note 1—General [In Part]

Restricted Assets and Reserves

Specific Enterprise Fund assets are required to be segregated as to use and are therefore identified as restricted assets. Assets are restricted pursuant to donor specifications and restrictions arising from various bond indenture agreements. The indenture agreements further require that for certain restricted assets offsetting reserves be established by charges to retained earnings (see Note 9).

Note 9—Enterprise Funds Restricted Assets and Reserves

Restricted assets and liabilities of the Enterprise Funds at September 30, 1987, represent bond proceeds designated for construction and other monies required to be restricted for debt service, maintenance and improvements under the terms of outstanding bond agreements, and assets restricted by donors for specific purposes within the Public Health Trust.

Assets restricted for debt service are for the payment of bond principal and interest. Assets restricted for reserve maintenance are for the payment of unusual or extraordinary maintenance or repairs of Enterprise Fund properties. Construction fund assets are restricted for capital projects. General reserve assets are restricted and may be applied to make up deficiencies in the debt service funds, used for the cost of authorized maintenance or capital project additions or used in general operations if there are insufficient non-restricted assets to meet operating expenses.

Assets were restricted for the following purposes (in thousands):

Debt service	$187,167
Reserve maintenance	4,790
Improvement and construction	337,767
General reserve	11,836
Donor restricted assets	14,782
Total	$556,342

For certain assets restricted under bond agreements, ordinances, and other contractual agreements, a reserve is established by charging retained earnings in an amount equal to the restricted assets less any related liabilities. When the restricted assets are expended, the reserves are restored to retained earnings.

The following is a summary of reserves (in thousands):

Debt service	$ 95,802
Reserve maintenance	4,248
General reserve	15,127
Total	$115,177

CITY OF BEAUMONT, TX (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1986

	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
ASSETS											
Cash and cash equivalents	$ 67,678	$ 889,704	$1,603,984	$ 504,164	$1,426,939	$ 190,226	$ 287,846	$ —	$ —	$ 4,970,541	$ 2,861,743
Investments	8,052,159	493,036	492,000	9,951,696	6,466,681	1,969,595	—	—	—	27,425,167	29,290,547
Receivables, net of allowance for uncollectibles:											
Property taxes, delinquent	2,535,147	—	1,322,364	—	—	17,601	—	—	—	3,875,112	3,376,485
Notes	—	1,235,629	—	—	—	—	—	—	—	1,235,629	1,172,803
Utilities	—	—	—	—	1,441,862	—	—	—	—	1,441,862	1,388,813
Accrued interest	70,947	—	110,687	—	60,241	8,677	6,421	—	—	256,973	234,545
Other	715,229	26,939	—	—	56,675	58,634	12,778	—	—	870,255	865,107
Due from other funds	156,905	107,327	11,434	1,066,921	1,256,341	1,061,936	2,772,140	—	—	6,433,004	5,952,214
Due from other governments	—	444,957	—	722,758	539,774	—	—	—	—	1,707,489	2,962,741
Materials and supplies inventories, at cost	132,198	—	—	455,435	463,804	132,444	—	—	—	1,183,881	1,271,414

(continued)

CITY OF BEAUMONT, TX (SEP '87) *(continued)*

	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
Prepaid expenses....	—	—	—	—	38,555	—	—	—	—	38,555	64,924
Note receivable from other fund.........	543,805	—	—	—	—	—	—	—	—	543,805	—
Investments in deferred compensation plans..........	—	—	—	—	—	—	1,872,101	—	—	1,872,101	1,517,594
Cash and cash equivalents restricted for current debt service..	—	—	—	—	212,716	—	—	—	—	212,716	203,023
Cash and cash equivalents restricted for future debt service.......	—	—	—	—	2,011,889	—	—	—	—	2,011,889	1,505,760
Cash and cash equivalents restricted for customer utilities deposits.............	—	—	—	—	307,840	—	—	—	—	307,840	306,720
LIABILITIES AND FUND EQUITY											
Liabilities:											
Accrued payroll......	$ 605,429	$ 20,157	$ —	$ —	$ 238,454	$ 26,344	$ —	$ —	$ —	$ 890,384	$ 601,288
Accounts payable....	618,063	70,474	—	261,812	500,664	224,511	262,780	—	—	1,938,304	2,281,486
Contracts payable....	—	—	—	270,751	227,874	—	—	—	—	498,625	356,936
Due to bank..........	—	—	—	—	—	—	1,036,615	—	—	1,036,615	1,367,546
Due to other funds..	2,588,578	262,990	89,458	4,046	1,466,960	644,824	1,376,148	—	—	6,433,004	5,952,214
Other current liabilities.................	81,342	652,679	133,535	—	120,635	849,915	—	—	—	1,838,106	—
Due to employees....	—	—	—	—	—	—	1,872,101	—	—	1,872,101	1,517,594
Accrued employee separation pay....	—	—	—	—	643,908	32,318	—	—	5,506,499	6,182,725	6,224,683
Current portion of note payable to other fund.........	—	—	—	—	64,368	—	—	—	—	64,368	—
Current portion of certificates of obligation..........	—	—	—	—	475,000	—	—	—	—	475,000	435,000
Current liabilities payable from restricted assets:											
Current portion of revenue bonds.	—	—	—	—	1,145,000	—	—	—	—	1,145,000	1,030,000
Accrued interest..	—	—	—	—	177,100	—	—	—	—	177,100	184,227
Customer utilities deposits........	—	—	—	—	307,840	—	—	—	—	307,840	306,720

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

H. Restricted Assets

Funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures.

CHATHAM COUNTY, GA (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR 1986

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise (Note 11)	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
Equity in pooled cash and investments (Note 2) ...	$14,903,550	$1,035,784	$883,252	$42,205,182	$ 716,263	$481,380				$60,225,411	$28,608,408
Cash (Note 2)	3,011	26,330		22,168	1,651,861		$ 5,105,500			6,808,870	4,699,191
Receivables (net, where applicable, of allowances for uncollectibles):											
Taxes (Notes 2 and 3)	5,976,500	296,901	164,374							6,437,775	6,564,867
Accounts...........	97,772	134,570			105,337		564,516			902,195	678,133
Interest receivable	100,202	9,060	7,133	279,717	6,400	3,843				406,355	197,525
Due from other funds (Note 4)....	872,505	239,016	36,095	120,412						1,268,028	1,064,825
Due from other governments (Note 5)	1,303,580	2,999			454,473					1,761,052	3,966,911
Inventory, at cost (Note 2)............	78,407				205,940					284,347	173,371
Prepaid expenses	43,094				82,448	8,333				133,875	89,105
Restricted assets:											
Cash and investments, at cost (Note 6)			38,392		78,888	40,294	15,945,737			16,103,311	13,466,483
LIABILITIES AND FUND EQUITY											
Liabilities:											
Accounts payable.	$1,185,523	$ 29,988		$ 45,986	$ 760,036		$ 276,813			$ 2,298,346	$ 2,290,555
Short-term debt (Note 8)					1,300,000					1,300,000	9,000
Other accrued expenses..........	294,110				209,357	$282,331				785,798	293,408
Payable from restricted assets:											
Matured bonds and interest payable......			$ 36,892							36,892	91,917
Customers' deposits (Note 6)					33,241					33,241	35,961

NOTES TO COMBINED FINANCIAL STATEMENTS

(6) Equity in Pooled Cash, Cash and Investments [In Part]

A. 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 Funds—The Water and Sewer Fund maintains a separate account 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. Also, the Chatham Area Transit Authority has received funds for capital improvements which by grant restrictions are required to be used for the purchase of approved property and equipment.

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.

MONROE COUNTY, FL (SEP '87)

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
ASSETS										
Cash and investments (Note 2) ...	$9,956,061	$14,486,220	$748,260	$1,871,853	$5,590,617	$855,443	$2,694,787	$ —	$ —	$36,203,241
Cash with fiscal agent	—	—	534,247	—	2,325,552	—	—	—	—	2,859,799
Receivables: (Note 3)										
Delinquent taxes ..	10,962	27,213	—	—	—	—	—	—	—	38,175
Allowance for uncollectible taxes	(548)	(1,357)	—	—	—	—	—	—	—	(1,905)
Delinquent waste collection fees .	—	—	—	—	1,207,410	—	—	—	—	1,207,410
Allowance for uncollectible waste collection fees	—	—	—	—	(662,715)	—	—	—	—	(662,715)
Accounts...........	25,220	571	—	—	68,867	375,103	19,256	—	—	489,017
Due from other funds (Note 4)	246,656	19,206	—	97,709	—	—	—	—	—	363,571
Due from other governmental units ...	1,168,902	1,575,338	—	—	151,388	—	—	—	—	2,895,628
Inventory	—	—	—	—	—	—	3,676	—	—	3,676
Restricted assets: (Note 5)										
Cash	—	—	—	—	40,919	—	—	—	—	40,919
Investments at cost or amortized cost.......	—	—	—	—	2,489,267	—	—	—	—	2,489,267
Accrued interest receivable	—	—	—	—	12,333	—	—	—	—	12,333
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable.	$ 789,600	$ 542,208	$ —	$ 3,805	$ 636,276	$ 31,370	$ —	$ —	$ —	$ 2,003,259
Contracts payable	—	216,472	—	223,142	78,917	—	—	—	—	518,531
Claims payable....	—	—	—	—	—	898,251	—	—	—	898,251
Due to individuals	—	—	—	—	—	—	1,297,451	—	—	1,297,451
Accrued liabilities.	326,695	156,187	—	—	159,316	5,370	—	—	—	647,568
Deposits held in escrow..........	34,299	11,577	—	400	50	—	—	—	—	46,326
Payable from restricted assets:										
Contracts payable	—	—	—	—	185,758	—	—	—	—	185,758
Accrued interest	—	—	—	—	306,052	—	—	—	—	306,052
Revenue bonds, net of discount (Notes 8 & 9)	—	—	—	—	9,021,548	—	—	—	—	9,021,548

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5—Restricted Assets

Restricted Assets include those provided for by resolution adopted by the County Commission for the issuance of the Municipal Service District Revenue Bonds. Total restricted assets as of September 30, 1987 are as follows:

Municipal Service District	Cash and Investments	Accrued Interest	Total
Debt Service Reserve Fund	$ 990,803	$ —	$ 990,803
Renewal and Replacement Fund	940,251	12,233	952,484
Sinking Fund	599,132	—	599,132
	$2,530,186	$12,233	$2,542,419

BRIGHAM CITY CORPORATION, UT (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS WITH COMPARATIVE TOTALS FOR JUNE 30, 1987

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
ASSETS AND OTHER DEBITS											
Assets:											
Cash	$101,421	$277,587	$ 42,309	$ 46,818	$ 50,073	$ —	$163,192	$ —	$ —	$ 681,400	$2,000,292
Receivables (net of allowances for uncollectibles):											
Taxes	2,951	3,980	4,159	—	—	—	—	—	—	11,090	—
Accounts	18,480	—	—	—	753,404	—	—	—	—	771,884	701,839
Contracts and notes	—	974,969	—	—	—	—	—	—	—	974,969	1,214,567
Special assessments	—	—	333,895	—	—	—	—	—	—	333,895	—
Intergovernmental	67,784	—	—	—	—	—	—	—	—	67,784	—
Other	—	1,750	—	—	444,428	—	—	—	—	446,178	429,541
Due from other funds	643,382	307,823	—	—	230,801	—	—	—	—	1,182,006	—
Inventories	—	—	—	—	299,640	20,467	—	—	—	320,107	283,455
Restricted assets .	51,096	30,271	—	—	355,784	—	—	—	—	437,151	3,210,414
LIABILITIES, EQUITY AND OTHER CREDITS											
Liabilities:											
Cash overdraft	$ —	$ 25,000	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 25,000	$ 219,673
Accounts payable and accruals ...	120,614	56,111	228	8	1,038,065	8,053	—	—	—	1,223,079	1,625,473
Customer deposits payable .	—	—	—	—	73,849	—	—	—	—	73,849	74,308
Contracts and notes payable ..	—	561,784	—	—	—	—	—	—	70,000	631,784	159,666
Due to other funds	—	13,606	5,780	826,788	67,227	268,605	—	—	—	1,182,006	—
Deferred revenue .	17,267	535,561	333,895	—	—	—	—	—	—	886,723	1,000,000
Liabilities payable from restricted assets	—	—	—	—	—	—	—	—	—	—	695,505

NOTES TO THE FINANCIAL STATEMENTS

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

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "Revenue Bond Contingency" account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments and to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The "Revenue Bond Construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "Revenue Bond Debt Service" account is used to segregate resources accumulated for debt service payments over the next twelve months and to report resources set aside to make up potential future deficiencies.

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	**1988**	**1987**	**1986**
Investments	129	147	156
Investments at cost	46	57	53
Investments at cost or amortized costs	12	3	3

CITY OF LINCOLN, NE (AUG '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR AUGUST 31, 1986

	Governmental Fund Types					Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	Enterprise (Note 1)	Internal Service	Trust and Agency	General Fixed Assets	Long-Term Liability	1987	1986
ASSETS AND OTHER DEBITS												
Cash Held By City Treasurer (Note 4)	$7,356,686	$3,952,461	$1,631,400	$ 349,976	$ 878,194	$ 4,191,137	$4,503,570	$ 9,623,106			$ 32,487,329	$ 31,357,176
Cash On Hand And In Other Accounts (Note 4)	366	34,968				1,121,509		74,316			1,231,159	2,338,354
Investments (At Cost Or Amortized Cost) (Note 4)		7,542,038	528,276	16,049,170	10,109,897	66,389,513	1,483,994	50,843,127			152,946,015	119,906,320

NOTES TO COMBINED FINANCIAL STATEMENTS

Pension Funds

Investments in the pension trust funds are long-term investments carried at book value (*amortized cost—cost minus* amortized premium or plus accreted discount) at August 31, 1987 and are as follows (See Note 13):

	Fire Pension		Police & Fire Pension	
Category of Risk	Carrying Amount	Market Value	Carrying Amount	Market Value
C Gov. Sec.	$1,659,417	$1,680,324	$44,172,028	$45,712,284
C Gov. Agencies	307,866	289,247	2,983,735	2,836,215
B Repurch. Agree	45,000	45,000		
C Wash. Metro. Transit Bonds			497,349	390,625
	$2,012,283	$2,014,571	$47,653,112	$48,939,124

Management plans to hold the investments held by the pension trust funds until maturity.

Lincoln General Hospital (LGH)

At August 31, 1987 LGH had investments, carried at cost or amortized cost, as follows:

	Category				
	A	B	C	Carrying Amount	Market Value
U.S. Gov. Sec.	$	$2,876,277	$4,892,045	$7,768,322	$7,922,175
Repurch. Agree.			640,000	640,000	640,000
Cert. of Deposit		800,000		800,000	800,000
Bankers Accept.		496,485		496,485	500,989
		4,172,762	5,532,045	9,704,807	9,863,164
Cash Held by City Treasurer				48,839	48,839
				$9,753,646	$9,912,003

Lincoln Electric System (LES)

At December 31, 1986 LES had investments, carried at cost or amortized cost, as follows:

	Category				
	A	B	C	Carrying Amount	Market Value
U.S. Gov. Sec.	$		$68,534,787	$68,534,787	$69,964,053
U.S. Gov. Agencies			17,415,408	17,415,408	16,991,535
Repurch. Agree.		$1,000,000		1,000,000	1,000,000
Cert. of Deposit		4,200,000		4,200,000	4,200,000
		5,200,000	85,950,195	91,150,195	92,155,588
Cash Held by City Treasurer				915,232	915,232
				$92,065,427	$93,070,820

Lincoln Sanitary Sewer System

At August 31, 1987 Lincoln Sanitary Sewer System had investments, carried at amortized cost, as follows:

	Category				
	A	B	C	Carrying Amount	Market Value
U.S. Gov. Sec.	$	$	$4,964,767	$4,964,767	$5,011,945
Cash Held by City Treasurer				365,000	365,000
				$5,329,767	$5,376,945

Lincoln Water System

At August 31, 1987 Lincoln Water System had investments, carried at amortized cost, as follows:

	Category				
	A	B	C	Carrying Amount	Market Value
U.S. Gov. Sec.	$	$	$2,441,538	$2,441,538	$2,478,386
Cash Held by City Treasurer				405,000	405,000
				$2,846,538	$2,883,386

All Other City Funds

Investments of all other City Funds do not vary significantly in either type or risk and are carried at cost or amortized cost. These investments at August 31, 1987 were as follows:

	Category A	Category B	Category C	Carrying Amount	Market Value
Cert. of Deposit	$	$14,142,000		$14,142,000	$14,142,000
U.S. Gov. Sec.			$18,854,607	18,854,607	19,263,062
U.S. Gov. Agencies			2,375,625	2,375,625	2,441,637
Repurch. Agree.		3,631,000		3,631,000	3,631,000
Interfund Invest.	71,000			71,000	71,000
	71,000	17,773,000	21,230,232	39,074,232	39,548,699
Cash Held by City Treasurer				31,279,581	31,279,581
				$70,353,813	$70,828,280

There were no investments that resulted in significantly greater credit risk during the period than that existing at August 31, 1987, the balance sheet date.

CITY OF BOULDER, CO (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1986

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Assets	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Pension Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986 (as restated)
Equity in pooled cash and temporary cash investments	$2,116,806	$4,510,321	$336,009	$544,211	$8,671,880	$4,279,407	$ —	$ —	$ —	$20,458,634	24,026,621
Cash	—	—	—	—	566,120	—	52,682	—	—	618,802	512,902
Investments	6,429,501	2,787,491	133,638	2,374,716	5,275,736	2,421,520	10,527,796	—	—	35,950,397	33,055,676

NOTES TO FINANCIAL STATEMENTS

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

(f) Investments

The City records long-term investments at cost or amortized cost (see note 1(e) for eligible securities). Although this does not always approximate market, the City's policy is to recognize only those losses that are permanent. The City authorizes the purchase and sale of investments, except for those held in the Pension Trust Funds, which are controlled by the Fire and Police Pension Boards as trustees. Since almost all City funds are designated for specific uses, maturities are selected to coincide with the periods monies will be spent. For those securities sold prior to maturity, the specific identification method is used in determining gain or loss. Investment earnings are recorded when earned since they are measurable and available.

Investments relating to deferred compensation plans of City employees are under the administration of various investment management organizations. Such assets are restricted for the benefit of deferred compensation participants. These investments are recorded at market.

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	**1988**	**1987**	**1986**
Inventory	243	228	151
Inventory at cost	53	48	40
Inventory of materials and supplies	29	24	17
Inventory of supplies	27	25	15
Inventory of supplies at cost	8	8	8

CHATHAM COUNTY, GA (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR 1986

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise (Note 11)	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
ASSETS											
Equity in pooled cash and investments (Note 2)	$14,903,550	$1,035,784	$883,252	$42,205,182	$ 716,263	$481,380				$60,225,411	$28,608,408
Cash (Note 2)	3,011	26,330		22,168	1,651,861		$5,105,500			6,808,870	4,699,191
Receivables (net, where applicable, of allowances for uncollectibles):											
Taxes (Notes 2 and 3)	5,976,500	296,901	164,374							6,437,775	6,564,867
Accounts	97,772	134,570			105,337		564,516			902,195	678,133
Interest receivable	100,202	9,060	7,133	279,717	6,400	3,843				406,355	197,525
Due from other funds (Note 4)	872,505	239,016	36,095	120,412						1,268,028	1,064,825
Due from other governments (Note 5)	1,303,580	2,999			454,473					1,761,052	3,966,911
Inventory, at cost (Note 2)	78,407				205,940					284,347	173,371

NOTES TO COMBINED FINANCIAL STATEMENTS

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

E. Inventories

Inventories are stated at the lower of cost or market on the basis of "first in, first out" (FIFO) method of accounting.

Inventory in the General and Enterprise Funds consists of expendable supplies held for consumption. Cost is recorded as an expenditure at the time inventory is used (consumption method). Reported inventories in the General Fund are equally offset by a fund balance reserve which indicates that the inventories do not constitute "available spendable resources" even though they are component of net current assets.

HARRIS COUNTY, TX (FEB '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
ASSETS											
Cash and Temporary Investments:											
Demand Deposits	$ —	$ 1,426,935	$ 11,685,697	$ 88,452,138	$ 829,249	$ 350,896	$26,039,103	$ —	$ —	$128,784,018	$ 42,249,521
Equity in Pooled Cash and Investments, Net	115,496,445	116,249,227	66,043,092	163,386,090	995,665	—	13,832,266	—	—	476,002,785	589,789,129
Time Deposits	—	—	30,289,724	52,770,912	2,388,000	—	11,677,953	—	—	97,126,589	9,784,397
Investments	—	—	34,571,849	38,185,271	1,011,751	—	454	—	—	73,769,325	7,263,600
Receivables (Net of Allowances for Uncollectibles):											
Taxes, Including Interest and Penalties	23,168,397	9,528,249	10,434,620	—	—	—	—	—	—	43,131,266	39,683,601
Accounts	451,786	1,068,824	175,749	312,191	440,663	—	—	—	—	2,449,213	1,305,475
Accrued Interest	2,056,982	1,730,288	1,518,216	3,581,904	79,900	3,251,522	106,381	—	—	12,325,193	10,090,335
Prepaid Insurance	—	—	—	—	—	—	—	—	—	—	369,167
Due From Other Funds	12,911,698	3,232,833	6,523,884	1,641,073	—	218,179	87,204	—	—	24,614,871	29,453,156
Travel Advances	33,194	10,087	—	1,445	—	445	685	—	—	45,856	32,769
Inventory	9,869	—	—	—	708,040	—	—	—	—	717,909	579,361

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Inventory

Inventory is stated at cost using the first-in, first-out method. Inventory in the General Fund consists of expendable parts and supplies and the cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve showing that they do not constitute available spendable resources.

CITY OF WATERTOWN, SD (DEC '87)

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

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	December 31, 1987	December 31, 1986
Assets:									
Cash & Investments....	$3,197,839	$740,269	$140,779	$3,126,583	$ 446,588	$ —	$ —	$7,652,058	$8,198,923
Cash with Fiscal Agent.			63,556		2,143,520			2,207,076	2,026,367
Investments—Improvement Bonds..........	50,000							50,000	50,000
Receivables (Net of Allowances for Uncollectibles):									
Property Taxes.......	1,175,007				7,137			1,182,144	1,173,734
Accounts.............	88,405	297		1,194,771	14,400			1,297,873	1,390,889
Unbilled Accounts ...				624,546				624,546	662,344
Special Assessments	291,501		27,582					319,083	347,227
Accrued Interest.....	38,806	8,199	3,338	68,349	7,472			126,164	143,944
Pledges................					15,000			15,000	-0-
Due from Other Funds.	1,226			121,565				122,791	2,170
Due from State Government..............	50,380	13,785		17,003				81,168	82,086
Due from Federal Government..............				2,382				2,382	2,382
Due from Hockey Association...........					1,015			1,015	1,573
Due from Lake Area Zoo Society...........					210			210	-0-
Lease Payments Receivables.............					879,200			879,200	-0-
Inventory of Supplies..	40,902			435,390				476,292	504,307

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies [In Part]

Inventory of Supplies

General, Sewer and Airport Fund inventories of supplies are reported at cost using the original or latest invoice (first-in, first-out) as a determination method. This method is deemed as approximating actual cost because of inventory turnover rates. Electric, Water, Gas and Heat Fund inventories of supplies are reported at cost using the average cost method of inventory valuation.

The inventories of the General Fund are accounted for as expenditures at the time of purchase. Inventories reported for the General Fund on the financial statements are offset by an equal fund balance reserve. All other funds use the consumption method to account for inventories of supplies whereby supplies are expensed as used.

CITY OF CORPUS CHRISTI, TX (JUL '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 Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	1987	1986
ASSETS											
Cash (Note 4)	$ 88,494	$ 22,193	$ —	$ —	$ 43,000	$ 39,036	$ 52,405	$ —	$ —	$ 245,128	$ 819,095
Equity in pooled cash and investments (Note 4)	5,450,000	6,017,984	14,772,986	51,422,460	18,722,922	6,928,397	8,741,797	—	—	112,056,546	97,912,048
Investments, at cost (Note 4)	—	202,093	10,000	—	—	—	2,833,046	—	—	3,045,139	2,612,059
Receivables (net, where applicable, of allowance for uncollectibles):											
Accounts	1,226,156	7,210,185	—	1,045,398	7,188,512	627,047	35,421	—	—	17,332,719	16,262,009
Taxes (Note 3)	2,962,354	—	1,172,125	—	—	—	—	—	—	4,134,479	3,643,828
Taxes—for other taxing agencies	—	—	—	—	—	—	4,840,686	—	—	4,840,686	4,204,031
Employees	—	—	—	—	—	8,911	6,180	—	—	15,091	14,389
Certificates of special assessment—net (Note 5)	—	—	—	935,452	—	—	—	—	—	935,452	1,114,320
Due from other funds (Note 10)	480,899	4,700	39,026	91,769	193,127	630,381	804,446	—	—	2,244,348	1,804,967
Due from other Governmental Agencies (Note 6)	160,466	1,065,081	12,691	1,380,497	676,331	121,160	796,311	—	—	4,212,537	3,590,826
Inventory	165,898	—	—	—	296,095	1,358,955	—	—	—	1,820,948	2,113,525

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies [In Part]

I. Inventories

Inventories are valued at the lower of cost or market on the first-in, first-out or the average cost basis. All inventory purchases are recorded as inventory acquisitions (current assets) at the time of purchase and expensed when issued. Inventories of governmental funds are offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

CITY OF BEAUMONT, TX (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1986

	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
ASSETS											
Cash and cash equivalents	$ 67,678	$ 889,704	$1,603,984	$ 504,164	$1,426,939	$ 190,226	$ 287,846	$ —	$ —	$ 4,970,541	$ 2,861,743
Investments	8,052,159	493,036	492,000	9,951,696	6,466,681	1,969,595	—	—	—	27,425,167	29,290,547
Receivables, net of allowance for uncollectibles:											
Property taxes, delinquent	2,535,147	—	1,322,364	—	—	17,601	—	—	—	3,875,112	3,376,485
Notes	—	1,235,629	—	—	—	—	—	—	—	1,235,629	1,172,803
Utilities	—	—	—	—	1,441,862	—	—	—	—	1,441,862	1,388,813
Accrued interest	70,947	—	110,687	—	60,241	8,677	6,421	—	—	256,973	234,545
Other	715,229	26,939	—	—	56,675	58,634	12,778	—	—	870,255	865,107
Due from other funds	156,905	107,327	11,434	1,066,921	1,256,341	1,061,936	2,772,140	—	—	6,433,004	5,952,214
Due from other governments	—	444,957	—	722,758	539,774	—	—	—	—	1,707,489	2,962,741
Materials and supplies inventories, at cost	132,198	—	—	455,435	463,804	132,444	—	—	—	1,183,881	1,271,414

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

F. Materials and Supplies Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories for all funds consist of expendable supplies held for consumption and the cost thereof is recorded as an expenditure as the individual inventory items are issued (consumption method). Reported inventories in the governmental funds are offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of net current assets.

THE CITY OF DAYTONA BEACH, FL (SEP '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 Assessments	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
ASSETS												
Equity in pooled cash and investments (Note 3)	$3,146,287	$4,679,847	$657,809	$6,263,744	$ —	$9,892,913	$3,984,819	$ 270,987	$ —	$ —	$28,896,406	$31,371,848
Cash and investments—pension (Notes 3 & 20)	—	—	—	—	—	—	—	18,131,827	—	—	18,131,827	12,518,893
Deferred compensation investments (Notes 3 & 21)	—	—	—	—	—	—	—	879,693	—	—	879,693	644,312
Accounts receivable, net (Note 5)	159,115	270	—	—	—	1,971,737	—	88,923	—	—	2,220,045	2,159,656
Notes receivable (Note 6)	—	4,915,068	—	—	—	—	—	—	—	—	4,915,068	984,154
Accrued interest receivable	158,590	—	9,754	—	—	—	—	36,995	—	—	205,339	276,223
Employee accounts receivable	20,139	—	—	—	—	—	—	—	—	—	20,139	20,108
Taxes receivable	151,037	—	—	—	—	—	—	—	—	—	151,037	119,223
Special assessments receivable	10,540	—	—	—	—	—	—	—	—	—	10,540	7,281
Due from other governments (Note 4)	368,661	119,475	—	—	—	—	17,441	322,694	—	—	828,271	664,358
Inventory	213,832	2,940	—	—	—	451,300	253,237	—	—	—	921,309	1,084,424

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

G. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market, except the Water and Sewer System Fund, Central Stores Fund, Municipal Golf Course Fund, and Community Development Fund. Inventories of the Water and Sewer System Fund, Central Stores Fund, and Municipal Golf Course Fund are stated at weighted average cost; they are priced on a basis of average prices paid for the items and weighted according to the quantity purchased at each price.

Inventory shown in the Community Development Fund is stated at the lower of cost or market and represents Urban Renewal property purchased for resale by the City under its Community Development Program. Cost is recorded as an expenditure at the time inventory is used (consumption method).

Inventory shown in the General Fund is recorded under the purchase method of inventory accounting. The purchase method of inventory accounting requires inventories to be recorded as expenditures when purchased and an equal offset recorded to a fund balance reserve account to indicate that they do not represent "available spendable resources."

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	**1988**	**1987**	**1986**
Prepaid expenses	184	163	133
Other assets	103	104	37
Deferred charges	39	41	73
Deposits	27	13	11
Unamortized debt discount	24	NC[1]	NC

[1]Not compiled.

COUNTY OF STRAFFORD, NH (DEC '87)

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

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
ASSETS							
Cash	$795,580	$ 47	$ 400	$153,723	$ —	$ —	$949,750
Accounts receivable	178,201	—	368,496	—	—	—	546,697
Due from other funds	502,165	1,727	—	—	—	—	503,892
Due from other governments	—	11,280	—	—	—	—	11,280
Inventories	—	—	36,807	—	—	—	36,807
Prepaid expenses	1,771	—	20,926	—	—	—	22,697

NOTES TO FINANCIAL STATEMENTS

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 1988.

Prepaid expenses of the General Fund represent 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.

DOUGLAS COUNTY, KS (DEC '87)

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

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
Assets										
Cash and investments (Notes 1-D and 3) .	$1,084,424	$5,328,128	$430,719	$3,873,519	$1,534,596	$22,650,385	$ —	$ —	$34,901,771	$35,533,279
Receivables (net of allowance for uncollectibles)										
Taxes (Note 1-E)...	1,519,734	4,070,295	623,848		690,963	1,803,232			8,708,072	8,517,886
Accounts (Note 1-F)................	16,937	2,685			252,031	1,318,873			1,590,526	1,595,149
Due from other funds (Note 1-G)................	24,810	1,021				49,435			75,266	97,745
Due from other governments....	20,507	55,294							75,801	108,518
Advance to agency fund (Note 1-G)....		24,722							24,722	13,161
Inventory of supplies, at cost (Note 1-H) .						15,294			15,294	11,304
Prepaid expenses					73,618				73,618	18,340

NOTES TO FINANCIAL STATEMENTS

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

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods, other than those recorded in the enterprise funds, are recorded as an expenditure during the year of purchase as required by State Statutes. The chemical inventory held by the Noxious Weed agency fund is valued at the lower of cost (first-in, first-out) or market and is equally offset by an advance from the Noxious Weed special revenue fund. There is no enterprise funds inventory to report.

GRANITE SCHOOL DISTRICT, UT (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR 1987

	Governmental Fund Types				Proprietary Fund	Fiduciary Funds	Account Groups		Totals (Memorandum Only)	
	Maintenance and Operation Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	1988	1987
ASSETS:										
Cash—Note 3 ..	$ 29,438	$1,315,904	$ —	$ 3,943,248	$ —	$ 7,881	$ —	$ —	$ 5,296,471	$ 6,381,103
Investments, at cost—Note 3	24,085,000	—	4,082,600	21,300,000	—	8,150,021	—	—	57,617,621	58,926,030
Accounts Receivable:										
Local Sources ..	384,368	4,328	30,057	183,821	149,041	93	—	—	751,708	768,976
State of Utah ...	3,490,382	626,776	—	—	—	—	—	—	4,117,158	193,030
Federal Government	2,142,001	—	—	—	—	—	—	—	2,142,001	1,034,372
Taxes Receivable—Delinquent—Note 5 .	3,185,398	195,809	1,522,963	—	—	—	—	—	4,904,170	4,233,766
Due From Other Funds—Note 1 .	—	1,000,000	—	1,500,000	—	—	—	—	2,500,000	2,500,000
Inventories—Note 1:										
School Supplies	485,611	—	—	—	—	—	—	—	485,611	406,480
Custodial Supplies...........	81,094	—	—	—	—	—	—	—	81,094	182,920
Equipment	55,871	—	—	—	—	—	—	—	55,871	16,952
Physical Education Supplies	86,171	—	—	—	—	—	—	—	86,171	88,242
Maintenance Supplies......	1,070,866	—	—	—	—	—	—	—	1,070,866	1,057,174
School Lunch...	—	1,071,154	—	—	—	—	—	—	1,071,154	1,393,373
House Projects.	—	—	—	—	310,753	—	—	—	310,753	311,370
Prepaid Expenditures	476,643	—	—	11,329	—	—	—	—	487,972	1,005,962

NOTES TO FINANCIAL STATEMENTS

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

Prepaid Expenses

The majority of prepaid expenses are accounted for in the Maintenance and Operation Fund and consist of textbooks and various school supplies that will be utilized in the following year and applied against appropriations of that year.

CITY OF VERO BEACH, FL (SEP '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	Enterprise	Trusts	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
Assets									
Current assets:									
Equity in pooled cash and investments	$3,492,517	$ —	$1,061,111	$5,400,863	$16,759,092	$16,037,825	$ —	$ —	$42,751,408
Receivables (net of allowance for uncollectible accounts):									
Accounts	1,310	—	—	—	4,647,371	—	—	—	4,648,681
Assessments	—	—	—	179,826	60,391	—	—	—	240,217
Accrued interest	721	—	—	44,800	182,200	63,363	—	—	291,084
Miscellaneous	—	—	—	1,339	—	—	—	—	1,339
Due from other funds (Note 10)	44,000	—	—	—	656,401	—	—	—	700,401
Due from other governments	—	—	—	—	457,278	—	—	—	457,278
Advance to other funds (Note 10)	600,195	—	—	—	—	—	—	—	600,195
Inventory	177,345	—	—	—	3,124,714	—	—	—	3,302,059
Prepaid expenses	284,693	—	—	—	164,318	—	—	—	449,011

NOTES TO FINANCIAL STATEMENTS

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

Prepaid Expenses

Prepaid expenses consist of insurance costs that have been prepaid for the next fiscal year. These costs will be recognized as expenditures in the subsequent year (consumption method) as opposed to when the costs are paid (purchase method). Prepaid expenses are equally offset by a fund balance reserve account which indicates that they do not constitute "available, spendable resources."

CITY OF BOUNTIFUL, UT (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue (Redevelopment Agency)	Debt Service	Capital Projects	Enterprise	Internal Service	Nonexpendable Trust (Cemetery Perpetual Care)	General Fixed Assets	General Long-Term Obligations	Totals (memorandum only)
ASSETS										
Cash and temporary investments	$1,153,753	$ 83,063	$328,671	$5,551,687	$9,118,934	$1,713,540	$527,144	$ —	$ —	$18,476,792
Receivables (net of allowance for uncollectibles of $13,603)										
Property and franchise taxes	147,536	—	—	—	—	—	—	—	—	147,536
Accounts..........	140,709	—	—	6,491	1,477,863	—	—	—	—	1,625,063
Notes..............	—	271,170	—	—	—	—	—	—	—	271,170
Accrued interest ..	—	—	—	8,636	—	—	—	—	—	8,636
Due from other funds...........	13,027	—	—	—	10,314	—	—	—	—	23,341
Due from other governments...	174	—	—	—	—	—	—	—	—	174
Real estate inventory held for resale	—	557,785	—	—	—	—	—	—	—	557,785
Inventories...........	—	—	—	—	556,303	—	—	—	—	556,303
Prepaid expenses	—	—	—	—	38,235	—	—	—	—	38,235

NOTES TO FINANCIAL STATEMENTS

Note A—Summary of Accounting Policies [In Part]

Expenditures are recorded when a liability is incurred. Exceptions to this general rule include: (1) long-term portion of accumulated unpaid vacation pay and (2) principal and interest on general long-term debt which is recognized when due.

The effect of expenditures for property, equipment, prepaid expenses and inventories on operations is not allocated between years, as when recording expenses, but is reflected in the year the liability was incurred. The financial flow measurement focus is used to account for all governmental funds.

FIXED ASSETS

GASB Cod. Sec. 1400 prescribes generally accepted accounting principles for fixed assets:

> A clear distinction should be made between fund fixed assets and general fixed assets. Fixed assets related to specific proprietary funds or trust funds should be accounted for through those funds. All other fixed assets of a governmental unit should be accounted for through the General Fixed Assets Account Group.

In addition, GASB Cod. Sec. 1400.103-106 provides the following guidance with respect to fixed assets:

> Enterprise fund fixed assets are capitalized in the fund accounts to facilitate reporting of all costs of providing the goods or services that require the use of the fixed assets and to include among the assets of the enterprise funds all fixed assets that may have been used to secure fund debt.
>
> Similarly, internal service fund fixed assets are recorded in internal service fund accounts.
>
> Fixed assets associated with trust funds are accounted for through the appropriate trust fund: fixed assets of nonexpendable trusts are accounted for in the same manner as the fixed assets of proprietary funds. Expendable trust funds account for fixed assets in the same way as do the government funds for their general fixed assets.
>
> Fixed assets other than those accounted for in the proprietary funds or trust funds are general fixed assets, that are accounted for in the general fixed asset account group rather than in the governmental funds.

Table 3-9 lists the more frequently observed account titles used to identify the fund and general fixed assets of the surveyed governments.

TABLE 3-9. FUND AND GENERAL FIXED ASSETS

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Construction in progress	113	106	75
Land	104	102	107
Fixed assets	95	82	58
Buildings	70	61	79
Equipment	48	42	40
Improvements other than building	45	41	34
Property, plant and equipment	37	54	31
Machinery and equipment	39	43	45
Buildings and improvements	27	20	25
Property and equipment	21	NC[1]	NC
Furniture, fixtures and equipment	16	NC	NC
Land, structures and equipment	14	23	57

[1]Not compiled.

Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at the time received.

Cost has been defined in GASB Cod. Sec. 1400.111 as consideration given or received, whichever is more objectively determinable. Cost includes not only the purchase price or construction cost, but also ancillary charges to put the asset in its intended location and condition for use. Ancillary charges include such items as freight, transportation, site preparation, professional fees, and legal claims directly attributable to asset acquisition. If there is capitalization of the interest cost incurred during construction, it should be disclosed and consistently applied.

DEPRECIATION OF FIXED ASSETS

GASB Cod. Sec. 1400.113 contains the following guidance on the depreciation of fixed assets:

> Depreciation of general fixed assets should not be recorded in the accounts of governmental funds. Depreciation of general fixed assets may be recorded in cost accounting systems or calculated for cost finding analyses, and accumulated depreciation may be recorded in the general fixed assets account group.
>
> Depreciation of fixed assets accounted for in a proprietary fund should be recorded in the accounts of that fund. Depreciation is also recognized in those trust funds where expenses, net income, and/or capital maintenance are measured.

GASB Cod. Sec. 1400.114 states that depreciation expense is determined by allocating in a systematic manner the net asset cost (original cost less estimated salvage value) or assigned value over the estimated service life of the asset. Depreciation expense is recognized in proprietary funds and those trust funds where expense, net income, or capital maintenance are measured.

For general fixed assets, the recording of depreciation is optional, but the accounting should not be done in the accounts of the governmental funds. Rather, the depreciation entry is recorded in the general fixed assets account group through an increase in accumulated depreciation and a decrease to the investment in general fixed assets accounts.

Table 3-10 lists several of the more frequent descriptors used in the financial statements examined for reporting accumulated depreciation.

Examples from governmental financial statements relating to fixed asset accounting and depreciation follow.

TABLE 3-10. FIXED ASSETS—ACCUMULATED DEPRECIATION

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Accumulated depreciation	127	135	126
Fixed assets, net of accumulated depreciation	102	91	75
Property, plant and equipment, net	59	48	35
Property and equipment, net	18	10	13

BOROUGH OF EAST STROUDSBURG, PA (DEC '87)

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

	Governmental Type Funds				Proprietary Type Funds	Fiduciary Type Funds	Account Groups		Totals (Memorandum Only)	
ASSETS	General	Special Revenue	Capital Projects	Special Assessment	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
Cash	$ 30,453	$ 39,182	$22,000	$ 585	$ 119,323	$ 3,258			$ 214,804	$ 222,852
Investments, at Cost..............	392,332	80,860	97,538		826,076	1,092,879			2,525,688	1,869,718
Receivables:										
Taxes	57,008								57,008	42,578
Customer Accounts					193,474				193,474	207,638
Special Assessment				10,940					10,940	10,940
Liens.............	416				8,470				8,886	6,603
Special Program Loans..		234,482							234,482	213,632
Due from Other Funds............		17,000	900		16,000				33,900	
Restricted Assets:										
Cash and Investments, at Cost...........					581,749				581,749	803,208
Fixed Assets (Net of Accumulated Depreciation)					2,972,835		$2,145,954		5,118,790	5,255,153

NOTES TO FINANCIAL STATEMENTS

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

B. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds 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 resources." Governmental fund operating statements present increases (revenues and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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

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

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

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

Noncurrent portion 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.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds and Nonexpendable Trust and Pension Trust 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 noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

Buildings	2½%	40 Years
Improvements	2½%	40 Years
Equipment	2½%	40 Years

(4) Changes in General Fixed Assets

	Balance 1/1/87	Additions	Deductions	Balance 12/31/87
Land	$ 457,124			$ 457,124
Buildings	1,058,896	$ 2,060		1,060,956
Equipment—General and Highways	619,207	8,666		627,874
Total	$2,135,228	$10,726	None	$2,145,954

A summary of proprietary fund type property, plant and equipment at December 31, 1987, follows:

	Water Fund	Sewer Fund
Land	$ 28,600	$ 36,441
Buildings	677,762	
Improvements Other Than Buildings	2,370,459	
Equipment	52,155	
Buildings, Improvements and Equipment		3,408,228
Total	$3,128,977	$3,444,670
Less Accumulated Depreciation	(1,420,344)	(2,180,468)
Net	$1,708,633	$1,264,202
Total Net—Property Type Funds	$2,972,835	

CLEVELAND COUNTY, NC (JUN '88)

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

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
Assets	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	June 30, 1988	June 30, 1987
Cash and Investments	$8,711,892	$ 394,489	$1,892,574	$ —	$ 28,332	$ —	$ —	$11,027,287	$6,549,572
Taxes Receivable, Net (Note 3)	456,745	13,779	—	—	—	—	—	470,524	452,588
Accounts Receivable, Net (Note 3)	4,059,818	43,855	—	61,445	246,303	—	—	4,411,421	3,517,737
Due from General Funds (Note 9)	—	2,496,320	13,362	159,733	886	—	—	2,670,301	—
Inventories	1,770	—	—	—	—	—	—	1,770	4,341
Other Assets	200	—	—	—	—	—	—	200	—
Fixed Assets (Notes 4 and 5)	—	—	—	2,381,570	—	21,116,029	—	23,497,599	23,020,589

NOTES TO FINANCIAL STATEMENTS

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

Fixed Assets

General fixed assets are recorded at cost or appraised value at the time of donation. General fixed assets were initially recorded on the books at June 30, 1974 at estimated original cost with donated real estate recorded at nominal values. The total of such estimates is not considered large enough that errors would be material when the fixed assets are considered as Enterprise Fund fixed assets are recorded at cost. Such assets are primarily underground water and sewer lines and are depreciated on a composite straight-line basis for the entire plant at a 2% annual rate.

Note 4. Changes in General Fixed Assets

A summary of the changes in general fixed assets follows:

	Balance, Beginning	Additions	Retirements	Balance, Ending
Land and improvements	$ 633,219	$ 4,470	$ —	$ 637,689
Buildings and improvements	16,487,272	42,931	—	16,530,202
Equipment (including vehicles)	3,516,485	595,549	163,896	3,948,138
	$20,636,976	$642,950	$163,896	$21,116,029

5. Proprietary Fund Fixed Assets

The fixed assets of the Enterprise Fund at June 30, 1988 are as follows:

	Water Department	Sewer Department	Total
Utility lines in service	$1,313,357	$1,629,094	$2,942,451
Less accumulated depreciation	231,998	328,883	560,881
Net	$1,081,359	$1,300,211	$2,381,570

Under the terms of a lease agreement with the City of Kings Mountain, the Southeastern Water Line and Southeastern Sewer Line costing $770,280 and $1,026,413, respectively, (included in the Water and Sewer Departments above) will become the property of the City of Kings Mountain at such time as Cleveland County has been refunded, through water and sewer user fees, its cost in the system. The remaining unrefunded balance at June 30, 1988 was approximately $598,000 for the water line and $444,000 for the sewer line.

CITY OF SARASOTA, FL (SEP '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
ASSETS AND OTHER DEBITS											
Cash	$ 17,872	$ 50,912	$ 1,401	$ —	$ 4,285	$ 80,100	$ 101,428	$ —	$ —	$ 255,998	$ 142,200
Equity in pooled cash and investments	1,980,350	1,640,658	62,163	1,880,957	3,351,050	1,878,568	235,098	—	—	11,028,844	11,380,961
Cash with fiscal agents	—	—	333,447	—	2,499,538	—	—	—	—	2,832,985	2,716,368
Accounts receivable	416,617	—	—	10,375	654,081	44,618	53,914	—	—	1,179,605	1,004,452
Revenue certificate receivable	—	—	—	—	—	126,246	—	—	—	126,246	183,997
Estimated uncollectible receivables	(356,638)	—	—	—	(115,730)	—	—	—	—	(473,368)	(330,547)
Due from other funds	—	15,492	—	—	50,601	887,500	46,128	—	—	999,721	379,804
Due from other governmental agencies	191,406	149,661	—	—	—	—	—	—	—	341,067	237,028
Accrued interest receivable	27,670	—	9,452	66,454	—	1,633	712,847	—	—	818,056	1,123,356
Inventories	40,143	—	—	—	324,152	237,475	—	—	—	601,770	613,734
Investments	—	88,528	1,376,980	21,901,981	2,003,603	—	58,751,960	—	—	84,128,052	73,644,858
Prepaid expenses	23,696	538	—	—	25,317	1,515	2,163	—	—	53,229	35,269
Restricted assets											
Equity in pooled cash	—	—	—	—	450,138	66,233	—	—	—	516,371	144,598
Cash with fiscal agents	—	—	—	—	276,390	84,535	—	—	—	360,925	195,000
Due from other funds	—	—	—	—	128,320	—	—	—	—	128,320	900,385
Due from other governmental agencies	—	—	—	—	175,798	—	—	—	—	175,798	57,700
Accrued interest receivable	—	—	—	—	147,252	—	—	—	—	147,252	187,454
Investments	—	—	—	—	22,296,955	67,397	—	—	—	22,364,352	20,182,078
Unamortized bond expense	—	—	—	—	1,449,430	15,125	—	—	—	1,464,555	1,531,360
Land	—	—	—	—	8,031,971	—	—	11,559,745	—	19,591,716	18,882,614
Buildings	—	—	—	—	23,694,976	—	—	9,100,058	—	32,795,034	24,663,819
Equipment	—	—	—	—	7,049,923	1,269,121	—	7,212,549	—	15,531,593	13,985,289
Improvements	—	—	—	—	53,097,261	52,997	—	32,562,564	—	85,712,822	83,590,256
Construction in progress	—	—	—	—	7,566,218	6,681	—	5,961,974	—	13,534,873	11,683,244
Less accumulated depreciation	—	—	—	—	(24,014,306)	(743,708)	—	—	—	(24,758,014)	(21,447,069)

NOTES TO FINANCIAL STATEMENTS

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

(E) Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds 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.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated 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, not in the governmental funds.

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

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds and Pension Trust 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 noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation is provided for financial statement purposes by the straight-line method over the following estimated useful lives:

Buildings	30 years
Improvements	20-30 years
Equipment	3-10 years

Note 3—Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance October 1, 1986	Additions	Deductions	Balance September 30, 1987
Land	$10,850,643	$ 710,162	$ 1,060	$11,559,745
Buildings	8,265,952	834,106	—	9,100,058
Equipment	6,748,612	1,045,542	581,605	7,212,549
Improvements	31,819,735	759,975	17,146	32,562,564
Construction in progress	1,716,873	4,271,632	26,531	5,961,974
Total	$59,401,815	$7,621,417	$626,342	$66,396,890

A summary of proprietary fund type property and equipment at September 30, 1987, follows:

	Enterprise	Internal Service
Land	$ 8,031,971	$ —
Buildings	23,694,976	—
Equipment	7,049,923	1,269,121
Improvements	53,097,261	52,997
Construction in progress	7,566,218	6,681
Total	99,440,349	1,328,799
Less accumulated depreciation	(24,014,306)	(743,708)
Net property plant and equipment	$75,426,043	$ 585,091

CITY OF WILMINGTON, NC (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR JUNE 30, 1987

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust & Agency	General Fixed Assets	General Long-Term Debt	1988	1987
ASSETS										
Cash and investments	$6,566,352	$2,640,599	$1,657,073	$9,409,982	$13,312,025	$ 71,138	$ —	$ —	$ 33,657,169	$28,835,773
Taxes receivable, net	703,653	—	—	—	—	—	—	—	703,653	679,073
Accounts receivable	443,342	12,167	—	—	1,140,401	—	—	—	1,595,910	1,448,290
Due from other funds	128,067	8,217	—	1,872	—	—	—	—	138,156	4,478
Due from other governments	1,955,282	414,273	—	39,490	657,706	—	—	—	3,066,751	4,723,442
Interfund receivable	83,691	—	—	—	469,612	—	—	—	553,303	87,478
Property and rights held under deferred compensation plan	—	—	—	—	—	886,551	—	—	886,551	779,919
Notes receivable	—	—	—	—	—	4,576,549	—	—	4,576,549	6,156,253
Inventories	690,613	—	—	—	742,816	—	—	—	1,433,429	1,280,620
Prepaid expenses	—	—	—	—	11,540	—	—	—	11,540	16,354
Restricted assets:										
Accounts receivable	—	—	—	—	73,759	—	—	—	73,759	58,909
Other assets:										
Due from other governments	—	—	—	—	147,559	—	—	—	147,559	172,152
Fixed assets	—	—	—	—	49,361,773	—	56,675,829	—	106,037,602	91,769,020

NOTES TO THE FINANCIAL STATEMENTS

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

Fixed Assets

General fixed assets purchased are recorded as expenditures in all funds except the enterprise funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets account group. Certain general fixed assets are recorded at estimated historical cost due to a lack of detailed records in earlier years. Gifts or contributions are recorded in the general fixed assets at fair market value at the time received. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings and equipment (e.g. roadways, pathways, etc.) are capitalized and included with other general fixed assets. No depreciation has been provided on the general fixed assets.

The City follows the policy of capitalizing interest as a component of the cost of proprietary fund type fixed assets constructed for its own use in accordance with the guidelines of Statement of Financial Accounting Standards #62, and other related pronouncements. During the year ended June 30, 1988, $267,620 of interest cost was capitalized.

Water and sewer utility fixed assets are recorded in the Water and Sewer enterprise funds. All Water and Sewer fund fixed assets are accounted for at cost or at estimated original cost. The utility fixed assets are depreciated on a straight-line, composite basis using an annual rate of 2% for transmission lines, 2½% for plant, structures, and improvements, and 20% for machinery and equipment. In the composite rate, gain or loss is not calculated except in extraordinary circumstances. The estimated useful lives of Water and Sewer fixed assets are as follows:

Transmission lines	50 years
Plant, structures and improvements	40 years
Furniture, fixtures, machinery and equipment	5 years

The rate structure of the Public Transportation Fund is inadequate to generate sufficient revenues to cover the acquisition and future expansion of its property and equipment. It therefore must seek capital asset grants from Federal, State and City sources. Depreciation applicable to assets acquired through capital grant contributions is charged to the contributions account rather than retained earnings. Property and equipment is depreciated on a straight-line basis at an annual rate of 5% for buildings and structures, 10% for building improvements, 6.7% for buses and 20% for other machinery and equipment. The estimated useful lives of transportation fixed assets are as follows:

Plant and structures	20 years
Building improvements	10 years
Buses	15 years
Furniture, fixtures, machinery and equipment	5 years

When capital grant assets are disposed of, the federal government, through the Urban Mass Transportation Administration Program (UMTA), must receive their proportional share of the fair market value of the assets. During the year ended June 30, 1988, $3,602, which represented the federal government's proportional share of the sales price of three buses, was remitted to UMTA.

The Parking Facilities fixed assets are recorded in the Parking Facilities Enterprise Fund. All Parking Facilities Fund fixed assets are accounted for at cost. The Facilities' fixed assets are depreciated on a straight-line, composite basis using an annual rate of 2% to 4% for structures and improvements, and 10% for equipment. In the composite rate, gain or loss is not calculated except in extraordinary circumstances. The estimated useful lives of the Parking Facilities' fixed assets are as follows:

Structures and improvements	25-50 years
Equipment	10 years

Note 3. Detail Notes on All Funds and Accounts Groups [In Part]

Proprietary Fund Fixed Assets

The fixed assets of the water and sewer fund at June 30, 1988 are composed of:

	Fixed Assets	Accumulated Depreciation	Net
Land	$ 752,187	$ —	$ 752,187
Plant, structures and improvements	14,886,553	5,648,079	9,238,474
Water and sewer lines	35,767,748	8,436,743	27,331,005
Furniture, fixtures, machinery and equipment	1,240,413	487,997	752,416
Construction in progress	10,153,942	—	10,153,942
Total	$62,800,843	$14,572,819	$48,228,024

The fixed assets of the public transportation fund at June 30, 1988 are composed of:

CITY OF WILMINGTON, NC *(continued)*

	Fixed Assets	Accumulated Depreciation	Net
Land	$ 26,070	$ —	$ 26,070
Buildings	215,553	99,076	116,477
Plant, structures and improvements	47,759	28,886	18,873
Buses	978,738	746,904	231,834
Furniture, fixtures, machinery and equipment	326,794	182,183	144,611
Total	$1,594,914	$1,057,049	$537,865

The fixed assets of the parking facilities fund at June 30, 1988 are composed of:

	Fixed Assets	Accumulated Depreciation	Net
Land	$ 163,322	$ —	$ 163,322
Structures and improvements	811,692	389,052	422,640
Equipment	18,958	9,036	9,922
Total	$ 993,972	$ 398,088	$ 595,884
Total	$65,389,729	$16,027,956	$49,361,773

Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	General Fixed Assets July 1, 1987	Additions	Retirements	Transfers	General Fixed Assets June 30, 1988
Land and land improvements	$ 2,488,783	$ 160,130	$ —	$ —	$ 2,648,913
Buildings and structures	8,436,701	2,145,706	—	—	10,582,407
Street and sewer drainage system	30,067,713	4,944,061	—	(500)	35,011,274
Furniture, machinery and equipment	6,848,006	1,410,746	(323,884)	12,000	7,946,868
Tax foreclosure property	103,002	29,489	(32,667)	—	99,824
Urban renewal property	57,034	—	(6,600)	500	50,934
Jointly owned leased property	229,121	146,295	(39,807)	—	335,609
Total	$48,230,360	$8,836,427	$(402,958)	$12,000	$56,675,829

CITY OF SANTA ROSA, CA (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
Cash and Short-Term Investments	$17,892,549	$16,625,902	$ —	$16,652,931	$24,125,885	$4,791,611	$ —	$ —	$ —	$ 80,088,878
Receivables (Net of Allowances for Uncollectibles):										
Accounts	700,169	5,240	—	—	2,139,633	—	—	—	—	2,845,042
Assessments	—	—	—	30,390	—	—	—	—	—	30,390
Interest	278,655	231,003	—	67,123	308,034	59,338	—	—	—	944,153
Due From Other Governmental Agencies	562,077	6,455	—	—	628,863	—	—	—	—	1,197,395
Advances and Loans to Other Funds	3,836,894	—	—	—	—	—	—	—	—	3,836,894
Due From Other Funds	—	—	—	—	300,000	—	—	—	—	300,000
Inventory of Supplies	205,281	—	—	—	355,081	81,054	—	—	—	641,416
Prepaid Expenses	—	176,242	—	—	—	109,900	—	—	—	286,142
Restricted Assets:										
Cash and Short-Term Investments	—	—	6,687,944	—	6,436,402	—	3,155,205	—	—	16,279,551
Assessments Receivable	—	—	22,463,443	—	9,673	—	—	—	—	22,473,116
Notes Receivable—Current Portion	—	—	—	—	12,620	—	—	—	—	12,620
Interest Receivable	—	247,164	60,578	—	45,062	—	9,437	—	—	362,241
Due From Other Governmental Agencies	—	—	—	—	38,094	—	477	—	—	38,571
Deposits	2,126,151	—	—	—	—	—	3,598,361	—	—	5,724,512
Non-Current Restricted Assets:										
Cash and Short-Term Investments	—	—	—	—	33,963,416	—	—	—	—	33,963,416
Interest Receivable	—	—	—	—	654,847	—	—	—	—	654,847
Due From Other Governmental Agencies	—	—	—	—	200,364	—	—	—	—	200,364
Notes Receivable—Long-Term	—	3,019,396	—	164,707	225,433	—	—	—	—	3,409,536
Land	—	—	—	—	6,847,700	—	—	19,549,027	—	26,396,797
Buildings	—	—	—	—	37,078,717	—	—	24,078,123	—	61,156,840
Accumulated Depreciation	—	—	—	—	(6,960,470)	—	—	—	—	(6,960,470)
Improvements Other Than Buildings	—	—	—	—	89,658,685	—	—	31,036,853	—	120,695,538
Accumulated Depreciation	—	—	—	—	(23,832,541)	—	—	—	—	(23,832,541)
Equipment	—	—	—	—	10,252,916	2,586,519	—	12,939,812	—	25,779,247
Accumulated Depreciation	—	—	—	—	(5,691,463)	(1,692,986)	—	—	—	(7,384,449)
Construction in Progress	—	—	—	—	26,998,893	1,823	—	2,915,012	—	29,915,728

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus as discussed in "B" above.

Fixed Assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. General Fixed Assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Such assets are capitalized at historical cost, except those assets for which historical costs are not available, which are stated at estimated historical cost. Gifts or contributions are recorded in General Fixed Assets at estimated fair market value in the year received. No depreciation is provided on General Fixed Assets.

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 General Long-Term Debt group of accounts records the amount of unmatured long-term indebtedness. Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

The 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.

Fixed Assets and Long-Term Liabilities which are related to proprietary fund types are recorded in each proprietary fund where applicable. Enterprise and Internal Service Funds fixed assets are generally stated at historic cost. Contributed assets are stated at estimated fair market value. When assets are retired or sold, the costs of the assets and the related accumulated depreciation are eliminated from the accounts and any resultant gain or loss is taken into income. Depreciation has been provided using the straight-line method based on the estimated useful lives of the assets (buildings—15-50 years; improvements—5-50 years; equipment—3-20 years).

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisition are closed to the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to Retained Earnings.

It is the policy of the City to capitalize all costs, regardless of the fund type, except:

1) Structures and improvements related to a street and/or roadway system not acquired by grant or donation.
2) Equipment costing less than $500.
3) Structures and improvements costing less than $2,000.

6. Changes in General Fixed Assets

The following additions and deductions were made to General Fixed Assets for the fiscal year ended June 30, 1988:

	Balance June 30, 1987	Additions	Disposals and Adjustments	Balance June 30, 1988
Land	$18,746,978	$ 912,214	$ (110,165)	$19,549,027
Buildings	23,393,159	684,964	—	24,078,123
Improvements Other Than Buildings	24,463,597	6,573,256	—	31,036,853
Equipment	11,592,789	1,659,265	(312,242)	12,939,812
Construction In Progress	2,497,698	1,056,194	(638,880)	2,915,012
TOTAL	$80,694,221	$10,885,893	$(1,061,287)	$90,518,827

Construction In Progress is composed of the following:

	Project Authorization	Expended To June 30, 1988	Committed	Required Future Financing
Dan Galvin Park	$1,396,488	$ 959,853	$ 436,635	$ 80,000
Range Ave. Park	42,884	22,596	20,288	263,000
Grace Brothers Project	905,412	623,182	282,230	184,565
Brush Creek Park	140,655	6,564	134,091	116,000
Sunburst Park	360,000	12,434	347,566	275,000
College Avenue Park	95,200	60,337	34,863	5,297,890
Fulton Road Park	114,100	63,497	50,603	5,734,200
Fountaingrove Park	33,200	23,200	10,000	1,125,000
Upper Brush Creek Park	19,700	11,680	8,020	475,000
City Hall Remodel	240,000	42,818	197,182	1,370,000
Fire Department Training Center	168,284	13,987	154,297	None
Police Records Management System	225,000	53,756	171,244	None
Peterson Lane Park	371,702	293,496	78,206	None
Radio Installations	9,652	8,687	965	None
Athletic Turf Renovation	268,210	150,492	117,718	None
Rincon Valley Park	235,131	137,450	97,681	None
Northwest Park	120,000	1,087	118,913	None
Martin Luther King Jr. Park	66,500	78	66,422	None
Park Acquisition—Fulton/NW Santa Rosa	19,200	5,702	13,498	None
Park Acquisition—Brush Creek/Badger	13,500	359	13,141	None
Acquisition of Park Lands—1986	2,009,300	49,564	1,959,736	None
MSC Improvements—E & R	116,746	90,058	26,688	None
J.X. Wilson Park	243,000	153,694	89,306	None
Strawberry School Park	207,900	126,183	81,717	None
South Davis Park	28,000	4,230	23,770	None
Training Tower Floor	12,000	28	11,972	None
TOTAL	$7,461,764	$2,915,012	$4,546,752	$14,920,655

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.

CITY OF CORPUS CHRISTI, TX (JUL '87)

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies [In Part]

Fixed assets of proprietary funds are capitalized in the fund accounts because the fixed assets are used in the production of goods or services sold. Fixed assets are recorded at cost if purchased or constructed. Donated assets are recorded at estimated market value as of the date of donation.

Leases that meet the criteria of a capital lease, as defined by Statement of Financial Accounting Standards No. 13, are capitalized.

16. Leases

A. Capital Leases

The City currently has one capital lease obligation which will be paid off during fiscal year 1988. The future minimum lease payment is $334,440 of which $19,610 is interest and $314,830 represents the present value of the net minimum lease payment.

CITY OF WATERTOWN, SD (DEC '87)

NOTES TO THE FINANCIAL STATEMENTS

B. Liabilities [In Part]

Capitalized Lease Obligations

Minimum future obligations on capitalized lease obligations in effect at December 31, 1987:

	Electric	Water	Gas	Heat	Total
1988	$158	$ 81	$ 88	$10	$ 337
1989	158	81	88	10	337
1990	158	81	88	10	337
1991	158	81	87	10	336
To September 28, 1992	119	60	65	8	252
Total minimum lease payments	$751	$384	$416	$48	$1,599
Less amount representing interest	(171)	(88)	(95)	(11)	(365)
Present value of net minimum lease payments	$580	$296	$321	$37	$1,234
Less current portion	(149)	(76)	(82)	(9)	(316)
Long-term obligation at 12-31-87	$431	$220	$239	$28	$ 918

The interest rate for the capital lease obligation is 11.25% (.9375% per month).

Leases that meet the criteria of capital leases have been capitalized and the related assets are included in plant and equipment in the following amounts at December 31, 1987:

	Electric	Water	Gas	Heat	Total
Other Fixed Assets (Communication equipment)	$603	$308	$334	$38	$1,283
Less accumulated depreciation	(121)	(62)	(67)	(7)	(257)
Total Capitalized Lease Obligations	$482	$246	$267	$31	$1,026

CITY OF COLUMBUS, OH (DEC '87)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Note J—Lease Commitments and Leased Assets

The City leases a significant amount of property and equipment under one year operating leases. Total rental expenditures on such leases for the year ended December 31, 1987 were approximately $1,684,000. The City also leases a building under a capital lease. The cost of this building, $19,800,000, is included in the General Fixed Assets Account Group and the related liability in the General Long-Term Obligations Account Group. The balance in an escrow account established in accordance with the terms of this lease is included in cash with fiscal agent in the Debt Service Fund on the balance sheet.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 1987:

Year ending December 31:	
1988	$ 2,442,350
1989	2,352,050
1990	2,261,750
1991	2,171,450
1992	2,081,150
Later years	18,857,650
Total minimum lease payments	30,166,400
Less—amount representing interest at 8%	14,666,400
Present value of net minimum lease payments	$15,500,000

MONROE COUNTY, FL (SEP '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Capital Lease Obligations—Capital lease obligations for non-Enterprise Funds are accounted for in the General Long-Term Debt Account Group. The capitalized lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances. Assets acquired under capital leases in non-Enterprise Funds are accounted for in the General Fixed Assets Account Group. Capital lease obligations of Enterprise Funds and the cost of assets so acquired are reflected in the accounts of those funds.

Note 10—Lease Obligations

Capitalized lease obligations consist of equipment lease-purchases accounted for in the General Long-Term Debt Account Group and General Fixed Assets Account Group.

The future minimum payments under capitalized lease consist of the following at September 30, 1987:

	General Long-Term Debt
Fiscal year ending September 30:	
1988	231,935
1989	95,317
1990	42,818
1991	6,214
Total minimum payments	376,284
Amounts representing interest	50,827
Present value of net minimum lease payments	$325,457

General Fixed Assets include the following for leased equipment which has been capitalized as of September 30, 1987:

General Government	$ 380,227
Public Safety	697,966
	$1,078,193

Rental expense under operating leases for the current year amounted to $395,550.

NASSAU COUNTY, FL (SEP '87)

NOTES TO FINANCIAL STATEMENTS

8. Capital Leases

The Nassau County Property Appraiser, as reported in the notes to financial statements for the year ended September 30, 1986, entered into a contract with International Business Machine Corporation for the lease/purchase of certain computer equipment and related software for a five year period ending August 5, 1991. The terms of the agreement provide for the purchase of the equipment at the end of the five year lease term. In addition, the Nassau County Sheriff entered into a contract with Gordon Thompson Industries, Inc. on August 18, 1986 for the lease/purchase of twenty patrol vehicles for a three year period ending December 19, 1989. The terms of the agreement provide for the purchase of the vehicles at the end of the three year lease term. The above leases meet the criteria of capital leases as defined by Statement of Financial Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments as of September 30, 1987:

Year Ending September 30,	Vehicles	Computer Equipment	Computer Software	Total
1988	$ 93,057	$20,112	$1,644	$114,813
1989	93,057	20,112	1,644	114,813
1990	—	20,112	1,644	21,756
1991	—	19,415	1,507	20,922
Total minimum lease payments	186,114	79,751	6,439	272,304
Less: Amounts representing interest	10,418	15,131	1,944	27,493
Present value of net minimum lease payments	$175,696	$64,620	$4,495	$244,811

TOWN OF BROOKFIELD, CT (JUN '88)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

7. Capital Lease Obligation

The Town leases computer equipment and software under the terms of a capital lease. The lease obligation is included in the General Long-Term Obligations Account Group.

The lease agreement requires annual principal payments of $48,471 on July 15 of each year through 1991. In addition, interest at a rate of 6% per year on the outstanding principal balance is due on each of the principal payment dates.

The outstanding balance of the capital lease obligation including accrued interest at June 30, 1988 is $205,034. The computer and software of $242,357 are included in the General Fixed Assets Account Group.

INFRASTRUCTURE FIXED ASSETS

Certain governmental fixed assets are referred to as *public domain* or *infrastructure* fixed assets. These assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets. Such assets are generally immovable and of value only to a governmental unit. GASB Cod. Sec. 1400.109 states that reporting of such assets is optional. Typically, depreciation is not recorded for these types of assets. However, the GASB provides that the accounting policy should be consistently applied and be disclosed in the summary of significant accounting policies.

The following are selected examples of note disclosures related to infrastructure assets that the governmental unit has elected to record.

CADDO PARISH COMMISSION, LA (DEC '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

(1) 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, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets, nor has interest been capitalized.

CITY OF SAN ANTONIO, TX (SEP '87)

NOTES TO FINANCIAL STATEMENTS

1. 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, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

CITY OF BOULDER, CO (DEC '87)

NOTES TO FINANCIAL STATEMENTS

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

Public domain infrastructure general fixed assets consisting of certain improvements other than buildings, and including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and landscaping, have not been capitalized and are not included in the General Fixed Assets Account Group. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording such assets.

CITY OF THORTON, CO (DEC '87)

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies [In Part]

Public domain, infrastructure fixed assets consisting of certain improvements such as streets, bridges, curbs and gutters, sidewalks, etc., are not capitalized. These infrastructures are expensed in the appropriate Governmental Fund when costs are incurred.

TOWN OF BROOKFIELD, CT (JUN '88)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

Account Groups

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

CITY OF CLEVELAND, OH (DEC '87)

NOTES TO FINANCIAL STATEMENTS

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

Fixed Assets and Depreciation: Property, plant and equipment is stated on the basis of historical cost, or if contributed, at fair market value at the date received. Infrastructure including streets, bridges and sidewalks is not capitalized by the City.

LIABILITIES

SHORT-TERM LIABILITIES

While not required to do so, some governments in their combined balance sheets distinguish between current liabilities and other types of obligations. Generally, those current liabilities are those debts owed for which payment must be made by the government in the relatively near term, i.e., within the year.

As noted in Table 3-11, although some of the accounts used to signify current governmental liabilities are unique, most of the accounts are the same as those used by corporate organizations and other institutions. Below are examples that illustrate excerpts from the combined balance sheet of several governmental units showing the presentation of current liabilities.

TABLE 3-11. SHORT-TERM LIABILITIES

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Accounts payable	345	362	380
Contracts payable	77	85	65
Other liabilities	74	41	27
Retainage payable	56	44	21
Notes payable	51	39	59
Payroll taxes withheld[1]	50	61	71
Accounts payable and accrued liabilities	48	42	21
Cash overdraft	36	41	28
Interest payable	31	42	28
Vouchers payable	31	26	16
Warrants payable	25	NC[2]	NC
Deposits payable	21	35	15
Bank overdraft	18	21	21
Wages payable	17	27	18

[1]Includes payroll taxes and amounts withheld.
[2]Not compiled.

LULING INDEPENDENT SCHOOL DISTRICT, TX (AUG '87)

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

	Governmental Fund Types				Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	10 General Fund	20/30/40 Special Revenue Fund	50 Debt Service Fund	60 Capital Projects Fund	80 Agency Fund	91 General Fixed Assets	92 General Long-Term Debt	98 August 31, 1987	97 August 31, 1986
LIABILITIES:									
Current Liabilities:									
Accounts Payable	$ 30,346	$ 0	$ 0	$23,388	$ 0	$ 0	$ 0	$ 53,734	$ 200
Bonds Payable (Note D)	0	0	0	0	0	0	80,000	80,000	95,000
Payroll Deduction and W/H Payable	25,271	0	0	0	0	0	0	25,271	137
Due to Other Funds (Note G)	108	0	3,508	0	0	0	0	3,616	50,423
Due to Student Groups	0	0	0	0	16,088	0	0	16,088	22,534
Deferred Revenues	297,695	57,853	62,618	0	0	0	0	418,166	391,389
Bonded Debt Payable—Non-Current (Note D)	0	0	0	0	0	0	2,320,000	2,320,000	2,400,000
Total Liabilities	$353,420	$57,853	$66,126	$23,388	$16,088	$ 0	$2,400,000	$2,916,875	$2,959,683

CITY OF AUSTIN, TX (SEP '87)

ALL FUND TYPES AND ACCOUNT GROUPS—COMBINED BALANCE SHEET [IN PART] WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1986

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
LIABILITIES AND FUND EQUITY											
Liabilities											
Cash overdraft	$ —	—	—	—	—	—	2,455,679	—	—	2,455,679	—
Accounts payable	2,566,598	218,124	—	4,269,590	19,098,659	1,518,690	3,832,280	—	—	31,503,941	27,920,382
Advance from investment pool (Note 5)	—	891,575	—	—	34,571,425	—	2,071,462	—	—	37,534,462	37,350,475
Revenue bonds payable	—	—	—	—	23,560,000	—	—	—	—	23,560,000	18,555,001
Construction contracts payable	—	—	—	—	1,646,180	—	—	—	—	1,646,180	1,145,729
Water improvement district bonds payable	—	—	—	—	224,000	—	—	—	—	224,000	210,000
Municipal utility district contracts payable	—	—	—	—	625,000	—	—	—	—	625,000	600,000
Interest payable on other debt	—	—	—	—	2,125,066	—	—	—	—	2,125,066	181,732
Capital lease obligations (Note 21)	—	—	—	—	3,710,724	57,643	—	—	—	3,768,367	2,439,827
Certificates of obligation	—	—	—	—	500,000	—	—	—	—	500,000	—
Claims payable	2,044,000	—	—	—	31,186,000	—	2,607,780	—	—	35,837,780	5,519,253
Accrued payroll and compensated absences	7,249,528	—	—	—	12,601,506	972,000	—	—	—	20,823,034	19,561,306
Deferred revenue	359,149	—	279,294	—	15,145,664	—	—	—	—	15,784,107	48,006,355
Other liabilities	—	497,157	—	111,264	3,433,163	—	32,625,679	—	—	36,667,263	26,127,754
Due to other governments	—	—	—	—	—	—	538,453	—	—	538,453	899,489
Due to other funds	115,217	—	—	—	—	—	2,771,117	—	—	2,886,334	2,221,912
Investment by other funds (Note 5)	—	—	—	—	—	—	479,502,481	—	—	479,502,481	617,464,763
Total current liabilities	12,334,492	1,606,856	279,294	4,380,854	148,427,387	2,548,333	526,404,931	—	—	695,982,147	808,203,978

CITY OF PEVELY, MO (DEC '87)

COMBINED BALANCE SHEET [IN PART]

	Governmental Fund Types			Proprietary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	1987	1986
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	$16,740	$ -0-	$ -0-	$10,304	$27,044	$15,262
Payroll and sales tax payable	5,122	-0-	-0-	3,081	8,203	3,212
Short-term notes	-0-	-0-	-0-	-0-	-0-	13,750
Current portion of long-term obligations	-0-	-0-	-0-	30,039	30,039	28,156

CITY OF SPARTA, GA (APR '87)

COMBINED BALANCE SHEET—ALL FUNDS [IN PART]

	Governmental Fund Type	Proprietary Fund Type	Account Group	
	General Fund	Water & Sewer Fund	General Fixed Assets	1987 Totals
LIABILITIES AND FUND EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$16,469	$156,341	$ —	$39,999
Accrued taxes and expenses	6,537	2,044	—	8,300
Customer deposits	—	18,045	—	15,870
Notes payable	—	304,176	—	—
Revenue bonds payable, current maturities	—	31,000	—	31,000
Total current liabilities	23,006	511,606	—	95,169

CHATHAM COUNTY, GA (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS [IN PART] WITH COMPARATIVE TOTALS FOR 1986

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise (Note 11)	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
LIABILITIES AND FUND EQUITY											
Liabilities:											
Accounts payable	$1,185,523	$29,988		$45,986	$ 760,036		$276,813			$2,298,346	$2,290,555
Short-term debt (Note8)............					1,300,000					1,300,000	9,000

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 3-11 through 3-16 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 1988	1987	1986
Due to other funds[1]	390	358	287
Due to other governments[2]	205	195	132
Due to student organizations	43	40	NC[3]
Due to others	20	17	NC[3]
Due to other taxing authorities	18	13	24
Due to federal government........................	5	7	4

[1]Includes general fund or any other fund.
[2]Includes state, county or other governmental unit or agency; excludes federal government, federal agencies and other taxing authorities.
[3]Not compiled.

ACCRUED LIABILITIES

Governmental units practice two types of accrual accounting: (1) the modified accrual method of accounting, used for governmental-type funds, and (2) full accrual (corporate-type) accounting, used for proprietary-type funds and nonexpendable trust funds. Under the modified accrual basis of accounting, expenditures are recognized in the accounting period in which the fund liability is incurred, if such liability is measurable. There are certain exceptions to this general rule. These exceptions include the following:

> As indicated in GASB Cod. Sec. S40.115, "when interest expenditures on special assessments indebtedness are approximately offset by interest earnings or special assessment levies, both the interest expenditure and the interest earnings may be recorded when due rather than be accrued."
>
> GASB Cod. Sec. 1600.121 states, "as a general rule, expenditures related to the unmatured principle and interest on general long-term debt are not accrued. The financial statements do not reflect such interest expenditures until the year of payment."
>
> GASB Cod. Sec. 1600.125 states, "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 1988	1987	1986
Accrued interest payable[1]	85	96	79
Accrued liabilities..................................	123	92	98
Accrued expenses	51	53	50
Accrued vacation	52	43	25
Accrued payroll	44	40	39
Accrued vacation and sick leave payable	39	40	18
Accrued wages payable............................	18	23	15

[1]Includes accrued interest.

CADDO PARISH COMMISSION, SHREVEPORT, LA (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligation	1987	1986
Liabilities									
Accounts payable and accrued expenses	$ 123,429	$1,270,400	$ —	$109,686	$207,886	$ —	$ —	$ 1,711,401	$ 846,566
Due to other funds (note 7)	917,946	118,026	—	—	—	—	—	1,035,972	89,042
Due to other taxing units	—	—	—	—	—	—	—	—	4,366
Refundable deposits and other	—	6,018	—	—	—	—	—	6,018	1,446
Deferred revenues	13,556	296,818	—	—	—	—	—	310,374	324,093
General obligation bonds payable (note 5)	—	—	—	—	—	—	24,995,000	24,995,000	27,490,000
Revenue anticipation notes payable to banks due March 1, 1988 with interest at prime plus 1% (notes 3 and 5)	350,000	5,810,000	—	—	—	—	—	6,160,000	1,450,000
Noninterest-bearing revenue anticipation notes payable to other governmental agency due January 15, 1987 (notes 3 and 5)	—	—	—	—	—	—	—	—	7,910,000
Note payable to State of Louisiana (note 5)	—	—	—	—	—	—	—	—	1,638,004
Accrued compensated absences (note 5)	—	—	—	—	—	—	185,187	185,187	184,120
Total liabilities	1,404,931	7,501,262	—	109,686	207,886	—	25,180,187	34,403,952	39,937,637

NOTES TO COMBINED FINANCIAL STATEMENTS

(3) Property Taxes [In Part]

A summary of changes in general long-term obligations follows:

	General Obligation Bonds Payable	Note Payable to State of Louisiana	Accrued Compensated Absences	Total
Balance, December 31, 1986	$27,490,000	1,638,004	184,120	29,312,124
Debt additions, net	—	—	1,067	1,067
Debt retirements	2,495,000	1,638,004	—	4,133,004
Balance, December 31, 1987	$24,995,000	—	185,187	25,180,187

(10) Contingencies [In Part]

Self-Insurance

The Commission is self-insured for medical benefits coverage. Employees contribute for medical benefits coverage and each department that pays salaries contributes for coverage. The Commission maintains stop-loss coverage with an insurance company of $50,000 per claim for medical coverage.

All known claims filed and an estimate of all incurred but unreported claims existing at December 31, 1987 have been recorded as accrued insurance claims payable in the General Fund.

BENTON COUNTY PUBLIC UTILITY DISTRICT NO. 1, WA (DEC '87)

COMBINED BALANCE SHEET [IN PART]

	Dec. 31, 1987
CURRENT & ACCRUED LIABILITIES:	
Warrants Outstanding	$ 335,273
Accounts Payable	2,620,792
Customer Deposits	531,999
Taxes Accrued	1,342,468
Interest Accrued	474,429
Matured Long-Term Debt	0
Matured Interest	0
Other Current & Accrued Liabilities	271,010
TOTAL CURRENT & ACCRUED LIABILITIES	$5,575,971

NOTES TO FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

h. Employee Leave Benefits

The district accrues accumulated unpaid leave benefit amounts as earned. The recorded liability for unpaid leave benefits at December 31, 1987 was approximately $258,290.

COUNTY OF STRAFFORD, NH (DEC '87)

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

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	$740,749	$ —	$112,164	$ —	$ —	$ —	$852,913
Accrued expenses	50,805	—	152,196	—	—	25,086	228,087

NOTES TO FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

B. Basis of Accounting [In Part]

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditure are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

H. Accrued Expenses

Accrued expenses of the Enterprise Fund (Riverside Nursing Home) are comprised of the following:

Accrued interest	$ 31,508
Accrued employee sick leave	40,335
Accrued vacation	65,148
Accrued holiday	15,205
Total Accrued Expenses	$152,196

Note 3—Compensated Absences

The general fund does not accrue accumulated unpaid vacation and sick leave because the county plans to pay these costs from future resources. Accordingly, the accrued sick pay at December 31, 1987, for the general fund was added to the General Long-Term Debt account group in accordance with the National Council on Governmental Accounting (NCGA) Statement 4, "Accounting and Financial Reporting Principles For Claims and Judgments and Compensated Absences."

The enterprise fund, in accordance with NCGA Statement 4, accrued unpaid vacation and sick pay at December 31, 1987.

The enterprise fund—nursing home employees earn two weeks vacation at completion of one year of service; three weeks are earned at completion of five years, four weeks are earned after ten years, and five weeks are earned after 15 years. Vacation leave must be used within one year of accrual. Upon termination, employees receive any vacation leave they have accrued.

The courthouse—general fund employees do not accrue vacation as they must use their vacation time the same year it is earned.

Employees shall receive straight pay for all accrued sick time over a balance of forty-eight hours as of December 1, 1987. A balance of forty-eight hours or less can be carried over to the following year.

Summarized below are the accrued vacation and sick leave liabilities as of December 31, 1987:

	Vacation	Sick Leave	Total
General long-term debt account group for general fund	$ —	$25,086	$ 25,086
Proprietary (Enterprise) Fund—Riverside Nursing Home	65,148	40,335	105,483
Totals	$65,148	$65,421	$130,569

CITY OF CARROLLTON, KY (JUN '88)

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

	Governmental Fund Types		Proprietary Fund Types	General	Totals (Memorandum Only)	
	General Fund	Special Revenue	Enterprise Fund September 30, 1987	Long-Term Debt Account Group	Fiscal Year Ended June 30, 1988	June 30, 1987
LIABILITIES AND FUND EQUITY						
Liabilities:						
Note Payable—First National Bank (Note 7)	$28,317	$ —	$ —	$ —	$28,317	$ —
Note Payable—Kentucky National Bank (Note 7)	28,317	—	—	—	28,317	—
Retirement Withheld	343	—	—	—	343	—
Accounts Payable and Other Liabilities	—	—	220,180	—	220,180	243,547
Customers' Deposits	—	—	41,265	—	41,265	42,648
Refundable Advances in Aid of Construction (Note 18)	—	—	53,767	—	53,767	171,761
Accrued Interest on Long-Term Debt (Notes 14 & 16)	—	—	1,775	—	1,775	2,102

Note 16—Long-Term Debt—Enterprise Fund [In Part]

Accrued interest and current maturities of long-term debt have been classified as noncurrent liabilities because they are to be paid from restricted funds classified as noncurrent assets.

CITY OF GALVESTON, TX (SEP '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	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligation	1987	1986
Liabilities										
Salaries payable...	$ 510,920	$ 7,592	$	$164,651	$ 34,620	$ 30,628	$	$	$ 748,411	$ 733,640
Accounts payable.	54,953	20,390		78,877	8,435	174,121			336,776	402,786
Contracts payable (Note 17)........	6,080			486,256	436,643	1,051,018			1,979,997	405,422
Notes payable (Note 14)........						658,703			658,703	658,703
Accrued interest (Note 14)........						170,905			170,905	118,271
Advance rental and fees.........				2,779					2,779	9,608
Payable from restricted assets:										
Deposits.........									653,361	634,939
Accounts payable...........					99,929				99,929	
Contracts payable...........	1,491			27,303					28,794	47,402
Earnest money escrow (Note 8).............				27,000					27,000	
Estimated liability claims.....					668,724				668,724	
Prepaid lease rental (Note 8).............				102,690					102,690	105,392
Accrued revenue bond interest (Note 3).............				405,194					405,194	404,940
Revenue bonds (current portion) (Note 3)				295,000					295,000	265,000
Due to:										
Other funds (Note 4)......	185,000	136,464		116,227		1,297,013			1,734,704	1,732,527
Other agencies.		13,096							13,096	1,099
Other governments.........	38,119								38,119	36,337
Escrow deposits..						187,704			187,704	201,887
Deferred revenues	2,314,230	506,838	269,314	1,165		119,100			3,210,647	1,810,906
Accrued vacation and sick pay....				673,104	147,845				820,949	796,616
Advances from other agencies..						103,158			103,158	
Matured bonds payable..........			30,000						30,000	35,000
Matured interest payable..........			7,139						7,139	21,452
Accrued general obligation bond interest (Note 3)................									68,093	75,357

(13) Notes and Interest Receivable—Expendable Trust Funds

The Eighteen-Seventy Strand Ltd. note resulted from the loan of Urban Development Action Grant funds to the developer of the renovation of the Blum Building which was converted into a hotel named the Tremont House. On July 2, 1984, the total loan of $1,000,000 was made. The loan is repayable to the City over a twenty year period at 8% interest. Interest is accrued annually but payable only during the fourth and fifth year at $80,000 per year. Principal plus interest is then repayable beginning in year six in equal installments sufficient to repay the balance through year twenty. Accrued interest for year one, two and three plus one-quarter of year four equaled $284,906.

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	**1988**	**1987**	**1986**
Deferred revenue[1]	374	344	239
Deferred compensation payable	111	79	16
Deposits	63	56	40
Advances from other funds[2]	60	34	16
Deferred property taxes[3]	38	52	22
Customer deposits	38	36	50
Deferred credit	23	19	50

[1]Includes deferred income; excludes deferred property tax revenues.
[2]Includes all funds.
[3]Includes deferred revenue from property taxes.

THE CITY OF DAYTONA BEACH, FL (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	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 Debt	1987	1986
LIABILITIES & FUND EQUITY												
LIABILITIES												
Deficit in pooled cash & investments (Note 3)	$ —	$ 45,880	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 45,880	$ 245,634
Accounts payable	203,080	47,466	—	36,590	—	211,749	159,508	15,812	—	—	674,205	666,752
Accrued liabilities	147,489	4,576	—	624	—	43,487	9,517	—	—	—	205,693	482,882
Estimated current portion of insurance claims payable	—	—	—	—	—	—	663,687	—	—	—	663,687	621,486
Notes payable—current (Note 17)	—	—	—	—	—	40,000	—	—	—	—	40,000	25,000
Contracts payable	10,524	191,106	—	328,618	—	347,991	—	—	—	—	878,239	398,901
Due to other governments	15,754	10	—	—	—	46,172	137,184	111,509	—	—	310,629	275,282
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:												
Construction funds:												
Deficit in pooled cash and investments (Note 3)	—	—	—	—	—	—	—	—	—	—	—	1,163,961
Accounts payable	—	—	—	—	—	29,001	—	—		—	29,001	142,787
Contracts payable	—	—	—	—	—	825,409	—	—	—	—	825,409	1,461,977
Accrued liabilities	—	—	—	—	—	3,148	—	—	—	—	3,148	3,504
Due to other governments	—	—	—	—	—	—	—	—	—	—	—	4,660
Revenue bonds payable—current (Note 15)	—	—	—	—	—	605,000	—	—	—	—	605,000	785,000
Accrued interest payable	—	—	—	—	—	738,795	—	—	—	—	738,795	623,681
Customer deposits	—	—	—	—	—	1,467,637	—	—	—	—	1,467,637	1,377,587
Advances from other funds (Note 8)	—	2,230,000	—	—	—	420,555	—	—	—	—	2,650,555	4,535,526
Deposits	74,544	7,394	—	—	—	—	—	—	—	—	81,938	111,537
Deferred revenue	770,618	4,915,068	—	—	—	2,594	—	—	—	—	5,688,280	1,722,954
Deferred compensation payable (Note 21)	—	—	—	—	—	—	—	879,693	—	—	879,693	644,312

CITY OF GALVESTON, TX (SEP '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	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligation	1987	1986
Liabilities										
Salaries payable...	$ 510,920	$ 7,592	$	$164,651	$ 34,620	$ 30,628	$	$	$ 748,411	$ 733,640
Accounts payable.	54,953	20,390		78,877	8,435	174,121			336,776	402,786
Contracts payable (Note 17)........	6,080			486,256	436,643	1,051,018			1,979,997	405,422
Notes payable (Note 14)........						658,703			658,703	658,703
Accrued interest (Note 14)........						170,905			170,905	118,271
Advance rental and fees.........				2,779					2,779	9,608
Payable from restricted assets:										
Deposits.........				653,361					653,361	634,939
Accounts payable...........					99,929				99,929	
Contracts payable...........	1,491			27,303					28,794	47,402
Earnest money escrow (Note 8)..............				27,000					27,000	
Estimated liability claims.....					668,724				668,724	
Prepaid lease rental (Note 8)..............				102,690					102,690	105,392
Accrued revenue bond interest (Note 3)..............				405,194					405,194	404,940
Revenue bonds (current portion) (Note 3)				295,000					295,000	265,000
Due to:										
Other funds (Note 4)......	185,000	136,464		116,227		1,297,013			1,734,704	1,732,527
Other agencies.		13,096							13,096	1,099
Other governments.........	38,119								38,119	36,337
Escrow deposits..						187,704			187,704	201,887
Deferred revenues	2,314,230	506,838	269,314	1,165		119,100			3,210,647	1,810,906
Accrued vacation and sick pay....				673,104	147,845				820,949	796,616

CITY OF AUSTIN, TX (SEP '87)

ALL FUND TYPES AND ACCOUNT GROUPS—COMBINED BALANCE SHEET [IN PART]
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1986

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
LIABILITIES AND FUND EQUITY											
Liabilities											
Cash overdraft	$ —	—	—	—	—	—	2,455,679	—	—	2,455,679	—
Accounts payable	2,566,598	218,124	—	4,269,590	19,098,659	1,518,690	3,832,280	—	—	31,503,941	27,920,382
Advance from investment pool (Note 5)	—	891,575	—	—	34,571,425	—	2,071,462	—	—	37,534,462	37,350,475
Revenue bonds payable	—	—	—	—	23,560,000	—	—	—	—	23,560,000	18,555,001
Construction contracts payable	—	—	—	—	1,646,180	—	—	—	—	1,646,180	1,145,729
Water improvement district bonds payable	—	—	—	—	224,000	—	—	—	—	224,000	210,000
Municipal utility district contracts payable	—	—	—	—	625,000	—	—	—	—	625,000	600,000
Interest payable on other debt	—	—	—	—	2,125,066	—	—	—	—	2,125,066	181,732
Capital lease obligations (Note 21)	—	—	—	—	3,710,724	57,643	—	—	—	3,768,367	2,439,827
Certificates of obligation	—	—	—	—	500,000	—	—	—	—	500,000	—
Claims payable	2,044,000	—	—	—	31,186,000	—	2,607,780	—	—	35,837,780	5,519,253
Accrued payroll and compensated absences	7,249,528	—	—	—	12,601,506	972,000	—	—	—	20,823,034	19,561,306
Deferred revenue	359,149	—	279,294	—	15,145,664	—	—	—	—	15,784,107	48,006,355

CITY OF WATERTOWN, SD (DEC '87)

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

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	December 31, 1987	December 31, 1986
Liabilities and Fund Equity:									
Liabilities:									
Vouchers Payable......	$ 62,400	$91,693	$	$942,702	$	$	$	$1,096,795	$1,360,788
Accounts Payable......				141,111				141,111	177,880
Salaries Payable........				53,464				53,464	44,869
Accrued Liabilities.....	100	1		115,646				115,747	101,732
Payable from Restricted Assets:									
Vouchers Payable...					18,663			18,663	6
Revenue Bonds......								-0-	15,000
Customer Deposits.				75,638				75,638	91,610
Bidders Deposits.......					4,293			4,293	270
Due to Other Funds....				122,791				122,791	2,376
Due to Employees.....					23			23	53
Deferred Revenues.....	1,437,096		25,901		884,000			2,346,997	1,452,626
Revenues Collected in Advance.............				98,535				98,535	114,821
Lease Obligations......				316				316	-0-
Unemployment Compensation—Accrued Claim Liability.......					546			546	2,000

CITY OF CORPUS CHRISTI, TX (JUL '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 Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	1987	1986
LIABILITIES AND FUND EQUITY											
Accounts payable (Note 9)	$1,448,127	$ 355,175	$ —	$1,423,593	$1,396,506	$1,547,336	$ 897,081	$ —	$ —	$7,067,818	$7,529,588
Accrued expenses	2,088,169	116,279	—	—	1,706,720	306,268	155,168	—	—	4,372,604	3,887,776
Estimated liability for self-insurance claims (Note 18)	—	—	—	—	—	4,572,198	—	—	—	4,572,198	3,231,128
Deposits	52,573	43,748	—	108,083	—	—	2,872,619	—	—	3,077,023	2,700,610
Due to other funds (Note 10)	588,222	1,140,145	77,313	37,626	148,909	61,019	192,300	—	—	2,245,534	1,816,265
Due to other Governmental Agencies	—	—	—	—	5,894	—	5,371,977	—	—	5,377,871	4,654,454

LONG-TERM OBLIGATIONS—CURRENT PORTION

The reporting of long-term obligations for public sector organizations must be reflected in two parts: the current portion of the long-term obligation and related interest, and the unmatured portion of the long-term obligation. The AICPA in its Audit and Accounting Guide, *Audits of State and Local Governmental Units*, states that one of the unique aspects of governmental fund accounting is that interest cost generally is recognized as an expenditure in the accounting period in which it is due rather than when it is accrued.

GASB Cod. Sec. 1500 requires that bonds, notes, and other long-term liabilities (such as capital leases, obligations related to pensions, and judgments) and interest directly related to and expected to be paid from proprietary funds, special assessment funds, and trust funds should be included in the accounts of those funds. Thus, those debts are specific liabilities of those funds. The other unmatured long-term debts of the government are general long-term debts and must be accounted for in the general long-term debt account group. This long-term debt may comprise the unmatured principal of several types of obligations: bonds, capital leases, notes, and other forms of noncurrent or long-term obligations that are not a specific liability of any proprietary fund or any special assessment or trust fund.

Several accounts used for reporting the current portion of long-term obligations were observed. These have been identified in Table 3-15.

TABLE 3-15. LONG-TERM OBLIGATIONS—CURRENT PORTION

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Matured bonds and bond interest payable	64	NC[1]	NC
Current portion of long-term debt[2]	43	48	33
Obligations under capital lease[3]	16	13	11
Revenue bonds payable	8	8	11
Current maturity of long-term debt	13	7	44

[1]Not compiled.
[2]Includes current portion of general obligation bonds.
[3]Includes capital lease obligations—current.

LONG-TERM LIABILITIES

GASB Cod. Sec. 1500 prescribes the generally accepted accounting principles related to long-term liabilities:

> A clear distinction should be made between . . . fund long-term liabilities and general long-term debt. Long-term liabilities of proprietary funds, special assessment funds, and trust funds should be accounted for through those funds. All other unmatured general long-term liabilities of the governmental unit should be accounted for through the General Long-Term Debt Account Group.

GASB Cod. Sec. 1500 provides the following additional guidance concerning long-term liabilities:

> Fund long-term liabilities. Bonds, notes, and other long-term liabilities (e.g., for capital leases, pensions, judgments, and similar commitments) directly related to and expected to be paid from proprietary funds, special assessment funds, and trust funds should be included in the accounts of such funds.
>
> General long-term debt. All other unmatured long-term debt of the government is general long-term debt and should be accounted for in the general long-term debt account group.
>
> General long-term debt is the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness.
>
> General long-term debt is not limited to liabilities related to debt issuances, but may also include noncurrent liabilities on lease-purchase agreements and other commitments that are not current liabilities properly recorded in governmental funds.

Table 3-16 lists the accounts used by the surveyed governments to report general long-term debt.

TABLE 3-16. LONG-TERM LIABILITIES AND GENERAL LONG-TERM DEBT

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Obligations under capital leases[1]	147	124	81
General obligation bonds payable[2]	138	143	131
Bonds payable	129	144	121
Notes payable	103	96	94
Revenue bonds payable	96	89	101
Long-term debt	66	56	50
Special assessment bonds payable	42	33	29

[1]Includes lease obligations payable, capitalized lease obligations, leases payable.
[2]Includes general obligation bonds.

See below for selected excerpts from governmental financial statements relating to the accounting and reporting of fund long-term liabilities and general debt.

COLLIN COUNTY, TX (SEP '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	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	September 30 1987	1986
LIABILITIES AND FUND EQUITY									
LIABILITIES									
Accounts payable...	$ 676,774	$ 370,216	$ 1,106	$468,643	$ 59,734			$ 1,576,473	$ 1,935,121
Payroll related costs payable....	460,585	161,461					$ 388,681	1,010,727	829,237
Contracts payable..				468,548				468,548	
Due to other governments		105,007			1,414,587			1,519,594	1,039,554
Due to other funds.	87,040	410,865		40,679	7,282,457			7,821,041	12,842,121
Due to others.......					3,756,343			3,756,343	3,274,485
Cash bonds outstanding					379,928			379,928	370,954
Cash deposits outstanding					1,519,059			1,519,059	837,186
Child support payable................					1,513			1,513	1,517
Deferred tax revenue	1,559,358	341,812	588,814	4,990				2,494,974	1,796,526
General obligation bonds and certificates of obligation payable................							58,480,000	58,480,000	62,072,000
Long-term capital lease obligation..							189,831	189,831	276,083
TOTAL LIABILITIES	2,783,757	1,389,361	589,920	982,860	14,413,621	$ —	59,058,512	79,218,031	85,274,784

NOTES TO FINANCIAL STATEMENTS

Note E—Changes in General Long-Term Debt

The following is a summary of general long-term debt of the County for the year ended September 30, 1987:

	Bonds	Capitalized Leases	Payroll Related Costs	Total
Balance at October 1, 1986	$62,072,000	$276,083	$310,669	$62,658,752
Principal retirement	(3,592,000)	(86,252)		(3,678,252)
Increase in payroll related costs			78,012	78,012
Balance at September 30, 1987	$58,480,000	$189,831	$388,681	$59,058,512

General obligation bonds and certificates of obligation at September 30, 1987 are comprised of the following individual issues:

General Obligation Bonds	
$1,500,000 Courthouse and jail building serial bonds, series 1975, due in annual installments of $60,000 through May 15, 2000; interest range 5.9 to 7.25 percent	$ 780,000
$6,000,000 Permanent improvement serial bonds, series 1976, due in annual installments of $200,000 to $400,000 through May 15, 2000; interest range 5.1 to 7 percent	4,675,000
$2,500,000 Permanent improvement serial bonds, series 1984, due in annual installments of $125,000 through March 1, 2003; interest range 8.5 to 11.5 percent	2,000,000
$26,650,000 1984 Road serial bonds due in annual installments of $1,375,000 through March 1, 2003; interest range 8.5 to 11.5 percent	22,000,000
$30,000,000 1986 Road serial bonds due in annual installments of $1,500,000 through March 1, 2006; interest range 7 to 10 percent	28,500,000
Certificates of Obligation	
$800,000 1985 Jail Improvements Certificates of Obligation, due in annual installments of $150,000 to $200,000 through March 1, 1990; interest range 7.95 to 8.25 percent	525,000
TOTAL	$58,480,000

The County has pledged its full faith and credit as collateral for its outstanding indebtedness. The source of repayment of the County's long-term debt is revenue from ad valorem taxes.

The annual requirements to amortize debt outstanding as of September 30, 1987, including interest payments of $39,946,178 are as follows:

	Obligation
Year ending September 30:	
1988	$ 8,256,370
1989	7,947,268
1990	7,630,137
1991	7,116,590
1992	6,842,223
1993-1997	29,919,876
1998-2002	22,306,214
2003-2006	8,407,500
	$98,426,178

CITY OF ANDERSON, SC (JUN '88)

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

	Governmental Fund Types			Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
Liabilities and Fund Equity	General	Special Revenue	Capital Projects	Sewer	General Fixed Assets	General Long-Term Debt	June 30, 1988	June 30, 1987
Liabilities:								
Accounts payable	$ 179,177	$ 5,810	$ 11,198	$ 18,665	$ —	$ —	$ 214,850	$ 198,020
Accrued liabilities	395,876	8,284	—	30,796	—	—	434,956	324,197
Construction contracts payable	—	—	—	44,544	—	—	44,544	52,894
Due to other funds	106,854	115,046	103,459	255,937	—	—	581,296	522,529
Due to other governments	131,252	—	—	85,587	—	—	216,839	271,252
Unearned income	—	—	—	46,555	—	—	46,555	8,280
General obligation enterprise bonds—current portion	—	—	—	920,000	—	—	920,000	515,000
Total current liabilities				1,402,084				
Payable from restricted assets:								
Escrow	—	85,822	—	—	—	—	85,822	98,524
Notes payable	1,000,000	63,644	—	—	—	—	1,063,644	1,113,644
General obligation enterprise bonds	—	—	—	18,240,000	—	—	18,240,000	425,000
General obligation bonds payable	—	—	—	—	—	1,810,000	1,810,000	1,935,000
Police retirement—past service cost payable	—	—	—	—	—	21,705	21,705	16,541
Compensated absences (Note A)	—	—	—	16,467	—	288,820	305,287	335,324
Total liabilities	1,813,159	278,606	114,657	19,658,551	—	2,120,525	23,985,498	5,816,205

NOTES TO FINANCIAL STATEMENTS

Note G—Long-Term Debt

The following is a summary of bond transactions for the year ended June 30, 1988:

	General Obligation	Sewer System Revenue	Total
Bonds payable—July 1, 1987	$2,585,000	$ 290,000	$ 2,875,000
New bond issued:			
1988 Sewer System Refunding and Improvement Revenue Bonds	—	18,735,000	18,735,000
Bonds retired	(450,000)	(190,000)	(640,000)
Bonds payable—June 30, 1988	$2,135,000	$18,835,000	$20,970,000

Bonds payable are comprised of the following at June 30, 1988:

General Obligation Bonds:	
$4,800,000, 1965 Sewer Improvement and General Purpose serial bonds due in annual installments of $275,000 to $325,000 through 1989; interest at 3.3 to 3.5 percent (this issue is being serviced—principal and interest—by the Sewer Fund, and was refunded in advance by proceeds from the 1988 Sewer System Bond)	$ 325,000
$1,150,000, 1984 General Obligation serial bonds due in annual installments of $80,000 to $165,000 through 1993; interest at 9.3 to 9.75 percent	895,000
$950,000, 1987 General Obligation serial bonds due in annual principal installments of $35,000 to $105,000 through 2002; interest payable semiannually at 7.9 to 9.0 percent.	915,000
Total General Obligation bonds	$2,135,000
Sewer System Revenue Bonds:	
$1,200,000, 1975 Sewer System Revenue serial bonds due in annual installments of $100,000 through 1989; interest at 8.2 to 8.0 percent. (This issue was refunded in advance by proceeds from the 1988 Sewer System Bond.)	$ 100,000
$18,735,000, 1988 Sewer System Refunding and Improvement Revenue Bonds; $12,770,000 serial bonds due in annual installments of $495,000 to $1,245,000 through 2004 and $5,965,000 term bonds due 2008; interest payable semiannually at 5.0 to 7.5 percent	18,735,000
Total Sewer System Revenue Bonds	18,835,000
Total bonds outstanding	$20,970,000

The annual requirements to amortize all debt outstanding as of June 30, 1988, including interest payments of $17,144,393 are as follows:

Year Ending June 30	General Obligation	Sewer Revenue	Total
1989	$ 629,615	$ 1,887,205	$ 2,516,820
1990	284,134	1,779,455	2,063,589
1991	285,121	1,782,155	2,067,276
1992	285,415	1,781,905	2,067,320
1993	279,046	1,783,845	2,062,891
1994	281,178	1,782,560	2,063,738
1995	281,059	1,782,910	2,063,969
1996	108,815	1,779,440	1,888,255
1997	109,135	1,781,990	1,891,125
1998	108,955	1,780,510	1,889,465
1999	108,330	1,779,900	1,888,230
2000	107,250	1,779,720	1,886,970
2001	110,705	1,779,515	1,890,220
2002	113,295	1,783,815	1,897,110
2003	—	1,781,780	1,781,780
2004	—	1,783,260	1,783,260
2008	—	6,412,375	6,412,375
Totals	$3,092,053	$35,022,340	$38,114,393

The Sewer System Refunding and Improvement Revenue Bonds, Series of 1988, authorizes the advanced refunding of the Sewer Bonds of 1965, 1975, and 1985. Upon the delivery of the Bonds of 1988, a portion of the principal proceeds was deposited with the Escrow Agent under a written trust agreement and in a special trust account. The proceeds are to be invested in obligations of the United States or any agency thereof and applied to the payment of the principal and interest on the bonds to be refunded as they respectively mature.

The cash flow required to service the refunded bonds and the cash flow required to service the new debt used to refund the old debt are not materially different and no gain or loss was recorded as a result of the refunding transaction since management believes that the present value of the old debt service requirements and the present value of the new debt service requirements are substantially the same.

The refunded debt and the related escrow account deposit are included as a current liability and a current asset in the accompanying balance sheet of the Sewer Fund. The refunding has not been recorded as a legal or in-substance defeasance since the City remains the primary obligor of the debt. All the refunded bonds mature currently.

The 1965 General Obligation Bond Covenants originally called for the General Fund to pay all the related debt service expenditures. The General Fund was also to receive all the revenues from Industrial Sewer Contracts. On August 8, 1983, City Council adopted resolution 83-09 which authorized the Sewer Fund to pay all principal and interest payments for the 1965 General Obligation Bonds and designated Industrial Sewer Contract Receipts as Sewer Fund revenue.

The Sewer System Refunding and Improvement Revenue Bonds of 1988, are to be paid, both principal and interest, solely from and secured equally and ratably by a lien upon the net revenues of the sewer system, subject, so long as any of the bonds to be refunded are outstanding to a prior and paramount lien upon such revenues for the payment of such bonds to be refunded and the payments required to be made pursuant to the respective outstanding bond ordinances.

The 1988 Bond Ordinance established the following funds of the City for the deposit and application of the revenues of the system:

1. Gross Revenue Fund

The Gross Revenue Fund shall be maintained in a bank or other financial institution designated, from time to time, as depositary by the Council. The City will pay into the Gross Revenue Fund as promptly as practicable after receipt thereof, all revenues of the system. So long as the City maintains proper accounting records for receipts and disbursements for the Gross Revenue Fund, the Gross Revenue Fund may be used for the purposes of the Operation and Maintenance Fund.

2. Operation and Maintenance Fund

The Operation and Maintenance Fund shall be maintained in a bank or other financial institution designated, from time to time, as depositary by the Council. Withdrawals therefrom shall be made by or on the order of the City for the purposes provided in the Bond Ordinance.

The Revenues of the System are used to pay the estimated cost of administration, operation and maintenance of the System for the next ensuing month as estimated in the annual budget for the System.

3. Debt Service Fund

The Debt Service Fund shall be kept on deposit with the Trustee, and withdrawals therefrom shall be made for the purposes provided in the Ordinance.

The amounts to be paid into the Debt Service Fund shall be as follows and in the following order of priority:

Interest Account

Not later than the 20th day of the month following the month in which the Bonds are delivered to the initial purchasers thereof, and not later than the 20th day of each month thereafter, the Trustee shall pay into the Debt Service Fund for credit to the Interest Account an amount such that, if the same amount is credited to the Interest Account not later than the 20th day of each calendar month preceding the next date upon which an installment of interest falls due on the Bonds, the aggregate of the amounts so paid and credited to the Interest Account would on such date be equal to the installment of interest then falling due on all the Bonds then Outstanding.

Principal Account

Not later than the 20th day of the twelfth month prior to each date upon which an installment of principal of the Bonds falls due, either at maturity or through sinking fund installment and on or before the 20th day of each calendar month thereafter, the Trustee shall pay into the Debt Service Fund to the credit of the Principal Account an amount such that, if the same amount were credited to the Principal Account on or before the 20th day of each succeeding month thereafter and prior to the next date upon which an installment of principal falls due on the Bonds, the aggregate of the amounts so paid and credited to the Principal Account would on such date be equal to the installment of principal then falling due.

4. Debt Service Reserve Fund

The Debt Service Reserve Fund shall be kept on deposit with the Trustee, and withdrawals therefrom shall be made for the purposes provided in the Ordinance.

Upon the delivery of the Bonds of 1988, there shall be deposited into the Debt Service Reserve Fund an amount equal to the Reserve Fund Requirement on the Bonds of 1988.

Moneys in the Debt Service Reserve Fund shall be used and applied solely for the purpose of preventing a default in the payment of principal or interest or premium, if any, on the Bonds or to pay such principal and interest and premium, if any, in the event that all of the then Outstanding Bonds are redeemed as a whole.

5. Capital Improvements Fund

The Capital Improvements Fund shall be kept on deposit with the Trustee, and withdrawals therefrom shall be made for the purposes provided in the Bond Ordinance.

The amount to be deposited in the Capital Improvements Fund is determined in the annual budget for the System. Moneys in the Capital Improvements Fund shall be used solely for the purpose of restoring or replacing depreciated or obsolete properties of the System, paying the cost of improvements, betterments and extensions to the System, other than those necessary to maintain the System in good repair and working order, and for the payment of extraordinary maintenance and repairs, provided, however, if necessary, moneys in the Capital Improvements Fund may be transferred to the Debt Service Fund or Debt Service Reserve Fund and used for any of the purposes for which such Funds were established.

6. Rebate Fund

The Trustee, upon the receipt of a certification from the City of an amount to be deposited in the Rebate Fund, shall deposit in the Rebate Fund an amount such that the amount held in the Rebate Fund after deposit is equal to the so certified amount. The amount deposited in the Rebate Fund shall be made from the Revenues of the System to the extent moneys are available.

The City has established the aforementioned required accounts and has complied with the contribution requirements previously listed. The City has complied with all other significant limitations and restrictions imposed by the bond indentures.

CITY OF NEW BERN, NC (JUN '88)

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, 1988	June 30, 1987
LIABILITIES AND FUND EQUITY									
Current liabilities									
Accounts payable and accrued liabilities	$140,432	$ 42,059	$288,680	$1,939,539	$	$	$	$2,410,710	$2,162,291
Due to other funds		241,011	482,380					723,391	350,000
Current portion of long-term debt				133,439			72,000	205,439	240,335
Total current liabilities				2,072,978					
Noncurrent liabilities									
Deferred revenues	24,618	2,566,593						2,591,211	2,623,115
Noncurrent portion of long-term debt							72,000	72,000	277,439
Customer deposits				742,767				742,767	669,415
Accrued vacation pay				75,142			182,827	257,969	219,607
Obligations under capitalized leases							116,856	116,856	193,747
Total liabilities	165,050	2,849,663	771,060	2,890,887			443,683	7,120,343	6,735,949

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Detail Notes on All Funds and Account Groups [In Part]

D. General Long-Term Debt

At June 30, 1988, 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, 1988 are as follows:

	Date of Agreement	Date Lease Expires	Balance July 1, 1987	Additions Adjustments	Reductions	Balance June 30, 1988
Capitalized leases:						
Telephone System, Police Department	3-1-82	2-28-88	$ 1,968	$	$ 1,968	$
Telephone System, City Hall	3-1-82	2-28-89	9,521		5,485	4,036
Fire Truck	3-13-84	2-28-88	32,237		32,237	
Computer Equipment	10-23-84	10-1-88	2,204		1,625	579
Computer Equipment	10-1-84	9-30-88	1,267		1,000	267
Computer Equipment	12-1-83	11-1-88	4,820		4,658	162
Computer Equipment	1-1-84	12-1-89	1,671		1,087	584
Computer Equipment	5-1-84	7-31-92	57,199	5,348	11,972	50,575
Computer Equipment	10-25-86	7-1-88	3,199		2,562	637
Fire Truck	4-14-87	4-13-91	79,661		24,903	54,758
Postage Meter	7-1-87	6-30-90		8,973	3,715	5,258
Total capitalized leases			193,747	14,321	91,212	116,856
Note payable—Craven County			216,000		72,000	144,000
Accrued vacation pay			153,133	29,694		182,827
Total general long-term debt			$562,880	$44,015	$163,212	$443,683

CITY OF ROCHESTER, MN (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-term Debt	1987	1986
LIABILITIES AND FUND EQUITY											
Liabilities:											
Accounts and contracts payable	$417,364	$ 140,873	$ 26	$ 262,398	$ 5,441,716	$ 6,296				$ 6,268,673	$ 5,406,880
Customer deposits	32,589	51,204			438,358					522,151	428,388
Accrued interest payable					174,599					174,599	182,530
Accrued expenses and other liabilities					1,545,689	951,500				2,497,189	2,393,603
Due to other funds (Note 9)	120	7,025		1,913,653	612,630					2,533,428	1,604,490
Due to other governmental units	11,920	150,970		32,089						194,979	151,165
Deferred revenue	153,209	1,146,517	9,194,850	2,630,218	12,446,464	233,762				25,805,020	25,490,940
Deferred compensation							$4,761,171			4,761,171	3,768,158
Long-term debt (Note 6)					9,605,500				39,794,634	49,400,134	52,816,141
Unamortized bond discount and issue costs					(104,890)					(104,890)	(114,430)
Total Liabilities	$615,202	$1,496,589	$9,194,876	$4,838,358	$30,160,066	$1,191,558	$4,761,171		$39,794,634	$92,052,454	$92,127,865

NOTES TO THE FINANCIAL STATEMENTS

Note 6: Long-Term Debt

A summary of the interest rates, maturities and December 31, 1987 balances is as follows:

Bonds Payable	Range of Interest Rates	Final Maturity	Balance December 31, 1987
General Obligation Bonds:			
Recreation System Bonds of 1983...	7.40-8.00%	1993	$11,975,000
Tax Increment Refunding Bonds of 1983...............	6.90-9.10%	2001	5,070,000
Tax Increment Bonds of 1983...	6.90-8.10%	1994	1,425,000
Tax Increment Bonds Series 1985...............	4.40-6.50%	2005	13,250,000
Improvement Bonds.............	3.40-8.00%	1995	9,350,000
Revenue Bonds:			
Gross Revenue Bonds of 1973...	5.20%	1989	130,000
General Obligation Revenue Bonds:			
Advanced Wastewater Treatment Facility Bonds of 1983...	6.20-7.50%	1994	2,250,000
Total Bonds Payable..			$43,450,000
Notes Payable			
Public Housing Notes..............	6.63-10.00%	2024	$ 4,060,784
Compensated Absences			
Vacation and other compensatory benefits...........			$ 1,483,424
Sick leave benefits.			405,926
Total Compensated Absences............			$ 1,889,350
Total Long-Term Debt			$49,400,134

General Obligation Bonds

General Obligation bonds are backed by the full faith, credit and taxing power of the City. Sixty-five percent of the Tax Increment Refunding Bonds of 1983 were used to finance parking facilities, and are recorded in the Parking Meter Enterprise Fund. Approximately thirty-one percent of the Tax Increment Bonds Series 1985 were also used to finance parking facilities and are similarly recorded in the Parking Meter Enterprise Fund. The balance of these bonds and other General Obligation bonds are recorded in the General Long-Term Debt Account Group and are serviced by the Debt Service Funds.

Revenue Bonds

Revenue bonds are recorded in the General Long-Term Debt Account Group and are retired through the Municipal Recreation System Special Revenue Fund. The bonds are payable solely from gross revenues derived from the operation of the City municipal recreation system. The bonds do not constitute a general obligation of the City.

General Obligation Revenue Bonds

General Obligation Revenue Bonds are recorded as a liability and serviced in the Sewer Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Sewer Utility Enterprise Fund and are backed by the full faith, credit and taxing power of the City.

Public Housing Notes

Public Housing Notes are recorded in the General Long-Term Debt Account Group and are retired through the Public Housing Special Revenue Fund. These obligations are financed by the federal government through an Annual Contributions Contract with the Housing and Redevelopment Authority. The debt consists of notes issued by the Department of Housing and Urban Development (HUD) for permanent financing and operational advances. Although certain notes have maturities within the next operating cycle, it is the intention of HUD to convert these notes to permanent financing upon actual development cost certification. Accordingly, such obligations are carried as long-term debt in accordance with Financial Accounting Standard No. 6.

Advance Refundings of Bonds

In 1983 the City sold $5,535,000 General Obligation Tax Increment Refunding bonds to advance refund General Obligation Tax Increment Bonds totaling $5,800,000. The proceeds of the refunding issue were placed in a special escrow account and have been invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and are sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the refunded bonds have been eliminated and the advance refunding bonds added, as discussed under the General Obligation Bonds paragraph. The City remains contingently liable to pay the refunded bonds, the balance of which totals $5,200,000 at December 31, 1987.

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures and note agreements and the City remains in substantial compliance with these requirements.

The following is a summary of the long-term debt transactions of the City for year ended December 31, 1987:

General Long-Term Debt

Bonds Payable:	Balance 1/1/87	Additions	Retirements	Balance 12/31/87
General Obligation Bonds:				
Recreation System Bonds of 1983	$13,250,000		$1,275,000	$11,975,000
Tax Increment Refunding Bonds of 1983	1,844,500		70,000	1,774,500
Tax Increment Bonds of 1983	1,575,000		150,000	1,425,000
Tax Increment Bonds Series 1985	9,190,000			9,190,000
Improvement Bonds	10,970,000		1,620,000	9,350,000
Revenue Bonds:				
Gross Revenue Bonds of 1973	190,000		60,000	130,000
Total Bonds Payable	$37,019,500		$3,175,000	$33,844,500
Notes Payable:				
Public Housing Notes	$ 4,078,076		$ 17,292	$ 4,060,784
Compensated Absences:				
Vacation Benefits	$ 1,308,460	$1,402,888	$1,227,924	$ 1,483,424
Sick Leave Benefits	389,605	331,018	314,697	405,926
Total Compensated Absences	$ 1,698,065	$1,733,906	$1,542,621	$ 1,889,350
Total General Long-Term Debt	$42,795,641	$1,733,906	$4,734,913	$39,794,634

Enterprise Funds

Bonds Payable:	Balance 1/1/87	Additions	Retirements	Balance 12/31/87
General Obligation Bonds:				
Tax Increment Refunding Bonds of 1983	$ 3,425,500	$	$ 130,000	$ 3,295,500
Tax Increment Bonds Series 1985	4,060,000			4,060,000
General Obligation Revenue Bonds:				
Advanced Wastewater Treatment Facility Bonds of 1983	2,535,000		285,000	2,250,000
Total Enterprise Funds	$10,020,500	$	$ 415,000	$ 9,605,500
Total Long-Term Debt	$52,816,141	$1,733,906	$5,149,913	$49,400,134

The annual requirements to amortize all long-term debt outstanding at December 31, 1987, excluding public housing notes and accrued compensated absences, and including interest payments of $20,304,585 over the life of the debt, are summarized below:

	General Obligation Bonds	Revenue Bonds	General Obligation Revenue Bonds	Total
1988	$ 6,563,508	$ 71,760	$ 450,605	$ 7,085,873
1989	6,591,995	68,380	457,315	7,117,690
1990	6,426,825		456,515	6,883,340
1991	6,398,587		453,735	6,852,322
1992	5,902,808		458,535	6,361,343
1993-97	15,474,617		594,830	16,069,447
1998-2002	9,162,320			9,162,320
2003 and thereafter	4,222,250			4,222,250
Totals	$60,742,910	$140,140	$2,871,535	$63,754,585

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes, net of debt service fund cash and investments available to pay these bonds. As of December 31, 1987, the statutory limit for the City and the net legal debt margin was $32,143,956.

The City has issued several Industrial Development Revenue Bonds. These bonds do not constitute an indebtedness of the City and are not a charge against their general credit or taxing powers. The bonds are payable solely from revenues of the respective industries to which these bond proceeds were remitted. The original amount of all issues since 1975 totals $236,724,000, and the balance outstanding at December 31, 1987 totals $151,862,532.

Pursuant to Minnesota Statutes (Section 273.74, Subd. 6) the City is required to disclose information relating to its tax increment districts.

Development District No. 2 is a redevelopment district created on August 23, 1976 pursuant to Minnesota Statutes, Chapter 472A, and was originally known as "Development District No. 1." On March 13, 1979 Development District No. 1 was dissolved and Development District No. 2 was created in its place. The duration of Development District No. 2 is through the year 2009.

Development District No. 3-1 is a redevelopment district created December, 1987 pursuant to Minnesota Statutes, Chapter 469 and will remain in effect until December, 2002.

Pertinent financial data relating to the districts are as follows:

	Development District No. 2	Development District No. 3-1
Original assessed value	$11,681,069	$809,248
Current assessed value	24,141,287	809,248
Captured assessed value, Retained by authority	$12,460,216	$ -0-
Total general obligation tax increment bonds issued	$20,560,000	$
Total bonds redeemed	815,000	
Total outstanding bonds, December 31, 1987	$19,745,000	-0-

DANE COUNTY HOUSING AUTHORITY, WI (DEC '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	Trust and Agency	General Long-Term Obligations	1987	1986
LIABILITIES AND FUND EQUITY							
Liabilities:							
Short-term notes payable	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 476,600
Accounts payable	1,786	120,611	13,209			135,606	83,580
Security deposits payable			13,409			13,409	13,162
Other deposits payable			30,540			30,540	
Contract retainages payable			8,703			8,703	3,000
Accrued liabilities	867	3,125	22,791			26,783	34,202
Accrued interest payable			659,138			659,138	399,111
Due to other funds (Note 7)	26	60	51,290			51,376	23,242
Due to other governmental units		27,079	7,496			34,575	36,603
Deferred revenue	3,488	130,833	322,373			456,694	126,409
Revolving loan funds	226,295	432,876				659,171	621,504
Notes payable (Note 5)			4,283,659			4,283,659	3,601,522
Other liabilities				8,096	102,515	110,611	95,931
Total Liabilities	232,462	714,584	5,412,608	8,096	102,515	6,470,265	5,514,866

NOTES TO FINANCIAL STATEMENTS

Note 5—Long-Term Obligations

Long-term obligations at December 31, 1987 and 1986 consisted of the following:

	1987	1986
Farmers Home Administration (FmHA)—real estate mortgage, dated June 12, 1980, with interest at the rate of 11% per annum, due in 2030. The original amount of the loan was $432,000.	$ 385,692	$ 390,706
County of Dane, Wisconsin—promissory note, dated November 1, 1982, with interest ranging from 6.75% to 7.75% per annum, due in 1992. The original amount of the note was $80,000	40,000	48,000
United States Department of Housing and Urban Development—(HUD) project loan notes with interest at the rates of 6.625% and 8.003% per annum. The Department of Housing and Urban Development provides an annual contribution to the Authority for repayment of the principal and interest on these notes	3,031,740	3,012,816
County of Dane, Wisconsin—promissory note, dated November 1, 1986 with interest ranging from 5.50% to 7.50% per annum, due in 1996. The original amount of the note was $150,000.	150,000	150,000
United States Department of Housing and Urban Development—(HUD) project loan note with interest at 10.00%	$ 676,227	$ -0-
TOTAL LONG-TERM DEBT	$4,283,659	$3,601,522
Other Long-Term Obligation		
Unfunded liability on the state retirement system	85,387	
Liability for employees vested benefits	17,128	
TOTAL	$ 102,515	

The legal debt margin of the City at June 30, 1988 was $37,728,823.

The following is a schedule of the minimum lease payments required under capitalized leases:

Fiscal Year	Principal	Interest	Total
1989	50,436	8,156	58,592
1990	47,616	4,440	52,056
1991	17,543	726	18,269
1992	1,261	7	1,268
	$116,856	$13,329	$130,185

E. Bonds Payable, Enterprise Funds

Enterprise Funds bonds payable consist of:

General obligation bonds issued in 1967 for Water Fund purposes, interest rates range from 3% to 6%	$115,000

Future bond requirements are as follows:

Fiscal Year	Principal	Interest	Total
1989	$115,000	$3,450	$118,450

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
1989	$72,000
1990	72,000

F. Interfund Receivables and Payables:

Fund	Interfund Receivable	Interfund Payable
General	$435,891	$
Special Revenue Fund		
Community Development Fund		241,011
Enterprise Electric Fund	287,500	
Capital Projects Waste Water Improvement Fund		482,380
Total	$723,391	$723,391

CITY OF SOUTH TUCSON, AZ (JUN '88)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS (WITH COMPARATIVE TOTALS FOR JUNE 30, 1987)

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
LIABILITIES									
Accounts payable	$ 25,018	$ 24,627	$4,000	$216,034	—	—	—	$ 269,679	35,834
Due to other funds (Note 8)	180,496	151,161	—	—	—	—	—	331,657	322,227
Accrued salaries and withholdings	102,066	18,365	—	—	—	—	—	120,431	88,563
Deposits payable	—	39,174	—	—	54,022	—	—	93,196	98,137
Accrued vacation payable	67,838	5,726	—	—	—	—	—	73,564	83,078
Other liabilities	16,457	1,481	—	—	—	—	—	17,938	43,049
Long-term debt (Note 7)	—	—	—	—	—	—	8,195,734	8,195,734	5,801,556
Deferred income	76,523	302,543	—	—	—	—	—	379,066	2,896,386
Total Liabilities	468,398	543,077	4,000	216,034	54,022	—	8,195,734	9,481,265	9,368,830

NOTES TO FINANCIAL STATEMENTS

Note 7: Long-Term Debt

General Long-Term Debt

A. Revenue Bonds

1987 South Tucson Municipal Property Corporation Lease Revenue Refunding Bonds issued for the purpose of removing restrictive bond covenants due in varying installments through June, 2007, secured by all General Fund revenues and some real property (paid by the General Fund) 10% interest $2,475,000

B. Public Housing Notes

Permanent Notes—H.U.D.—Notes payable to H.U.D. in annual installments for 20 years with varying interest tied to Treasury borrowings:

Maturing January 2004	$ 170,925	
Maturing December 2004	612,349	
Maturing June 2005	17,370	
Total Permanent Notes—H.U.D. (see Note 10)	$ 800,644	
Permanent notes—F.F.B.		
Note payable to the Federal Financing Bank in annual installments of $56,952 including interest of 6.6%, matures November 1, 2009	$ 651,115	
Note payable to the Federal Financing Bank in annual installments of $51,189 including interest of 6.6%, matures November 1, 2011	608,023	
Note payable to the Federal Financing Bank in annual installments of $87,942 including interest of 6.6%, matures November 1, 2013	1,079,004	
Total Permanent Notes—F.F.B.	2,338,142	
Total Public Housing Notes		3,138,786

Principal and interest on the Housing Authority notes are funded by the United States Department of Housing and Urban Development (HUD) pursuant to the Annual Contributions Contract (ACC). The notes are secured by a mortgage on the real property, a lien on all personal property of the housing project, residual receipts and annual contributions.

C. Judgments Payable

Payable to Julian Roy Garcia in annual installments of $50,000 with no interest until May 1995, secured by real estate (paid by the Garcia Annuity Fund)	$ 350,000	
Payable to State Compensation Fund—Garcia Judgment, payable in annual installments of $30,000 with no interest until September 1, 1988, unsecured (paid by General Fund)	30,000	
Total Judgments Payable		380,000

D. Capital Lease Obligations

Lease payable to Xerox, bearing interest at 6.9% in 60 installments of $164.39 until November 1990. Secured by copier (paid by General Fund)	$ 4,380
Lease payable to Xerox bearing interest at 6.9% in 60 installments of $164.39 until November 1990. Secured by copier (paid by General Fund)	4,380

Lease payable to First Interstate Bank bearing interest at 7.84% in monthly installments of $614.70

until May 1992. Secured by 2 police cars and refuse bins (paid by General Fund)	24,807	
Lease payable to Marquette Leasing bearing interest at 9.64%, in monthly installments of $831.38 until June 1991. Secured by I.B.M. System 36 (paid by General Fund)	25,276	
Lease payable to Marquette Leasing bearing interest at 13% in monthly installments of $5,520.13 until January 1992. Secured by 2 refuse trucks and 646 refuse bins (paid by General Fund)	188,948	
Lease payable to AT & T bearing interest at 10% in monthly installments of $924.86 until August 1992. Secured by phone equipment (paid by General Fund)	37,692	
Lease payable to AT & T bearing interest at 10% in monthly installments of $1,556.42 until August 1992. Secured by phone equipment (paid by General Fund)	1,352	
Lease payable to AT & T bearing interest at 10% in monthly installments of $30.75 until January 1993. Secured by phone equipment (paid by General Fund)	22,677	
Lease payable to Marquette Leasing bearing interest at 10% in varying semi-annual installments until November 1999. Secured by the Daniel W. Eckstrom Municipal Complex (paid by General Fund)	1,850,000	
Total Capital Lease Obligations		2,159,512

The City has entered into various lease purchase agreements which provide that title to the equipment transfers to the City at expiration of the leases, and therefore, the leases have been classified as capital leases. The lease payments are based on fixed rate financing using effective interest rates as disclosed above.

E. Accrued Pay—Vacation—Long-Term Portion		
Portion of accrued vacation pay not expected to be paid in current period		42,436
Total General Long-Term Debt		$8,195,734

Annual Debt Service Requirements

The annual requirements to amortize all debt outstanding as of June 30, 1988, including interest payments of $6,892,458, are as follows:

Year Ending June 30,	Revenue Bonds	*Housing Notes	Judgment Payable	Capital Leases	Total
1989	$ 290,250	$ 196,083	$ 80,000	$ 385,841	$ 952,174
1990	290,500	196,083	50,000	363,094	899,677
1991	290,250	196,083	50,000	370,021	906,354
1992	289,500	196,083	50,000	337,640	873,223
1993	293,000	196,083	50,000	284,727	823,810
1994-1998	1,459,500	980,415	100,000	1,407,744	3,947,659
1999-2003	1,455,000	980,415	—	422,323	2,857,738
2004-2008	1,157,750	980,415	—	—	2,138,165
2009-2014	—	846,312	—	—	846,312
Totals	$5,525,750	$4,767,972	$380,000	$3,571,390	$14,245,112

*Excludes H.U.D.-held notes in the amount of $800,644 which were forgiven (see Note 10).

Advance Refunding

In 1987, the City advance refunded a revenue bond issue. The City issued $2,555,000 of revenue refunding bonds to provide resources to purchase a guaranteed investment contract for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be legally defeased and the liability has been removed from the general long-term debt account group.

The refunding was undertaken to remove restrictive bond covenants associated with the revenue bonds. The advance refunding has increased debt service payments by

$1,893,801 over the next 19 years and resulted in an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of $280,030.

At June 30, 1988, $1,885,000 of outstanding revenue bonds are considered defeased.

Changes in Long-Term Liabilities

During the year ended June 30, 1988, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1,	Balance Additions	Reductions	Balance June 30,
Revenue bond debt	$1,915,000	$2,555,000	$1,995,000	$2,475,000
Housing notes	3,177,965		39,179	3,138,786
Claims and judgments	380,000	80,000	80,000	380,000
Capital leases	302,263	1,921,164	63,915	2,159,512
Compensated absences	26,328	16,108		42,436
Totals	$5,801,556	$4,572,272	$2,178,094	$8,195,734

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 3-48 through 3-50 which have illustrations from the notes to financial statements resulting from these types of leases.

GOVERNMENTAL EQUITIES

The fund equity section of the combined balance sheet for a governmental unit comprises two separate elements. The equity portion of the balance sheet related to governmental-type funds is referred to as the fund balance. The equity portion of the balance sheet of a governmental unit for its proprietary-type funds is referred to as retained earnings and, where applicable, contributed capital. In both cases these sections are residual balances, the difference between assets and liabilities. Several subordinate accounts or groups of accounts may appear in the fund equity section of governmental units, such as reservations, designations, contributions, or investments in fixed assets, depending on the circumstances of the reporting government.

RESERVES

In governmental fund accounting the term "reserve" identifies that portion of either of the two fund equity balances not appropriable or available for expenditure. For example, the reserve for inventories is an example of resources already expended (but not consumed), so that there is a portion of fund balance that is not available for expenditure in a future fiscal period. The term "reserve" also may refer to that portion of the fund balance legally separated for a specific future use. An example is the reserve for encumbrances. This reserve indicates that portion of the fund balance that has been segregated for expenditure under executory contracts. Thus, this portion of the fund balance is reserved, or set aside, to meet the future obligations of these outstanding encumbrances. A third example is the reserve for debt service. This segregation ensures the maintenance of a liquid condition for debt requirements.

Reservations of fund balances are appropriate in the case of both governmental funds and certain proprietary funds.

DESIGNATIONS

Another group of equity accounts carries the descriptive title "designations." A designated account is one in which the amounts have been designated and labeled by governmental executives to indicate tentative plans or commitments for those resources in a future period.

Designated accounts are allocations of fund balances at the discretion of the government, reflecting a management intent to expend the resources in the designated manner. In contrast, reserves, as discussed in the preceding section, often are statutory requirements or reflect decisions and commitments already made.

REPORTING RESERVES AND DESIGNATIONS

Designated funds are reported as part of the unreserved or free fund balance but are shown as designated for a specific purpose. Reserves, on the other hand, while part of the fund balance section, are segregated from the free or designated portions of the fund balance amount.

According to GASB Cod. Sec. 1800.124, 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 also may be segregated and accounted for as a contra account and equity-type item but separate from the unreserved or free fund balance of a governmental unit.

The fixed asset accounts in the general fixed assets account group and the proprietary funds and trust funds should include the cost of capitalized fixed assets acquired from grants, entitlements, or shared revenues. Accumulated depreciation accounts, optional in the case of general governmental fixed assets, should include the depreciation recognized on the contributed proprietary fixed assets.

Tables 3-17 and 3-18 indicate account titles used by the surveyed governmental units to describe reservations of fund balances and retained earnings. Contributions for capital expenditures, if material, also should be identified and segregated in the fund equity accounts. The most common account titles used to report contributed capital are listed in Table 3-19.

As noted in Table 3-20, investments in general fixed assets are segregated and identified as a separate item in the governmental section of the combined balance sheet, although the presentation varied slightly among the governmental units surveyed.

See excerpts below from the combined balance sheet of several governmental units illustrating the type of reporting made of governmental equities and certain other components of equity balances.

TABLE 3-17. GOVERNMENTAL-TYPE FUND BALANCE RESERVES—"FUND BALANCE RESERVED FOR. . ."

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Encumbrances	233	222	112
Debt service	162	154	80
Inventories[1]	156	154	80
Employee retirement system[2]	55	53	37
Capital projects	54	39	19
Reserved (unspecified)	50	53	26
Prepaid expenses	41	40	7
Endowments	31	NC[3]	NC
Advance to other funds	29	21	11
Employee retirement	27	240	NC
State statute	19	18	15
Self-insurance	19	14	8

[1]Includes inventory and prepaid expenses, and inventory of supplies.
[2]Includes employee retirement.
[3]Not compiled.

TABLE 3-18. RETAINED EARNINGS RESERVED—"RETAINED EARNINGS RESERVED FOR. . ."

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Revenue bond retirement[1]	101	90	54
Reserved (unspecified)	50	51	26
Construction	23	13	4
Self-insurance	10	8	3

[1]Includes any bond retirement, or debt service.

TABLE 3-19. CAPITAL CONTRIBUTIONS TO FUND EQUITY

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Contributed capital[1]	301	251	207
Contributions	27	20	11

[1]Includes contributed capital from any fund or entity.

TABLE 3-20. INVESTMENT IN GENERAL FIXED ASSETS

	Instances Observed		
Account Title	**1988**	**1987**	**1986**
Investment in general fixed assets[1]	379	343	284
Invested in fixed assets	23	21	17

[1]Includes investments in general fixed assets and capital leases.

TIPTON COMMUNITY SCHOOL DISTRICT, IA (JUN '88)

BALANCE SHEETS AND STATEMENT OF GROUP OF ACCOUNTS

	Funds				Account Group
		Schoolhouse Fund			
	General Fund	Capital Accounts	School Nutrition Fund	Clearing Accounts Fund	General Fixed Assets
Fund Equity:					
Investment in fixed assets (Note 6)	—	—	—	—	7,567,746
Fund Balances:					
Reserved for:					
Inventories	—	—	22,518	—	—
Prepaid insurance	14,842	—	—	—	—
Phase III obligated funds	72,995	—	—	—	—
Unreserved:					
Designated	38,769	—	10,000	—	—
Undesignated	20,370	199,270	14,982	150,029	—
Total fund equity	146,976	199,270	47,500	150,029	7,567,746
Total liabilities and fund equity	$493,947	$220,251	$61,345	$150,029	$7,567,746

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies [In Part]

Reserved Fund Balance—The portion of the fund balance shown as Phase III obligated funds represents the amount of Phase III moneys received for which an expenditure has not been incurred as of June 30, 1988.

Designated Fund Balance—The portion of the fund balance shown as designated represents the amounts segregated for specific purposes as allowed by the Code of Iowa. Amounts restricted at June 30, 1988 consist of the following:

	General Fund			School Nutrition Fund
	Tort Liability	Unemployment Compensation	Total	Equipment Reserve
Cash balance beginning of year	$ 5,614	$36,855	$42,469	$ -
Receipts	7,641	1,887	9,528	10,000
Disbursements	(13,155)	(120)	(13,275)	(-)
Cash balance end of year	100	38,622	38,722	10,000
Property tax receivable	47	—	47	—
Designated fund balances	$ 147	$38,622	$38,769	$10,000

Note 6. General Fixed Assets

A summary of changes in general fixed assets is as follows:

	Balance June 30, 1987	Additions	Disposals	Balance June 30, 1988
Land	$ 70,891	$ —	$ —	$ 70,891
Buildings and Site	5,883,985	—	—	5,883,985
Equipment	1,172,883	96,799	—	1,269,682
Vehicles	314,935	42,405	14,152	343,188
Total	$7,442,694	$139,204	$14,152	$7,567,746

CITY OF SAULT STE. MARIE, MI (JUN '88)

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	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1988	1987
FUND EQUITY										
Contributed capital, net of depreciation		$ 415,000		$ 9,531,343	$ 28,521				$ 9,974,864	$10,551,407
Investment in general fixed assets							$6,919,052		6,919,052	6,941,572
Retained earnings:										
Reserved for bond retirement and replacement				666,956					666,956	523,287
Unreserved				660,897					660,897	499,039
Fund balances:										
Reserved:										
Prepaid expenses, restricted assets and noncurrent assets (Note 15)	240,360	(2,634)							237,726	210,490
Perpetual Care Fund						112,174			112,174	109,124
Pension and Retirement Fund						7,303,115			7,303,115	6,955,158
Real Estate Trust						1,099,865			1,099,865	1,081,339
Golf Course addition			$16,143						16,143	30,433
Unreserved:										
Designated for Kaines Rink	7,416								7,416	0
Designated for equipment acquisition	28,929								28,929	30,504
Undesignated (deficit)	(55,878)	534,389			376,287				854,798	840,436
TOTAL FUND EQUITY	220,827	946,755	16,143	10,859,196	404,808	8,515,154	6,919,052	0	27,881,935	27,772,789
TOTAL LIABILITIES AND FUND EQUITY	$618,905	$1,221,759	$16,143	$13,740,474	$691,976	$8,957,823	$6,919,052	$1,102,916	$33,269,048	$33,720,951

NOTES TO FINANCIAL STATEMENTS

Note 15: Reserved Fund Balances

Fund balance is reserved for prepaid expenses, restricted assets and noncurrent assets as follows:

	General Fund	Special Revenue Funds
Prepaid expenses	$ 87,618	
Restricted assets—cash and investments	163,330	
Checks drawn against future deposits	0	$(2,634)
Accounts payable related to restricted assets	(10,588)	0
	$240,360	$(2,634)

TOWN OF WILTON, CT (JUN '88)

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

	Governmental Fund Type				Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Trust	General Fixed Assets	General Long-Term Obligations	1988	1987
Fund equity:									
Investment in general fixed assets (Note 4)						$28,011,510		28,011,510	27,073,216
Fund balances:									
Reserved for capital improvements (Note 12)	205,116	8,287		938,923				1,152,326	1,222,304
Reserved for specific purposes		101,344						101,344	140,216
Reserved for inventories		3,326						3,326	3,786
Reserved for encumbrances (Note 13)	9,905							9,905	20,608
Unreserved:									
Designated for subsequent year expenditures (Note 11)	389,432							389,432	773,036
Undesignated	581,578	568,529	3,010,063		4,125			4,164,295	2,700,353
Total fund balances	1,186,031	681,486	3,010,063	938,923	4,125			5,820,628	4,869,303
Total fund equity	1,186,031	681,486	3,010,063	938,923	4,125	28,011,510		33,832,138	31,947,519
Total liabilities and fund equity	$2,857,143	$1,040,869	$3,134,164	$1,233,058	$4,166	$28,011,510	$6,667,292	$42,948,202	$38,419,495

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies [In Part]

D. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary accounting system in the General Fund and Capital Projects Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they represent commitments and do not constitute expenditures or liabilities.

The Town Charter stipulates that every appropriation shall lapse at the end of the fiscal year if such appropriation is not expended or encumbered except for continuing appropriations for capital and nonrecurring expenditures. Continuing appropriations are reflected in the accompanying financial statements as an appropriation of fund balance.

4. Fixed Assets [In Part]

A summary of the changes in the Town's General Fixed Assets Account Group balances during fiscal 1988 is as follows:

	Balance, June 30, 1987	Additions	Deletions	Balance, June 30, 1988
Land	$ 4,192,804			$ 4,192,804
Buildings	17,492,555	$ 844,489	$430,000	17,907,044
Machinery and equipment	5,048,752	750,174	146,351	5,652,575
Construction in progress	344,105	36,977	121,995	259,087
	$27,078,216	$1,631,640	$698,346	$28,011,510

11. Fund Balances Reserved to Supplement Taxes

When approving the fiscal 1989 and 1988 General Fund budgets, the annual Town meeting appropriated $389,432 and $775,036, respectively, from fund balance to supplement revenue to be raised during those years.

12. Capital Improvements Continued in Force

In accordance with the Town Charter, all uncommitted appropriations for capital improvements are continued in force for one fiscal year after the expiration of the fiscal year for which such appropriations were originally made with the approval of the Board of Finance. The following appropriations for capital improvements have been continued in force from fiscal 1988:

General Fund:	
Capital and nonrecurring:	
Public works	$ 58,862
Parks and recreation	19,302
Other	126,952
Total General Fund	205,116
Special Revenue Funds:	
Sewer Authority Operations	8,287
Total Special Revenue Funds	8,287
Capital Projects Fund	938,923
	$1,152,326

13. Encumbrances

Encumbrances outstanding at year-end in the General Fund are reported as a reservation of fund balance and will be reported as expenditures in the subsequent year.

At June 30, 1988, the Town had outstanding encumbrances as follows:

General Fund:	
General government	$2,700
Parks and recreation	2,205
Capital and nonrecurring:	
Parks and recreation	5,000
Total General Fund Encumbrances	$9,905

HERNANDO COUNTY, FL (SEP '87)

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Liabilities and Fund Equity	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency Funds	General Fixed Assets	General Long-Term Debt	1987	1986
FUND EQUITY:											
Contributed Capital (Note 9) ...					12,049,281	51,814				12,101,095	11,603,889
Investment in General Fixed Assets								18,542,329		18,542,329	15,088,399
Retained Earnings (Deficit):											
Reserved for Debt Retirement					492,897					492,897	456,799
Reserved for Plant Renewal and Replacement					1,676,572					1,676,572	1,464,138
Unreserved (Deficit)					654,304	167,582				822,156	(91,485)
Fund Balances:											
Reserved for Encumbrances (Note 2E)	182,032	70,255								252,287	1,339,191
Unreserved:											
Designated for Debt Service			2,888,300							2,888,300	2,024,785
Designated for Subsequent Year Expenditures	84,234									84,234	268,956
Undesignated	3,469,639	1,875,947		18,335,551						23,681,137	16,946,765
Total Fund Equity	3,735,905	1,946,202	2,888,300	18,335,551	14,873,054	219,666		18,542,329		60,541,007	49,101,437
TOTAL LIABILITIES AND FUND EQUITY	$4,276,578	$3,364,561	$2,888,300	$19,483,631	$29,395,274	$433,419	$1,760,658	$18,542,329	$25,270,221	$105,414,971	$82,494,924

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, Capital Project and Debt Service Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. However, for the Constitutional Officers, encumbrances are treated as expenditures when actual expenditures are compared to budget on a non-GAAP basis (Exhibit C).

Note 9: Contributed Capital

The Utility System and Aviation Authority have obtained several grants and contributions from several different agencies and levied special assessments against the land benefited by the project to help pay the costs of construction and some operating expenses. The governing board of the Utility Fund has also adopted an ordinance which requires developers to donate all new water and sewer systems to the district and to pay for the cost of extending lines to the development. Below is a listing of the major contributors as of September 30, 1987:

	Water and Sewer District	Landfill	Aviation Authority	Total
Special Assessment	$ 2,655,617	$	$	$ 2,655,617
Farmers Home Administration	1,099,600			1,099,600
Environmental Protection Agency	777,476			777,476
Economic Development Administration	491,984			491,984
Title X	80,000			80,000
Connections	2,248,190			2,248,190
Subdividers	3,190,845			3,190,845
Other	75,284	236,371	1,193,914	1,505,569
TOTAL CONTRIBUTIONS	$10,618,996	$236,371	$1,193,914	$12,049,281

Contributed Capital in the Fleet Management Internal Service Fund reflects asset transfers made from the General Fixed Asset Account Group when this fund was established.

CITY OF BLOOMINGTON, MN (DEC '87)

ALL FUND TYPES AND ACCOUNT GROUPS—COMBINED BALANCE SHEET

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1987	1986
LIABILITIES AND FUND EQUITY											
Fund Equity:											
Contributions........					$44,543,497	$ 1,367,501				$ 45,910,998	$ 45,133,504
Investment in general fixed assets.............								$66,770,650		66,770,650	65,336,653
Retained earnings:											
Reserved (Note 3)...............					207,355	3,069,958				3,277,313	3,085,533
Unreserved.......					12,309,520	5,557,831				17,867,351	13,126,906
Fund balance (Note 10):											
Reserved (Note 3)...............	$ 231,466		$49,263,141	$ 1,162,848			$ 117,310			50,774,765	52,195,311
Unreserved:											
Designated (Note 3).....		$ 165,685		96,602,012						96,767,697	99,639,199
Undesignated .	3,408,090	4,134,813		5,989,599			94,887			13,627,389	16,606,165
Total Fund Equity	3,639,556	4,300,498	49,263,141	103,754,459	57,060,372	9,995,290	212,197	66,770,650		294,996,163	295,123,271
Total Liabilities and Fund Equity..........	$5,584,575	$9,672,261	$51,689,950	$104,057,983	$61,675,621	$12,389,223	$6,401,918	$66,770,650	$211,027,700	$529,269,881	$529,422,265

NOTES TO FINANCIAL STATEMENTS

3. Reserved or Designated Fund Equity

Fund equity in the various funds has been reserved or designated for the following purposes:

Reserved	
General Fund:	
Inventories	$ 19,825
Encumbrances	211,641
Total	$ 231,466
Debt Service Funds (All Funds):	
Reserved for Debt Service	$49,263,141
Capital Projects Funds:	
Capital Projects:	
Contract commitments	$ 12,170
Improvement Construction:	
Contract commitments	1,107,318
Park Acquisition Grants:	
Contract commitments	43,360
Total Capital Projects Funds	$ 1,162,848
Enterprise Funds:	
Water Fund:	
Bonds and interest	$ 207,355
Internal Service Funds:	
Equipment Division:	
Equipment replacement	$ 3,069,958
Trust and Agency Funds:	
Cemetery Permanent Care and Improvement:	
Land acquisition and improvement	$ 22,400
Perpetual care	94,910
Total	$ 117,310
Designated	
Special Revenue Funds:	
Housing and Redevelopment Authority General Fund:	
Debt Service	$ 116,350
Housing relocation	49,335
Total	$ 165,685
Capital Projects Funds:	
Capital Projects Fund:	
Future capital projects	$67,543,747
Port Authority Construction:	
Future capital projects	29,058,265
Total Capital Projects Funds	$96,602,012

10. Fund Changes

The Self-Insurance Fund was established in 1987 as an internal service fund to account for the cost of general and auto liability insurance premiums and claims, and worker's compensation insurance. In prior years, this fund was the Worker's Compensation Premium Fund and recorded only payments associated with worker's compensation.

Section 4: Operating Statements

GOVERNMENTAL FUNDS

GASB Cod. Sec. 1800 provides guidance for the classification and reporting of revenues and expenditures of governmental funds:

> Governmental fund revenues should be classified by fund and source. Expenditures should be classified by fund, function (or program), organization unit, activity, character, and principal classes of objects.

CLASSIFICATION OF REVENUES AND EXPENDITURES

Revenues

Revenues should be classified by fund and source. Classification by source gives recognition to the activity generating the revenues—taxes, licenses and permits, intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous sources.

In the case of intergovernmental revenues—e.g., grants, entitlements, and shared revenue—GASB Cod. Sec. G60.103 states the basis of accounting for such revenues will be determined according to the procedures common to each fund type in which the grant, entitlement, or shared revenues are recorded. For those grants, entitlements, and shared revenues received earlier than the time established by the applicable revenue recognition criteria set forth in GASB Cod. Sec. G60.112, those monies should be reported as deferred revenues. The deferred revenues should remain a liability of the governmental unit until such time as those monies meet the revenue recognition criteria.

Also, resources due from grants and entitlements but not received when the appropriate revenue recognition criteria are met should be reported as a receivable in the financial statement. Before such resources meet the revenue recognition criteria, receipts should not be reported on the financial statements, although a disclosure in a note to the financial statement would be proper.

Expenditures

In addition to the fund classification, GASB Cod. Sec. 1800.116–.119 suggests expenditures be further categorized by function (or program), organization unit, activity, character, and principal classes of objects:

The *function or program* classification (e.g., safety, health, or recreation) provides financial data relating to the overall purpose of the expenditure. That is, the functional groupings of cost are related to activities aimed at accomplishing a major governmental or administrative service.

Classification of expenditures by *organization* (e.g., police or fire department) is primarily to account for the varying financial responsibilities of governmental units. This classification corresponds to the organizational structure of the governmental units. Note that the same activity, function, or program is sometimes a part of the work of several organizational units.

Activity classification is particularly significant because it facilitates evaluation of the economy and efficiency of operations by providing data for calculating expenditures per unit of activity. That is, the expenditure requirements of performing a given unit of work can be determined by classifying expenditures by activities and providing for performance measurement where such techniques are practicable. These expenditure data, in turn, can be used to prepare future budgets and set standards against which future expenditure levels can be evaluated. Further, activity expenditure data provide a convenient starting point for calculating total or unit expenses of activities where that is desired, for example, for "make or buy" and "do or contract out" decisions. Current operating expenditures (total expenditures less those for capital outlay and debt service) may be adjusted by depreciation and amortization data derived from the account group records to determine activity expense. Thus, each of the above types of classification—function (or program), organization unit, and activity—provides useful information.

Classification of expenditures by *character* identifies them on the basis of the fiscal period benefited. For example, one character classification is *current expenditures*. This category includes expenditures benefiting the current fiscal period. In contrast, a second classification of the character grouping, *capital outlays*, benefits both the present and future periods. The third grouping of expenditures, *debt service*, benefits prior fiscal periods and the current fiscal period, as well as future fiscal periods. Some governmental units have used a fourth, *intergovernmental*, character classification for situations in which a governmental unit transfers funds to another level of government.

The basic or primary classification of expenditures is by *object class*. This designation of expenditures relates to the types of products or services received. Examples of this category include expenditures for personal services (salaries and wages), supplies, utilities, capital outlays, contractual services, and debt service.

CHANGES IN FUND BALANCES: THE ALL-INCLUSIVE CONCEPT

As discussed in GASB Cod. Sec. 2200.109 the operating statements for governmental units should reflect all revenues, all expenditures, and all other changes in fund balances. That portion of the statement relating to other changes in fund balances should have a format that provides a useful identification of the changes and a reconciliation between the beginning and ending balances. The components of a surplus or deficit should be clearly identified.

Further, the revenues and expenditures statements should adhere to the all-inclusive concept, thus eliminating the need for a separate statement of the changes in fund balances. In this way all changes in fund balances will clearly be set forth. This approach eliminates questions as to whether unusual changes in the individual fund balance accounts should be separately reported in a statement of changes in the fund balance or shown in the operating statements along with uses and transfers and all other revenues, expenditures, and financing sources.

BASIS OF ACCOUNTING

GASB Cod. Sec. 1600 requires the modified accrual or accrual basis of accounting, as appropriate, to be used in measuring financial position and operating results. The specific accounting principles are as follows:

a. Governmental fund revenues and expenditures should be recognized on the modified accrual basis. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which should be recognized when due.

b. Proprietary fund revenues and expenses should be recognized on the accrual basis. Revenues should be recognized in the accounting period in which they are earned and become measurable; expenses should be recognized in the period incurred, if measurable.

c. Fiduciary fund revenues and expenses or expenditures (as appropriate) should be recognized on the basis consistent with the fund's accounting measurement objective. Nonexpendable trust and pension trust funds should be accounted for on the accrual basis; expendable trust funds should be accounted for on the modified accrual basis. Agency fund assets and liabilities should be accounted for on the modified accrual basis.

d. Transfers should be recognized in the accounting period in which the interfund receivable and payable arise.

GASB Cod. Sec. P70.102 provides property taxes collected in advance of the year to which they applied are not to be recognized as revenues until the fiscal period to which they applied. Revenues collected in advance are to be shown as deferred revenues.

GASB Cod. Sec. P70.103 states property tax revenue should be recognized in the fiscal year for which levied, provided that the criteria of availability, defined below, are met.

"Available" means (1) then due, or (2) past due and receivable within the current period, or (3) expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Except under unusual circumstances, the time by which the revenues in (3) may be expected shall not exceed 60 days, and the government should disclose the period being used and the justifying conditions.

Section P70.107 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 a Combined Statement of Revenues, Expenditures, and Changes in Fund Balance—All Governmental Fund Types is necessary for separately issued General Purpose financial statements to be presented fairly in conformity with generally accepted accounting principles.

Table 4-1 summarizes several characteristics of the reporting observed for revenues, expenditures, and other financing sources as reported on this revenue statement.

TABLE 4-1. FORMAT OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

	Instances Observed		
Format Observations	**1988**	**1987**	**1986**
Governmental units whose general-purpose financial statement included a combined statement of revenues, expenditures, and changes in fund balances	455	447	401
Governmental fund types identified:			
General fund	439	434	388
Special revenue funds	428	422	359
Capital projects funds	359	349	256
Debt service funds	338	326	243
Special assessment funds[1]	126	151	131
Expendable trust funds	199	194	128
Memorandum totals:			
Current and prior year	307	284	199
Current year only	157	160	179
Expenditures, grouped by			
program/function	442	442	NC[2]
character (current, capital, debt)	275	236	NC
organization/department	13	21	NC
Other financing sources (uses) separately identified	409	383	321

[1]For periods beginning after June 15, 1987, GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments,* requires that special assessment fund types be eliminated for financial reporting purposes.
[2]Not calculated.

Below are several examples of financial statements showing revenues, expenditures, and changes in fund balances.

CHARTER TOWNSHIP OF EMMETT, MI (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES

	General Fund	Special Revenue Funds	Special Assessment Funds	Totals (Memorandum Only) December 31 1987	1986
REVENUES					
Taxes	$255,084	$ —	$ —	$ 255,084	$ 246,703
Special assessments	—	—	—	—	80,958
Connection fees	—	—	257,673	257,673	5,487
Licenses and permits	25,320	—	—	25,320	23,089
Federal sources	—	24,148	—	24,148	92,223
State sources	478,320	316,011	—	794,331	467,016
Charges for services	24,943	—	—	24,943	28,382
Fines and forfeitures	23,089	—	—	23,089	13,979
Lien payoff	—	17,339	—	17,339	11,700
Interest earned	21,620	594	209,592	231,806	259,427
Miscellaneous	11,424	—	2,171	13,595	6,691
Private contributions	—	21,117	—	21,117	64,048
Total revenues	839,800	379,209	469,436	1,688,445	1,299,703
EXPENDITURES					
General government	232,327	—	—	232,327	234,856
Public safety	467,545	—	—	467,545	435,533
Roads, highways and street lights	70,622	—	—	70,622	74,725
Cemetery	7,057	—	—	7,057	7,984
Debt service	—	—	125,000	125,000	125,000
Welfare	—	6,823	—	6,823	14,568
Interest	—	—	242,740	242,740	253,930
Other	67,004	2,500	56,800	126,304	127,403
Sanitary sewer/water main construction	—	358,244	—	358,244	126,082
Total expenditures	844,555	367,567	424,540	1,636,662	1,400,081
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,755)	11,642	44,896	51,783	(100,378)
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	(9,036)	10,365	5,671	7,000	5,700
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(13,791)	22,007	50,567	58,783	(94,678)
FUND BALANCES (DEFICIT)—Beginning of year	191,188	(5,230)	3,041,016	3,226,974	3,321,652
FUND BALANCES—End of year	$177,397	$ 16,777	$3,091,583	$3,285,757	$3,226,974

See Notes to Financial Statements.

CITY OF DALLAS, TX (SEP '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 1986

(in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1987	1986
Revenues:							
Ad Valorem tax	$176,359	$ —	$ 78,482	$ —	$ —	$254,841	$227,581
Sales tax	100,373	—	—	—	—	100,373	107,758
Other tax	65,140	—	—	—	—	65,140	66,864
Licenses and permits	2,263	—	—	—	—	2,263	1,787
Intergovernmental	3,854	25,712	—	—	—	29,566	39,125
Service to others	43,435	—	—	—	19,008	62,443	54,227
Fines and forfeitures	19,496	—	—	—	—	19,496	20,596
Interest	8,657	581	2,430	21,684	3,574	36,926	41,879
Gifts	—	—	—	—	6,348	6,348	3,452
Other	8,930	3,223	7	6,529	15,527	34,216	28,062
Total revenues	428,507	29,516	80,919	28,213	44,457	611,612	591,331
Expenditures:							
Current:							
General government	68,755	9,615	—	—	34,417	112,787	114,068
Public safety	224,568	5,318	—	—	—	229,886	224,588
Streets, street lighting, sanitation	68,464	1,854	—	—	—	70,318	70,873
Public health	12,239	1,173	—	—	—	13,412	12,050
Public works	7,900	—	—	—	—	7,900	9,629
Culture and recreation	52,759	1,996	—	—	1,256	56,011	63,850
Housing and urban rehabilitation	3,288	—	—	—	—	3,288	3,771
Human services	—	9,148	—	—	—	9,148	8,777
Debt service—principal	—	—	57,505	—	—	57,505	53,232
—interest	—	—	48,398	—	—	48,398	35,384
Capital outlays	—	—	—	131,659	—	131,659	142,683
Total expenditures	437,973	29,104	105,903	131,659	35,673	740,312	738,905
Excess (deficiency) of revenues over expenditures	(9,466)	412	(24,984)	(103,446)	8,784	(128,700)	(147,574)
Other financing sources (uses):							
Proceeds of general obligation bonds	—	—	—	13,720	—	13,720	215,319
Proceeds from sale of fixed assets	—	—	—	13,012	—	13,012	2,791
Operating transfers in	15,373	965	14,531	9,176	1,291	41,336	67,651
Operating transfers out	(3,978)	(4,806)	—	(16,332)	(3,353)	(28,469)	(56,862)
Interest on notes	—	—	—	—	—	—	(129)
Proceeds from bond refinancing	—	—	11,628	—	—	11,628	—
Total other financing sources (uses)	11,395	(3,841)	26,159	19,576	(2,062)	51,227	228,770
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	1,929	(3,429)	1,175	(83,870)	6,722	(77,473)	81,196
Fund balances at beginning of year	39,879	3,450	18,460	323,794	43,504	429,087	345,752
Equity transfers in	2,102	—	204	—	—	2,306	2,139
Fund balances at end of year	$ 43,910	$ 21	$ 19,839	$239,924	$50,226	$353,920	$429,087

See accompanying notes to combined financial statements.

CITY OF CHARLESTON, IL (APR '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY—ALL GOVERNMENTAL FUNDS

	Governmental Funds		Totals (Memorandum Only) Year Ended	
	General	Special Revenue	April 30, 1988	April 30, 1987
Revenues:				
Property taxes	$ 465,350	$ 674,854	$1,140,204	$1,071,627
Replacement income tax	57,395	18,895	76,290	66,641
Mobile home privilege tax			0	7,908
Tourism tax	35,065		35,065	35,782
Utility tax	586,731		586,731	503,181
Fines	87,443		87,443	88,620
Licenses, permits and fees	104,528	82,180	186,708	200,146
Municipal retailers' occupation tax	1,073,386		1,073,386	1,040,799
Illinois income tax	529,531		529,531	501,641
Other governmental agencies	142,378	357,844	500,222	595,196
Rental income	13,852		13,852	17,817
Interest income	60,818	138,688	199,506	147,790
CDAP income	4,850		4,850	335,329
Private donations and contributions		65,437	65,437	60,967
Other	150,540	281,487	432,027	381,186
Total revenues	3,311,867	1,619,385	4,931,252	5,054,630
Expenditures:				
General government	412,674	1,013,406	1,426,080	1,308,414
Public safety	1,911,514	25,777	1,937,291	1,806,069
Highways and streets	374,984	161,297	536,281	599,688
Health and welfare	25,431		25,431	24,713
Culture and recreation	45,923	489,654	535,577	395,198
Urban redevelopment and housing	184,695		184,695	444,377
Economic development and assistance		59,886	59,886	60,911
Total expenditures	2,955,221	1,750,020	4,705,241	4,639,370
Excess (deficiency) of revenues over expenditures	356,646	(130,635)	226,011	415,260
Other Financing Sources (Uses):				
Transfers in	216,849	548,943	765,792	612,246
Transfers out	(408,287)	(292,165)	(700,452)	(553,102)
Unrealized loss on investments		(3,763)	(3,763)	(9,216)
Total other financing sources (uses)	(191,438)	253,015	61,577	49,928
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	165,208	122,380	287,588	465,188
Fund equity, beginning	421,794	1,799,235	2,221,029	1,794,591
Transfer of short-term debt from long-term debt group of accounts	(12,529)		(12,529)	(38,750)
	409,265	1,799,235	2,208,500	1,755,841
Fund Equity, Ending	$ 574,473	$1,921,615	$2,496,088	$2,221,029

The accompanying notes are an integral part of these financial statements.

CARVER COUNTY, MN (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—ALL GOVERNMENTAL FUND TYPES

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Revenues					
Taxes	$ 3,523,161	$ 4,103,573	$279,968	$ 10,569	$ 7,917,271
Special assessments	—	106,605	—	—	106,605
Licenses and permits	113,245	—	—	—	113,245
Intergovernmental	1,852,824	5,251,512	379,596	89,137	7,573,069
Charges for services	1,368,933	647,342	—	—	2,016,275
Fines and forfeits	259,439	—	—	—	259,439
Investment income	571,044	39,733	—	11,899	622,676
Miscellaneous	127,665	275,248	—	—	402,913
Total Revenues	$ 7,816,311	$10,424,013	$659,564	$ 111,605	$19,011,493
Expenditures					
Current					
General government	$ 3,864,399	$ 246,302	$ —	$ —	$ 4,110,701
Public safety	2,808,495	—	—	—	2,808,495
Welfare	—	6,392,773	—	—	6,392,773
Health	668,898	—	—	—	668,898
Culture and recreation	287,312	365,989	—	—	653,301
Conservation of natural resources	217,298	19,264	—	—	236,562
Economic development and assistance	218,692	—	—	—	218,692
Highways and streets	—	2,811,379	—	—	2,811,379
Capital outlay	—	—	—	255,013	255,013
Debt service					
Principal retirement	—	40,000	370,000	—	410,000
Interest and fiscal charges	—	31,491	212,172	—	243,663
Total Expenditures	$ 8,065,094	$ 9,907,198	$582,172	$ 255,013	$18,809,477
Excess of Revenues Over (Under) Expenditures	$ (248,783)	$ 516,815	$ 77,392	$(143,408)	$ 202,016
Other Financing Sources (Uses)					
Operating transfers in	$ —	$ 371,287	$ —	$ 91,000	$ 462,287
Operating transfers out	(439,795)	(22,492)	—	—	(462,287)
Total Other Financing Sources (Uses)	$ (439,795)	$ 348,795	$ —	$ 91,000	$ —
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (688,578)	$ 865,610	$ 77,392	$ (52,408)	$ 202,016
Fund Balances—January 1, 1987, restated (Note 4)	4,251,907	3,017,025	375,014	112,717	7,756,663
Residual equity transfers in (out)	—	(77,005)	77,005	—	—
Changes in inventory	7,644	(4,079)	—	—	3,565
Fund Balances— December 31, 1987	$ 3,570,973	$ 3,801,551	$529,411	$ 60,309	$ 962,244

The notes to the financial statements are an integral part of this statement.

LANE COUNTY, OR (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes and assessments	$ 6,358,437	$ 4,942,160	$4,740,111			$16,040,708
Fees, licenses and permits	721,032	94,490				815,522
Intergovernmental						
Federal	11,401,041	29,216,819		$ 173,632	$585,404	41,376,896
State	11,743,576	6,897,398			24,771	18,665,745
Local	657,695	639,372				1,297,067
Charges for services	1,558,461	189,540				1,748,001
Fines, forfeitures and penalties	284,219					284,219
Sale and rental of property	651,412	329,395		5,300	1,675	987,782
Administrative charges	2,668,106	407,457				3,075,563
Interest	936,766	2,505,710	197,908	71,520		3,711,904
Other	251,423	599,455	254,515	9,764	3,303	1,118,540
Total revenues	37,232,168	45,821,796	5,192,534	260,216	615,233	89,121,947
Expenditures:						
Current:						
General Government	9,595,859	14,199,983		65,566	591,192	24,452,600
Human Services	10,045,893	4,024,878				14,070,771
Public Safety	15,205,477	2,100,096				17,305,573
Environmental Services	1,390,693	112,961				1,503,654
Culture and Recreation		1,330,708				1,330,708
Education		7,292,343				7,292,343
Capital outlay	561,849	15,790,354		3,651,702		20,003,905
Debt service:						
Principal			2,020,000			2,020,000
Interest			2,165,464			2,165,464
Total expenditures	36,799,771	44,851,323	4,185,464	3,717,268	591,192	90,145,018
Excess (deficiency) of revenues over expenditures	432,397	970,473	1,007,070	(3,457,052)	24,041	(1,023,071)
Other financing sources (uses):						
Operating transfers in	227,186	835,855			50,005	1,113,046
Operating transfers out	(1,128,565)	(20,931)			(58,123)	(1,207,619)
General obligation bond proceeds				5,129,160		5,129,160
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(468,982)	1,785,397	1,007,070	1,672,108	15,923	4,011,516
Fund balances (deficit), July 1, 1987	3,593,701	32,759,883	2,757,018	(107,306)	27,147	39,030,443
Fund balances, June 30, 1988	$ 3,124,719	$34,545,280	$3,764,088	$1,564,802	$ 43,070	$43,041,959

The accompanying notes are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 152, MN (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—ALL GOVERNMENTAL FUND TYPES

	General	Special Revenue	Capital Projects	Debt Service	Totals (Memorandum Only) 1988	1987
REVENUES:						
Local property tax levies	$ 3,939,138	$ 1,018,029	$ 457	$361,382	$ 5,319,006	$ 5,013,836
Other local and county sources	454,067	1,650,077	20,339	47,686	2,172,169	2,229,747
State sources	13,713,522	4,745,902		343,412	18,802,836	17,391,943
Federal sources	594,099	840,966			1,435,065	946,566
Sales and other conversion of assets	11,510	1,021,374			1,032,884	1,001,017
Total revenues	18,712,336	9,276,348	20,796	752,480	28,761,960	26,583,109
EXPENDITURES:						
District and school administration	883,752	368,954			1,252,706	1,165,081
District support services	321,891	439,997			761,888	661,917
Regular instruction	8,278,948	312,358			8,591,306	8,099,799
Vocational instruction	196,751	4,058,487			4,255,238	4,162,268
Exceptional instruction	3,099,527	2,415			3,101,942	2,881,770
Community education and service	2,470	406,131			408,601	387,603
Instructional support services	673,984	303,377			977,361	914,091
Pupil support services	373,692	2,358,152			2,731,844	2,472,775
Site, buildings and equipment	1,260,889	2,240,127	848,386		4,349,402	3,836,769
Fiscal and other fixed cost programs	3,122,932	234,957	145	806,689	4,164,723	4,062,717
Total expenditures	18,214,836	10,724,955	848,531	806,689	30,595,011	28,644,790
REVENUES OVER (UNDER) EXPENDITURES	497,500	(1,448,607)	(827,735)	(54,209)	(1,833,051)	(2,061,681)
OTHER FINANCING SOURCES:						
Capital loans and contracts		872,545			872,545	225,161
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	497,500	(576,062)	(827,735)	(54,209)	(960,506)	(1,836,520)
FUND BALANCE, BEGINNING OF YEAR	1,777,152	2,032,869	743,406	552,828	5,106,255	6,942,775
RESIDUAL EQUITY TRANSFER		(81,513)	81,513			
FUND BALANCE, END OF YEAR	$ 2,274,652	$ 1,375,294	$ (2,816)	$498,619	$ 4,145,749	$ 5,106,255

The accompanying notes to financial statements are an integral part of these statements.

LANE TRANSIT DISTRICT, OR (JUN '88)

STATEMENTS OF REVENUES AND EXPENSES

	1988	1987
Operating revenues:		
Transportation	$ 1,563,550	$ 1,481,631
Other	68,331	53,310
Total operating revenues	1,631,881	1,534,941
Operating expenses:		
Personal services	5,818,458	5,568,692
Materials and supplies	1,163,303	994,175
Contractual services	847,674	719,290
Insurance	399,020	370,668
Total operating expenses before depreciation	8,228,455	7,652,825
Operating loss before depreciation	(6,596,574)	(6,117,884)
Depreciation	994,825	1,118,744
Loss from operations	(7,591,399)	(7,236,628)
Other income (expenses):		
Employer payroll tax, net of collection expense (1988, $138,639; 1987, $129,231)	5,433,886	5,146,688
Federal operating grant	893,448	893,448
State payroll assessment	513,356	594,425
State Special Transportation	295,586	271,395
Other operating grants	2,270	2,838
Federal planning grant	29,491	13,314
Interest	257,972	166,624
Gain (loss) on sale of equipment	(3,752)	5,960
Total other income (expenses)	7,422,257	7,094,692
Net loss	$ (169,142)	$ (141,936)

See notes to financial statements.

BUDGETARY ACCOUNTING

GASB Cod. Sec. 1700 establishes the principles for budgeting, budgetary control, and budgetary reporting by governmental units:

a. An annual budget(s) should be adopted by every governmental unit.

b. The accounting system should provide the basis for appropriate budgetary control.

c. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

GASB Cod. Sec. 1700.116 recommends that the basis upon which the budget is prepared should be consistent with the basis of accounting used.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—GENERAL AND SPECIAL REVENUE FUND TYPES FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED

GASB Cod. Sec. 2200.129 recommends that one of the five combined statements contained in the general purpose financial statement be a comparison of budget data and actual financial results. This financial statement is titled revenues, expenditures, and changes in fund balance—budget and actual; it should include the budgeted and actual data for governmental fund types for which annual budgets have been adopted. Such a statement is recommended for all governmental funds, although in practice budgets typically exist only for a government's general fund and special revenue funds.

When the budget is prepared on a basis consistent with generally accepted accounting principles, the budgetary data are on the same basis as the actual data included in the statement of revenues, expenditures, and changes in fund balance for all governmental fund types. If the legally prescribed budgetary basis differs from generally accepted accounting principles the budgetary data cannot be compared to *actual* financial statements prepared according to GAAP. In such instances, the actual data in the financial statement should be prepared on, or converted by statement adjustments to, the same basis as the budgetary data (e.g., a cash basis, or with all encumbrances recorded as expenditures). Any differences between GAAP and the budgetary basis should be explained in the notes to financial statements.

As noted in Table 4-2, most of the financial statements of the surveyed governments included a statement of revenues, expenditures, and changes in fund balances—budget and actual. Table 4-2 also indicates that usage of the budget-to-actual statement was consistently high among the surveyed governments. Budgets existed most often for the general fund and for special revenue funds.

See the excerpts of the notes to governmental units financial statements related to the reported bases of accounting and budgeting.

TABLE 4-2. OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—FOR GOVERNMENTAL FUNDS

	Instances Observed		
Fund Comparisons—Budget and Actual	**1988**	**1987**	**1986**
Governmental units whose general purpose financial statement included a combined statement of revenues, expenditures, and changes in fund balances—budget and actual—for governmental funds	448	439	379
Governmental fund types:			
General fund	402	386	341
Special revenue funds	366	352	315
Debt service funds	213	194	134
Capital projects funds	156	148	97
Special assessment funds[1]	72	62	59
Trust funds	21	23	27
Memorandum totals:			
Current and prior year	17	32	NC[2]
Current year only	177	160	NC
Expenditures, grouped by			
program/function	430	430	NC
character (current, capital, debt)	228	206	NC
organization/department	19	23	NC
Other financing sources (uses) separately identified	383	369	NC

[1]For periods beginning after June 15, 1987, GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments,* requires that special assessment fund types be eliminated for financial reporting purposes.

[2]Not calculated.

MORAINE PARK VOCATIONAL, TECHNICAL AND ADULT EDUCATION DISTRICT, WI (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL—ALL GOVERNMENTAL FUND TYPES

	General Fund			Debt Service Fund			Capital Projects Fund		
	Budget	Actual on a budgetary basis	Variance favorable (unfavorable)	Budget	Actual on a budgetary basis	Variance favorable (unfavorable)	Budget	Actual on a budgetary basis	Variance favorable (unfavorable)
Revenues:									
Local government	$ 8,434,327	$ 8,434,347	$ 20	$1,667,395	$ 1,667,395	$ —	$ 38,956	$ 38,956	$ —
State aids	3,179,071	3,118,307	(60,764)	—	—	—	—	—	—
Other state	72,250	124,355	52,105	—	—	—	—	—	—
Federal	598,774	493,088	(105,686)	28,834	28,834	—	29,346	23,770	(5,576)
Statutory fees	1,898,565	1,824,954	(73,611)	—	—	—	—	—	—
Material fees	161,662	154,329	(7,333)	—	—	—	—	—	—
Other student fees	494,522	446,709	(47,813)	—	—	—	—	—	—
Institutional	163,478	356,674	193,196	12,246	11,236	(1,010)	34,220	23,817	(10,403)
Total revenues	15,002,649	14,952,763	(49,886)	1,708,475	1,707,465	(1,010)	102,522	86,543	(15,979)
Expenditures:									
Instruction	8,271,344	8,271,343	1	—	—	—	267,364	258,926	8,438
Instructional resources	520,935	520,934	1	—	—	—	41,560	35,365	6,195
Student services	1,540,805	1,332,940	207,865	—	—	—	9,910	7,073	2,837
Research	87,829	87,673	156	—	—	—	—	—	—
General administration	845,386	837,581	7,805	—	—	—	17,750	17,750	—
General institutional	2,561,645	2,328,715	232,930	—	—	—	80,410	80,410	—
Physical plant	1,376,870	1,298,267	78,603	1,720,506	1,720,505	1	103,372	102,842	530
Total expenditures	15,204,814	14,677,453	527,361	1,720,506	1,720,505	1	520,366	502,366	18,000
Excess of revenues over (under) expenditures	(202,165)	275,310	477,475	(12,031)	(13,040)	(1,009)	(417,844)	(415,823)	2,021
Other financing sources:									
Debt proceeds	—	—	—	—	—	—	390,000	390,000	—
Operating transfer in	—	—	—	—	—	—	26,800	28,750	1,950
Excess of revenues over (under) expenditures and other financing sources (Note 8)	(202,165)	275,310	477,475	(12,031)	(13,040)	(1,009)	(1,044)	2,927	3,971
Fund balances:									
Beginning of year	2,404,821	2,404,821	—	12,033	12,033	—	18,321	18,321	—
End of year	$ 2,202,656	$ 2,680,131	$477,475	$ 2	$ (1,007)	$(1,009)	$ 17,277	$ 21,248	$ 3,971

TOWN OF BOONE, NC (JUN '88)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL—GENERAL FUND AND DEBT SERVICE FUND

	General Fund			Debt Service Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Ad valorem taxes....	$1,650,380	$1,772,005	$ 121,625	$ —	$ —	$ —	$1,650,380	$1,772,005	$ 121,625
Other taxes...........	1,316,205	1,372,791	56,586	—	—	—	1,316,205	1,372,791	56,586
Unrestricted intergovernmental revenues...............	68,545	85,972	17,427	—	—	—	68,545	85,972	17,427
Restricted intergovernmental revenues	290,935	248,992	(41,943)	—	—	—	290,935	248,992	(41,943)
Licenses and permits	50,375	62,668	12,293	—	—	—	50,375	62,668	12,293
Sales and services ..	180,600	159,102	(21,498)	—	—	—	180,600	159,102	(21,498)
Investment earnings	75,000	70,620	(4,380)	8,500	8,207	(293)	83,500	78,827	(4,673)
Miscellaneous........	74,132	342,050	267,918	—	—	—	74,132	342,050	267,918
Total revenues .	3,706,172	4,114,200	408,028	8,500	8,207	(293)	3,714,672	4,122,407	407,735
Expenditures:									
General government	914,788	821,861	92,927	—	—	—	914,788	821,861	92,925
Public safety	1,584,591	1,551,696	32,895	—	—	—	1,584,591	1,551,696	32,895
Transportation	903,294	842,598	60,696	—	—	—	903,294	842,598	60,696
Public works	539,759	531,137	8,622	—	—	—	539,759	531,137	8,622
Environmental protection.............	291,325	287,618	3,707	—	—	—	291,325	287,618	3,707
Debt service:									
Principal retirement............	—	—	—	342,667	342,667	—	342,667	342,667	—
Interest and fees .	—	—	—	397,443	397,198	245	397,443	397,198	245
Total expenditures..........	4,233,757	4,034,910	198,847	740,110	739,865	245	4,973,867	4,774,775	199,092
Revenues over (under) expenditures ...	(527,585)	79,290	606,875	(731,610)	(731,658)	(48)	(1,259,195)	(652,368)	606,827
Other financing sources (uses):									
Operating transfers—in (out)	(253,645)	(253,645)	—	727,510	727,510	—	473,865	473,865	—
Fund balance appropriated.......	781,230	—	(781,230)	4,100	—	(4,100)	785,330	—	(785,330)
Excess of revenues and other sources over (under) expenditures and other uses	$ —	(174,355)	$(174,355)	$ —	(4,148)	$(4,148)	$ —	(178,503)	$(178,503)
Fund balance:									
Beginning of year		1,281,712			4,835			1,286,547	
End of year........		$1,107,357			$ 687			$1,108,044	

The accompanying notes are an integral part of these financial statements.

WASHOE COUNTY SCHOOL DISTRICT, NV (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL—ALL GOVERNMENTAL FUND TYPES

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance—Favorable (Unfavorable)	Budget	Actual	Variance—Favorable (Unfavorable)
REVENUES:						
Local sources	$ 72,826,688	$ 74,517,849	$1,691,161	$2,518,071	$2,209,130	$(308,941)
State sources	36,031,234	34,946,314	(1,084,920)	544,179	472,175	(72,004)
Federal sources	349,989	165,696	(184,293)	4,278,449	3,983,825	(294,624)
Other sources	25,000	12,448	(12,552)	—	—	—
Total revenues	109,232,911	109,642,307	409,396	7,340,699	6,665,130	(675,569)
EXPENDITURES:						
Food service operations	—	—	—	3,788,795	3,588,588	200,207
Instruction	68,973,972	67,891,816	1,082,156	2,643,370	2,364,413	278,957
Support services:						
Student support	5,379,112	5,275,411	103,701	280,838	105,497	175,341
Instructional staff support	4,515,398	4,418,423	96,975	628,307	563,673	64,634
General administration	1,794,313	1,695,539	98,774	—	—	—
School administration	7,683,582	7,633,094	50,488	—	—	—
Business support	1,888,462	1,840,680	47,782	—	—	—
Operation and maintenance of plant	13,682,709	13,378,005	304,704	—	—	—
Student transportation	5,160,673	4,989,640	171,033	—	—	—
Central support services	1,803,307	1,672,075	131,232	—	—	—
Other support	243,703	220,041	23,662	—	—	—
Capital outlay	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Total expenditures	111,125,231	109,014,724	2,110,507	7,341,310	6,622,171	719,139
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,892,320)	627,583	2,519,903	(611)	42,959	43,570

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Budget	Actual	Variance—Favorable (Unfavorable)	Budget	Actual	Variance—Favorable (Unfavorable)	Budget	Actual	Variance—Favorable (Unfavorable)
$10,451,740	$10,179,066	$(272,674)	$6,639,375	$7,297,044	$ 657,669	$ 92,435,874	$ 94,203,089	$1,767,215
—	—	—	—	—	—	36,575,413	35,418,489	(1,156,924)
—	—	—	—	—	—	4,628,438	4,149,521	(478,917)
—	—	—	20,000	83,644	63,644	45,000	96,092	51,092
10,451,740	10,179,066	(272,674)	6,659,375	7,380,688	721,313	133,684,725	133,867,191	182,466
—	—	—	—	—	—	3,788,795	3,588,588	200,207
—	—	—	—	—	—	71,617,342	70,256,229	1,361,113
—	—	—	—	—	—	5,659,950	5,380,908	279,042
—	—	—	—	—	—	5,143,705	4,982,096	161,609
—	—	—	—	—	—	1,794,313	1,695,539	98,774
—	—	—	—	—	—	7,683,582	7,633,094	50,488
—	—	—	—	—	—	1,888,462	1,840,680	47,782
—	—	—	—	—	—	13,682,709	13,378,005	304,704
—	—	—	—	—	—	5,160,673	4,989,640	171,033
—	—	—	—	—	—	1,803,307	1,672,075	131,232
—	—	—	—	—	—	243,703	220,041	23,662
—	—	—	9,812,513	6,029,304	3,783,209	9,812,513	6,029,304	3,783,209
10,283,721	10,270,614	13,107	—	—	—	10,283,721	10,270,614	13,107
10,283,721	10,270,614	13,107	9,812,513	6,029,304	3,783,209	138,562,775	131,936,813	6,625,962
168,019	(91,548)	(259,567)	(3,153,138)	1,351,384	4,504,522	(4,878,050)	1,930,378	6,808,428

LUCAS COUNTY, OH (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)—ALL GOVERNMENTAL FUND TYPES

(amounts in 000's)

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
REVENUES:						
Taxes	$39,093	$38,971	$ (122)	$ 37,595	$ 36,432	$ (1,163)
Charges for services	6,874	6,760	(114)	3,004	3,107	103
Licenses and permits	64	58	(6)	—	—	—
Fines and forfeits	350	434	84	—	—	—
Special assessments	8	9	1	130	131	1
Intergovernmental revenue	8,174	8,115	(59)	63,192	63,379	187
Miscellaneous revenue	3,652	3,660	8	3,122	3,638	516
Total revenues	58,215	58,007	(208)	107,043	106,687	(356)
EXPENDITURES:						
Current:						
General government:						
Legislative and executive	15,499	15,161	338	3,038	2,616	422
Judicial	15,796	15,542	254	2,195	1,849	346
Public safety	13,176	13,101	75	3,726	1,341	2,385
Public works	153	119	34	11,465	8,738	2,727
Health	989	895	94	36,497	29,641	6,856
Human services	430	411	19	62,157	60,660	1,497
Conservation and recreation	1,614	1,597	17	—	—	—
Miscellaneous	207	76	131	8,266	7,667	599
Capital outlay	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	47,864	46,902	962	127,344	112,512	14,832
Excess of revenues over (under) expenditures	10,351	11,105	754	(20,301)	(5,825)	14,476
OTHER FINANCING SOURCES (USES):						
Proceeds of sale of general fixed assets	—	8	8	—	—	—
Proceeds of notes	—	—	—	—	—	—
Proceeds of bonds	—	—	—	—	—	—
Operating transfers in	—	127	127	8,792	8,198	(594)
Operating transfers (out)	(12,871)	(11,880)	991	(664)	(661)	3
Total other financing sources (uses)	(12,871)	(11,745)	1,126	8,128	7,537	(591)
Excess of revenues and other financing sources over (under) expenditures and other uses (Note N)	(2,520)	(640)	1,880	(12,173)	1,712	13,885
Fund balance at beginning of year	2,665	2,665	—	13,806	13,806	—
Fund balance at end of year	$ 145	$ 2,025	$ 1,880	$ 1,633	$ 15,518	$ 13,885

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$ —	$ —	$ —	$ 2,088	$ 2,051	$ (37)	$ 78,776	$ 77,454	$ (1,322)
—	—	—	—	—	—	9,878	9,867	(11)
—	—	—	—	—	—	64	58	(6)
—	578	578	—	—	—	8	594	586
—	—	—	—	7	7	480	565	85
—	—	—	—	—	—	71,366	71,494	128
—	179	179	968	497	(471)	7,742	7,974	232
—	757	757	3,056	2,555	(501)	168,314	168,006	(308)
—	—	—	—	—	—	18,537	17,777	760
—	—	—	—	—	—	17,991	17,391	600
—	—	—	—	—	—	16,902	14,442	2,460
—	—	—	—	—	—	11,618	8,857	2,761
—	—	—	—	—	—	37,486	30,536	6,950
—	—	—	—	—	—	62,587	61,071	1,516
—	—	—	—	—	—	1,614	1,597	17
38	38	—	65	24	41	8,576	7,805	771
—	—	—	14,563	12,792	1,771	14,563	12,792	1,771
1,198	563	635	19,105	19,105	—	20,303	19,668	635
1,459	1,446	13	1,104	953	151	2,563	2,399	164
2,695	2,047	648	34,837	32,874	1,963	210,740	194,335	18,405
(2,695)	(1,290)	1,405	(31,781)	(30,319)	1,462	(44,426)	(26,329)	18,097
—	—	—	—	—	—	—	8	8
—	—	—	17,303	16,815	(488)	17,303	16,815	(488)
—	—	—	—	298	298	—	298	298
1,927	1,370	(557)	497	2,185	1,688	11,216	11,880	664
—	—	—	(434)	—	434	(13,969)	(12,541)	1,428
1,927	1,370	(557)	17,366	19,298	1,932	14,550	16,460	1,910
(768)	80	848	(14,415)	(11,021)	3,394	(29,876)	(9,869)	20,007
410	410	—	14,815	14,815	—	31,696	31,696	—
$ (358)	$ 490	$ 848	$ 400	$ 3,794	$ 3,394	$ 1,820	$ 21,827	$ 20,007

The Notes to the financial statements are an integral part of this statement.

CITY OF SIERRA VISTA, AZ (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—GENERAL, SPECIAL AVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUND TYPES

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes	$2,717,779	$2,266,427	$(451,352)	$ 472,930	$ 424,178	$ (48,752)						
Intergovernmental revenues	3,431,014	3,550,306	119,292	1,577,661	1,671,051	93,390	$868,619	$ 897,646	$ 29,027	$ 843,675	$ 130,108	$ (713,567)
General government revenues	210,371	174,092	(36,279)									
Licenses and permits	270,782	184,793	(85,989)									
Fines and forfeitures	159,500	196,741	37,241	4,000	6,212	2,212						
Interest income	141,812	157,655	15,843	69,000	120,894	51,894	40,000	43,341	3,341	50,000	174,453	124,453
Contributions				6,000	6,000							
Other revenues	233,980	40,467	(193,513)	256,096	35,045	(221,051)				3,500		(3,500)
Total revenues	7,165,238	6,570,481	(594,757)	2,385,687	2,263,380	(122,307)	908,619	940,987	32,368	897,175	304,561	(592,614)
Expenditures:												
Current:												
General government	1,778,740	1,796,547	(17,807)	137,949	256,309	(118,360)						
Public safety	2,674,287	2,609,747	64,540	120,955	60,189	60,766						
Public works	1,912,264	1,800,393	111,871	2,208,555	1,519,409	689,146						
Community services	711,873	713,415	(1,542)	6,500	5,150	1,350				3,500		
Culture and recreation				460,713	452,823	7,890						
Planning	161,985	170,163	(8,178)									
Building inspection	290,315	272,737	17,578									
Debt service:												
Principal retirement	61,100	47,506	13,594	83,466	22,964	60,502	420,000	375,000	45,000			
Interest charges	24,670	18,398	6,272	12,549	7,940	4,609	568,619	747,406	(178,787)			
Fiscal agent fees								3,911	(3,911)			

Capital outlay										4,843,675	569,416	4,274,259
Total expenditures	7,615,234	7,428,906	186,328	3,030,687	2,324,784	705,903	988,619	1,126,317	(137,698)	4,847,175	569,416	4,274,259
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(449,996)	(858,425)	(408,429)	(645,000)	(61,404)	583,596	(80,000)	(185,330)	(105,330)	(3,950,000)	(264,855)	3,685,145
Other financing sources (uses):												
Proceeds from sale of bonds ..								588,128	588,128	3,000,000	2,686,872	(313,128)
Proceeds from installment purchase		173,995	173,995		108,670	108,670						
Operating transfer in							80,000	78,384	(1,616)			
Operating transfer out		(78)	(78)	(80,000)	(78,384)	1,616						
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	(449,996)	(684,508)	(234,512)	(725,000)	(31,118)	693,882		481,182	481,182	(950,000)	2,422,017	3,372,017
Fund balance at July 1, 1987	449,996	2,173,427	1,723,431	725,000	1,444,630	719,630		18,653	18,653	950,000	738,349	(211,651)
Prior period adjustment (Note 17)...					(28,924)	(28,924)					28,924	28,924
Fund balance at July 1, as restated	449,996	2,173,427	1,723,431	725,000	1,415,706	690,706		18,653	18,653	950,000	767,273	(182,727)
Residual equity transfer in (Note 16)		478,288	478,288		26,804	26,804						
Fund balance at June 30, 1988....		$1,967,207	$ 1,967,207		$1,411,392	$ 1,411,392		$499,835	$499,835		$3,189,290	$ 3,189,290

The accompanying notes are an integral part of the financial statements.

CITY OF ST. LOUIS, MO (APR '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—(NON-GAAP BUDGETARY BASIS) GENERAL AND DEBT SERVICE FUND

	General Fund			Debt Service Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable	Budget	Actual	Variance (Unfavorable)
Revenues:									
Taxes	$ 221,226,000	$ 225,844,984	$ 4,618,984	$ 5,010,935	$6,488,004	$1,477,069	$ 226,236,935	$ 232,332,988	$ 6,096,053
Licenses and permits	11,828,000	12,738,971	910,971				11,828,000	12,738,971	910,971
Intergovernmental aid	4,424,394	3,718,380	(706,014)				4,424,394	3,718,380	(706,014)
Charges for services	13,839,500	14,778,779	939,279				13,839,500	14,778,779	939,279
Court fines and forfeitures	6,847,500	7,750,803	903,303				6,847,500	7,750,803	903,303
Interest		406,072	406,072	336,745	2,300,173	1,963,428	336,745	2,706,245	2,369,500
Miscellaneous	4,681,500	4,670,926	(10,574)				4,681,500	4,670,926	(10,574)
Total revenues	262,846,894	269,908,915	7,062,021	5,347,680	8,788,177	3,440,497	268,194,574	278,697,092	10,502,518
Expenditures:									
Current:									
General government	26,392,497	25,278,529	1,113,968				26,392,497	25,278,529	1,113,968
Non-departmental	7,372,927	3,186,676	4,186,251				7,372,927	3,186,676	4,186,251
Parks and recreation	10,920,064	10,260,453	659,611				10,920,064	10,260,453	659,611
Judicial	20,664,346	20,433,916	230,430				20,664,346	20,433,916	230,430
County offices	4,610,164	4,218,299	391,865				4,610,164	4,218,299	391,865
Public utilities	11,344,050	11,347,408	(3,358)				11,344,050	11,347,408	(3,358)
Streets	16,657,046	16,289,846	367,200				16,657,046	16,289,846	367,200
Public safety	37,123,484	36,636,003	487,481				37,123,484	36,636,003	487,481
Health	43,807,587	49,976,277	(6,168,690)				43,807,587	49,976,277	(6,168,690)
Welfare	10,630,494	10,137,374	493,120				10,630,494	10,137,374	493,120
Public services	14,291,202	12,734,768	1,556,434				14,291,202	12,734,768	1,556,434
Police	81,579,189	81,592,324	(13,135)				81,579,189	81,592,324	(13,135)
Debt service:									
Principal				2,675,000	2,675,000		2,675,000	2,675,000	
Interest and fiscal charges				2,834,110	2,743,776	90,334	2,834,110	2,743,776	90,334
Total expenditures	285,393,050	282,091,873	3,301,177	5,509,110	5,418,776	90,334	290,902,160	287,510,649	3,391,511
Excess of revenues over (under) expenditures	(22,546,156)	(12,182,958)	10,363,198	(161,430)	3,369,401	3,530,831	(22,707,586)	(8,813,557)	13,894,029
Other financing sources (uses):									
Operating transfers—in	20,273,800	11,182,234	(9,091,566)				20,273,800	11,182,234	(9,091,566
Operating transfers—out		(6,325,498)	(6,325,498)					(6,325,498)	(6,325,498)
Total other financing sources (uses)	20,273,800	4,856,736	(15,417,064)	—	—	—	20,273,800	4,856,736	(15,417,064)
Excess of revenues and other sources over (under) expenditures and other uses—budgetary basis—twelve months ended April 30, 1988	$ (2,272,356)	$ (7,326,222)	$ (5,053,866)	$ (161,430)	$3,369,401	$3,530,831	$ (2,433,786)	$ (3,956,821)	$ (1,523,035)

See accompanying Notes to Combined Financial Statements.

PROPRIETARY FUNDS AND SIMILAR TRUST FUNDS

REVENUES AND EXPENSES

GASB Cod. Sec. 1800.121 provides guidance for the classification and reporting of revenues and expenses of proprietary funds and trust funds of similar type and states that

> proprietary fund revenues and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.

The choice of revenue and expense account nomenclature in these combined statements appears directly related to the nature of the enterprise or internal service activities operated by the governmental unit. Also, the number and types of trust funds established by the governmental unit caused the revenue and expense account classifications to differ among the units.

CHANGES IN RETAINED EARNINGS

GASB Cod. Sec. 2200.109 states the section of the operations statement concerning changes in retained earnings or equity balances should be in a format that provides a meaningful summary of the changes and a reconciliation between the beginning and ending balances. As for governmental funds, the GASB prescribes the all-inclusive concept of retained earnings reporting for proprietary funds. Adherence to this concept eliminates the need to reflect changes in retained earnings in a separate statement of changes. Thus, the statement of revenues and expenses should contain all revenues, expenses, and transfers and other changes related to the retained earnings of all proprietary funds.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (OR EQUITY)—ALL PROPRIETARY FUND TYPES

The reporting practices of proprietary funds and similar trust funds closely parallel comparable commercial financial reporting. The guidance published for business operations in the private sector applies to similar governmental activity. GASB Cod. Sec. 2200.106 prescribes a combined statement (the statement of revenues, expenses, and changes in fund balances) for use by governments with proprietary-type fund activities. About 81% of the surveyed governmental units utilized such a financial statement. The surveyed governments' financial statements for proprietary funds typically included the following major sections:

operating and nonoperating revenues,

operating and nonoperating expenses,

operating transfers in (out),

net income (loss),

retained earnings or fund balances at the beginning of the year,

reconciling items in retained earnings or fund balances, and

retained earnings or fund balances at the end of the year.

Table 4-3 summarizes several characteristics of the reporting observed for revenues, expenses, and transfers as reported on this revenue statement.

TABLE 4-3. OBSERVATIONS RELATING TO THE COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (OR EQUITY)—ALL PROPRIETARY FUND TYPES

	Instances Observed	
Observations	**1988**	**1987**
Proprietary fund types identified:		
Enterprise fund	333	301
Internal service fund	212	169
Fiduciary fund types		
Trust fund	103	112
Agency fund	0	1
Trust and agency fund	3	3
Pension trust	127	119
Memorandum totals:		
Current and prior year	153	157
Current year only	11	35

A selection of reported operating revenue and expense accounts is given in Tables 4-4 and 4-5. It should be noted that revenues and expenses were not always uniformly categorized as operating or nonoperating.

TABLE 4-4. OPERATING REVENUES FOR PROPRIETARY FUND TYPES

	Instances Observed		
Revenue	**1988**	**1987**	**1986**
Charges for services	216	200	169
Other[1]	147	132	137
Interest[2]	109	129	117
Contributions[3]	133	100	51
Miscellaneous	88	82	91
Rentals	44	52	68
Gain on investment disposal	23	28	8
Intergovernmental revenue	26	25	17
Taxes	20	21	16

[1]Includes other revenue.
[2]Includes interest income, interest earned, interest on investments.
[3]Includes contributions from employees.

TABLE 4-5. OPERATING EXPENSES FOR PROPRIETARY FUND TYPES

Expense	Instances Observed 1988	Instances Observed 1987
Depreciation	317	270
Fringe benefits[1]	147	105
Personnel services	137	114
Other	114	102
Contractual services[2]	98	91
Materials and supplies	86	74
Utilities	85	85
Insurance	76	77
Supplies	62	63
Maintenance	59	60
Salaries	54	61
Repairs and maintenance	52	47
Miscellaneous	50	47
Professional services	47	NC[3]
Refunds	42	22
Salaries and fringes	40	28
Interest	36	33
Bad debt	36	25
Rentals[4]	35	28
Taxes	24	23
Heat, light and power	19	13
Materials	14	12

[1]Includes benefits payments.
[2]Includes any contractual service.
[3]Not calculated.
[4]Includes equipment rentals.

TOWN OF BROOKFIELD, CT (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE—NONEXPENDABLE AND PENSION TRUST FUNDS

	Nonexpendable Trust	Pension Trust	Totals (Memorandum Only) June 30, 1988	Totals (Memorandum Only) June 30, 1987
OPERATING REVENUES:				
Investment income	$ 3,239	$ 201,086	$ 204,325	$ 186,980
Contributions—employer		200,407	200,407	160,000
Contributions—employee		81,726	81,726	67,634
Total operating revenues	3,239	483,219	486,458	414,614
OPERATING EXPENSES:				
Benefit payments		53,888	53,888	41,233
Miscellaneous		7,572	7,572	5,507
Total operating expenses		61,460	61,460	46,740
INCOME BEFORE OPERATING TRANSFERS	3,239	421,759	424,998	367,874
OTHER FINANCING USES—Operating transfers out	(274)		(274)	(264)
NET INCOME	2,965	421,759	424,724	367,610
FUND BALANCE, JULY 1, 1987	56,109	1,961,357	2,017,466	1,649,856
FUND BALANCE, JUNE 30, 1988	$59,074	$2,383,116	$2,442,190	$2,017,466

CITY OF GREEN BAY, WI (DEC '87)

ALL PROPRIETARY FUND TYPES—COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	1987	1986
Operating Revenues				
Charges for services	$ 7,818,653	$3,335,641	$11,154,294	$10,121,998
Miscellaneous	2,531	—	2,531	213
Total Operating Revenues	7,821,184	3,335,641	11,156,825	10,122,211
Operating Expenses				
Salaries, wages and fringes	4,164,207	—	4,164,207	3,992,019
Contractual services	74,928	—	74,928	69,712
Material and supplies	919,437	—	919,437	886,799
Heat, light and power	677,406	—	677,406	692,739
Depreciation	1,360,484	—	1,360,484	1,342,431
Insurance and taxes	956,281	3,488,153	4,444,434	3,930,680
Maintenance and other	186,547	—	186,547	282,809
Total Operating Expenses	8,339,290	3,488,153	11,827,443	11,197,189
Operating Income (Loss)	(518,106)	(152,512)	(670,618)	(1,074,978)
Nonoperating Revenues (Expenses)				
Operating grants	520,007	—	520,007	532,082
Interest revenue	435,610	151,118	586,728	650,242
Other	27,242	—	27,242	48,672
Interest expense and fiscal charges	(487,424)	—	(487,424)	(474,482)
Total Nonoperating Revenues (Expenses)	495,435	151,118	646,553	756,514
Income before Operating Transfers	(22,671)	(1,394)	(24,065)	(318,464)
Operating transfers in	1,771,086	—	1,771,086	2,803,156
Operating transfers (out)	(172,000)	—	(172,000)	(215,000)
Net Income	1,576,415	(1,394)	1,575,021	2,269,692
Amortization of Contributed Capital Used to Acquire Fixed Assets	309,912	—	309,912	287,938
Retained Earnings—January 1	18,693,028	1,396,564	20,089,592	17,176,493
Prior Period Adjustment	—	—	—	355,469
Retained Earnings—December 31	$20,579,355	$1,395,170	$21,974,525	$20,089,592

The notes to the financial statements are an integral part of this statement.

COUNTY OF YORK, PA (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1986

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Pension Trust	1987	1986
Operating revenues:				
Net patient revenue	$10,764,590		$10,764,590	$10,063,210
Grants and contributions		1,430,175	1,430,175	1,281,630
Interest		2,404,933	2,404,933	3,555,486
Other	45,524	906,031	951,555	304,463
Total revenues	10,810,114	4,741,139	15,551,253	15,204,789
Operating expenses:				
Operating and program costs	10,408,218		10,408,218	9,445,154
Depreciation and amortization	413,965		413,965	421,943
Retirement distributions		1,113,910	1,113,910	1,115,603
Total expenses	10,822,183	1,113,910	11,936,093	10,982,700
Income (loss) before operating transfers	(12,069)	3,627,229	3,615,160	4,222,089
Operating transfers (out)	12,069			(500,576)
Net income	-0-	3,627,229	3,627,229	3,721,513
Retained earnings/fund balances at beginning of year		19,133,158	19,133,158	15,411,645
Retained earnings/fund balances at end of year	$ -0-	$22,760,387	$22,760,387	$19,133,158

See accompanying notes to general purpose financial statements.

PENNINGTON COUNTY, SD (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUND TYPES

	Internal Service
Operating Revenue:	
Charges for Goods and Services	$ 60,929
Operating Expenses:	
Personal Services	19,222
Other Current Expense	3,557
Materials	56,935
Total Operating Expenses	79,715
Operating Loss	(18,785)
Nonoperating Revenue:	
Interest Revenue	521,322
Net Income	502,537
Retained Earnings, January 1, 1987	940,467
RETAINED EARNINGS, DECEMBER 31, 1987	$1,443,004

The notes to the financial statements are an integral part of this statement.

CITY OF ALBANY, NY (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY—PROPRIETARY FUND TYPES

	Proprietary Fund Types (Enterprise Funds)		Totals
	Water Fund	Parking Authority	(Memorandum Only)
Operating revenues:			
Charges for services	$6,610,663	$863,094	$7,473,757
Miscellaneous	36,194	14,955	51,149
Total operating revenues	6,646,857	878,049	7,524,906
Operating expenses:			
Source of supply and purification	980,080		980,080
Transmission and distribution	1,668,125		1,668,125
Administration	327,508	171,919	499,427
Real estate taxes paid to other governments	661,101		661,101
Depreciation	745,714	134,243	879,957
Miscellaneous		126,045	126,045
Total operating expenses	4,382,528	432,207	4,814,735
Operating income	2,264,329	445,842	2,710,171
Nonoperating revenues (expenses):			
Letter-of-credit fees		(50,000)	(50,000)
Interest income	149,187	14,651	163,838
Interest expense		(397,100)	(397,100)
Miscellaneous	(1,025,546)		(1,025,546)
Bond issue costs	(26,856)	(19,317)	(46,173)
	(903,215)	(451,766)	(1,354,981)
Net income (loss)	1,361,114	(5,924)	1,355,190
Fund equity, December 31, 1986	5,602,257	390,205	5,992,462
Capital transfer		126,390	126,390
Fund equity, December 31, 1987	$6,963,371	$510,671	$7,474,042

The accompanying notes are an integral part of the financial statements.

BARNWELL SCHOOL DISTRICT #45, SC (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS—PROPRIETARY FUND TYPE

	Food Service
OPERATING REVENUES (Note 1)	
Proceeds from sale of meals	$171,158
USDA reimbursements	275,245
USDA commodities	52,247
TOTAL OPERATING REVENUES	498,652
OPERATING EXPENSES	
Food costs	319,880
Salaries and wages	148,355
Depreciation (Note 4)	12,890
Supplies	24,514
Other	29,053
TOTAL OPERATING EXPENSES	534,694
OPERATING INCOME (LOSS)	(36,042)
NONOPERATING REVENUES	
Interest	6,093
Other income	411
	6,504
NET INCOME (LOSS)	(29,537)
BEGINNING RETAINED EARNINGS	145,963
ENDING RETAINED EARNINGS	$116,425

See accompanying notes and auditors' report.

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 also are required for any enterprise fund if such disclosures are necessary to make the general purpose financial statements not misleading.

Interperiod comparability also should be considered in determining whether segment information is required for a particular individual enterprise fund.

Information To Be Presented

The following information should be the minimum presented for each enterprise fund identified in the manner described in the preceding paragraphs, and in the aggregate for the remainder of the government's enterprise funds.

a. Types of goods or services provided
b. Operating revenues (total revenues from sales of goods or services). Sales to other funds of the government (if material) should be separately disclosed.
c. Depreciation, depletion, and amortization expense
d. Operating income or loss (operating revenues less operating expenses)
e. Operating grants, entitlements, and shared revenues
f. Operating interfund transfers in and out
g. Tax revenues
h. Net income or loss (total revenues less total expenses)
i. Current capital contributions and transfers
j. Property, plant, and equipment additions and deletions
k. Net working capital (current assets less current liabilities)
l. Total assets
m. Bonds and other material long-term liabilities outstanding (Amounts payable solely from operating revenues should be disclosed separately from amounts also potentially payable from other sources.)
n. Total equity
o. Other material facts necessary to make the GPFS not misleading.

Methods of Presentation

The presentation of segment information in the notes to the GPFS usually is preferable. Segment information also may 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.

CITY OF MILWAUKEE, WI (DEC '87)

NOTES TO THE FINANCIAL STATEMENTS

6. Segment Information for Enterprise Funds

The City maintains thirteen enterprise funds (see Note 1) which are categorized in business segments as follows:

Utility operations:	Water Works, Metropolitan Sewerage District User Charge and Port of Milwaukee Funds
Parking operations:	Parking Fund
Cultural activities:	Milwaukee Exposition and Convention Center and Arena and Pabst Theater Funds
Economic development:	Industrial Land Bank, Low Interest Mortgage Program, Housing Authority, Redevelopment Authority, Neighborhood Improvement Development Corporation, Milwaukee Economic Development Corporation, and Milwaukee Enterprise Corporation Funds.

Selected information for 1987 with respect to these business segments was as follows:

	Utility Operations	Parking Operations	Cultural Activities	Economic Development
		(Thousands of Dollars)		
		Condensed Balance Sheet		
Current assets	$ 45,141	$ 4,039	$ 2,868	$162,826
Fixed assets, net	185,087	17,066	23,176	88,363
Other assets		2,617		
Total assets	$230,228	$23,722	$ 26,044	$251,189
Current liabilities	$ 14,451	$ 414	$ 1,039	$ 13,351
Long-term debt	2,432	2,617		173,011
Fund equity	213,345	20,691	25,005	64,827
Total liabilities and equity	$230,228	$23,722	$ 26,044	$251,189
		Condensed Statement of Operations		
Operating revenues	$ 66,838	$ 6,055	$ 4,127	$ 36,165
Depreciation	4,115	369	1,301	2,680
Other operating expenses	57,523	3,529	4,796	25,517
Operating income (loss)	$ 5,200	$ 2,157	$ (1,970)	$ 7,968
Nonoperating revenues (expenses)	1,206		123	(157)
Operating transfers in (out)	303		949	(30)
Net income (loss)	$ 6,709	$ 2,157	$ (898)	$ 7,781
Current capital contributions	$ 3,006	$	$ 231	$ 683

CITY OF CORPUS CHRISTI, TX (JUL '87)

NOTES TO FINANCIAL STATEMENTS

20. Segment Information for Enterprise Funds

The City maintains six enterprise operations which provide water, gas, wastewater, airport, ambulance and golf services. Segment information as of and for the year ended July 31, 1987 is as follows:

	Water System	Gas System	Wastewater Disposal System	Airport Fund	Emergency Medical Service Fund	Gabe Lozano Sr. Golf Center Fund	Total
Operating Revenues	$ 24,792,758	$23,866,420	$ 12,140,597	$ 2,872,793	$ 268,310	$627,848	$ 64,568,726
Depreciation	2,197,400	599,529	1,435,226	731,851	168,845	83,685	5,216,536
Operating Income (Loss)	14,053,248	3,712,716	3,779,485	262,013	(2,054,655)	13,891	19,766,698
Other Revenues (Expenses)	(1,597,779)	365,797	(198,435)	66,341	1,126,058	(904)	(238,922)
Income (loss) before operating transfers	12,455,469	4,078,513	3,581,050	328,354	(928,597)	12,987	19,527,776
Operating transfers:							
In	—	—	14,683	—	1,045,268	—	1,059,951
Out	(2,936,053)	(2,891,701)	(2,258,299)	(999,241)	(131,441)	(66,421)	(9,283,156)
Net income (loss)	9,519,416	1,186,812	1,337,434	(670,887)	(14,770)	(53,434)	11,304,581
Current Capital:							
Contributions	873,471	105,340	4,972,332	5,518,000	134,115	—	11,603,258
Transfers	(325,000)	(250,000)	—	—	—	—	(575,000)
Additions (deductions) to Fixed Assets	4,165,754	1,214,271	6,548,859	5,651,511	(6,735)	103,458	17,677,118
Working Capital	10,545,920	5,901,718	4,189,182	1,100,500	(38,618)	174,258	21,872,958
Total Assets	242,778,197	24,419,769	121,464,732	21,480,148	1,138,814	765,167	412,046,827
Outstanding Revenue Bonds	41,565,000	—	—	—	—	176,000	41,741,000
Total Equity	131,435,373	23,998,247	120,841,637	21,306,448	270,527	528,845	298,381,077

CITY OF WATERTOWN, SD (DEC '87)

NOTES TO THE FINANCIAL STATEMENTS

IV. Segment Information for Enterprise Funds

The City maintains seven enterprise funds which provide sewer, lake sewer, airport, electric, water, gas and heat services. Significant financial data as of and for the year ended December 31, 1987 for the City's enterprise funds is as follows:

	Sewer	Lake Sewer	Airport	Electric
Operating Revenues	$ 500,854	$105,419	$ 104,685	$5,376,683
Depreciation Expense	333,589	20,526	253,576	592,968
Operating Income (Loss)	(136,043)	39,955	(314,071)	53,037
Operating Transfers In		20,000	23,549	
Operating Transfers Out	(20,000)			(627,000)
Net Income (Loss)	(116,905)	51,699	(262,735)	(471,554)
Residual Transfers Out		(714,143)		
Current Capital: Contributions	754,528		346,458	
Plant, Property and Equipment Additions	49,468		373,110	1,039,185
Deletions	(1,551)		(3,649)	(187,819)
Plant, Property and Equipment (Net)	47,917		369,461	851,366
Net Working Capital	911,984		163,336	1,581,950
Total Assets	10,824,321		2,393,564	8,999,955
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	44,405		19,174	375,958
Total Equity	10,768,795		2,369,350	7,868,732

	Water	Gas	Heat	Total All Enterprise Funds
Operating Revenues	$ 893,334	$3,436,220	$ 414,957	$10,832,152
Depreciation Expense	192,015	208,133	48,361	1,649,168
Operating Income (Loss)	(40,467)	(177,753)	(37,810)	(613,152)
Operating Transfers In				43,549
Operating Transfers Out				(647,000)
Net Income (Loss)	100,017	(162,213)	276,440	(585,251)
Residual Transfers Out				(714,143)
Current Capital: Contributions				1,100,986
Plant, Property and Equipment Additions	372,677	569,152	38	2,403,630
Deletions	(45,885)	(74,133)		(313,037)
Plant, Property and Equipment (Net)	326,792	495,019	38	2,090,593
Net Working Capital	537,617	292,281	649,532	4,136,700
Total Assets	5,223,920	3,279,536	1,086,905	31,808,201
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	78,881	124,152	37,974	680,554
Total Equity	5,097,479	2,479,311	993,787	29,577,454

CITY OF AUSTIN, TX (SEP '87)

NOTES TO COMBINED FINANCIAL STATEMENTS

17—Segment Information—Enterprise Fund Activities

The City maintains nine Enterprise Funds, which provide electric, water and sewer, health care, golf, tennis, airport, convention, sanitation, and growth management. The first three services are provided by the Electric Light and Power System Fund and the Waterworks and Sewer System Fund. Segment information for the year ended September 30, 1987, is as follows (in thousands of dollars):

	Electric System Fund	Waterworks & Sewer System Fund	Hospital Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	$ 403,085	122,265	74,338	35,507	635,195
Depreciation and amortization expense	24,869	14,375	2,495	2,902	44,641
Operating income (loss)	186,840	52,127	2,109	(1,567)	239,509
Operating transfers in	—	—	5,600	10,715	16,315
Operating transfers out	55,192	9,703	7,724	3,233	75,852
Net income (loss)	27,563	(2,428)	418	6,200	31,753
Current assets	143,079	21,534	30,875	11,200	206,688
Current liabilities	83,444	14,238	46,478	4,267	148,427
Net working capital surplus (deficit)	59,635	7,296	(15,603)	6,933	58,261
Property, plant and equipment:					
Additions	238,198	196,933	13,008	6,128	454,267
Retirements	2,809	6,619	314	52	9,794
Transfers from (to) other funds	(657)	(676)	(17)	(48)	(1,398)
Net property, plant and equipment	1,586,486	828,588	71,775	48,677	2,535,526
Total assets	2,131,778	1,281,779	112,974	71,105	3,597,636
Bond and other long-term liabilities	1,474,847	805,265	3,154	4,903	2,288,169
Current capital contributions	8,648	33,912	5,004	296	47,860
Total equity	$ 499,637	422,093	63,340	61,370	1,046,440

CITY OF VICTORIA, TX (SEP '87)

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8: Segment Information

The City of Victoria's Enterprise Fund segment information is presented below. The segments presented are the Water and Wastewater Fund which provides water and sewer service, the Community Center Fund which rents recreational facilities to the public, and the 700 Main Center Fund which rents office space to City departments and to the general public on an annual basis. The 700 Main Center Fund began operations this past fiscal year.

	Water and Wastewater	Community Center	700 Main Center
Year Ended September 30, 1987			
Operating revenues	$ 6,162,848	$ 63,362	$ 16,919
Depreciation and amortization	905,733	51,520	4,204
Operating income (loss)	1,007,757	(154,226)	2,716
Operating transfers in (out)	(90,000)	99,403	251,334
Net income (loss)	(7,258)	(42,076)	246,278
Current capital—contributions	63,648	-0-	384,028
Property, plant and equipment—additions	1,896,760	13,885	1,086,125
Net working capital	1,227,299	(21,800)	(41,893)
Bonds and other long-term liabilities	15,570,000	-0-	409,722
Total equity	15,905,206	1,271,706	630,306
Interest expense	1,489,522	-0-	7,858
Total assets	32,840,829	1,293,506	1,084,912

(continued)

CITY OF VICTORIA, TX *(continued)*

	Water and Wastewater	Community Center	700 Main Center
Year Ended September 30, 1986			
Operating revenues	$ 6,405,702	78,668	-0-
Depreciation and amortization	862,452	37,583	-0-
Operating income (loss)	1,147,927	(135,611)	-0-
Operating transfers in (out)	-0-	140,634	-0-
Net income (loss)	383,863	21,550	-0-
Current capital—contributions	334,718	-0-	-0-
Property, plant and equipment—additions	859,167	7,345	-0-
Net working capital	2,116,177	(1,976)	-0-
Bonds and other long-term liabilities........	15,945,000	-0-	-0-
Total equity.............	15,848,816	1,313,782	-0-
Interest expense........	1,254,531	89	-0-
Total assets	32,806,580	1,326,545	-0-

CITY OF GALVESTON, TX (SEP '87)

NOTES TO THE FINANCIAL STATEMENTS

(4) Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosure, as part of the Combined Statements—Overview, of certain information concerning individual funds including:

A. Segment information for certain individual Enterprise Funds.

The City maintains five Enterprise Funds which provide water, sewer, sanitation, airport and golf course services.

Segment Information for Enterprise Funds

	Waterworks	Sewer	Sanitation	Airport	Golf Course	Totals
Operating revenues	$ 8,775,865	$ 4,204,435	$ 2,881,239	$ 555,151	$ 7,962	$ 16,424,652
Operating expenses (less depreciation)	6,772,995	3,586,694	2,672,645	547,260	246	13,579,840
Depreciation	557,674	493,898	3,525	61,129		1,116,226
Operating income (loss)	1,445,196	123,843	205,069	(53,238)	7,716	1,728,586
Nonoperating revenues (expenses)	(200,751)	(543,542)	(55)			(732,366)
Net income (loss)...	$ 1,244,445	$ (419,699)	$ 213,786	$ (49,199)	$ 6,887	$ 996,220
Total assets..	$29,353,724	$ 22,091,002	$ 742,752	$ 2,231,009	$ -0-	$ 54,418,487
Current capital:						
Contributions—beginning	$13,643,839	$ 4,374,716	$ 49,898	$ 1,142,731	$ 1,092,722	$ 20,303,906
Current additions		3,226		159,956	(1,092,722)	(929,540)
Contributions—end..	13,643,839	4,377,942	49,898	1,302,687		19,374,366
Retained earnings..	6,451,380	7,497,923	458,352	542,504		14,807,091
Total equity	$20,095,219	$ 11,875,865	$ 508,250	$ 1,845,191	$ -0-	$ 35,110,997
Fixed asset additions (deletions), net......................	$ 20,019	$ 1,514,826	$ (3,525)	$ 140,357	$(1,936,612)	$ (1,316,417)
Net working capital...	$ 4,083,346	$ 394,713	$ 447,440	$ (162,094)	$ -0-	$ 4,763,405
Bonds and other long-term liabilities payable from operating revenues	$ 7,595,000	$ 8,751,885	$ -0-	$ -0-	$ -0-	$ 16,346,885

INTERFUND TRANSACTIONS

GASB Cod Sec. 1800 deals with the appropriate accounting and reporting for interfund transactions, transfers, and bond proceeds. It states:

> Interfund transfers and proceeds of general long-term debt issues should be classified separately from fund revenues and expenditures or expenses.

Potential confusion can arise because interfund transfers constitute elements of revenues and expenditures or expense only for the particular funds, not for the governmental unit as a whole. GASB Cod. Sec. 1800.109 also notes when the proceeds of borrowings are not recorded as liabilities of specific funds, such proceeds normally are reflected as "other financing sources" in the operating statement of the appropriate fund.

QUASI-EXTERNAL TRANSACTIONS

Quasi-external transactions are interfund transactions that would be treated as revenues and expenditures or expenses if these same transactions involved organizations external to the governmental unit. GASB Cod. Sec. 1800.103a provides the following examples of quasi-external transactions:

> payments in lieu of taxes (e.g., from an enterprise fund to the general fund);
>
> billings from an internal service fund to other departments of the government that purchased goods or services from the internal service fund;
>
> routine contributions by the employer government (from the general fund) to a pension trust fund; and
>
> routine service charges for governmental inspections, engineering, utilities, or similar services provided by the fund financing the servicing or selling department to the fund of the receiving or buying department.

In all such cases of quasi-external transactions, it is correct to recognize the interfund transactions as revenues and expenditures or expenses in the affected funds. At the end of the fiscal period, the unpaid or unsettled amounts of those types of interfund transactions are reported as interfund receivables ("due from . . .") and interfund payables ("due to . . .") balances.

REIMBURSEMENT TRANSACTIONS

Reimbursement transactions are repayments to one fund for expenditures or expenses initially made by that fund but that are properly applicable to another fund. GASB Cod. Sec. 1800.103b states that proper accounting is to record the expenditure or expense in the reimbursing fund and reflect a reduction of an expenditure or expense in the fund reimbursed.

INTERFUND TRANSFERS

GASB Cod. Sec. 1800.106 recognizes two categories of interfund transfers: *Residual equity transfers*, or "capital contributions," are the nonrecurring or nonroutine transfers of equity between funds, e.g., contributions of proprietary fund capital by the general fund, subsequent returns of part of the contribution to the general fund, and transfers of residual balances of discontinued funds to the general fund or a debt service fund. *Operating transfers* are 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

Position in Operating Statement	Instances Observed 1988	1987	1986
Other financing sources (uses) shown after excess revenues (or expenditures) over expenditures (or revenues)[1]	391	373	322
Other financing sources shown after total revenues but before expenditures and other financing uses shown after total expenditures but before excess revenues over expenditures	31	35	25
Other financing sources (uses) included with total revenues (expenditures)[2]	0	1	4

[1]Includes other sources and other uses.
[2]Includes other sources (uses).

TABLE 4-7. TRANSFERS IN AND OUT (INCLUDES OPERATING TRANSFERS) IN PROPRIETARY FUND TYPES

Position in Operating Statement	Instances Observed 1988	1987	1986
Transfers in (out) shown after net revenues (or expenses) from operations[1]	282	241	169
Other transfers in (out) included with total revenues (expenses)[2]	0	0	2
Other transfers in shown after total revenues but before expenses and other transfers out shown after total expenses but before excess revenues over expenses	0	0	2

[1]Includes transfers from and (transfers to).
[2]Includes transfers from (to).

CITY OF EVANSTON, IL (FEB '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL AND FIDUCIARY (EXPENDABLE TRUST) FUND TYPES [IN PART]

	Governmental fund types				Fiduciary fund type	Totals
	General	Special revenue	Debt service	Capital projects	Expendable trust	(memorandum only)
Revenues:						
Expenditures:						
Deficiency of revenues over expenditures before other financing sources (uses)						
Other financing sources (uses):						
Operating transfers in	$2,504,715	$1,143,777	$ 469,021	$ 166,035		$ 4,283,548
Operating transfers (out)				(1,083,845)		(1,083,845)
Proceeds of general obligation bonds and notes				4,530,000		4,530,000
Proceeds from loans	294,254			89,557		383,811
	2,798,969	1,143,777	469,021	3,701,747		8,113,514
Excess (deficiency) of revenues and other sources over expenditures and other financing uses	193,034	990,049	187,588	3,172,395	$(14,284)	4,528,782
Fund balances:						
March 1, 1987	5,400,672	4,122,803	4,712,219	6,007,980	17,962	20,261,636
Residual equity transfer in (out)	27,014	(27,014)				
February 29, 1988	$5,620,720	$5,085,838	$4,899,807	$9,180,375	$ 3,678	$24,790,418

WAUKESHA COUNTY, WI (DEC '87)

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) Year Ended	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	December 31, 1987	December 31, 1986
Revenues:							
Expenditures:							
Excess of Revenues Over (Under) Expenditures							
Other Financing Sources (Uses):							
Proceeds of general obligation notes			$2,834,258	$2,468,476		$ 5,302,734	$ 3,115,000
Proceeds of responsibility and performance note							800,000
Net operating transfers in (out)	$ 676,374	$ 56,773	284,671	(156,775)	$ (9,596)	851,447	(2,053,397)
Total Other Financing Sources (Uses) ..	676,374	56,773	3,118,929	2,311,701	(9,596)	6,154,181	1,861,603
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,667,784	927,040	(261,851)	(2,874,491)	29,866	(511,652)	(530,475)
Fund Balances—January 1	7,127,719	1,129,305	423,207	3,964,634	67,808	12,712,673	13,243,148
Fund Balances—December 31	$8,795,503	$2,056,345	$161,356	$1,090,143	$ 97,674	$12,201,021	$12,712,673

CITY OF WOONSOCKET, RI (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES AND USES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS [IN PART]

	Governmental Fund Types			Fiduciary Fund Type	
	General	Special Revenue	Capital Projects Fund	Expendable Trusts	Totals (Memorandum Only)
Revenues	$ 27,515,391	$22,271,264	$ 334,276	$19,221	$ 50,140,152
Other financing sources					
Transfers from other funds		9,452,326			9,452,326
Total revenues and other financing sources	27,515,391	31,723,590	334,276	19,221	59,592,478
Expenditures	19,899,867	30,803,862	2,208,332	9	52,912,070
Other financing uses					
Transfers to other funds	8,715,379	736,947			9,452,326
Total expenditures and other uses	28,615,246	31,540,809	2,208,332	9	62,364,396
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	$(1,099,055)	$ 182,701	$(1,874,056)	$19,212	$(2,771,918)

CITY OF CLEVELAND, OH (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES [IN PART]

(Amounts in 000's)

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	1987	1986
REVENUES						
EXPENDITURES						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
OTHER FINANCING SOURCES (USES)						
Operating transfers in:						
Debt service from restricted income tax			$7,633		$ 7,633	$ 4,949
Other	$1,061	$ 7,666	656		9,383	13,856
Operating transfers out:						
Restricted income tax to debt service		(7,633)			(7,633)	(4,949)
Other	(9,864)	(1,061)	(349)	$ (497)	(11,771)	(16,132)
Proceeds from the sale of bonds—net				17,322	17,322	20,254
	(8,803)	(1,028)	7,940	16,825	14,934	17,978
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	833	3,190	1,355	(1,578)	3,800	(1,101)
Fund balances at beginning of year, as previously reported	5,683	32,758	8,188	37,604	84,233	82,091
Adjustment	-0-	(21,493)	-0-	-0-	(21,493)	(18,250)
Fund balances at beginning of year, as restated	5,683	11,265	8,188	37,604	62,740	63,841
Fund balances at end of year	$6,516	$14,455	$9,543	$ 36,026	$66,540	$62,740

See notes to financial statements.

COUNTY OF ALBEMARLE, VA (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES [IN PART]

	General	Special Revenue	Debt Service	Capital Projects	Total "Memorandum Only"
Revenues:					
Expenditures:					
Excess of revenues over (under) expenditures					
Other financing sources (uses):					
Transfers in	$ —	$ 21,761,934	$2,034,277	$ 4,117,384	$ 27,913,595
Transfers out	(27,540,010)	(303,870)		(69,715)	(27,913,595)
Literary loan proceeds				821,098	821,098
Total other financing sources (uses)	$(27,540,010)	$ 21,458,064	$2,034,277	$ 4,868,767	$ 821,098
Excess of revenues and other sources over (under) expenditures and other uses	$ (1,224,163)	$ (628,637)	$ —	$(2,384,598)	$(4,237,398)
Fund balance, beginning	11,381,701	1,069,999		8,595,460	21,047,160
Fund balance, ending	$ 10,157,538	$ 441,362	$ —	$ 6,210,862	$ 16,809,762

CITY OF JACKSONVILLE, FL (SEP '87)

COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS [IN PART]

(in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1987	1986
REVENUE:							
EXPENDITURES:							
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES							
OTHER FINANCING SOURCES (USES):							
Proceeds from refinancing	$ —	$11,936	$ —	$ —	$ —	$ 11,936	$ —
Proceeds of bond issues	—	—	1,458	16,327	—	17,785	77,413
Proceeds of refunding bonds	—	—	37,690	—	—	37,690	—
Operating transfers in	4,459	10,011	40,947	3,968	39	59,424	37,471
Operating transfers out	(31,186)	(15,363)	(5,817)	(5,689)	(653)	(58,708)	(37,659)
Payment to refunded bond escrow agents	—	—	(37,690)	—	—	(37,690)	—
Other	—	—	—	—	—	—	1,137
Total other financing sources (uses)	(26,727)	6,584	36,588	14,606	(614)	30,437	78,362
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,374)	29,117	10,260	(8,323)	693	24,373	57,553
FUND BALANCES, BEGINNING OF YEAR	25,445	39,640	86,168	83,927	8,056	243,236	185,683
FUND BALANCES, END OF YEAR	$18,071	$68,757	$96,428	$75,604	$8,749	$267,609	$243,236

SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY, OR (JUN '88)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND PENSION TRUST AND NONEXPENDABLE TRUST FUNDS [IN PART]

	Proprietary Fund Types		Fiduciary Fund Types		
	Enterprise Fund	Internal Service Fund	Pension Trust Fund	Nonexpendable Trust Funds	Totals (Memorandum Only)
Operating revenues:					
Operating expenses:					
Nonoperating revenues (expenses):					
Income (loss) before operating transfers					
Operating transfers:					
From other funds		$ 2,966,844	1,800,000		$ 4,766,844
To other funds	$(1,386)				(1,386)
	(1,386)	2,966,844	1,800,000		4,765,458
Net income (loss)	11,598	(338,002)	649,818	$ 11,994	335,408
Retained earnings/fund equity, June 30, 1987	18,631	10,724,171	1,918,668	110,772	12,772,242
Retained earnings/fund equity, June 30, 1988	$ 30,229	$10,386,169	$2,568,486	$122,766	$13,107,650

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY, CA (JUN '88)

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 Type	
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds	Total (memorandum only)
Operating revenues:				
Operating expenses:				
Nonoperating revenues (expenses):				
Income (loss) before operating transfers				
Operating transfers in	$ 10,900,000	11,700,000	4,432,930	27,032,930
Operating transfers out	(27,032,930)	—	—	(27,032,930)
Net income	56,619,253	12,960,032	4,304,508	73,883,793
Depreciation related to assets acquired by grant funds	12,213,674	—	—	12,213,674
Retained earnings/fund balances, as restated (note 15), July 1, 1987	338,659,434	36,543,547	9,185,102	384,388,083
Retained earnings/fund balances, June 30, 1988	$407,492,361	49,503,579	13,489,610	470,485,550

CITY OF EVANSTON, IL (FEB '88)

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS—UNRESERVED/FUND BALANCES—ALL PROPRIETARY AND FIDUCIARY (NONEXPENDABLE TRUST AND PENSION TRUST) FUND TYPES [IN PART]

	Proprietary fund types		Fiduciary fund types		
	Enterprise	Internal service	Nonexpendable trust	Pension trust	Totals (memorandum only)
Operating revenues:					
Operating expenses:					
Operating income (loss)					
Nonoperating revenues (expenses):					
Income (loss) before operating transfer					
Operating transfer in	$ 520,046				$ 520,046
Operating transfer (out)	(3,719,749)				(3,719,749)
Net income (loss)	1,808,754	$(38,480)	$(5,670)	$2,551,382	4,315,986
Contributed capital adjustment—depreciation—breakwater			10,850		10,850
Other changes in retained earnings—unreserved/fund balances:					
Decrease in reserve for construction	372,979				372,979
Intrafund transfers (out)—retained earnings—reserved restricted accounts	(101,042)				(101,042)
	271,937				271,937
Increase (decrease) in retained earnings—unreserved/fund balances	2,080,691	(38,480)	5,180	2,551,382	4,598,773
Retained earnings—unreserved/fund balances:					
March 1, 1987	30,820,813	646,697	177,476	23,205,848	54,850,834
February 29, 1988	$32,901,504	$ 608,217	$ 182,656	$25,757,230	$59,449,607

WAUKESHA COUNTY, WI (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS [IN PART]

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only) Year Ended	
	Enterprise	Internal Service	Nonexpendable Trust	December 31, 1987	December 31, 1986
Operating Revenues:					
Operating Expenses:					
Operating Income (Loss)					
Non-Operating Revenues (Expenses):					
Income (Loss) Before Operating Transfers					
Operating Transfers In (Out)	$ (263,372)	$ (588,075)		$ (851,447)	$2,053,937
Net Income (Loss)	(14,597)	1,551,236	$(108,923)	1,427,716	2,089,478
Retained Earnings/Fund Balance—January 1	3,766,929	1,887,542	138,563	5,793,034	3,703,556
Retained Earnings/Fund Balance—December 31	$ 3,752,332	$ 3,438,778	$ 29,640	$ 7,220,750	$5,793,034

CITY OF CLEVELAND, OH (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ALL PROPRIETARY FUND TYPES [IN PART]

(Amounts in 000's)

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	1987	1986
OPERATING REVENUES				
OPERATING EXPENSES				
NONOPERATING REVENUES (EXPENSES)				
Operating transfers in:				
Other	$ 2,180	$ 468	$ 2,648	$ 2,276
Operating transfers out:				
Other	(260)		(260)	
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	46,215	(323)	45,892	21,741
EXTRAORDINARY ITEM				(21,948)
NET INCOME (LOSS)	46,215	(323)	45,892	(207)
Retained earnings at beginning of year	210,367	3,218	213,585	213,792
Retained earnings at end of year	$256,582	$2,895	$259,477	$213,585

See notes to financial statements.

CITY OF JACKSONVILLE, FL (SEP '87)

COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS [IN PART]

(in thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)	
	Enterprise	Internal Service	Pension Trusts	1987	1986
OPERATING REVENUE:					
OPERATING EXPENSES:					
OPERATING INCOME					
NONOPERATING REVENUE (EXPENSES):					
INCOME BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM					
OPERATING TRANSFERS:					
Operating transfers in	$ 7,673	$ 1,325	$ —	$ 8,998	$ 3,913
Operating transfers out	(8,794)	(920)	—	(9,714)	(3,725)
Total operating transfers in (out)	(1,121)	405	—	(716)	188
INCOME BEFORE EXTRAORDINARY ITEM	615	5,457	114,924	120,996	85,604
Extraordinary item—loss on advance refunding of bonds	(2,951)	—	—	(2,951)	—
NET INCOME (LOSS)	(2,336)	5,457	114,924	118,045	85,604
Add depreciation on contributed assets:					
Current year	8,475	—	—	8,475	7,426
Effect of change in accounting principal to September 30, 1985	—	—	—	—	59,756
Increase in retained earnings/fund balances	6,139	5,457	114,924	126,520	152,786
RETAINED EARNINGS/FUND BALANCES, BEGINNING AS PREVIOUSLY REPORTED	109,264	15,183	404,977	529,424	444,376
Adjustment to beginning retained earnings	—	—	—	—	(34,228)
Reclassification of contributed capital	(21)	—	—	(21)	(33,510)
Retained earnings/fund balances, beginning as restated	109,243	15,183	404,977	529,403	376,638
RETAINED EARNINGS/FUND BALANCES, END OF YEAR	$115,382	$20,640	$519,901	$655,923	$529,424

The notes to financial statements 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 of the accounting for borrowings are illustrated in Table 4-8.

TABLE 4-8. ACCOUNTING FOR DEBT PROCEEDS

Proceeds Activity	**Instances Observed 1988**	**1987**
Bond proceeds activity reported as:		
Other financing sources (uses)	242	209
Revenues	6	11
Other financing sources	2	10
Debt payments reported as:		
Expenditures	396	370
Other financing uses	1	6

Some reporting observations of the accounting for bond proceeds follow:

SCHOOL DISTRICT NO. 12, ADAMS COUNTY, CO (DEC '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES [IN PART]

	Capital Projects Fund Types	Totals (Memorandum Only) Year Ended December 31, 1987	Totals (Memorandum Only) Year Ended December 31, 1986
Revenues:			
Expenditures:			
Excess of Revenues Over (Under) Expenditures			
Other Financing Sources (Uses):			
Proceeds from General Obligation Bond Issue	$8,131,200	$8,131,200	$8,500,000

HAMILTON COUNTY, TN (JUN '88)

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	June 30, 1988	June 30, 1987
Revenues:			
Expenditures			
Excess (deficiency) of revenues over (under) expenditures			
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of bonds	$7,200,000	$7,200,000	$7,200,000

CITY OF MIAMI BEACH, FL (SEP '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	1987	1986
Revenues:			
Expenditures:			
Excess of revenues over (under) expenditures			
Other financing sources (uses):			
Proceeds of general obligation bonds	$2,952,932	$2,952,932	$52,532,978

CITY OF BEAUMONT, TX (SEP '87)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS [IN PART]
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1986

	Governmental Fund Types	Totals (Memorandum Only)	
	Debt Service	1987	1986
Revenues:			
Expenditures:			
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Proceeds from sale of refunding bonds	$55,636,091	$55,636,091	$ —

CITY OF MILWAUKEE, WI (DEC '87)

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)	
	Debt Service	1987	1986 (Restated)
Revenues:			
Expenditures:			
Excess of Revenues over (under) Expenditures			
Other Financing Sources (Uses):			
Proceeds of general obligation bonds and notes..........	$19,025,000	$19,025,000	$50,605,000

Section 5: Statement of Cash Flows

ACCOUNTING REQUIREMENTS

In September, 1989 the GASB issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." It requires a statement of cash flows (instead of a statement of changes in financial position) as part of a full set of financial statements for all proprietary and nonexpendable trust funds and governmental entities that use proprietary fund accounting. It exempts public employee retirement systems and pension trust funds from the requirement to present either a statement of cash flows or a statement of changes in financial position.

The Statement requires that a statement of cash flows classify cash receipts and payments according to whether they stem from operating, non-capital financing, capital and related financing, or investing activities.

Governmental enterprises are encouraged to report cash flows from operating activities directly by showing major classes of operating cash receipts and payments (the direct method), although the indirect or reconciliation method may be used. If the direct method is used, a reconciliation of operating income to net cash flow from operating activities must be provided.

Information about investing, capital, and financing activities not resulting in cash receipts or payments in the period is required to be provided separately.

This Statement is effective for annual financial statements for fiscal years beginning after December 15, 1989.

This chapter presents examples of statements of cash flows. However, for the survey period the statement of cash flows was not yet required. Therefore, Table 5-1 relates to the statement of changes in financial position. 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 1988	1987	1986
Units whose report contained a change in financial position statement	404	395	313
Proprietary fund data:			
Enterprise funds	306	284	194
Internal service funds	210	165	65
Fiduciary fund data:*			
Pension trust funds	138	115	62
Nonexpendable trust funds	83	71	32
Reports with memo columns:			
Current and past years	106	227	57
Current year only	175	73	111

*Observations for those units having this statement.

The following are examples of statements of cash flows.

ERIE MUNICIPAL AIRPORT AUTHORITY, PA (DEC '88)

STATEMENT OF CASH FLOWS

Cash flows from operating activities		
Cash received from airlines, tenants, concessions and other		$ 1,210,367
Less cash paid for expenses:		
Field	$107,469	
Buildings	275,919	
Equipment	81,420	
Parking area	2,930	
Security/CFR	107,984	
Administrative	309,916	
Interest	24,709	910,347
Net cash provided from operating activities		300,020
Cash flows from investing activities		
Capital expenditures		(1,375,362)
Cash flows from financing activities		
Federal/state grants-in-aid	$772,582	
Decrease in long-term debt	(19,037)	753,545
Net decrease in cash		(321,797)
Cash balances at December 31, 1987		487,223
Cash balances at December 31, 1988		$ 165,426
Reconciliation of excess of expenses over revenue to net cash provided by operating activities:		
Excess of expenses over revenue		$(254,368)
Adjustments to reconcile excess of expenses over revenue to net cash provided by operating activities:		
Depreciation	$522,254	
Increase in accounts receivable	(4,966)	
Increase in prepaid expenses	(3,566)	
Increase in accounts payable	40,560	
Increase in accrued liabilities	106	
Total adjustments		554,388
Net cash provided by operating activities		$ 300,020

The accompanying notes are an integral part of the financial statements.

OREGON INTERNATIONAL PORT OF COOS BAY, OR (JUN '89)

COMPARATIVE STATEMENT OF CASH FLOWS

	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 1,078,983	$ 977,753
Cash payments to suppliers for goods and services	(867,369)	(660,838)
Cash payments for employee services	(614,994)	(637,231)
Operating grants received	513,650	211,933
Net cash provided by operating activities	110,270	(108,383)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	874,797	817,029
Interest paid on short-term borrowing	—	(2,760)
Proceeds from short-term notes	—	225,000
Principal paid on short-term notes	—	(225,000)
Net cash provided by noncapital financing activities	874,797	814,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of fixed assets	(635,611)	(708,322)
Proceeds from sale of equipment	43,896	94,312
Capital grants received	55,360	300,739
Proceeds from long-term debt	240,000	783,590
Principal paid on long-term debt	(397,125)	(359,411)
Interest paid on long-term debt	(282,299)	(299,853)
Bond issue and related costs	(923)	(9,608)
Net cash used for capital and related financing activities	(976,702)	(198,553)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	63,071	29,616
Purchase of investments	(253,236)	—
	(190,165)	29,616
Net increase (decrease) in cash and cash equivalents	(181,800)	536,949
CASH AND CASH EQUIVALENTS–BEGINNING OF YEAR	1,057,696	520,747
CASH AND CASH EQUIVALENTS–END OF YEAR	$ 875,896	$ 1,057,696
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (594,450)	$ (447,306)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	200,083	181,444
Operating grants received	513,650	211,933
Other revenue	60,529	37,921
Changes in assets and liabilities:		
Increase in receivables	(25,538)	(3,303)
(Increase) decrease in prepaid expenses	4,482	(209)
Decrease in accounts payable	(31,098)	(92,597)
Decrease in other accrued expenses	(27,603)	(22,650)
Increase in unearned revenues	10,215	26,384
Total adjustments	704,720	338,923
Net cash provided by operating activities	$ 110,270	$ (108,383)

The notes to the financial statements are an integral part of this statement.

CITY OF URBANA, OH (DEC '88)

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust	1988
Cash flows from operating activities:				
Net income (loss)	$ 21,122	(10,631)	—	10,491
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	152,225	—	—	152,225
Increase in restricted cash	(183,263)	—	—	(183,263)
Increase in receivables	(5,507)	—	—	(5,507)
Decrease (increase) in due from other funds	(155)	1,243	—	1,088
Decrease in inventory	8,447	244	—	8,691
Increase (decrease) in accounts payable and accruals	80,426	(144)	—	80,282
Decrease in deferred revenue	(8,536)	—	—	(8,536)
Net cash provided (used) by operating activities	64,759	(9,288)	—	55,471
Cash flows from investing activities:				
Purchase of capital assets	(226,044)	—	—	(226,044)
Proceeds from the sale of capital assets	23,341	—	—	23,341
Net cash used in investing activities	(202,703)	—	—	(202,703)
Cash flows from financing activities:				
Debt reduction				
Notes payable	(825,000)	—	—	(825,000)
Bonds payable	(93,246)	—	—	(93,246)
Borrowings:				
Notes payable	1,050,000	—	—	1,050,000
Net cash provided by financing activities	131,754	—	—	131,754
Net increase (decrease) in cash balances	(6,190)	(9,288)	—	(15,478)
Cash balances at beginning of year	1,240,272	15,392	63,097	1,318,761
Cash balances at end of year	$1,234,082	6,104	63,097	1,303,283

See notes to general purpose financial statements.

CITY OF HAGERSTOWN, MD (JUN '89)

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

	Proprietary Fund Types		Fiduciary Fund Types	(Memorandum Only)	
	Enterprise	Internal Service	Bloom-Carlile Trust	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES					
Net operating (loss)	$ (812,671)	$ —	$ —	$ (812,671)	$ (590,491)
Adjustments to reconcile net operating loss to net cash provided by operating activities:					
Depreciation	3,936,685	—	—	3,936,685	3,788,865
Other expenses	—	(46,005)	(9,600)	(55,605)	(26,846)
Allowance for uncollectible accounts	36,485	—	—	36,485	49,413
Reserve for excess and obsolete inventories	53,154	—	—	53,154	572
Gain on sale of capital assets	(4,949)	—	—	(4,949)	—
(Increase) in accounts receivable	(197,340)	(32,490)	(69)	(229,899)	(29,811)
Decrease in grants receivable	321,414	—	—	321,414	29,230
(Increase) in due from other funds	(58,168)	—	—	(58,168)	—
(Increase) decrease in prepaid expenses	(7,150)	—	—	(7,150)	3,288
(Increase) in inventories	(138,544)	—	—	(138,544)	(101,018)
Increase in accounts payable	281,154	—	—	281,154	125,075
Increase in accrued expenses	73,102	—	—	73,102	3,105
Increase (decrease) in due to other funds	(9,474)	46,639	—	37,165	(18,450)
Increase in customer deposits and rebates	48,538	—	—	48,538	16,658
Increase in accrued sick time and vacation	110,747	—	—	110,747	73,580
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 3,632,983	$ (31,856)	$ (9,669)	$ 3,591,458	$ 3,323,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	$(7,568,574)	$ —	$ —	$(7,568,574)	$(5,140,183)
Proceeds from sale of capital assets	40,841	—	—	40,841	—
Contributions in aid of construction	3,945,314	—	—	3,945,314	665,082
Proceeds from issuance of long-term debt	—	—	—	—	1,224,490
Principal payments on long-term debt	(156,862)	—	—	(156,862)	(357,000)
Interest payments on long-term debt	(450,140)	—	—	(450,140)	(337,114)
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	$(4,189,421)	$ —	$ —	$(4,189,421)	$(3,944,725)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on cash and short-term investments	$ 602,508	$ 96,079	$ 11,522	$ 710,109	$ 591,579
Net increase in short-term investments	(783,282)	(171,299)	(16,168)	(970,749)	(3,814,181)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	$ (180,774)	$ (75,220)	$ (4,646)	$ (260,640)	$(3,222,602)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (737,212)	$(107,076)	$(14,315)	$ (858,603)	$(3,844,157)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	1,824,265	287,350	35,797	2,147,412	5,991,569
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 1,087,053	$ 180,274	$ 21,482	$ 1,288,809	$ 2,147,411

The Notes to Financial Statements are an integral part of this statement.

CITY OF SUFFOLK, VA (JUN '89)

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income	$ 177,350	$ 300,605	$ 25,533	$ 503,488
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	619,569	744,914	—	1,364,483
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	54,975	(3,320)	—	51,655
Increase in inventories	(23,949)	(12,795)	—	(36,744)
Increase in accounts payable, net of construction payable	450	16,828	—	17,278
Increase in accrued vacation pay	14,583	5,687	—	20,270
Decrease in workmen's compensation claims	—	(41,404)	—	(41,404)
Increase in deposits	35,035	—	—	35,035
Decrease in deferred revenue	(59,250)	—	—	(59,250)
Net cash provided by operating activities	818,763	1,010,515	25,533	1,854,811
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Decrease in due from other funds	662,967	—	—	662,967
Increase in due to other funds	—	50,050	—	50,050
Interest paid to other funds	—	(99,862)	—	(99,862)
Operating transfers out	(83,000)	—	—	(83,000)
Net cash provided (used) by non-capital financing activities	579,967	(49,812)	—	530,155
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Increase in due from other governments	(132,501)	—	—	(132,501)
Acquisition and construction of fixed assets	(2,608,842)	(1,828,853)	—	(4,437,695)
Principal paid on bonds and notes payable	(138,760)	(11,180)	—	(149,940)
Interest paid on bonds and notes payable	(153,286)	(3,147)	—	(156,433)
Construction payable	875,977	—	—	875,977
Proceeds from sales of fixed assets	17,144	139,620	—	156,764
Contributed capital	4,202,184	770,330	—	4,972,514
Net cash provided (used) by capital and related financing activities	2,061,916	(933,230)	—	1,128,686
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	263,921	46,454	433	310,808
Net cash provided by investing activities	263,921	46,454	433	310,808
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,724,567	73,927	25,966	3,824,460
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	865,462	469,400	618,373	1,953,235
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,590,029	$ 543,327	$644,339	$ 5,777,695
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF:				
Unrestricted cash	$ 1,926,125	$ 543,327	$644,339	$ 3,113,791
Restricted cash	2,663,904	—	—	2,663,904
	$ 4,590,029	$ 543,327	$644,339	$ 5,777,695

The notes to financial statements are an integral part of this statement.

COUNTY OF ROCKLAND, NY (DEC '88)

STATEMENT OF CASH FLOWS—ENTERPRISE FUND—SUMMIT PARK HOSPITAL AND ROCKLAND COUNTY INFIRMARY

Cash Flows from Operating Activities and Non-Operating Revenues:	
Deficiency of revenues over expenditures	$(1,469,844)
Adjustments to reconcile deficiency of revenues over expenses to cash provided from operating activities, non-operating revenues and other sources:	
Depreciation and amortization	1,245,320
Transfer from Rockland County	1,924,864
Increase in cash equivalents designated for construction	(2,168,041)
Increase in accounts receivable—patient care	(894,665)
Increase in inventories	(26,888)
Increase in other	(166,750)
Increase in state aid receivable	(47,288)
Decrease in accounts payable	(53,821)
Increase in accrued expenses	500,318
Increase in interest payable	15,652
Increase in due to third party reimbursement agencies	1,065,238
Increase in amounts held for residents	19,298
Decrease in accrued retirement expense	(253,330)
Decrease in due to County of Rockland	(134,524)
Net Cash Used by Operating Activities and Non-Operating Revenues	(444,461)
Cash Flow from Investing Activities:	
Property, plant and equipment additions—net	(268,281)
Net Cash Used by Investing Activities	(268,281)
Cash Flows from Financing Activities:	
Issuance of long-term debt	2,269,000
Retirement of long-term debt	(1,536,560)
Net Cash Provided by Financing Activities	732,440
Increase in cash	19,698
Cash—Beginning of Year	105,641
Cash—End of Year	$ 125,339

The accompanying notes are an integral part of the financial statements.

GETTYSBURG AREA SCHOOL DISTRICT, PA (JUN '89)

FOOD SERVICE FUND STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$(20,494.56)	
Non-Cash Expenses, Revenues, Losses and Gains Included in Net Income (Loss):		
Depreciation	2,150.00	
Net Changes In:		
Interfund Receivables	(6,291.63)	
Other Receivables	73,884.18	
Inventory of Food	(13,126.95)	
Accounts Payable	4,818.79	
Interfund Payables	(35,206.53)	
NET CASH PROVIDED BY OPERATIONS		$ 5,733.30
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Food Service Equipment		(11,774.66)
Net Increase (Decrease) in Cash		(6,041.36)
CASH, July 1, 1988		16,784.70
CASH, June 30, 1989		$10,743.34

TOWN OF BRAINTREE, MA (JUN '89)

COMBINED STATEMENT OF CASH FLOWS—ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUNDS

	Proprietary Fund Types	Fiduciary Fund Types
	Enterprise Funds	Nonexpendable Trust Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 2,003,935	$ 13,400
Adjustments to reconcile operating income to net cash provided by operating activities—		
Depreciation	1,586,734	—
Provision for losses on accounts receivable	25,680	—
Increase in investment of operating cash due from other funds	(86,225)	—
Decrease in purchased power advanced deposits	21,607	—
Increase in accounts receivable and unbilled revenue from customers	(279,375)	—
Decrease in inventory	360,601	—
Increase in prepayments and other assets	(730,197)	—
Increase in accounts payable	1,327,374	—
Decrease in customer deposits	(1,845)	—
Increase in deferred revenue	5,695	—
Decrease in other liabilities	(26,176)	—
Net cash provided by operating activities	$ 4,207,808	$ 13,400
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers to other funds	$ —	$(100,000)
Net cash used in noncapital financing activities	$ —	$(100,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	$ (2,315,152)	$ —
Investment in Hydro Quebec Phase II	(243,593)	—
Principal repayment of long-term debt	(1,350,000)	—
Interest paid on long-term debt	(546,335)	—
Net cash used in capital and related financing activities	$ (4,455,080)	$ —
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	$ —	$(785,921)
Proceeds from sale and maturities of investment securities	—	768,971
Interest and dividends on investments	540,711	147,013
Net cash provided by investing activities	$ 540,711	$ 130,063
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 293,439	$ 43,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,520,501	303,696
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,813,940	$ 347,159

The accompanying notes are an integral part of these financial 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	**1988**	**1987**	**1986**
Certified public accountants	458	467	442
State audit agency	29	23	58
Two or more public accounting firms	13	8	2
Municipal accountant or auditor	0	2	2
Total Entities	500	500	504

REPORT ON AN AUDIT OF THE GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS OF THE ENTITY AS A WHOLE, OR THE DEPARTMENT, AGENCY OR ESTABLISHMENT COVERED BY THE AUDIT

For the most part, the auditor's opinions on the general purpose financial statements conformed to the standards described in the literature of the American Institute of Certified Public Accountants. That is, the 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.

As noted in the following table the audit opinion referred to the following accounting principles:

TABLE 6-2. ACCOUNTING PRINCIPLES USED IN FINANCIAL STATEMENT PRESENTATION

	Instances Observed		
Accounting Principles	**1988**	**1987**	**1986**
Generally accepted accounting principles (GAAP)*	472	460	412
State government principles*	10	12	14
State principles and other basis	1	1	5
Other basis of presentation*	19	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	**1988**	**1987**	**1986**
Combined financial statements (GPFS)	379	375	394
GPFS and, where applicable, combining, individual fund, and account group financial statements	116	110	100
GPFS and combining financial statements	1	9	8
Other	2	8	2

NATURE OF THE AUDITOR'S OPINION

Of the opinions observed during this year's analysis, 100 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." The phrase "except for" is used in qualifications (e.g., "In our opinion, except for the omission of a general fixed asset group of accounts as discussed in the preceding paragraph, . . ."). Table 6-5 summarizes the reasons given by independent auditors for issuing qualifications for departures from generally accepted accounting principles.

TABLE 6-4. NATURE OF THE AUDITOR'S OPINION FOR SURVEYED FINANCIAL STATEMENTS

	Instances Observed		
Nature of Auditor's Opinion for Surveyed Financial Statements That Contain an Audit Report	**1988**	**1987**	**1986**
Unqualified	350	276	288
Qualified:*			
departure from GAAP	100	103	125
scope limitation	17	38	40
litigation	17	21	16
accounting principles not being consistently applied	11	6	13
contingent liabilities, other than litigation	7	6	9
disclaimer	1	3	4

*Observations for units having qualified auditor's opinions.

TABLE 6-5. ANALYSIS OF QUALIFICATIONS WITH REFERENCE TO DEPARTURES FROM GAAP

	Instances Observed		
Basis of Departures*	**1988**	**1987**	**1986**
Incomplete financial statements	46	65	89
Fixed asset accounting or valuation	41	42	31
Pension liability	14	20	11
Reporting entity	10	8	8
Method of accruing revenues and expenditures	8	2	9
Compensated absences	6	8	6
Inventory valuation accounting	3	4	4
Cash basis of accounting	0	5	7
Other reasons	9	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

Independent Auditor's Report

Honorable Board of Supervisors
County of Orange

We have audited the general purpose financial statements of the County of Orange as of June 30, 1988 and for the year then ended listed in the foregoing table of contents. These *financial statements* and the supplemental financial information discussed below are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Orange as of June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit also comprehended the supplemental financial information as of June 30, 1988 and for the year ended listed in the financial section of the foregoing table of contents. In our opinion, such supplemental financial information, when considered in relation to the basic general purpose financial statements, presents fairly in all material respects the information shown therein.

[Signature]

Costa Mesa, California
November 23, 1988

Independent Auditor's Report

The Honorable Mayor, Members of
the City Council and City Manager
City of North Las Vegas, Nevada

We have audited the accompanying general purpose financial statements of the City of North Las Vegas, Nevada and the combining, individual fund and account group financial statements of the City of North Las Vegas, Nevada as of and for the year ended June 30, 1988, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of North Las Vegas, Nevada as of 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. Also, in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of North Las Vegas, Nevada as of June 30, 1988, and the results of operations of such funds and the changes in financial position of individual proprietary and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was performed 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 as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of North Las Vegas, Nevada. The information in these schedules has been subjected to the auditing procedures applied in the audit 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]

October 21, 1988

Independent Auditors' Report

The Honorable City Council
City of Gardena, California:

We have audited the general purpose financial statements of the City of Gardena, California as of and for the year ended June 30, 1988, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Gardena, California, as of June 30, 1988 and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Gardena, 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 23, 1988

Independent Auditor's Report

Honorable Mayor and City Commissioners
City of Tulsa

We have audited the general purpose financial statements of the City of Tulsa as of and for the year ended June 30, 1988, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Tulsa as of June 30, 1988, and the results of its operations and the changes in financial position of its Proprietary, Nonexpendable Trust and Pension Trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund financial statements and supplemental schedules, as 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 Tulsa. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly stated in all material aspects in relation to the general purpose financial statements taken as a whole. The other information, listed in the table of contents under the Statistical Section, has not been audited by us and, accordingly, we express no opinion on such data.

[Signature]

September 25, 1988
Tulsa, Oklahoma

Cash Basis

Independent Auditors' Report

The Honorable County Commissioners
County of Montgomery, Pennsylvania:

We have audited the financial statements of the County of Montgomery, Pennsylvania for the year ended December 31, 1987 as listed in the accompanying table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the County's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis. This practice differs from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Also, as described in note 1, the financial statements referred to above include only the financial activities of the oversight unit. Financial activities of other component units that form the reporting entity are not included.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of each of the various funds of the County of Montgomery, Pennsylvania at December 31, 1987, and the cash receipts and cash disbursements of such funds for the year then ended on the basis of accounting described in note 1.

[Signature]

June 10, 1988, except as to
note 8 which is dated as
of September 2, 1988

REFERENCE TO RELIANCE ON OTHER AUDITORS

Independent Auditors' Report

The Honorable Members of Council of
the City of Pittsburgh, Pennsylvania:

We have audited the general purpose financial statements of the City of Pittsburgh, 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 City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Pittsburgh Water and Sewer Authority or the Stadium Authority of the City of Pittsburgh, which statements comprise the entire enterprise 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 the enterprise fund type, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. 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.

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 on our audit 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, in all material respects, the financial position of the City of Pittsburgh, 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.

As described in note 7, the City has vested pension benefit obligations which are significantly in excess of related available assets.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and individual account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Pittsburgh, Pennsylvania. The current year's information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the reports of other auditors, except for the effect of the matter discussed in the third preceding paragraph, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

June 10, 1988

Independent Auditor's Report

To the Honorable Mayor
of the City of Albany, New York

We have audited the general purpose financial statements of the City of Albany, New York as of and for the year ended December 31, 1987 as detailed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Community Development or Library Funds. The Community Development Fund statements reflect total assets which constitute 87% of the related Special Revenue Fund total. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Special Revenue and Library Funds, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

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, the Community Development Fund does not accrue unbilled pension costs as required by generally accepted accounting principles.

In our opinion, based on our audits and the reports of other auditors except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine those items referred to in paragraph three of this report, and except that the reporting practices described in paragraphs four through six result in an incomplete presentation as explained above and except for the effects of accruing pension costs in the Community Development Fund as discussed in paragraph seven of this report, the general purpose financial statements listed in the accompanying table of contents present fairly, in all material respects, the financial position of the City as of December 31, 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.

As discussed in Note 5 to the general purpose financial statements, the City changed its method of accounting for pension costs in the General and Sewer Funds during 1987. As discussed in Note 13 to the general purpose financial statements, the City changed its method of accounting for special assessments during 1987.

[Signature]

Albany, New York
July 11, 1988

Independent Auditors' Report

Board of Commissioners
Hamilton County, Tennessee

We have audited the accompanying general purpose financial statements of Hamilton County, Tennessee, as of June 30, 1988 and for the year then ended, listed in the financial section of the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hamilton County Nursing Home, which statements represent 77 percent and 90 percent, respectively, of the assets and revenues of the proprietary fund type. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Hamilton County Nursing Home, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the minimum standards and procedures for the audit of Tennessee counties recommended by the Comptroller of the Treasury of the State of Tennessee. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hamilton County, Tennessee at June 30, 1988 and the results of its operations and the changes in financial position of its proprietary and pension 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 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.

Such supplemental information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and (as to amounts included for the Hamilton County Nursing Home) the report of other auditors referred to above, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

The data included in the statistical section were not audited by us and, accordingly, we express no opinion thereon.

[Signature]

September 15, 1988

OPINIONS BY TWO OR MORE AUDITORS

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, 1987, 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 The Employees' Retirement System of Jefferson Parish, a pension trust fund which represents 65 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, 1987, 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.

[Signature] [Signature]
March 18, 1988
Kenner, Louisiana

October 21, 1988

Honorable Harvey I. Sloane,
County Judge/Executive, and Commissioners
Jefferson County Fiscal Court
Louisville, Kentucky

We have examined the general purpose financial statements of Jefferson County Fiscal Court and the related combining, individual fund and account group financial statements and schedules as of June 30, 1988 and for the year then ended, 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.

In our opinion, the general purpose financial statements referred to above present fairly the financial position of Jefferson County Fiscal Court as of June 30, 1988, and the results of its operations and the changes in financial position of its Proprietary Fund 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 and schedules referred to above present fairly the financial position of the individual funds and account groups of Jefferson County Fiscal Court as of June 30, 1988, 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.

[Signature]
Certified Public Accountants

[Signature]
Certified Public Accountants

EXPLANATORY PARAGRAPH—CHANGES IN ACCOUNTING

Independent Auditor's Report

The Honorable Mayor and
Member of the City Council
Brigham City Corporation
Brigham City, Utah 84302

We have audited the accompanying general purpose financial statements of Brigham City Corporation, as of and for the year ended June 30, 1988, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion of 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 Brigham City Corporation, as of June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 12 to the financial statements, Brigham City Corporation changed its method of accounting for unbilled revenue in 1988.

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, schedules, and statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Brigham City Corporation. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

October 4, 1988

Note 12. Change in Method of Accounting for Unbilled Revenue

The goverment has recorded in the statement for June 30, 1988 the earned but unbilled revenue from the public utility fund operations, whereas in prior years, this revenue was not recorded. The new method of accounting was made to better classify the revenue earned with the incurred expenses. The prior year financial statements have been restated to apply to the new method retroactively. The effect of the accounting change on net income of June 30, 1988 and on net income as previously reported for June 30, 1987 is:

	1988	1987
Net Income	$70,000	$ —

The balances in retained earnings have been adjusted for the effect of applying retroactively the new method of accounting.

Independent Auditors' Report

Honorable Mayor and Members of the City Council
of the City of Reno, Nevada:

We have audited the accompanying general purpose financial statements of the City of Reno, Nevada as of and for the year ended June 30, 1988 listed in the financial section of the foregoing table of contents. These financial statements and the combining, individual fund and account group financial statements discussed below 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 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, such general purpose financial statements present fairly, in all material respects, the financial position of the City of Reno, Nevada at June 30, 1988 and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, in 1988 the City of Reno, Nevada changed its method of accounting for special assessment transactions to conform with Governmental Accounting Standards Board Statement No. 6.

Our audit also comprehended the combining, individual fund and account group financial statements listed in the foregoing table of contents. In our opinion, such combining, individual fund and account group financial statements, when considered in relation to the general purpose financial statements, present fairly in all material respects the information shown therein.

The statistical tables listed in the statistical section of the foregoing table of contents were not audited by us and, accordingly, we do not express an opinion thereon.

[Signature]

October 7, 1988

3. Accounting Change

During the fiscal year ended June 30, 1988, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 6, "Accounting and Financial Reporting for Special Assessments" ("GASB 6"). As a result, special assessment transactions are included in the Capital Projects Funds or the Debt Service Funds to more closely reflect the individual Special Assessment Funds' activities. As the City is obligated for its special assessment debt, special assessment debt ($2,418,000 at July 1, 1987) has been included in the City's general long-term debt account group. As required by GASB 6, this accounting change has been recognized retroactively by restating the general purpose financial statements. The impact of this accounting change on July 1, 1987 fund balances follows:

	Debt Service Funds	Capital Project Funds	Special Assessment Funds
Fund balances as previously reported	$7,626,912	$48,815,913	$(4,845,308)
Retroactive effect of accounting change	1,522,429	(3,710,328)	4,845,308
Fund balances as restated	$9,149,341	$45,105,585	$ —

Independent Auditors' Report

The Board of Education
Granite School District

We have audited the accompanying combined financial statements of the Granite School District as of and for the year ended June 30, 1988 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Granite School District at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining, individual fund, and 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 combined financial statements of the Granite School District. The information has been subjected to the auditing procedures applied in the audit 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.

As discussed in Note 13, the District has changed its method of reporting general obligation interest and paying agent fees.

[Signature]

September 28, 1988

Note 13—Reclassification

General long-term debt includes future principal payable on the District's outstanding general obligations. The prior year included future interest and agent fees payable as well as the future principal. The amounts in the 1987 general long-term debt account group have been adjusted to be comparable with 1988 by excluding the interest and agent fees payable in the future of $33,338,461.

Oconee County Council
Oconee County, South Carolina

We have audited the accompanying general purpose financial statements of Oconee County, South Carolina, as of and for the year ended June 30, 1988, as listed in the table of contents. These financial statements are the responsibility of Oconee County management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Oconee County Sewer Commission which statements represent 92 percent and 49 percent, respectively, of the assets and revenues of the enterprise funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oconee County Sewer Commission is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

Because of inadequacies in the accounting records of the general fund inventory and enterprise fund (Rock Crusher) property and equipment, we were unable to audit, and thereby, form an opinion regarding the amounts at which they are recorded in the accompanying balance sheets at June 30, 1988, and the amount of related expenditures for the year then ended.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary regarding the conditions described in the preceeding paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Oconee County, South Carolina, as of June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in greater detail in note 12 to the financial statements Oconee County changed its method of reporting the component unit, Oconee County Sewer Commission. In the past the County had not included this component unit in general purpose financial statement reporting.

[Signature]

[Signature]

November 1, 1988

Note 12—Change In Accounting Principle

For the year ended June 30, 1988 the County changed its method of reporting the component unit known as the Oconee County Sewer Commission. In prior years, this enterprise fund was not included with the financial statements of Oconee County. The financial statements for the year ended June 30, 1988 have included this fund (See note 13).

Independent Auditors Report

To the Honorable Mayor and Members
of the City Council
City of Springfield, Oregon

We have audited the accompanying general purpose financial statements of the City of Springfield, Oregon and the combining, individual fund and account group financial statements of the City of Springfield as of and for the year ended June 30, 1988 as listed in the accompanying table of contents. The 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 and the *Minimum Standards for Audits of Oregon Municipal Corporations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects:

the financial position of the City of Springfield, Oregon at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended; and

the financial position of each of the individual funds and account groups of the City of Springfield, Oregon at June 30, 1988, 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.

As described in Note 3 to the financial statements, the City changed its method of accounting for the special assessment fund type, together with certain other changes.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Springfield, Oregon. Such information has been subjected to the auditing procedures applied in the audit 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.

The other data included in this report, designated as the Statistical Section in the accompanying table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

[Signature]

Eugene, Oregon
November 15, 1988

3. Accounting Changes: [In Part]

Pursuant to a comprehensive review of the City's reporting procedures for the fiscal year ended June 30, 1988, the City implemented the following accounting changes and fund reclassifications, all effective as of July 1, 1987. A summary of the impact of these changes on fund balances and revenues and other sources over expenditures/expenses and other uses is shown in the table below.

A. Prior-Period Adjustments

Effective July 1, 1987, the City changed its method of accounting for foreclosed properties, liens receivable and assessments receivable to more correctly recognize only that portion collected in the sixty days subsequent to year end.

Prior to July 1, 1987, assessments receivable were recognized on an annual basis as the payments became due and delinquent assessments and associated costs were recognized in full.

The allowance for uncollectible accounts receivable in the Emergency Medical Services Fund was increased for corrections in the computation of such amount at June 30, 1987.

A note payable previously recorded in the Development Capital Projects Fund was properly reclassified to the General Long-term Debt Account Group as of July 1, 1987.

Investments in foreclosed properties recorded in the Bancroft Redemption Fund and Development Assessments Projects Fund were reclassified between funds to more appropriately reflect the nature of the costs associated with the properties.

B. Special Assessment Fund Accounting

Effective July 1, 1987, the City changed its method of accounting for capital improvements financed by special assessments to comply with Governmental Accounting Standards Board (GASB) Statement No. 6. Accordingly, the special assessment fund types have been eliminated. Under the new method, all financial transactions previously accounted for in the Special Assessment Funds are accounted for in the appropriate fund type or account group. Assessment financed public improvements are accounted for in a capital improvements fund and Bancroft debt service is accounted for in a debt service fund. The debt is included in the General Long-term Debt Account Group.

This change was accomplished as a restatement as of June 30, 1987, increasing (decreasing) the fund balances and liabilities of the special assessment, debt service and capital projects funds. Assets and liabilities in the General Long-term Debt Account Group were also restated.

EXPLANATORY PARAGRAPH—UNCERTAINTIES

Independent Auditors' Report

The Honorable Mayor and Members of the Assembly
Matanuska-Susitna Borough:

We have audited the general purpose financial statements of the Matanuska-Susitna Borough as of and for the year ended June 30, 1988 (Pages 4 to 36), as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Borough'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 Matanuska-Susitna Borough at June 30, 1988, and the results of its operations and the changes in financial position in its Proprietary Fund Types for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 9 to the general purpose financial statements, the Borough is a defendant in a lawsuit for additional compensation for work performed by a contractor. Preliminary proceedings on the action are currently in progress. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no liability or loss that may result upon adjudication has been recognized in the accompanying general purpose financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents (Pages 39 to 127) are presented for purposes of additional analysis of the general purpose financial statements rather than to present the financial position and results of operations and changes in financial position of the Proprietary Fund Type of the Matanuska-Susitna Borough. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

October 7, 1988

(9) Contingencies

The Borough is party to a disputed claim of approximately $3,950,000 related to the construction of Houston Junior/Senior High School. The outcome of this matter cannot be determined at present. The general purpose financial statements do not include a provision, if any, which may result from this claim. The Borough and School District, in the normal course of their activities, are involved in various other claims and pending litigation. In the opinion of management and legal counsel, the disposition of these other matters is not expected to have a material adverse effect on the Borough's or School District's general purpose financial statements.

The Borough and School District participate in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended 1988 have not yet been conducted. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Borough and School District expect such amounts, if any, to be immaterial.

Independent Auditor's Report

Board of Supervisors
County of Sacramento, California:

We have audited the general purpose financial statements of the County of Sacramento, as of and for the year ended June 30, 1988, as listed within the Financial Section of the 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 financial statements based on our audit. We did not audit the financial statements of the Sacramento County Airport Enterprise Fund, which statements reflect total assets and revenues consisting of 13.6% and 21.4%, respectively, of the related Enterprise fund type totals. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport Enterprise Fund is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, certain enterprise funds do not capitalize and depreciate expenditures for infrastructure assets as required by generally accepted accounting principles applicable to proprietary funds. Due to the nature of the County's records, it was not practical to determine the amount of such infrastructure assets at June 30, 1988.

In our opinion, based upon our audit and the report of other auditors, except for the effects of adjustments that would be required if the County properly accounted for infrastructure assets of certain enterprise funds, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Sacramento, California 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 ended, in conformity with generally accepted accounting principles.

As discussed in note 13 to the general purpose financial statements, the County, along with other parties, is a defendant in lawsuits with regard to the selection process and franchise rights in building and maintaining a cable television system in the County. Plaintiffs are seeking significant damages. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no liability, and loss, that may result upon adjudication has been recognized in the accompanying general purpose financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements listed in the Financial Section of 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 County of Sacramento, California. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements, and, in our opinion, except for the effects of adjustments that would be required if the County properly accounted for infrastructure assets of certain enterprise funds, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

December 16, 1988

Note 13—Contingencies

The County, along with other jurisdictions within the County of Sacramento, are involved in various suits with regard to the selection process and franchise rights in building and maintaining a cable television system in the County of Sacramento. These suits allege that the Cable Commission's process in awarding cable television contracts violates the U.S. and California Constitutions and seeks significant damages. In 1988, the court denied damages in the suit filed by a cable television company involving the most serious threat of liability, but awarded approximately $750 in attorney's fees. Parties have both appealed to the U.S. Court of Appeals, 9th District. Each named jurisdiction has entered into an Excess Liability Allocation Agreement whereby liability, if any, exceeding insurance proceeds and assets of the Sacramento Metropolitan Cable Television Commission are shared among the jurisdictions. The County's share of any eventual cumulative liability is 62 percent. In connection with the preceding agreement, the County and the other jurisdictions have commenced action against liability insurance carriers seeking coverage under policies in existence during that time. The County intends to vigorously defend itself in these pending actions. Outside counsel assigned to prosecution and defense of the litigation on behalf of the County, is of the opinion that it is too early to predict the outcome. The County Counsel is of the view that there is low risk of significant monetary liability being imposed on the County when the highest appellate courts finally clarify applicable law and apply it to trial court liability litigation. Therefore, County management is of the opinion that there will be no significant adverse impact on the County's financial position. Accordingly, no liability, and loss, if any, have been recognized in the accompanying combined financial statements.

Furthermore, the County has been named as a party to contract liability claims in connection with alleged misrepresentations and other deficiencies in the construction of a new main jail. The contractor has asserted future claims in excess of $32,000 as a result of these alleged misrepresentations. These claims, if upheld, may involve parties other than the County. Any compensatory damages are not expected to be incurred within the next five years. As no reasonable estimate is available as to the increased costs, if any, that may be incurred by the County, no provision for loss has been recorded.

Certain entities who participate in the pooled investments of the County treasury have filed suit seeking recovery of additional interest earnings under the County's previous method of apportionment in fiscal years 1982 thru 1985. The suit claims damages of $6,000, plus pre-trial interest accumulation on such amount. Further, the County is a defendant in various lawsuits related to self-insurance programs and for other claims, including property tax assessments and claims arising from audits of federal and state funded programs.

Anticipated costs related to such claims and litigation are included in the self-insurance funds, where appropriate. Although the final outcome of these matters cannot be predicted, the County believes it has meritorious defenses and that any settlements or judgements in such matters will not be significant to the County. The long-term self-insurance liability for governmental funds includes anticipated costs of litigation in these matters along with estimated payments on claims due after fiscal 1988 from governmental funds to the self-insurance internal service funds.

Independent Auditors' Report

Honorable Ken Schultz, Mayor
and Members of City Council
City of Albuquerque, New Mexico:

We have audited the general purpose financial statements of the City of Albuquerque, New Mexico, as of and for the year ended June 30, 1988, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Albuquerque, New Mexico, at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary and similar fiduciary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 19 to the general purpose financial statements, the City is a defendant in tort claims, the ultimate outcome of which cannot presently be determined. To the extent that the City is liable for more than $100,000 on individual tort claim judgments and settlements, that amount will be funded through property tax assessments.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining 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 Albuquerque, New Mexico. 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.

We did not examine the statistical information included in Tables I through XVII and therefore express no opinion thereon.

[Signature]

November 10, 1988

Note 19. Commitments and Contingent Liabilities

At June 30, 1988, uncompleted construction and other commitments in the proprietary and similar fiduciary fund types which will be paid from assets restricted for construction, improvements and replacements or from operating revenues were as follows:

Enterprise Funds:	
Airport Fund	$31,596,135
Joint Water and Sewer Fund	16,580,838
Parking Facilities Fund	40,813
Refuse Disposal Fund	670,665
Transit Fund	175,078
Internal Service Funds	148,475
Fiduciary Funds	34,420

Lease commitments other than the capital leases described in Note 10 at June 30, 1988, are not material.

The City is a party to various legal proceedings which involve claims against the City. In those cases where a loss is probable and measurable, a liability has been recognized. Except as discussed in the following paragraph, it is the opinion of City management that the ultimate resolution of remaining litigation will not have a material effect on the financial position of the City.

Two trial courts have ruled that portions of the New Mexico Tort Claims Act (Act) are unconstitutional. The Act limits the City's liability on tort claims. The cases are being appealed and legal counsel cannot give an opinion as to the outcome. The City records liabilities under the Act in the Risk Management (Internal Service) Fund. In recording liability on tort claims, the City has used the limits of liability as specified in the Act. If the Act is found to be unconstitutional the City's liability for tort claims could be substantially increased. The amount that exceeds $100,000 on individual tort claim judgements and settlements, is funded by the City through property tax assessments.

The City cannot obtain policy liability, out-of-state liability, and federal court liability insurance. The limits of the Act are not applicable in other jurisdictions, including the federal court.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such disallowances, if any, will not be material.

Independent Auditors' Report

Honorable Mayor and City Council
City of Dover, New Hampshire:

We have audited the general purpose financial statements of the City of Dover, New Hampshire, as of and for the year ended June 30, 1988, as listed in the accompanying Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the *Standards for Audit of Governmental Organizations Programs, Activities and Functions*, issued by the U. S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in note 5, the financial statements referred to above do not include the General Fixed Asset Group of Accounts nor do they include the majority of the fixed assets, associated depreciation expense, accumulated depreciation or contributed capital of the Sewer Enterprise Fund, as required by generally accepted accounting principles.

As more fully described in note 6 certain outstanding long-term debt of the Sewer Enterprise Fund is accounted for in the General Long-term Debt Group of Accounts, although generally accepted accounting principles require that such debt be included in the financial statements of the Sewer Enterprise Fund.

In our opinion, except for the effects of the matters referred to in the third and fourth paragraphs above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Dover, New Hampshire at June 30, 1988 and the results of its operations and the changes in financial positions of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

As discussed 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 cost to the City resulting from the above actions is not determinable. Accordingly, no liability nor loss that may result from these actions has been recognized in the accompanying financial statements.

As described more fully in note 10, historical pension information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements is not available.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedules listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

[Signature]

September 30, 1988

13. Commitments and Contingencies [In Part]

Secondary Treatment Facility

The City of Dover entered into a consent decree effective September 25, 1987 with the U. S. Environmental Protection Agency and the State of New Hampshire to settle claims that the City has violated the federal and state Clean Water Act statutes and regulations. Under the provisions of the decree, the City has agreed to construct a secondary treatment facility in accordance with a stipulated time schedule that will result in completion of the facility in 1992, and comply with interim efficient discharge levels as stated in the decree.

Additionally, during fiscal 1988, the City paid a civil penalty of $27,500 to the United States for violation of the Clean Water Act and funded an environmentally beneficial project for more than $67,500 to detect and reduce or eliminate significant concentrations of metal in its wastewater.

Failing to comply with the provisions of the decree will result in stipulated penalties.

The preliminary estimate of the cost of the secondary treatment plant is approximately $32,750,000. The City expects that the federal and state governments will participate in funding the cost of the new plant and it has made no provision in the financial statements for the resultant costs. The City's expected share of the total cost is approximately $1,700,000.

Independent Auditor's Report

The Honorable Members of County Council
New Castle County, Delaware:

We have audited the general purpose financial statements of New Castle County, Delaware, as of and for the year ended

June 30, 1988. These general purpose financial statements are the responsibility of County management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of New Castle County, Delaware, 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.

New Castle County, Delaware is currently a defendant in certain litigation as described in Note 13. The final outcome of this litigation is not presently determinable and no provision has been made in the financial statements for the effect, if any, of such litigation.

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 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of New Castle County, Delaware. 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. We express no opinion on the statistical information contained in tables 1 through 15.

[Signature]

September 30, 1988

(13) Contingencies:

The Federal and State governments participate in funding certain County capital projects, and the County has recorded receivables in the Sewer Facilities, Greater Wilmington/N.C.C. Airport and Capital Projects Funds for the portion of the costs incurred on projects to be funded from these sources. Project costs charged to the funding agency are subject to audit and approval by the agency and, in the event of disallowance, must be funded by the County. Management does not believe that any material amounts of such costs will be disallowed by the funding agency.

The County is a defendant in various litigation wherein the plaintiffs have claimed substantial damages. Some of the matters are currently in the discovery stage; others are in various forms of summary judgement disposition. Of these matters, the issue of damages has not been passed upon. The possible liability, if any, on the part of the County in the remaining actions is not currently determinable.

The County is involved in a number of other actions related to tax billings, assessment valuations, property damages and other matters. In the opinion of the County Attorney, the ultimate resolution of these actions will not have any material effect on the County's financial position.

The County has issued mortgage revenue bonds to provide funds to acquire mortgages on single-family residences in New Castle County and authorized the issuance of revenue bonds to provide funds for various commercial, industrial and agricultural development projects. The bond proceeds, together with all of the County's right, title and interest in the mortgage loans and other assets to be acquired and all principal, interest and other amounts receivable from or with respect to the use of the proceeds of the revenue bonds, were assigned to the bondholders. In the opinion of bond counsel, the bonds are not subject to the debt limit imposed by the Delaware Code, but are payable solely from proceeds of the bonds, mortgage loan repayments and certain other special funds created under the indenture pursuant to which the bonds were issued. The County does not have an obligation to pay the bonds other than from such sources; therefore, such amounts have not been included in the financial statements.

QUALIFIED OPINIONS

[Qualification: Incomplete Financial Statements]

[Example 1]

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 are not included in the enterprise funds. Therefore, these statements are not in compliance with generally accepted accounting principles.

In my 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, 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 that of the preceding year. Also, in my 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, 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.

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.

[Example 2]

The general purpose financial statements referred to above do not include the general fixed assets group of accounts, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets group of accounts is not known.

In our opinion, except for the effect on the financial statements of the omission of the General Fixed Assets Group of Accounts as explained in the second paragraph, the general purpose financial statements referred to above present fairly the financial position of the Township at December 31, 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.

[Example 3]

The City's Board of Education does not provide for a self-balancing group of accounts for their general fixed assets. The statement of general fixed assets, as required by generally accepted accounting principles, has been included in the financial report for those fixed assets administered by the City excluding all fixed assets administered by the City Board of Education. Therefore, the statement does not present all general fixed assets owned by the City.

In our opinion, based upon our examination and the reports of other auditors, except for the effects of the exclusion of the City Board of Education's general fixed assets as discussed in the foregoing paragraph, the accompanying financial statements referred to above present fairly the financial position of the various funds and account groups of the City at June 30, 1988, and the results of their 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 4]

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, 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] County, at December 31, 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 5]

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group, which should be included to conform with generally accepted accounting principles. The City has not maintained a complete record of its general fixed assets and, accordingly, the amount that should be recorded in the General Fixed Assets Account Group is not known.

As described in Note 1, the City's policy is to prepare its governmental fund type financial statement on the cash basis of accounting. This practice differs from generally accepted accounting principles. Accordingly, the accompanying governmental fund type financial statements are not intended to present financial position and results of operations of the governmental funds in conformity with generally accepted accounting principles. As described in Note 11, the Utilities Commission's policy is to prepare its financial statements on the accrual basis of accounting which is in conformity with generally accepted accounting principles.

In our opinion, based upon our examination and the report of other auditors, except for the effect on the financial statements of the omission described in the above paragraphs, the general purpose financial statements referred to above present fairly the financial position of the City's Governmental Fund Types, at June 30, 1988, and the Utilities Commission Enterprise Fund, at September 30, 1987, and the results of their respective operations and the changes in financial position of the enterprise fund for their respective years then ended, on the basis of accounting described in Notes 1 and 11 which basis have been applied on a basis consistent with that of the preceding year.

[Example 6]

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.

In our opinion, except for the effect on the financial statements of the omission described in the second paragraph, the general purpose financial statements referred to in the first paragraph present fairly the financial position of [the] School District, at June 30, 1988, 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.

[Qualification: Fixed Asset Valuation and Accounting]

[Example 1]

The County has not maintained a formal system of property control for both real and personal properties. The report prepared by the County as contained herein is a "book cost" report and is not based on a physical asset inventory and valuation. Therefore, I am not able to express an opinion on the General Fixed Asset Account Group as contained herein.

With the exception of the General Fixed Assets reported herein, in my opinion, the general purpose financial statements referred to above present fairly the financial position of each of the fund types and account groups of [the] County as of September 30, 1987, and the results of its operations of such 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 2]

As more fully explained in Note 4 to the general purpose financial statements, the County has not maintained a complete record for costs of its general fixed assets. Certain items acquired prior to July 1, 1975, have been stated within the combined financial statements at estimated insurable values. In our opinion, generally accepted accounting principles require that general fixed assets be stated at cost or at appraised value at the time of donation for donated assets.

In our opinion, except for the effects of accounting for certain general fixed assets at estimated insurable values, as noted in the preceding paragraph, the general purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of [the] County, as of June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

Note 4. Departure From Generally Accepted Accounting Principles

Generally accepted accounting principles require that general fixed assets be presented in the financial statements at cost or at appraised value at the time of donation. Because the County has not maintained a complete record of its general fixed assets, certain assets acquired prior to July 1, 1975, are stated at estimated insurable values at that date.

Of the general fixed assets presented on Exhibit A, $512,800, or 17.2% of the total, represents assets for which the value is estimated insurable values. This is considered to be a departure from generally accepted accounting principles. The effect, if any, of the departure upon the financial statements of the County taken as a whole is not determinable.

[Example 3]

A fixed asset group was not maintained prior to June 30, 1975 and all fixed assets owned at that date were recorded at insured values. Generally accepted accounting principles require the recording of fixed assets at cost as the basis for presentation in the financial statements. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, except for the valuation of fixed assets, the component unit financial statements referred to above present fairly the assets, liabilities and fund equity—cash basis of the AUTHORITY as of December 31, 1987 and 1986 and the cash revenue, expenditures and changes in fund balances during the years 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.

[Example 4]

As discussed in Note 1B to the financial statements, buildings and certain equipment items are stated at values determined for insurance purposes. Such assets should be stated at acquisition cost to conform with generally accepted accounting principles.

In our opinion, except for the effects of valuing buildings and certain equipment items at value determined for insurance purposes, as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the City at December 31, 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 1—Summary of Significant Accounting Policies [In Part]

B. Account Groups (Fixed Assets and Long-Term Liabilities)

General fixed assets have been acquired for general governmental purposes and have been recorded as expenditures in the fund making the expenditure. These expenditures are required to be capitalized at historical cost in a General Fixed Asset Group of Accounts for accountability purposes. The City has valued fixed assets at historical cost in accordance with generally accepted accounting principles, except for buildings and certain motor vehicles, whose values are recorded at replacement cost.

[Example 5]

Although the county maintains general fixed asset records, they are not kept on a cost basis and are not susceptible to the application of adequate alternative auditing procedures regarding the cost of general fixed assets.

In our opinion, except for the General Fixed Asset group of accounts, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of [the] COUNTY, as of June 30, 1988, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Generally accepted accounting principles require fixed assets to be recorded at cost or estimated cost. Because the county does not record its general fixed assets accordingly, we express no opinion on the General Fixed Asset group of accounts.

[Qualification: Pensions]

[Example 1]

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, the Community Development Fund does not accrue unbilled pension costs as required by generally accepted accounting principles.

In our opinion, based on our audits and the reports of other auditors except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine those items referred to in paragraph three of this report, and except that the reporting practices described in paragraphs four through six result in an incomplete presentation as explained above and except for the effects of accruing pension costs in the Community Development Fund as discussed in paragraph seven of this report, the general purpose financial statements listed in the accompanying table of contents present fairly, in all material respects, the financial position of the City as of December 31, 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.

5. Pension Plans [In Part]

At December 31, 1987, the Community Development Fund's contribution for periods subsequent to March 31, 1986 is not required to be budgeted, funded or accrued at the end of the current fiscal year in accordance with statutory reporting requirements. Generally accepted accounting principles require that pension costs be accrued as a liability at December 31, 1987. Had such amounts been accrued, fund balance of the Community Development Fund would have been reduced by approximately $61,000 at December 31, 1987.

[Example 2]

As described in note 6, the Authority maintains a noncontributory pension plan for former employees not included in other plans. Current actuarial information with respect to the plan is not available and as a result, the Authority is unable to determine the appropriate liability for unfunded vested benefits or the excess of vested benefits over plan assets at December 31, 1987 and 1986.

In our opinion, except for the effect of the adjustments to pension liabilities for the noncontributory pension plan and the related disclosures of the excess of vested benefits over plan assets, the aforementioned financial statements present fairly the financial position of [the] Authority at December 31, 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.

(6) Pension Plans [In Part]

The noncontributory plan for union employees retiring prior to November 1, 1971 and for salaried employees retiring prior to January 1, 1979 pays benefits on 20% of the employee's final monthly salary plus additional monthly benefits based on years of service. Benefits paid under this plan are charged to current operations as an expense when paid. Current actuarial information on this plan is not available and no determination has been made of the liability for unfunded vested benefits and the excess of vested benefits over plan assets under an acceptable actuarial method. Accordingly, the effect of this departure from generally accepted accounting principles on the Authority's financial position has not been determined. Benefits charged to this plan amounted to approximately $263,000 and $281,000 for 1987 and 1986, respectively.

[Example 3]

As further discussed in Note 3 of Notes to Financial Statements, the City was unable to produce a complete record of its general fixed assets at cost and, accordingly, the statement of general fixed assets included in this report may not be a complete and accurate reflection of general fixed assets in accordance with generally accepted accounting principles. A complete record of general fixed assets is not required by the Mississippi State Department of Audit until September 30, 1988. Additionally as further discussed in Note 7 of Notes to Financial Statements, during the fiscal year ended September 30, 1987 the City distributed the net assets of its retirement plans to the State of Mississippi for administration pursuant to state legislation requiring such a transfer on or before July 1, 1987. Due to the sizable amounts of transfers into the State's Public Employees' Retirement System of Mississippi, the new plan administrators were unable to provide the City with actuarial valuation results as of and for the fiscal year ended September 30, 1987 as required to be disclosed in the accompanying financial statements in accordance with generally accepted accounting principles.

In our opinion, except for the effects of any adjustments necessary to properly account for fixed assets and the omission of relevant disclosures regarding the City's retirement plans all as noted in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the City at September 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.

Note 7: Retirement Commitments [In Part]

Pursuant to recently enacted State legislation the City, during the fiscal year ended September 30, 1987, distributed the net assets of these pre-existing retirement plans to the Public Employees' Retirement System of Mississippi (the System of the State) to be separately administered by the State. Such legislation, which required the distribution of the retirement funds and records to the state system on or before July 1, 1987, provides continued authority for the City to levy taxes for support of the retirement plans and provides for administrative costs to be collected by the state system. Although this was state-wide legislation affecting numerous municipal systems resulting in a multiple-employer, cost-sharing public employee retirement system administered by the state system, the municipal systems will be accounted for by the state system as an agent multiple employer public employees retirement system such that separate, complete actuarial valuations will be prepared and furnished to the City based on its employee profile. Pursuant to the new arrangement, annual contribution rates will be determined separately for each participating employer and each will remain responsible for the retirement benefits of its own employees. The state system is, in effect, an investment and administrative agent for the City.

Due to the relatively large volume of transfers into the state system, actuarial valuations for the City were not completed by the State's actuary for the fiscal year ended September 30, 1987 and are not disclosed herein as required by generally accepted accounting principles.

[Example 4]

As described in Note 1 to the financial statements, the City does not maintain a record of general fixed assets and, accordingly, a general fixed asset group of accounts, required by generally accepted accounting principles, is not presented.

As described in Note 11 to the financial statements, the methods of providing for pension costs and required disclosures do not comply with generally accepted accounting principles. The additional provision necessary to comply with generally accepted accounting principles is not known.

As described in Note 8 to the financial statements, the City is involved in various litigation claims and disputes which are unresolved as of June 30, 1988. The ultimate effect of the resolution of these matters on the financial statements of the City for the year ended June 30, 1988 is not reasonably determinable.

In our opinion, except for the effects of accounting for pension costs and except for the omission of the general fixed asset group of accounts 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 referred to in the preceding paragraphs been known, the combined financial statements mentioned above present fairly the financial position of the City at June 30, 1988 and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Note 11—Employee Retirement Systems [In Part]

The City's pension plans for policemen joining the plan before 1981 and firemen are accounted for on a pay-as-you-go basis, and no provision is made for current or past service costs for active employees or past service costs for retired employees determined on an actuarial basis as is required under generally accepted accounting principles. According to the most recent actuarial study, February 28, 1977, the unfunded liability for past service cost of these plans was approximately $8,700,000 and the annual contribution necessary to provide for current service cost and the amortization of past service costs over forty (40) years is approximately $747,000. Pension expense for the current fiscal year amounted to $1,169,000.

[Example 5]

The Town has not maintained records of the cost of its general fixed assets and, therefore, a General Fixed Assets Account Group is not presented in the accompanying general purpose financial statements as required by generally accepted accounting principles.

As more fully described in note 6 to the financial statements, the Town does not provide for pension costs in accordance with generally accepted accounting principles.

In our opinion, except that the omission of a general fixed asset group of accounts results in an incomplete presentation and except for the effects of such adjustments, if any, that would have been recorded had the Town provided for pension costs in accordance with generally accepted accounting principles as discussed in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town at June 30, 1988, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

(6) Pension Plan [In Part]

(c) Contribution Requirements and Contribution Made

The system's funding policy for the Town is not actuarially determined. The Town is required to contribute, each fiscal year, an amount approximating the pension benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employees Retirement Administration (PERA) and is based in part on the previous year's benefit payout. The Commonwealth of Massachusetts currently reimburses the system on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2.

[Qualification: Reporting Entity]

[Example 1]

The general purpose financial statements referred to above include land, buildings, and equipment in the General Fixed Asset Account Group. Land and buildings are valued at appraised value. This is not in accordance with generally accepted accounting principles which requires fixed assets be valued at historical cost or estimated historical cost. The historical cost of the land and buildings is not known.

The general purpose financial statements referred to above do not include the water resource districts funds, which should be included in the special revenue fund type to conform with generally accepted accounting principles. Based on unaudited information, the water resource district funds have assets of $1,806,067, liabilities of $101,834, revenues of $921,854, and expenditures of $872,911, for the year ended December 31, 1987.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had fixed assets been stated at historical cost and the effect of the omissions described in the above paragraph, the general purpose financial statements referred to above present fairly the financial position of each of the fund types and account groups of [the] County, at December 31, 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 2]

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 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 $101,436, 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 the 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, 1987 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 3]

The general purpose financial statements referred to above do not include financial activities of the Housing Development Corporation which should be included to conform with generally accepted accounting principles. The effects of excluding the component unit are not known.

The City has not maintained a complete and accurate inventory of fixed assets purchased in years prior to June 30, 1980. We were, therefore, unable to apply generally accepted auditing procedures to an examination of the costs of assets in the City's general fixed asset account, or to an examination of the costs of assets and the related depreciation accounts in the joint utilities fund, the International Airport fund, the city office fund, the bus transit fund or the Public Housing Authority fund which in addition to the Memorial General Hospital fund are combined in the enterprise fund of the City's general purpose financial statements. In addition, the financial statements of the joint utilities fund contain the combined reports of financial positions of nonhomogeneous utilities without presentation of separate financial statements. This presentation is not in conformity with generally accepted accounting principles. We were also unable to apply generally accepted auditing procedures to an examination of the costs and related depreciation accounts in the support services fund, vehicle acquisition fund, and self insurance fund which are combined in the internal services fund of the City's general purpose financial statements. Accordingly, we do not express an opinion on the financial statements of the general fixed asset account group, or the individual fund financial statements of the joint utilities fund, [the] International Airport fund, city office fund, bus transit fund, Public Housing Authority fund, support services fund, vehicle acquisition fund and self insurance fund, or the combining and combined financial statements of the enterprise and internal service funds.

It is the Housing Authority's policy to prepare financial statements to conform with the accounting policies prescribed by the U.S. Department of Housing and Urban Development. These policies include recording grants received for proprietary fund operating purposes as contributed capital and not recognizing depreciation or accumulated depreciation in enterprise funds. Generally accepted accounting principles require that grants received for enterprise fund operating purposes be recognized as nonoperating revenue and that depreciation and accumulated depreciation be recorded in enterprise funds. We are unable to determine the effect of changes necessary to correct the financial statements, but it is our opinion that the effects are material.

The special assessment fund type was eliminated in accordance with Governmental Accounting Standards Board Statement No. 6 and the transactions are being accounted for in the paving district fund of the general fund type. The self-insurance fund was reclassified from the general fund type to the internal service fund type and the ICMA fund was added to the agency fund type in accordance with generally accepted accounting principles.

In our opinion, the aforementioned general purpose financial statements except for the effects of the exclusion of the financial activities of the Housing Development Corporation as discussed in the fourth paragraph, the effects of the general fixed asset group, enterprise funds and the internal service funds as discussed in paragraph five, the effects of the accounting policies of the Housing Authority as discussed in paragraph six and the effects of the reclassification and addition of funds as discussed in paragraph seven, present fairly the financial position of the City at June 30, 1988 and the results of its operations and changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the aforementioned combining individual fund and account group financial statements, except for the effects of the items discussed in paragraphs four through seven, present fairly in all material respects, the financial position of each of the individual funds and account groups of the City at June 30, 1988, and the results of operations of such funds and the changes in financial position of individual proprietary funds for the year then ended in accordance with generally accepted accounting principles.

[Example 4]

We did not audit the financial activities of [the] Aging Services, a component unit of [the] County, which should be included to conform with generally accepted accounting principles, because the component unit's records were inadequate to permit the application of necessary auditing procedures. The effects on the general purpose financial statements of the omission of the activities of [the] Aging Services have not been determined.

In our opinion, based on our audits and the report of other auditors, except that the omission of the Aging Services results in incomplete presentation and except for such adjustments, if any, as might have been determined to be necessary had we been able to perform sufficient auditing procedures relative to the omitted component unit, as described in the preceding paragraph, the general purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of [the] County, as of June 30, 1988 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.

[Example 5]

As described more fully in Note 1, the general purpose financial statements designated above do not include financial statements of Department of Utilities and Memorial Hospital which should be included to conform with generally accepted accounting principles.

In my opinion, except that the omission of the financial statements referred to in the preceding paragraph results in an incomplete presentation, the general purpose financial statements designated above present fairly the financial position of the City at December 31, 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.

Note 1. Summary of Accounting Policies [In Part]

B. Basis of Accounting

Generally accepted accounting principles require the inclusion of all component units of the oversight unit, which is the City. Determination as to whether or not the City exercises oversight responsibility is based upon such criteria as final governing authority, designation of management, ability to significantly influence operations, and fiscal accountability. Using these criteria, the City has included in this report all component units for which the City has oversight responsibility except its wholly-owned Department of Utilities and Memorial Hospital. These entities are, however, subject to audit, and issue separate reports.

[Qualification: Method of Accruing Revenues and Expenditures]

[Example 1]

As described in Note 1, the 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.

As more fully described in Note 3, the School Department accounts for teachers' summer salaries in the combined statement of revenues, expenditures and changes in fund balances on the pay-as-you-go basis. Accordingly, teachers' salaries paid in July and August are recorded as expenditures in the year of payment. Since the teachers have provided all the required services under their contracts at June 30, 1988, generally accepted accounting principles require that such salaries be recorded as expenditures during the year ended June 30, 1988.

In our opinion, except for the matters referred to in the preceding paragraphs, the general purpose financial statements referred to above present fairly the financial position of the Town at June 30, 1988, and the results of its operations and the sources and uses of cash 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, individual fund and account group financial statements referred to above present fairly the financial position of each of the individual funds and account group of the Town at June 30, 1988, and the results of operations of such funds and the sources and uses of cash 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 2]

As more fully described in Note 1 to the financial statements, the District has used the encumbrance method of accounting. Generally accepted accounting principles require this method not be used, even though it is a method accepted by the State of Oregon.

We have been unable to satisfy ourselves concerning a substantial portion of the cost or estimated cost of fixed assets recorded in the General Fixed Assets Group and Proprietary Fund because internal control surrounding the detailed records and the lack of monitoring the actual inventory with that on the books results in a weak basis for reliance thereon. The District's records do not permit the application of adequate alternative procedures regarding the cost or estimated cost of fixed assets.

A physical inventory of General Fund supplies was not taken, and the amount included in the balance sheet is an estimate of the cost of these supplies.

In our opinion, except for the effects of the use of the encumbrance method of accounting, and for the adjustments as might have been determined to be necessary had we been able to satisfy ourselves regarding the cost and related depreciation of the fixed assets, the general purpose financial statements referred to above present fairly the financial position of [the] School District No. 1 at June 30, 1988, and the results of its operations and the changes in financial position of its Proprietary Fund Types for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Note 1. Summary of Significant Accounting Policies:

The encumbrance method of accounting has been used by the District for many years and is an acceptable method of recognizing expenditures by the State of Oregon. This was a generally accepted accounting principle for years ending prior to July 1, 1980. This became an unacceptable method in contravention to the new generally accepted accounting principles as set forth by the National Council of Governmental Accountants in their *Statement 1—Governmental Accounting and Financial Reporting Principles*, which was effective for governmental entities with fiscal years ending after June 30, 1980. The difference between encumbrances payable at the beginning and at the end of fiscal year ended June 30, 1988, is approximately 1.90% of the total General Fund expenditures.

Except for use of the encumbrance method of accounting, the accounting policies of School District No. 1 conform to generally accepted accounting principles as applicable to governmental units. Oregon Revised Statutes allow the use of the encumbrance method of recognizing expenditures.

[Example 3]

As described in Note 1, the City prepares its general purpose financial statements using accounting principles which are in conformity with the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. As described in Note 2, the accounting principles followed by the City differ in certain respects from generally accepted accounting principles, principally in the areas of enterprise and fixed asset accounting, accrual of pension expenses and recording of liabilities for pension and compensated absences.

As discussed further in Note 13, the City is self-insured for liability, accident and health and worker's compensation insurance. The City provides for such costs on a pay-as-you-go basis while generally accepted accounting principles require such costs to be determined on the accrual basis. As a result, certain insurance expenditures and liabilities are not recorded. The amount of such insurance cost on an accrual basis has not been determined.

The most recent actuarial valuation of the contributory retirement system was as of January 1, 1983. Generally accepted accounting principles require current actuarial valuations to determine the present value of accumulated plan benefits. In addition, because of the absence of current actuarial information, certain required disclosures have been omitted.

In our opinion, except for the effects on the financial statements of the differences in accounting practices referred to in the preceding paragraphs, the general purpose financial statements mentioned above present fairly the financial position of the funds and accounts of the City at June 30, 1988 and the 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, after giving retroactive effect to the change, with which we concur, in the method of accounting for the refinancing of bond anticipation notes with long-term general obligation debt as described in Note 3 to the general purpose financial statements.

13. Commitments and Contingencies [In Part]

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

Accident and health—Accident and health claims are administered through various private carriers. The City is self-insured under this program.
Property—Property insurance is maintained on most of the City's property with various commercial insurers and generally provides for a deductible of $100,000.
Liability—The City is self-insured under this program. State law generally limits a city's liability for an incident to $100,000 per individual claim.
Workers' compensation—The City is self-insured under this program and administers its own claims.

For the most part, the City accounts for these expenditures on a pay-as-you-go basis. Accruals have been recorded for liability claims that are handled by the City Solicitor's office where losses are estimable and probable. Since information is not available to quantify claims that have been incurred but not reported, no accrual has been recorded for these items.

[Example 4]

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, 1988, (and December 31, 1987 for the Contributory Retirement System Trust Fund) 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.

2. Departures From Generally Accepted Accounting Principles

The significant departures of the City's financial statements from GAAP are as follows:

A provision is established for each property tax levy to provide for the cancellation of the levy as a result of taxpayers either entitled to a partial or complete exemption under some provision in the Massachusetts General Laws or entitled to an abatement due to over assessment.

Generally accepted accounting principles (GAAP) state that tax revenues be recognized on a cash basis throughout the year and can be accrued for collections made 60 days subsequent to year-end. Because the City establishes a provision for abatements account tax revenues recognized by the City are limited to the excess of the tax levy less the amount established for the provision for abatements, even if collections exceed this amount.

Also, since the City occasionally funds tax abatements and refunds, related to prior year levies, through the provision for abatement account, such payments are not reported as expenditures in the year incurred. GAAP states that expenditures be recognized when a liability is incurred.

During fiscal year 1988, this departure from GAAP has no material effect on the financial statements.

Retirement benefits are provided for on a "pay-as-you-go" basis rather than an acceptable actuarial cost method (see Note 9).

General fixed asset acquisitions are recorded as expenditures as the purchases are made rather than being capitalized in a general fixed asset group of accounts.

Purchase for materials and supplies inventories for the City's enterprise funds are recorded as expenditures rather than assets at the time of purchase.

Certain employee benefits including group insurance and workmans' compensation are paid from the general fund and are not recaptured from the water supply of water pollution enterprise funds and only partially recaptured from the hospital enterprise fund.

The City reports expenditures for employee compensated absences when paid rather than the generally accepted method of reporting when earned by employees.

[Example 5]

As described in note 1, the general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included to conform with generally accepted accounting principles.

As described in note 10 to the financial statements, the City accounts for teachers' summer salaries in the general purpose financial statements on the cash basis. Generally accepted accounting principles require that the cost of teachers' summer salaries be recorded at June 30, 1988.

In our opinion, except for the effect on the financial statements of the omissions described in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 1988, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

10. Teacher Summer Salaries

The City currently accounts and budgets for teachers' summer salaries on the cash basis. Since the teachers have provided all of the required services under their contract at June 30, 1988, generally accepted accounting principles require that the cost associated with those services be recorded during that period. The General Fund fund balance would have decreased by approximately $414,800 if the teachers' summer salaries had been accrued at June 30, 1988.

[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, 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. 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, 1987, 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]

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, 1987. Amounts reported as accounts payable were improper. We did not consider it practical to determine the adjustment necessary to properly report accounts payable.

In our opinion, except for the effect of such adjustments as might have been necessary because of the matters discussed in the second, third and fourth paragraphs, the combined financial statements referred to above present fairly the financial position of [the] County, at December 31, 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 3]

As more fully described in Note 3 to the financial statements, it is the policy of the school district to value and report general fixed assets at appraised value rather than historical cost as required by generally accepted accounting principles. Further, the school district's School Lunch Fund does not reflect fixed assets or depreciation thereon as required by generally accepted accounting principles for enterprise funds. Also, the provision for compensated absences included in the general long-term debt group of accounts has not been accrued as a liability of the General Fund as required by generally accepted accounting principles.

In our opinion, except for the effects on the combined financial statements of not valuing general fixed assets at historical cost, recording of fixed assets, depreciation thereon and related indebtedness, and the accrual of compensated absences as explained in the preceding paragraph, the combined financial statements referred to above present fairly the financial position of the School District at June 30, 1988, 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 4]

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 $46,880.

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 School District at June 30, 1988 and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

5. Pensions [In Part]

Pensions for employees other than School Department teaching staff are provided through a contributory retirement system under the Massachusetts Contributory Retirement Law. This law prescribes the formula for computing retirement allowance and presently does not permit funding of accrued pension liabilities actuarially. Employee contribution and School District contributions are paid to the County on a pay-as-you-go basis as directed by the State Division of Insurance through the Retirement Board. Total payments during the year ended June 30, 1988 for the School District's share of pension costs, were $139,378.

School Department teaching staff contribute to a pension plan administered by the Massachusetts Teachers Retirement Board. The School District makes no contributions to this plan.

[Example 5]

Material vested amounts of employees' accumulated vacation pay and sick leave as of June 30, 1988, are required by generally accepted accounting principles to be recorded in the financial statements as of that date. *The amounts are not* included in the financial statements, but are disclosed in the notes to the financial statements.

In our opinion, except for the item noted in the preceding paragraph, the accompanying financial statements referred to above present fairly the financial position of the City at June 30, 1988, and the results of its operations and changes in financial position for 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, 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, 1988, 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.

[Qualification: Inventory Valuation Accounting]

[Example 1]

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 General 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] School District at June 30, 1988, 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.

[Example 2]

Since the District's fixed asset historical cost information data is not available, we were unable to examine the carrying value of the fixed assets. Also, due to the timing of our examination, we did not test the physical quantities of the School Nutrition Fund inventories nor did we test the inventory pricing and extensions.

As described in Note 1 of the Notes to Financial Statements, the District maintains its accounting records, and the accompanying statements of cash transactions are prepared, on a cash basis; consequently, revenue is recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Also, because the District maintains its funds in accordance with statutory requirements, the District has not prepared combined financial statements. Thus, the financial statements listed in the table of contents are not intended to present the financial position of the District or the results of its operations in conformity with generally accepted accounting principles.

Due to the limitation on our examination of the general fixed assets, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general fixed assets group of accounts.

In our opinion, except for the effects of any adjustments to the School Nutrition Fund that might have been determined to be necessary had we performed the omitted auditing procedures mentioned in the second paragraph above, the balance sheets mentioned above present fairly the financial position of the individual funds at June 30, 1988, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year. Also, in our opinion, the statements of cash transactions mentioned above present fairly the cash receipts and disbursements of the above mentioned funds of [the] School District for the years ended June 30, 1988 and 1987, in conformity with the cash basis method of accounting described in Note 1 of the Notes to Financial Statements, applied on a basis consistent with the preceding year.

[Example 3]

Our audit did not include the Board's property and equipment group of accounts, and inventory accounts, except to the extent that transactions with such funds and accounts are included in the accompanying financial statements.

As described in Note 1, the Board's policy is to prepare its financial statements on a prescribed basis of accounting as set forth by the Kentucky Department of Education for local school districts. These practices differ in some respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to include the property and equipment accounts and inventory accounts, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of the Board as of June 30, 1988, and the cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

[Qualification: Other]

[Example 1]

As more fully described in Note 5, the balance sheet of the General Fund includes an amount due from the Hospital Fund, which is included in the Enterprise Funds, which has been determined by City management to be uncollectible solely from present and anticipated future operating results of the Hospital Fund, given present admission policies and levels of General Fund support. In our opinion, generally accepted accounting principles require that such an asset be written off when it is determined to be uncollectible. If the receivable were written off, undesignated fund balance in the General Fund would be reduced by $34,571,425 resulting in an undesignated deficit of $22,886,464.

In our opinion, except for the effects of not writing off the uncollectible interfund receivable in the General Fund as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the City at September 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.

5—Equity in Investment Pool

The following summarizes the amounts of equity in or advances from the investment pool by fund type at September 30, 1987:

	Equity In	Advance From
General Fund	$ 21,652,335	—
Special Revenue Funds	8,993,220	891,575
Capital Projects Funds	106,878,848	—
Enterprise Funds—Current:		
Utility	26,187,643	—
Hospital		34,571,425
Other	7,816,030	—
Enterprise Funds—Construction:		
Utility	280,980,320	—
Hospital	10,324,006	—
Other	9,105,085	—
Enterprise Funds—Deposits:		
Utility	3,435,704	—
Internal Service Funds:		
Current	8,751,684	—
Construction account	267,381	—
Fiduciary Funds	32,644,687	2,071,462
Total equity in	517,036,943	
Total advance from	(37,534,462)	37,534,462
Investment by other funds in investment pool	$479,502,481	

Certain funds have made disbursements in excess of such funds' individual equity in the City's investment pool. The balance of these amounts has been reported in the combined balance sheet as advances from the investment pool. Total advances from investment pool of $37,534,462 will be paid primarily through collection of receivables from other governments, future receipts of the Hospital Fund, and transfers from other funds.

Of the $37,534,462 advance from the investment pool, $34,571,425 is advanced to the Hospital Fund for the operations of Brackenridge Hospital. This represents a decrease of approximately $1 million from the prior year's balance. A portion of the balance, $16 million, was accumulated over a number of years. During the 1985 fiscal year, an additional $15 million was accumulated. The balance increased approximately $4 million in 1986 and decreased approximately $1 million during 1987.

In 1987, the City transferred $5.6 million to the hospital to fund catastrophic care for the near poor. The City has budgeted another transfer of $5.6 million for this program in 1988.

Brackenridge Hospital has over a number of years borrowed approximately $35 million from the City's investment pool to meet its operating cash needs. Although significant operational efficiencies and financial improvements have been realized in the past two years, no substantial reduction in the advance has been possible. It is management's opinion at this time that Brackenridge cannot reasonably be expected to repay this advance through excess cash generated from operations, given constraints imposed by the health care industry, local competition and existing admission policies.

City management has presented to the City Council for consideration a proposed long-term repayment plan which recommends the General Fund as a funding source. No Council action has been taken and the ultimate resolution cannot be predicted at this time.

Current accounting literature provides little guidance on operations of an investment pool and advances from a pool. It is the City's auditor's opinion that generally accepted accounting principles require that this advance be reflected in the financial statements as a receivable in the General Fund which should be written off as uncollectible. The effect of such accounting treatment would be a reduction of $34,571,425 in the General Fund's undesignated fund balance resulting in a deficit balance of $22,886,464.

City management believes that it is inappropriate to recognize this receivable and the related write off in the General Fund since the entire loan has not been made from that fund. In addition, the General Fund did not have the legal authority to loan $35 million to Brackenridge under the City Charter and State law since the General Fund never had an unencumbered fund balance of $35 million available. City management believes that it is also inappropriate to allocate the receivable and related write off to the other non-restricted funds (i.e., operating funds such as Utility Funds) participating in the pool.

The City will continue to reflect this advance from the investment pool in the Hospital Fund and will not record a receivable and related write off in any fund. It is City management's intent to reduce the advance over a number of years as evidenced by the proposed repayment plan recommended to City Council.

[Example 2]

As discussed in Note 7, the district is a member of the Washington Public Power Supply System (Supply System) and is a participant in the Supply System's Nuclear Projects 4 and 5, which have been terminated. As further discussed in Note 7, the Supply System is involved in a number of lawsuits and other proceedings which ultimately relate to the Supply System's inability to meet its obligations pursuant to the construction of Nuclear Projects 4 and 5. As further discussed in Note 7, the district has also been named as a defendant in several lawsuits alleging violation of securities laws concerning the sale of Supply System bonds to finance construction of these projects. Due to the status of the litigation process, the ultimate outcome of the lawsuits cannot presently be determined.

As discussed in Note 1-i, the County Public Utility District No. 1 had a refund of prior period insurance premiums in the amount of $191,700. County Public Utility District No. 1 officials treated this as a correction of an error and therefore recorded it as a prior period adjustment. The transaction, per generally accepted accounting principles, should be recorded as an extraordinary item. The financial statements, had the transaction been recorded as an extraordinary item, would show an increase in net income after extraordinary items for the amount of the refunded insurance premiums.

In our opinion, subject to the effect on the 1987 financial statements of the district of such adjustments, if any, as might have been required had the outcome of the uncertainties described in the second paragraph been known, and except for the effect on the 1987 financial statements of the district, had the transaction been recorded as described in the preceding paragraph, the financial statements referred to above present fairly the financial position of [the] County Public Utility District No. 1 at December 31, 1987, and the results of its operations and 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.

Note 7—Contracts with the Washington Public Power Supply System for Future Power Supply

a. *WPPSS Nuclear Projects 1,2, and 3:* The District has entered into "net billing agreements" with WPPSS and the Bonneville Power Administration (BPA). Under terms of these agreements, the District has purchased a maximum of 3.529 percent, 5.350 percent and 3.604 percent of the capability of WPPSS's Nuclear Project Nos. 1 and 2 and WPPSS's 70 percent ownership share of its Nuclear Project No. 3, respectively, and has sold this capability to BPA. BPA is unconditionally obligated to pay the District, and the District is unconditionally obligated to pay WPPSS, the pro rata share of the total annual costs of each project, including debt service on revenue bonds issued to finance the projects, whether or not the projects are completed, operable or operating and notwithstanding the suspension, reduction or curtailment of the projects' output.

Nuclear Project No. 1 is approximately 63 percent complete. Nuclear Project No. 3 is approximately 75.2 percent complete. Both plants are in an extended construction delay and all systems are being maintained in condition to resume construction at any time.

Nuclear Project No. 2 was completed and placed in commercial operation on December 13, 1984.

	Nuclear Projects ($ in Millions)	
	Note 1[1]	Note 3[2]
Total Project Funding Requirements	$4,268	$4,963
Less: Net Billing Private Owner and BPA Financing	1,078	2,402
Total Estimated WPPSS Finance[4] Requirements	$3,190	$2,561
Total Financed to Date[3]	$2,155	$1,600
Plant Capacity	1,250MW	1,240MW
Schedule for Commercial Operation	Indefinite Delay	Indefinite Delay

[1]Per 1982 Construction Budget, dated July 1, 1981.
[2]Per 1983 Construction Budget, dated September 8, 1982.
[3]Excludes Net Billing and Private Owner Financing.
[4]Final amounts to be determined at time of restart or termination. Current amounts are subject to escalation and are approximate at this time.

b. *WPPSS Nuclear Projects 4 and 5:* The District, concurrently with 87 other PUD's, cooperatives and cities, entered into "Participants' Agreements" with WPPSS. Under terms of these agreements, the District purchased a maximum of 5.08 percent of the capability of Nuclear Projects Nos. 4 and 5.

   On January 22, 1982, the WPPSS Board of Directors adopted a resolution terminating Nuclear Projects 4 and 5. Under the Participants' Agreement for Nuclear Projects 4 and 5, the obligations of the participants to pay the total annual costs of Nuclear Projects 4 and 5, including debt service on bonds and costs of termination, commenced January 25, 1983. At that time, the District's share of termination costs amounted to $8,354,280. Its share of bond principal was $114,300,000. Its share of total debt service, (including interest) which is to be paid over the years 1983 to 2018, was $341,253,672.

   On June 15, 1983, the Washington State Supreme Court ruled that the Washington municipal participants in the Supply Systems Nuclear Projects 4 and 5 did not have the authority to enter into the Participants' Agreements. Chemical Bank on behalf of the bondholders and bondholders representing a class, have filed suit in federal court seeking to reinstate the participants' liability for the outstanding bonds and unpaid interest. The District and its legal counsel cannot predict with any degree of certainty what effect, if any, the final outcome of this suit will be.

   Because of the Washington State Supreme Court decision, the financial statements of the District do not reflect any liability for Nuclear Projects Nos. 4 and 5. A portion of this liability had been amortized and expensed in previous years. The amortization was reversed in 1983 and is shown as a credit to Retained Earnings in the financial statements.

The District has loaned WPPSS $3,334,627.20 for termination and bridge loans. The District obtained a judgment against WPPSS and Chemical Bank of New York. The Supreme Court of Washington reversed the judgment as to Chemical Bank. However, due to the obscure chances of collection, the loans were written off against Retained Earnings on December 31, 1985.

c. The District has filed or is participating in a number of lawsuits concerning the WNP 4 and 5 projects. In the opinion of management and legal counsel, it is impossible at the present time to predict the outcome of the pending lawsuits and the ultimate impact on the District.

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

i. Direct Charge or Credit to Retained Earnings in Utility Funds

The Debit to Retained Earnings consists of the following item:

Write off Electric Plant held for future use. $3,549.38

The Credit to Retained Earnings consists of the following item:

Refund of prior period insurance premiums. $191,700.00

[Example 3]

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 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, 1987 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.

Note M. Commitments

The City, along with other Bonneville Power Administration (BPA) preference customers, has executed agreements with BPA and WPPSS to purchase a portion of the electric power and energy capability of WPPSS Projects Numbers 1, 2 and 3. Plant Number 2 is completed and operating. Construction has been halted on Numbers 1 and 3, and they are being held in a preservation state because of regional power surpluses and financing difficulties. Pursuant to these agreements (the Net Billing Agreements) as executed by BPA, WPPSS, and BPA preference customers including the City, the participating utilities make payment to WPPSS for the proportionate share of the annual cost of Projects, including debt service payments. The participating utilities have assigned their share of the Project capability to BPA. The power and energy from the Projects become part of the preference customers under terms of their respective power sales contracts with BPA. In consideration thereof, BPA credits the payments made by the participating utilities to WPPSS against billings by BPA for power and certain other services rendered by the BPA.

The City has also entered into an agreement with the BPA wherein the City sells and the BPA purchases all power generated from the City's three hydroelectric generating plants (bulb turbines). For the year ended September 30, 1987, the City's power sales to the BPA totaled $4,731,000.

Under the terms of the agreement, the City is obligated to sell its generated power to the BPA through January 2029 (the expiration date of the FERC license) at a price structured to pay the debt service on the 1981 Electric Revenue Refunding Bonds, operating and maintenance expenditures of the bulb turbines, and a reasonable return on investment. If filing is made for renewal of the FERC license, the City must offer to sell the power generated during the renewal period to the BPA prior to offering such power generation to others. The City may, at its option and under specified terms, withdraw from the agreement after June 30, 1988. The City's right to give notice of withdrawal expires July 1, 1998.

The City has entered into an Exchange Transmission Credit agreement (ETCA) with the BPA. Under the terms of the ETCA payments are received from the BPA and passed through to the Fund's residential customers (as defined by the agreement) as billing adjustments. Cumulative excess ETCA credits passed through to residential customers at September 30, 1987 amounted to $405,000. Pass through to customers has been suspended until this excess has been recovered.

In connection with the Gem State Project, the City has entered into power sales contract and ground lease agreements with Utah Power and Light Company (UP&L):

a. Under the Power Sales Contract, UP&L is entitled to 39% of the energy to be produced from the Project for thirty-five years from the date the Project becomes commercially operable. Beginning on that date, UP&L is required to pay annual amounts equal to its entitlement percentage rate times (i) the variable costs of operating and maintaining the Project and (ii) the debt service on the 1986 General Obligation Electric Refunding Bonds, plus (iii) 5% of the amounts set forth in (i) and (ii).

The City may, with three years notice, reduce the UP&L entitlement to 25%. UP&L has no payment obligation until the Project becomes commercially operable. If the City is unable to complete the development of the Project, UP&L has first right to purchase the City's interest.

b. The ground lease covers the term of the Project's FERC license and provides that UP&L will lease to the City the land upon which a portion of the Project is to be located. The land is subject to various encumbrances, including a mortgage securing UP&L's outstanding bonds.

   The City's obligation to sell energy to UP&L is the sole consideration to be provided during the term of the UP&L Contract. The City is permitted to terminate the ground lease in the event the Project is damaged or destroyed and the City determines not to rebuild.

[Example 4]

We did not audit the financial statements of Memorial General Hospital for the years ended June 30, 1988, which represent 36 percent and 65 percent, respectively, of the assets and revenues of the enterprise fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for the enterprise fund, is based solely upon the report of the other auditors.

The general purpose financial statements referred to above do not include financial activities of the Housing Development Corporation which should be included to conform with generally accepted accounting principles. The effects of excluding the component unit are not known.

The City has not maintained a complete and accurate inventory of fixed assets purchased in years prior to June 30, 1980. We were, therefore, unable to apply generally accepted auditing procedures to an examination of the costs of assets in the City's general fixed asset account, or to an examination of the costs of assets and the related depreciation accounts in the joint utilities fund, the International Airport fund, the city office fund, the bus transit fund or the Public Housing Authority fund which in addition to the Memorial General Hospital fund are combined in the enterprise fund of the City's general purpose financial statements. In addition, the financial statements of the joint utilities fund contain the combined reports of financial positions of nonhomogeneous utilities without presentation of separate financial statements. This presentation is not in conformity with generally accepted accounting principles. We were also unable to apply generally accepted auditing procedures to an examination of the costs and related depreciation accounts in the support services fund, vehicle acquisition fund, and self insurance fund which are combined in the internal services fund of the City's general purpose financial statements. Accordingly, we do not express an opinion on the financial statements of the general fixed asset account group, or the individual fund financial statements of the joint utilities fund, [The] International Airport fund, city office fund, bus transit fund, Public Housing Authority fund, support services fund, vehicle acquisition fund and self insurance fund, or the combining and combined financial statements of the enterprise and internal service funds.

It is the Housing Authority of the City's policy to prepare financial statements to conform with the accounting policies prescribed by the U.S. Department of Housing and Urban Development. These policies include recording grants received for proprietary fund operating purposes as contributed capital and not recognizing depreciation or accumulated depreciation in enterprise funds. Generally accepted accounting principles require that grants received for enterprise fund operating purposes be recognized as nonoperating revenue and that depreciation and accumulated depreciation be recorded in enterprise funds. We are unable to determine the effect of changes necessary to correct the financial statements, but it is our opinion that the effects are material.

The special assessment fund type was eliminated in accordance with Governmental Accounting Standards Board Statement No. 6 and the transactions are being accounted for in the paving district fund of the general fund type. The self-insurance fund was reclassified from the general fund type to the internal service fund type and the ICMA fund was added to the agency fund type in accordance with generally accepted accounting principles.

In our opinion, the aforementioned general purpose financial statements except for the effects of the exclusion of the financial activities of the Housing Development Corporation as discussed in the fourth paragraph, the effects of the general fixed asset group, enterprise funds and the internal service funds as discussed in paragraph five, the effects of the accounting policies of the Housing Authority of the City as discussed in paragraph six and the effects of the reclassification and addition of funds as discussed in paragraph seven, present fairly financial position of the City at June 30, 1988 and the results of its operations and changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the aforementioned combining individual fund and account group financial statements, except for the effects of the items discussed in paragraphs four through seven, present fairly in all material respects, the financial position of each of the individual funds and account groups of the City at June 30, 1988, and the results of operations of such funds and the changes in financial position of individual proprietary funds for the year then ended in accordance with generally accepted accounting principles.

[Multiple Qualification: Various]

[Example 1]

The general purpose financial statements referred to above do not include financial activities of the York City Sewer Authority which should be included to conform with generally accepted accounting principles. The City Sewer Authority was audited by other auditors. The amounts that would have been recorded had the omitted component unit been included as part of the enterprise fund were not determined.

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.

The enterprise fund does not capitalize and depreciate fixed asset additions as required by generally accepted accounting principles. Additions are charged to expense when incurred. The amounts that should be recorded as fixed assets and depreciation are not known.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the general purpose financial statements referred to above present fairly the financial position of the City at December 31, 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 2]

The Town follows accounting policies prescribed 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 method for recording employee pension expenses. Generally accepted accounting principles require that pension costs be determined by actuarial methods, described in Note 3, instead of the cash or "pay-as-you-go" basis as reflected in the accompanying financial statements.

Consistent with the practice of most municipalities in the Commonwealth of Massachusetts, the Town does not capitalize the cost of general fixed assets (see Note 1(f)) as required by generally accepted accounting principles.

The Town has established a separate enterprise (self-supporting) fund to account for the activities of its electric light plant, water and sewer departments. However, certain assets such as inventories, supplies and a significant portion of the capital assets and expenses, such as depreciation on unrecorded fixed assets and pension costs not funded by the Enterprise Funds, have not been fully reflected in the accompanying financial statements (see Note 1(g)) as required by generally accepted accounting principles for Enterprise Funds.

In our opinion, except for the effect of: (1) not providing for pension costs on an actuarial basis, (2) not capitalizing general fixed assets in a General Fixed Asset Group of Accounts and (3) not fully recording certain assets, liabilities and expenses in the water and sewer Enterprise Fund, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Town at June 30, 1988, and the results of its operations and the changes in financial position of its Enterprise Fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, except for the effect of not fully recording capital assets and expenses in the Enterprise Funds on an accrual basis, the combining financial statements referred to above present fairly, in all material respects, the financial position of each of the individual Enterprise Funds of the Town at June 30, 1988, and the results of operations of such funds and the changes in financial position of individual Enterprise Funds for the year then ended in conformity with generally accepted accounting principles.

[Example 3]

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the Enterprise and Internal Service Funds and the general fixed assets account group. 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, or the resulting depreciation on fixed assets of the Enterprise and Internal Service Funds. We are, therefore, unable to express an opinion as to the Enterprise and Internal Service Funds and the general fixed assets account group included in the accompanying financial statements.

We were also unable to obtain sufficient evidence to support the beginning balances of accounts by individual funds due to the consolidation of funds done by management for the fiscal year ended June 30, 1988. We concur with management's consolidation of funds which will improve accounting efficiency, however, we are therefore unable to present various disclosures such as the Combining Statement of Changes in Financial Position All Proprietary Fund Types and beginning fund balances and retained earnings as adjusted due to prior period adjustments.

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to examine the fixed assets of the Enterprise and Internal Service Funds and the general fixed assets account group as explained in the above paragraph, the general purpose financial statements referred to above present fairly in all material respects the financial position of the City at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in accordance with generally accepted accounting principles.

[Example 4]

The financial statements of the Community Counseling Services Fund for the year ended August 31, 1987, have not been included in the accompanying financial report. The financial statements were examined by other auditors, and thus we do not express any opinion on them.

The County has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included.

In our opinion, except that the omission of the required statement above results in an incomplete presentation, the aforementioned financial statements present fairly the financial position of the funds as listed in the index of this report of [the] County at August 31, 1987, and the results 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 5]

As described in Note 1B, the general purpose financial statements referred to above do not include financial statements of the General Fixed Asset Group of Accounts which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In addition, the Town has not capitalized the cost of property and equipment purchased by the Proprietary Fund (Sewer Department). Likewise, no depreciation expense is recorded on this fund. Generally accepted accounting principles require that property and equipment of proprietary funds be capitalized and depreciated over the useful lives of the assets. The Town's records do not permit the application of adequate procedures to enable us to determine the cost value of capital assets or related depreciation expense on them. Because of the material effect of the omission of fixed assets and related depreciation on the financial position, we do not express an opinion on the financial statement of this Proprietary Fund (Sewer Department).

In our opinion, except that omission of the General Fixed Asset Group of Accounts results in an incomplete presentation, as explained in the above paragraph, the combined financial statements and the combining, individual fund and account group financial statements referred to above, other than the financial statements of the Proprietary Fund (Sewer Department), present fairly the financial position of the Town at June 30, 1988, 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.

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 AUDIT 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:

*[Note: In April, 1989 the Auditing Standards Board issued Statement on Auditing Standards No. 63, "Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance" which prescribes a new reporting format for the Report on the Internal Accounting Control Structure. The provisions of the statement are effective for fiscal periods beginning on or after January 1, 1989. In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide, *Audits of State and Local Governmental Units*. It superseded the reporting examples appearing in appendix A and provided new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective on or after January 1, 1989. See section 1 for a further discussion.]

September 9, 1988

To the City Council of the
City of Orange, California

REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF THE EXAMINATION OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

We have examined the general purpose financial statements of the City of Orange, California, for the year ended June 30, 1988, and have issued our report thereon dated September 9, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of the City of Orange, 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 *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 and investments

Payroll

Accounts payable and cash disbursements

Cash receipts

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 City of Orange, California, 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 Orange, California, 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 and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the City Council, is a matter of public record.

[Signature]

REPORT ON INTERNAL ACCOUNTING CONTROL BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF THE AUDIT OF THE GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS

The Honorable County Executive and
Members of the County Legislature
County of Erie, New York:

We have audited the general purpose financial statements of the County of Erie for the year ended December 31, 1987, and have issued our report thereon dated May 16, 1988. As part of our audit, we made a study and evaluation of the system of internal accounting control of the County of Erie 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:

Treasury Cycle
Receipts Cycle
Disbursements Cycle
Reporting Cycle

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 County of Erie 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 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 second 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 County of Erie taken as a whole or 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 and the Department of Health and Human Services 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 County of Erie, is a matter of public record.

[Signature]

November 21, 1988

REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS PART OF AN EXAMINATION OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

The Honorable Scotty Baesler, Mayor
and Members of the Urban County Council
Lexington, Kentucky

We have audited the general purpose financial statements of the Lexington-Fayette Urban County Government, for the year ended June 30, 1988, and have issued our report thereon dated September 21, 1988. As part of our audit, we made a study and evaluation of the system of internal accounting control of the Lexington-Fayette Urban County Government to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial audits contained in the U. S. General Accounting Office's *Government Auditing Standards*. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

Significant Internal Accounting Controls That Were Evaluated

A. Receivables

B. Cash receipts

C. Purchasing and receiving

D. Cash disbursements, accounts payable

E. Payroll

F. Indirect cost allocation

G. Budgeting and budget reporting

H. Property and equipment

I. 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 Lexington-Fayette Urban County Government is responsible for establishing and maintaining a system of internal accounting control. 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 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 Lexington-Fayette Urban County Government taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no conditions that we believe would 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 Lexington-Fayette Urban County Government may occur and not be detected within a timely period.

This report is intended solely for the use of management and Council of the Lexington-Fayette Urban County Government and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Council of the Lexington-Fayette Urban County Government, is a matter of public record.

[Signature]

Lexington, Kentucky
September 21, 1988

AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

To the Members of the City Council of the
City of Tucson, Arizona

We have audited the general purpose financial statements of the City of Tucson, Arizona, for the year ended June 30, 1988, and have issued our report thereon dated November 16,

1988. As part of our audit, we made a study and evaluation of the system of internal accounting control of the City of Tucson, Arizona, 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 Controls:

Cycles of the City's Activity

- Treasury/financing
- Revenue/receipts
- Purchases/disbursements
- External financial reporting

Financial Statement Captions

- Cash
- Receivables
- Fixed assets
- Payables and accrued liabilities
- Debt
- Fund balance

Accounting Applications

- Billings
- Receivables
- Cash receipts
- Purchasing and receiving
- Accounts payable
- Cash disbursements
- Payroll
- Fixed assets
- General ledger

General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Subrecipients

Specific Requirements

- Types of services
- Eligibility
- Matching level of effort
- 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 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 Tucson, Arizona, 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 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 second 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 Tucson, Arizona, as a whole or 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. A report to City management, dated November 16, 1988, has been issued summarizing nonmaterial weaknesses in the system of internal controls identified during our study and evaluation.

This report is intended solely for the use of management and the Department of Housing and Urban Development 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 Department of Housing and Urban Development, is a matter of public record.

[Signature]

Tucson, Arizona
December 2, 1988

AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS PART OF AN EXAMINATION OF THE BASIC FINANCIAL STATEMENTS

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have examined the financial statements of Metro Regional Transit Authority for the year ended December 31, 1987 and have issued our report thereon dated March 11, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of Metro 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
- Investments
- Property and Equipment
- Inventory Control
- Other assets and liabilities
- Journal entries and general ledger
- External financial reporting

The purpose of our study and evaluation which included all of the control categories listed above 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.

The management of Metro 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 may 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 Metro Regional Transit Authority taken as a whole or on any other 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.

Our study and evaluation did disclose certain conditions, that, although not considered by us to be a material weakness, are weaknesses in internal accounting control for which corrective action might be taken. These conditions are discussed in the following report.

This report is intended solely for the use of Metro Regional Transit Authority and the cognizant Federal and State Audit Agencies. This restriction is not intended to limit the distribution of this report which, upon acceptance by the cognizant Federal and State Audit Agencies, is a matter of public record.

[Signature]

Cleveland, Ohio
March 11, 1988

METRO REGIONAL TRANSIT AUTHORITY

COMMENTS ON INTERNAL ACCOUNTING CONTROL FOR THE YEAR ENDED DECEMBER 31, 1987

The following comments were presented in connection with the prior year's examination as of December 31, 1986. We present these comments again for your consideration.

Intercompany Transaction and Balances

Observation—During our examination, we noted certain intercompany transactions were not recorded in the separately identified intercompany accounts. Thus, the intercompany balances could not be easily eliminated, as they were not in agreement.

Recommendation—We recommend that Metro record all intercompany transactions in the appropriate accounts, and balance the intercompany accounts monthly to ensure all transactions were properly recorded.

Planning Grants

Observation—During the current year, the Authority accounted for funds received from planning grants as capital assistance grants. Thus, asset and equity accounts were utilized in accounting for the expenditures rather than revenue and expense accounts.

Recommendation—We recommend a separate subsidiary ledger be maintained for the planning grants to properly account for the receipts and related expenditures, and to monitor the grant activity which will facilitate quarterly reporting to UMTA.

AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

The Honorable Jon Lindsay, County Judge, and
Members of Commissioners Court of
Harris County, Texas:

We have examined the general purpose financial statements of Harris County, Texas ("County") for the year ended

February 29, 1988, and have issued our report thereon dated May 31, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of the County, 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
- Payroll
- Property
- General Ledger
- Budgeting
- External 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 County's general purpose 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 County 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 general purpose 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 County, 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.

In our report for the fourteen months ended February 28, 1987, we disclosed a condition concerning negative cash balances that, although not considered by us to be a material weakness, was a weakness in internal accounting control. In connection with our audit for the year ended February 29, 1988, our recommendation has not been fully implemented and is included in the Schedule of Findings and Questioned Costs.

This report is intended solely for the use of management of the County, 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 Commissioners Court, is a matter of public record.

[Signature]

May 31, 1988

HARRIS COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS [IN PART]

For the Year Ended February 29, 1988

Program	Finding/Noncompliance	Questioned Costs
Various Grants (Excluding Community Development Grants)	Although improvements have been made during the year, we noted several instances in which negative cash balances have occurred in various grants. Since all grants are in one bank account (excluding Community Development), such negative balances actually represent temporary loans from other grants, which are prohibited by the grant contracts. However, it is not possible to identify which grants were actually lending the money, as the grants are combined in one bank account.	None

The Honorable Mayor, City Council
and City Manager
City of North Las Vegas, Nevada

We have audited the general purpose financial statements of the City of North Las Vegas, Nevada, for the year ended June 30, 1988, and have issued our report thereon dated October 21, 1988.

As part of our audit, we made a study and evaluation of the City's system of internal accounting control 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 Audits 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: receivables, cash receipts, accounts payable/cash disbursements, and payroll. 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 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 North Las Vegas, Nevada is responsible for establishing and maintaining a system of internal accounting control. In fulfilling these responsibilities, estimates and judgments by managment 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 second 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 taken as a whole, or on any of the categories identified in the second paragraph, of the City of North Las Vegas, Nevada. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

Our audit did, however, disclose the following conditions that, although not considered by us to be material weaknesses, are weaknesses in internal accounting control for which corrective action might be taken. These comments are listed below under the heading, "Current Year Recommendations." In addition, we have addressed the status of the prior year's recommendations and they have been included under the heading, "Prior Year Recommendations."

This report is intended solely for the use of management and, in accordance with Nevada Revised Statutes, the Nevada Department of Taxation, and should not be used for any other purpose.

[Signature]

October 21, 1988

CURRENT YEAR RECOMMENDATIONS

Billing Process—Public Works

Proposals for construction bids are not maintained locked prior to bid opening. Bids should be maintained locked at all times until formal bid opening.

Accounts Payable

During our audit it was noted that at times a claim for payment of one invoice is requested twice, resulting in double payments and voided checks. No claims for payment should be approved unless original invoices are attached. No payment should be made from invoice copies.

Productive Assets

Certain general fixed assets that were at a City auction in prior years were not removed from the City's accountability until the current year. We suggest that reconciliation be made after each auction to ascertain that all items sold have been removed from the City's records.

Cash Receipts and Receivables

The cash receipts supervisor currently performs various incompatible duties. This person reconciles and counts the window banks, prepares bank deposits, and credits customer accounts. We suggest that these duties be segregated.

Journal Entries

It was noted in our review of journal entries posted to the contributed capital account that supporting documentation was not attached to one adjusting journal entry. We suggest that supporting documentation be attached and a closer view of entries be performed.

Prior Year Recommendations

The City implemented the recommendations made for the year ended June 30, 1987; however, it was noted that even though the grants subsidiary ledger is being reconciled to the general ledger, reconciliation is not being performed on a timely basis.

Board of County Commissioners
Missoula County, Montana

We have audited the general purpose financial statements of Missoula County, Montana for the year ended June 30, 1988, and have issued our report thereon dated November 23, 1988, which report was qualified due to the omission of Missoula Aging Services, a component unit of Missoula County, and the condition of the component unit's records which precluded the application of necessary audit procedures. As part of our audit, we made a study and evaluation of the system of internal accounting control of Missoula County, Montana 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:

- Tax assessment, billing and distribution
- Cash receipts
- Cash disbursements
- Trust and agency cash accounting
- Purchasing, claims and warrant
- Payroll
- Budgeting
- General ledger and financial reporting

- Rural special improvement districts
- Fixed assets
- Materials and supplies inventory
- Health insurance claims
- Airport accounting

Our study included all of the control categories listed above except that we did not evaluate the internal accounting controls over airport accounting, because such controls were examined by other auditors. 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 County'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 Missoula County, Montana 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 Missoula County, Montana 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 Missoula County, Montana may occur and not be detected within a timely period. Descriptions of these conditions, and our recommendations for corrective action, appear on pages 40 through 42 of this report.

Conditions we believe do not pose more than a relatively low risk that errors and irregularities in amounts that would be material in the relation to the financial statements of Missoula County, Montana may occur and not be detected within a timely period have been communicated to management in a separate letter.

The conditions noted on pages 40 through 42 were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the 1988 financial statements, and this report does not affect our report on these financial statements dated November 23, 1988.

This report is intended solely for the use of management, the Montana Department of Commerce, the Regional Inspector General for Audit—U.S. Department of Health and Human Services 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 Missoula County, Montana, is a matter of public record.

[Signature]

November 23, 1988

SEGREGATION OF DUTIES

Finding—The fiscal officer is assigned the responsibility of preparing the budget, reviewing and authorizing accounting functions, supervising accounting personnel, and overseeing the preparation of annual financial statements. Controls are weakened when one position has the authority to record, review and supervise all financial functions, as the likelihood for undetected errors or irregularities is increased.

A lack of segregation of duties also exists in the Treasurer's office. Personnel are involved in receipting, depositing, and reconciling reports and bank statements. A key control in the safeguarding of assets is to limit the duties any one person can perform. Cash is an exceptionally high risk asset due to its liquidity. Proper segregation of duties involving cash separates the functions above. With adequate internal controls, the likelihood of errors or irregularities being prevented or detected and corrected in a timely manner is greatly increased.

While staffing cuts have contributed to the lack of segregation of duties among treasury personnel, it appears the County has sufficient staff for adequate segregation. The following duties could be assigned to separate individuals.

a. write receipts	cashiers
b. record receipts	data entry personnel
c. prepare deposits and cash journal entries, sign disbursements	real estate supervisor
d. make deposits and record disbursements	tax clerk IV
e. prepare bank reconciliations	finance clerks

Recommendation—We recommend Missoula County explore options to organize job duties that can maximize internal controls.

County Response—In fiscal year 1988 as in fiscal year 1987, we disagree that there is sufficient staff to accomplish a complete segregation of duties in the Treasurer's Office. Within the resources available, however, we will accomplish as much segregation as possible.

Concerning the fiscal officer position, we recognize that some aspects of this position violate good internal control. However, we feel the County receives substantial management benefits from having a position which sees all financial aspects of the County and can coordinate them all.

MISSOULA AGING SERVICES

Finding—Missoula Aging Services did not have financial statements available for use in the Missoula County audit as of the report date. Other auditors are currently engaged to perform an audit but have been delayed due to weaknesses in the record keeping system of Missoula Aging Services.

Financial information for fiscal year 1987 was also not available due to weaknesses in the record keeping system as discussed in the fiscal year 1987 audit report.

The federal government requires certain procedures, including adequate accounting, to be performed by any entity which receives federal funds. Missoula Aging Services could jeopardize funding sources if control weaknesses concerning accurate record keeping are not addressed.

Recommendation—We recommend Missoula County implement controls to ensure Missoula Aging Services has the ability to account for its financial activities in a complete and timely manner.

County Response—Missoula County will continue to try to find ways to improve the accountability of Missoula Aging Services.

November 1, 1988

Oconee County Council
County of Oconee
Walhalla, South Carolina

We have audited the general purpose financial statements of Oconee County, South Carolina, for the year ended June 30, 1988, and have issued our report thereon dated November 1, 1988. As part of our audit, we made a study and evaluation of the system of internal accounting control of Oconee County, South Carolina, 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:

1. Revenue and receipts cycle.
2. Purchases and disbursement cycle.

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 Oconee County, South 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 Oconee County, South 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 amounts that would be material in relation to the financial statements of Oconee County, South Carolina, may occur and not be detected within a timely period.

Fixed asset records detailing date acquired, actual cost, or estimated historical costs of assets are not maintained. However, the County is presently in the process of establishing, and implementing a fixed asset control system.

The County has experienced problems in the costing and control of perpetual records of the motor pool parts inventory. A new system has been developed and is presently being implemented, which will improve the control and costing out of parts inventory.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of June 30, 1988 financial statements, and this report does not affect our report on the financial statements dated November 1, 1988.

This report is intended solely for the use of management and Oconee County Council 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 Oconee County Council, is a matter of public record.

[Signature]

[Signature]

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

October 4, 1988

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, 1988, and have issued our report thereon dated October 4, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of Florence School District One, Florence, South 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 classified the significant internal accounting controls in the following categories: Cash; Investments; Revenue; Receivables, and Cash Receipts—Governmental Funds; Service Revenue and Receivables—Proprietary Fund Types; Expenditures for Goods and Services and Accounts Payable; Payroll and Related Liabilities; Inventories; Property, Equipment, and Capital Expenditures; Debt and Debt Service Expenditures; Grants. 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 Florence School District One, Florence, South 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 Florence School District One, Florence, South Carolina, 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 would 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 Florence School District One, Florence, South Carolina, may occur and not be detected within a timely period. These conditions are: (1) *Fixed Assets*—Presentation of amounts invested in land, buildings and machinery and equipment in a separate account group is required under generally accepted accounting principles. Presently, the only records maintained are for amounts invested with federal funds, and only the Food Service records are integrated into the accounting system; (2) *Inventories*—There is not ideal control of inventories because use of perpetual records is not integrated into the accounting system. (3) *General*—An ideal internal control system calls for more separation of duties than exists under the present system.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the 1988 financial statements, and this report does not affect our report on the financial statements dated October 4, 1988.

This report is intended solely for the use of management, the South Carolina Department of Education, the cognizant agency (U. S. Department of Education) or its designee 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 Florence School District One, Florence, South Carolina, is a matter of public record.

[Signature]

November 21, 1988

MANAGEMENT LETTER

The Honorable Donald M. Fraser, Mayor
Members of the City Council
City of Minneapolis
City Hall
Minneapolis, Minnesota 55415

We have examined the general purpose financial statements of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 1987, and have issued our report thereon dated June 6, 1988. This letter resulting from part of that examination includes our report on internal accounting control, management practices, and items that were previously reported but have been resolved, for the City of Minneapolis and its component units—the Minneapolis Community Development Agency, the Park and Recreation Board, and the Library Board.

INTERNAL ACCOUNTING CONTROL

As part of our examination, we made a study and evaluation of the City's system of internal accounting control 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's *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	Fixed assets
Cash disbursements	Accounts payable
Investments	Purchases
Accounts receivable	Payroll
Inventories	Data processing

Our study included all of the control categories listed. 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 financial statements of the City of Minneapolis. 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.

The management of the City of Minneapolis is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, management must make estimates and judgments that assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are 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 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 of determining the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements, 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 Minneapolis taken as a whole or on any of the control categories listed. 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 amounts that would be material in relation to the financial statements of the City of Minneapolis may occur and not be detected within a timely period.

PREVIOUSLY REPORTED ITEMS—NOT RESOLVED

City of Minneapolis

General Fixed Assets Account Group

The City's progress in automating the recording and accounting of general fixed assets or applying other satisfactory procedures was still incomplete at the end of 1987. The basic requirement is to find a reasonable means of recording additions and deletions to general fixed assets from supporting documentation. As indicated in the City's response to this finding last year, its objective is to implement a satisfactory recording process by the end of 1988, to be effective for 1989.

During our current review of general fixed assets of the Minneapolis Community Development Agency (MCDA), we found the MCDA maintains a subsidiary ledger for agency-owned equipment. The equipment purchases and disposals were not always recorded in this ledger. This was caused by additional duties given to the individual maintaining the equipment reports. It is important that these reports be kept on a current basis in order for all agency fixed assets to be properly identified and valued.

We urge the City to continue its efforts to improve controls over general fixed assets by implementing adequate procedures. Also, we recommend that the MCDA controllers office make every effort to assure a timely updating of equipment reports and allow for follow-up with departments when questions arise.

Client's Response:

The City has completed a review of the procedures and transactions affecting General Fixed Assets. We have determined that our greatest need is to make personnel in all City Departments aware of existing conventions, procedures, and policies and to insure that departmental personnel place greater importance on their year end physical inventories and the submission of the final inventory listing. To accomplish this the following steps will be taken to improve the results of Equipment Fixed Asset inventories for 1988 year end:

Departments will be notified of the importance of their Equipment Fixed Asset inventories and the results of the auditor's review of their 1987 figures.

Departments will be required to re-identify individuals responsible for the submission of their Equipment Fixed Asset inventories.

The new procedure implemented for the 1987 year end will be reviewed and revised based on the results of the 1987 audit.

Year end inventory procedures will be revised before they are sent to the departments.

Prior to the close of 1988, meetings will be held with all persons responsible for departmental Equipment Fixed Asset inventories to review problems and clarify procedures for the submission of the 1988 inventories.

As part of its longer term objectives the City also sees the need to revise its current procedures for documentation of purchases, transfers and sales of Equipment Fixed Assets. New procedures and forms for these transactions will be developed during the course of 1989. In addition new procedures must be developed for other types of additions and deductions from inventory. The Finance Department has also added a new function and staff to its organization to address the need for new computer applications. In house development of micro-computer Fixed Asset Inventory records will be one of the projects addressed by this new function.

The MCDA staff recognizes the problem with recording purchases and disposals in the equipment reports. The primary reason has been lack of staff resources. After much staff discussion at the highest levels, a determination has been made to carry out the following:

1. Additional staff time will be provided to work on Fixed Asset Accounting.

2. A new physical inventory will be taken in 1988, the subsidiary system will be brought up to date and reconciliations will be performed as needed, and

3. A time frame to complete the above will be developed. It is anticipated that all tasks can be finished before the completion of the next audit.

The equipment inventory system developed in conjunction with the State Auditors Office is a workable system. The intent to provide more staff resources to bring this system current will resolve the major difficulties.

Finance Department

Delinquent Accounts Receivable

Last year, we recommended that the procedures for the handling and collection of the Outside Party Bills (OPBs) be improved. The procedures for referral to the City Attorney's Office of any delinquent non-governmental OPBs that are over six months old appear to be implemented.

Currently, procedures to address the follow-up of old OPBs issued to other governmental units by City departments do not exist.

We recommend that procedures be established and implemented to address the routine follow-up of old OPBs issued to other governmental units by City departments.

Client's Response:

The Finance Department has established and implemented procedures to address the routine follow-up of old Outside Party Bills to other governmental units by City departments.

Minneapolis Community Development Agency

Accounting for Apartment Loan Program and Rental Loan Program

Previously, we recommended that a loan receivable account be established in the general ledger to record program acitivities. We also recommended establishing a subsidiary record for individual loans and a method be determined for allocating loan collections to the proper MCDA funds. Our current review found that these recommendations have been followed. However, in the process of establishing new accounts and records, the following items require correction:

- The outstanding balance from the subsidiary record is not reconciled with balances on FIRMS. A reconciliation must occur each accounting period to assure accuracy in the recordings.
- Loan collections by the program accountant are remitted to the controller's office once a month. Collections should be remitted as they are received.

We recommend the above matters be implemented as soon as possible.

Client's Response:

Effective January, 1988 the outstanding loan balances from the subsidiary records have been reconciled on a monthly basis with FIRMS. Furthermore, the outstanding loan balance discrepancy on December 31, 1987 has been resolved.

Effective October, 1988 loan collections will be remitted to the Controller's Office twice per month rather than once per month. Remittances will be made to coincide with the payments received which are due on the 1st and 15th of each month, at which time the subsidiary records will also be updated.

ITEM ARISING THIS YEAR

Health Department

Grant Accounting System

During our review of the Health Department's operations, we found that the Financial Information and Resource Management System (FIRMS) grant accounting system is not utilized. Currently, the Health Department maintains the grant revenues and expenditures on the FIRMS financial accounting system. The FIRMS grant accounting system provides a means of rolling grants into projects, or projects into a single grant. It also allows the recording and reporting of grant transactions on fiscal and grant year bases.

We recommend that the Health Department consider implementing the FIRMS grant accounting system in order to simplify and improve the grant reporting.

Client's Response:

The Health Department has agreed to utilize the FIRMS Grant System for the revenues, expenditures, and balances of its individual grant programs with an effective date for all grant programs of January 1, 1989. In order to implement this system, Accounting Services of the Finance Department will devote sufficient resources to assist the Health Department in developing a grant coding structure, will provide training of Health Department accounting personnel in the utilization of the FIRMS Grant System, and will provide general technical assistance as may be required to meet the needs of the Health Department and its granting agencies.

Minneapolis Community Development Agency

Accounting for Energy Bank Loan Programs

Substantially all transactions affecting the energy bank loan programs originate with a bank trustee or the Minnegasco Co. Information from these sources is provided to an MCDA accountant who then prepares entries for recording in the City's general ledger. Our review of financial activities in these programs found that:

- Cash and investment balances on the City's general ledger are not reconciled with bank balances of the trustee on a regular basis. As a result, unreconciled items have been carried forward from prior periods without any action being taken by the program's accountant.
- Entries prepared for the general ledger are not always correct, resulting in misstated account balances at year-end.

These conditions diminish the usefulness of general ledger information during the year and reduce the internal controls which should be present for these programs. We recommend that the program's accountant work with the controller's office to develop uniform entries for the general ledger. We also recommend that the accountant begin reconciling general ledger cash and investments with trustee statements on a monthly basis.

Client's Response:

Effective January, 1988 the cash and investment balances from the bank and/or trustee have been reconciled on a monthly basis with FIRMS and are supported by a recap statement. All unreconciled items from prior years have been reviewed, and have either been resolved or will be resolved prior to December 31, 1988.

The monthly reconciliation implemented January, 1988 provides a cross check to assure accurate general ledger entries.

* * * * * * *

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the 1987 financial statements, and this letter does not affect our opinion on the financial statements dated June 6, 1988.

MANAGEMENT PRACTICES

As part of our financial statement examination, we also reviewed certain management practices. Our review was not a detailed study of every system, procedure, and transaction. Accordingly, the items presented here may not be all-inclusive of areas where improvement may be needed.

PREVIOUSLY REPORTED ITEMS—NOT RESOLVED

Management Information Services (MIS)

Computer Services Facility Disaster Plan

Previously, we recommended that the City assess the potential impact of a loss of computer capability and develop a backup and recovery strategy to address that need. During our current review of the operations of the City's computer services facility, we found that a computer software package has been tentatively selected that would assess the impact of a loss of computer capability. This software package would specifically address a backup and recovery strategy for the computer services facility. The budget has not been approved for this Facility Disaster Plan.

We recommend the City and MIS take action to complete the development and adoption of a satisfactory disaster recovery plan.

Client's Response:

The City MIS Department, which has recently had a new Director appointed, is committed to insure that the appropriate Computer Services Facility Disaster Plan software is acquired before the end of 1988, and implemented before the end of 1989.

Minneapolis Community Development Agency

Closeout of MCDA Funds

In our previous report, we recommended the closeout on the general ledger of certain programs within the Neighborhood Development Program Fund. The MCDA indicated these programs would be closed out in early 1988. As of July 1988, the programs had not been closed.

We again recommend that balances in the St. Anthony East, Seward South, Holmes and Near North programs be closed out of the City's general ledger.

Client's Response:

The program activity that was to utilize the remaining balance in the Urban Renewal Accounts was not authorized until mid 1988 and consequently the four programs were not closed out until July 21, 1988.

ITEM ARISING THIS YEAR

Minneapolis Community Development Agency

Financial Condition of Preliminary Planning Program

At December 31, 1987, the Preliminary Planning Program had an undesignated fund balance deficit of $1,242,345. This compares with a deficit balance of $366,794 for the previous year, an unfavorable change of $875,551.

The Preliminary Planning Program provides initial development assistance to city-wide projects for which funding has not yet been determined. In the event it is decided to discontinue development plans of a given project, the Preliminary Planning Program could incur a loss for expenditures not reimbursed. The inability to have expenditures reimbursed contributed to the Fund balance deficit mentioned above. Presently, there is no long-range plan to provide financing for Preliminary Planning costs when projects are discontinued. The MCDA Board has authorized operating transfers from its general fund to assist in reducing these deficits. However, the general fund's resources are limited for this purpose. Therefore, a long-range financing plan is necessary.

We recommend the City Council/MCDA Board develop a plan which will provide financing to the Preliminary Planning Program in instances when its project costs cannot be reimbursed from other sources.

Client's Response:

The Agency has recognized the need for a long-range financing plan for the Preliminary Planning Program especially given the limited resources of the Agency's general fund.

As a result during the 1989 budget process, the Agency proposed to the Council alternative long-range solutions to reduce the deficits in this program. Although the final City Council decision will not be made until November, it appears that a long-range solution has been agreed upon to use the Agency's Development Account for this purpose. The resources available in the Development Account are adequate to handle the needs of the Preliminary Planning Program on a long-term basis.

PREVIOUSLY REPORTED ITEMS RESOLVED

The following items included in our previous management letter dated January 14, 1988, have been implemented or otherwise resolved.

Item	Resolution
City of Minneapolis	
1. *Controls Over Cash Receipts* We recommend that the City Finance Department implement a process whereby checks will be sent directly to the Treasury for deposit and the department concurrently notified of the remittance.	The City Finance Department has implemented the process to the extent that we consider the recommendation satisfactorily resolved.

Item	Resolution
2. *Delinquent Accounts Receivable* We recommend that the Finance Department adhere to the procedure which calls for referrals to the City Attorney's Office of any delinquent nongovernmental Outside Party Bills over six months old.	Sufficient improvement has been shown by the City to consider this matter resolved at this time.
Minneapolis Community Development Agency	
1. *Standards for Systems Development and Documentation* We recommend that the MIS standards manual, which had been developed, be implemented as soon as possible.	The MIS standards manual was implemented March 1, 1988.
2. *National Escrow Corporation* We recommend that MCDA modify its contract terms with National Escrow Corporation.	The contract with National Escrow Corporation was not renewed, and a new loan service was obtained.

* * * * * * *

We are available throughout the year to assist you in implementing any of our suggestions.

We would like to express our appreciation to the City Council and the staffs of many departments, boards, and commissions for their cooperation and assistance during the audit.

[Signature]

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:

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN EXAMINATION OF GENERAL PURPOSE FINANCIAL STATEMENTS

The Honorable Scotty Baesler, Mayor
and Members of the Urban County Council
Lexington, Kentucky

We have audited the general purpose financial statements of the Lexington-Fayette Urban County Government, for the year ended June 30, 1988, and have issued our report thereon dated September 21, 1988. Our audit was made in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, 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 Lexington-Fayette Urban County Government is responsible for the Government's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the Government's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the Government.

The results of our tests indicate that for the items tested, the Lexington-Fayette Urban County Government 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 Lexington-Fayette Urban County Government was not in compliance with laws or regulations noncompliance with which could have a material effect on the Government's general purpose financial statements.

[Signature]

Lexington, Kentucky
September 21, 1988

Board of County Commissioners
Missoula County, Montana

We have audited the general purpose financial statements of Missoula County, Montana for the year ended June 30, 1988, and have issued our report thereon dated November 23, 1988, which report was qualified due to the omission of Missoula Aging Services, a component unit of Missoula County, and the condition of the component unit's records which precluded the application of necessary audit procedures. Our audit 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*

*[Note: In April, 1989 the Auditing Standards Board issued Statement on Auditing Standards No. 63, "Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance" which prescribes a new reporting format for the Report on Compliance With Laws and Regulations. The provisions of the statement are effective for fiscal periods beginning on or after January 1, 1989. In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide, *Audits of State and Local Governmental Units*. It superseded the reporting examples appearing in appendix A and provided new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective on or after January 1, 1989.]

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 Missoula County, Montana is responsible for the County's compliance with laws and regulations. In connection with our audit 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 financial statements of the County.

The results of our tests indicate that for the items tested, Missoula County, Montana 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, Missoula County, Montana was not in compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements.

[Signature]

November 23, 1988

September 9, 1988

To the City Council of the
City of Orange

COMPLIANCE REPORT BASED ON AN EXAMINATION OF GENERAL PURPOSE FINANCIAL STATEMENTS

We have examined the general purpose financial statements of the City of Orange, California, for the year ended June 30, 1988 and have issued our report thereon dated September 9, 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 Orange, California, 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 items tested, the City of Orange, California, 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 the City of Orange, California, was not in compliance with laws or regulations noncompliance with which could have a material effect on the City's combined financial statements.

[Signature]

Honorable Board of County Commissioners
Nassau County, Florida

We have examined the component unit financial statements of the Board of County Commissioners, Nassau County, Florida, oversight unit for the year ended September 30, 1987, and have issued our report thereon dated January 11, 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 Board of County Commissioners is responsible for the Board's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the Board's compliance with laws and regulations noncompliance with which could have a material effect on the financial statements of the Board of County Commissioners.

The results of our tests indicate that for the transactions tested, the Board of County Commissioners, Nassau County, Florida, complied with those laws and regulations referred to above, except as described in audit finding numbers 2 and 3 as reported in the accompanying management letter on pages 47 and 48. Those instances of noncompliance were considered by us in evaluating whether the 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 Board of County Commissioners, Nassau County, Florida, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

January 11, 1988
Fernandina Beach, Florida

AUDIT FINDING 2

The library service agreement between Nassau County and the City of Jacksonville for the year ended September 30, 1987, required the County to remit certain amounts by certain dates. All amounts were remitted in accordance with the agreement except one amount of $75,967, which was remitted on July 20, 1987, should have been remitted prior to June 1, 1987.

RECOMMENDATION

It is again recommended that the County comply with its commitments applicable to all contracts. The required payments should always be made on a timely basis to avoid interruption of applicable services.

AUDIT FINDING 3

Audit tests of the purchasing procedures revealed the following exceptions in the civil defense department:

1. Receiving reports were not maintained nor was the purchase order signed to indicate receipt of goods or services.
2. Several old invoices were not processed for payment. Subsequent to the auditor's inquiry, such invoices were processed for payment. Audit test revealed that one invoice was for another department and another invoice was seven months old.
3. A purchase order form is required for purchases totaling $75 or more. The civil defense department maintains a purchase order number logging system for purchases less than $75, since many of these purchases are made by that department. However, the controls that the system was to provide were not realized. The purchase order number log book was handled by several employees rather than just one employee; accordingly, any control feature would be lost in the circumstances.

RECOMMENDATION

The Board should ensure that all departments comply with all regulations, policies and procedures. The Board should also ensure that vendors are paid on a timely basis.

AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN EXAMINATION OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STANDARDS FOR AUDIT ISSUED BY THE GAO

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio:

We have examined the basic financial statements of Western Reserve Transit Authority for the year ended December 31, 1987, and have issued our report thereon dated February 25, 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 Western Reserve Transit Authority is responsible for the Authority's 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 basic financial statements of the Authority.

The results of our tests indicate that for the items tested the Western Reserve Transit Authority complied with those provisions of laws and regulations referred to above, except as described on page 13 herein, noncompliance with which could have a material effect on the basic financial statements. Nothing came to our attention that caused us to believe that for the items not tested the Western Reserve Transit was not in compliance with laws and regulations noncompliance with which could have a material effect on the Authority's basic financial statements.

[Signature]

Cleveland, Ohio
February 25, 1988

WESTERN RESERVE TRANSIT AUTHORITY

NONCOMPLIANCE CITATIONS

1. *Citation:*

   Section 5705.30 of the Revised Code requires that the proposed tax budget be made available for public inspection and a public hearing be held. Our review indicated that the Authority did not comply with this requirement.

   Authority's Reply:

   The Authority will comply with Section 5703.30, of the Revised Code, requiring the adopted tax budget to be made available for public inspection and a public hearing to be held.

2. *Citation:*

   Section 5719.042 of the Revised Code requires that after the award of a contract let by competitive bid and prior to the time the contract is entered into, the Authority should request and obtain a statement affirmed under oath that the bidder has no delinquent personal property taxes outstanding. Our review indicated that the Authority did not comply with this requirement.

   Authority's Reply:

   The Authority will comply with Section 5719.042, of the Revised Code, requiring that successful bidders submit statements, affirmed under oath, that they have no delinquent personal property taxes outstanding.

3. *Citation:*

   Our review disclosed that a bank failed to pledge certain securities as collateral to the Authority's deposits at December 31, 1987. Such failure represented a non-compliance with the banks depository agreement and Ohio law.

   Authority's Reply:

   The Authority will periodically request statements confirming collateral pledged as security for funds in banking institutions.

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, 1988, and have issued our report thereon dated August 26, 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 Bismarck Public School District No. 1, Bismarck, North Dakota, is responsible for the School 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 School District's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the School District.

The results of our tests indicate that for the transactions tested, the Bismarck Public School District No. 1, Bismarck, North Dakota, complied with those provisions of laws and regulations referred to above, except as described in the Schedule of Findings and Questioned Costs. 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 Bismarck Public School District No. 1, Bismarck, North Dakota, had not complied with laws or regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 1988

Current Year Findings:

Architectural Barrier Removal Grant:

The School District received $37,287 for an Architectural Barrier Removal Grant. An elevator was installed to provide access for handicapped students at Bismarck High School. The total cost was $48,500 of which $26,822 was for materials and $21,678 was for labor. Since a portion of the grant was used for the labor costs, the Davis-Bacon requirements applied to the project.

The School District however, did not include the Davis-Bacon requirements in its contract for the project, nor did it notify the contractor that the project was being paid for with a federal grant, and as such, must comply with the Davis-Bacon Act. No system is in place within the School District to ensure compliance with the Davis-Bacon Act. We recommend that the School District adopt a policy to be in compliance with Davis-Bacon requirements and that the policy be monitored by a designated person.

District Response:

The Bismarck School District will follow the Davis-Bacon labor cost requirements as outlined in U.S. regulations. Generally, the Buildings & Grounds Department will be charged with this compliance responsibility.

Title VI-B:

The report for Title VI-B due on October 15, 1987, was not filed until November 2, 1987.

We recommend the School District set up a grant calendar denoting the dates that reports are due to ensure they are submitted timely.

District Response:

Timely submission of all Title reports is a goal of the Bismarck School District. Time schedules will be established and provided to the staff members who are responsible for the financial reporting of grant funds.

School Lunch Program:

As part of our procedures, we reviewed 32 applications for reduced meals. For the files selected, seven did not have proper documentation as to verification of income and/or annualization of income. In addition, not all applications were signed by authorized school personnel.

We recommend the School strengthen its controls over the processing of applications. Such policies could include yearly training for individuals involved, centralizing the processing of applications, and/or performing an internal audit of files during the year.

District Response:

The Bismarck Schools Food Service Department instituted a centralized review of free or reduced applications in August of 1988. Hopefully, this change will reduce, if not eliminate, the errors made in documentation of income.

November 25, 1987

To the Honorable Mayor, City
Council and City Manager
City of Vero Beach, Florida

We have examined the general purpose financial statements of the City of Vero Beach, Florida (the "City"), for the year ended September 30, 1987, and have issued our report thereon dated November 25, 1987. Our examination was made in accordance with generally accepted auditing standards and the standards for financial compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, 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 City of Vero Beach, Florida, 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 taken as a whole.

The results of our tests indicate that for the transactions tested, the City complied with those laws and regulations referred to above, except as described in the accompanying Note 1. Those instances of noncompliance were considered by us in evaluating whether the financial statements are presented fairly in conformity with generally accepted accounting principles. With respect to the transactions not tested, nothing came to our attention that caused us to believe that the City had not complied with laws and regulations, noncompliance with which could have a material effect on the City's general purpose financial statements, other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

NOTE 1
CITY OF VERO BEACH, FLORIDA
NONCOMPLIANCE WITH LAWS,
RULES AND REGULATIONS

A. CAR ALLOWANCE

The City currently pays designated employees a mileage allowance of 12 cents per mile in addition to a monthly car allowance.

Florida Law, Chapter 112.061, prohibits the reimbursement of mileage to an individual receiving a car allowance, as the allowance is permitted only in lieu of the mileage reimbursement. Any exceptions to the law must be specifically authorized by the City.

With the passage of resolution 87-64, dated October 27, 1987, the City has complied with the applicable statute.

B. CAR ALLOWANCE STATEMENTS

The City does not require a signed statement to be completed by individuals receiving car allowances.

Florida Law, Chapter 112.061, requires a signed statement from said individuals to be filed, on an annual basis, to show the places and distances for an average typical month's travel on official business, and the amount that would be allowed under the approved rate per mile for the travel shown in the statement, if payment has been made pursuant to mileage reimbursement. Any exceptions to the law must be specifically authorized by the City.

With the passage of resolution 87-64, dated October 27, 1987, the City has complied with the applicable statute.

C. TRAVEL EXPENSES

The City does not currently require the submission of the program agenda or registration form for reimbursement of travel expenses.

Florida Law, Chapter 112.061, prohibits the reimbursement of lodging and meals that are included in the registration fee.

We recommend that the City require the submission of all program agendas and registration applications prior to reimbursement for travel expenses to assure compliance with the provisions of Florida law.

To the Board of Trustees
Sweetwater County School District No. 2
Green River, Wyoming

We have examined the general purpose financial statements of Sweetwater County School District No. 2 for the year ended June 30, 1988, and have issued our report thereon dated September 21, 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 Audits 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 Sweetwater County School District No. 2 is responsible for the District's compliance with laws and regulations. In connection with our audit 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 transactions tested the Sweetwater County School District No. 2 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 Sweetwater County School District No. 2 had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referring to above.

[Signature]

September 21, 1988

SWEETWATER COUNTY SCHOOL DISTRICT NO. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 1988

Program	Finding/Noncompliance	Questioned Costs
1. U.S. Department of Education Chapter II No. 190200088C241B Drug Free Schools Administration No. 190200087DFS1902	Compliance requirement: *Cash Management* During the year, cash for these programs was requested by the District from the State Department of Education based on the District's forecast of immediate program requirements. Such forecasts proved to be excessive based on actual immediate program needs. As a result, federal funds remained idle until future needs developed. District management has subsequently reviewed its federal cash management policy to avoid future overestimates of cash requirements.	-0-
2. U.S. Department of Education Chapter I, FY88, Perkins IIA Disadvantaged	Compliance requirement: *Financial Reporting* Mathematical errors were noted on quarterly project ledgers for these programs. Corrected project ledgers were immediately forwarded to the State Department of Education.	-0-
3. U.S. Department of Education All Federal Funds	Compliance requirement: *Budgeting* The budget category "General Support" in the special revenue fund was overexpended by $10,151 during the year ended June 30, 1988. Applicable provisions of Wyoming Statutes 16-4-109 to 16-4-114 require that a budget amendment be made prior to the encumbrance or expenditure of funds in excess of the approved budget.	-0-

Section 7: Auditor's Reports—Single Audit

SINGLE AUDIT REQUIREMENTS

SCOPE OF COVERED ACTIVITIES

The Single Audit Act and OMB Circular A-128 require the auditor to determine whether—

- The financial statements of the government, department, agency, or establishment present fairly its financial position and the results of its financial operations in accordance with GAAP.*
- The organization has internal accounting and other control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations.
- The organization has complied with laws and regulations that may have a material effect on its financial statements and on each major federal financial assistance program.

REPORTING REQUIREMENTS

The Single Audit Act and Circular A-128 require that the auditor include, for the entity's federal financial assistance programs—

- A report on a supplementary schedule of the entity's federal financial assistance programs, showing total expenditures for each federal financial assistance program.
- A report on internal controls (accounting and administrative) used to administer federal financial assistance programs.
- A report on compliance with laws and regulations identifying all findings of noncompliance and questioned costs.
- A report on fraud, abuse, or an illegal act, or indications of such acts, when discovered (a written report is required); normally such reports are issued separately.

REPORT ON A SUPPLEMENTARY SCHEDULE OF THE ENTITY'S FEDERAL FINANCIAL ASSISTANCE PROGRAMS SHOWING TOTAL EXPENDITURES FOR EACH FEDERAL ASSISTANCE PROGRAM

The type of report that should be issued on the Schedule of Federal Financial Assistance is discussed in SAS No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor Submitted Documents*, and is referred to as a report on supplementary information. To meet the requirements of OMB Circular A-128 the report makes specific reference to the audit having been performed in accordance with the standards for financial and compliance audits contained in the Standards for Audit issued by the GAO. Examples of the report are as follows:

Board of County Commissioners
Missoula County, Montana

We have audited the general purpose financial statements of Missoula County, Montana for the year ended June 30, 1988, and have issued our report thereon dated November 23, 1988, which report was qualified due to the omission of Missoula Aging Services, a component unit of Missoula County, and the condition of the component unit's records which precluded the application of necessary audit procedures. Except as explained in the following paragraph, our audit of such 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.

We did not audit the financial activities (including the federal financial assistance programs) of Missoula Aging Services, a component unit of Missoula County, Montana, which should be included to conform with generally accepted accounting principles, because the component unit's records were inadequate to permit the application of necessary auditing procedures. The effects on the accompanying schedule of federal and state financial assistance have not been determined.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Federal and State Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except that the omission of Missoula Aging Services' programs results in incomplete presentation, as described in the preceding paragraph, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]

November 23, 1988

*[Editor's note—GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* requires a Statement of Cash Flows for each period for which results of operations are reported.]

MISSOULA COUNTY, MONTANA

SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE—CASH BASIS—FOR THE YEAR ENDED JUNE 30, 1988

Program/Grantor Agency and Program Title	Federal CFDA Number	Cash July 1, 1987	Receipts: Grant Contributions	Receipts: Local Contributions	Receipts: Program Income	Receipts: Investment Income	Receipts: Total Receipts	Disbursements	Cash June 30, 1988
FEDERAL									
Department of Housing and Urban Development									
Passed through State Department of Commerce:									
Community Development Block Grant (Norco)	14.219	$ 11,480	$ 12,000	$ —	$26,314	$ —	$ 38,314	$ 17,282	$ 32,512
Community Development Block Grant (Clinton Rehab)	14.219	34,236	76,249	—	25,829	—	102,078	122,245	14,069
Emergency Shelter	14.231	—	37,901	—	—	—	37,901	37,901	—
Total Department of Housing and Urban Development		$ 45,716	$ 126,150	$ —	$52,143	$ —	$ 178,293	$ 177,428	$ 46,581
Department of Transportation									
FHWA									
Direct Programs:									
P.L. Transport	20.205	$ (7,096)	$ 35,220	$ —	$ —	$ —	$ 35,220	$ 24,598	$ (3,526)
UMTA	20.505	(1,735)	6,623	—	—	—	6,623	6,787	(1,899)
FAA									
Direct Programs:									
Airport Master Plan & Noise Study	20.106	(13,500)	—	13,500	—	—	13,500	—	—
CFR Building	20.106	(128,018)	1,114,504	239,744	—	—	1,354,248	1,226,230	—
Land, Airport Development & Loader	20.106	(10,454)	—	10,454	—	—	10,454	—	—
Passed Through State Department of Justice:									
Drinking and Driving Prevention	20.600	(2,296)	16,799	—	—	—	16,799	14,503	—
Drinking and Driving Prevention	20.600	(8,605)	8,605	—	—	—	8,605	—	—
Int. Traffic Safety	20.600	—	25,004	—	—	—	25,004	48,867	(23,863)
Seat Belt	20.600	—	—	—	—	—	—	—	—
Total Department of Transportation		$(171,704)	$1,206,755	$263,698	$ —	$ —	$1,470,453	$1,237,435	$ 28,686
Environmental Protection Agency									
Federal Sewer Works									
Direct Programs:									
RSID 901	66.418	$ 10,174	$ 29,304	$ —	$ —	$173	$ 29,477	$ 24,452	$ 15,199

Department of Justice									
Board of Crime Control									
Passed Through from State Department of Justice:									
Victims Assistance I	16.575	$ 8,748	$ 4,431	$ 5,333	$ —	$ —	$ 9,764	$ 18,512	$ —
Victims Assistance II	16.575	—	28,550	42,490	—	—	71,040	58,828	12,212
Court Delay Reduction II	16.573	(955)	8,607	6,668	—	—	15,275	14,320	—
Court Delay Reduction III	16.573	—	8,016	15,978	—	—	23,994	15,640	8,354
Board of Crime Control Research	16.540	(457)	1,000	—	—	—	1,000	543	—
Narcotics	16.579	—	50,350	17,829	—	285	68,464	57,065	11,399
Juvenile Sex Offender	16.540	(1,235)	1,235	—	—	—	1,235	—	—
Community Service I	16.573	1,102	11,000	14,422	—	—	25,422	26,524	—
Community Service II	16.573	—	6,505	5,039	—	—	11,544	8,793	2,751
Total Department of Justice		$ 7,203	$ 119,694	$107,759	$ —	$285	$ 227,738	$ 200,225	$ 34,716
Department of the Interior									
Bureau of Land Management									
Direct Program:									
Payment in Lieu of Taxes	—	$ —	$ 384,390	$ —	$ —	$ —	$ 384,390	$ 384,390	$ —
Department of Agriculture									
Direct Program:									
Forest Reserve Receipts	—	$ —	$ 282,228	$ —	$ —	$ —	$ 282,228	$ 282,228	$ —
Department of Health and Human Services									
Direct Programs:									
Maternal Child Health Block Grant	13.994	$ —	$ 80,910	$188,322	$ —	$ —	$ 269,232	$ 269,232	$ —
Health Program for Refugees	13.987	—	3,500	—	—	—	3,500	3,500	—
AIDS Education I	13.118	(1,360)	1,360	—	—	—	1,360	—	—
AIDS Education II	13.118	—	5,000	—	—	—	5,000	5,000	—
AIDS Testing I	13.118	(5,440)	5,440	—	—	—	5,440	—	—
AIDS Testing II	13.118	—	9,600	—	—	—	9,600	9,600	—
Passed Through from State Department of Health and Environmental Services:									
Women/Infants/Children	10.557	(620)	171,305	—	—	—	171,305	173,240	(2,555)
Total Department of Health and Human Services		$ (7,420)	$ 277,115	$188,322	$ —	$ —	$ 465,437	$ 460,572	(2,555)

(continued)

MISSOULA COUNTY, MONTANA *(continued)*

Program/Grantor Agency and Program Title	Federal CFDA Number	Cash July 1, 1987	Receipts: Grant Contributions	Receipts: Local Contributions	Receipts: Program Income	Receipts: Investment Income	Receipts: Total Receipts	Disbursements	Cash June 30, 1988
Federal Emergency Management Agency									
Direct Programs:									
EOC-FEMA	83.504	$ —	$ 21,871	$ —	$ —	$ —	$ 21,871	$ 21,871	$ —
Federal Mediation and Conciliation Services									
Direct Programs:									
Labor/Management Cooperative Program	34.002	$ —	$ 4,154	$ —	$ —	$ —	$ 4,154	$ 4,154	$ —
Department of Education									
Adult Literacy	84.167	$ 8,372	$ 3,000	$ —	$ —	$ —	$ 3,000	$ 11,372	$ —
STATE OF MONTANA									
Department of Health and Environmental Services									
Air Pollution	66.001	$ —	$ 48,210	$ —	$ —	$ —	$ 48,210	$ 42,210	$ 6,000
Drastic Funding	66.419	—	4,875	—	—	—	4,875	6,500	(1,625)
Water Quality—Bacteria Analysis	—	(3,240)	3,240	—	—	—	3,240	—	—
Water Quality—Subdivision Review and Certificate of Survey	—	(2,862)	18,672	—	—	—	18,672	15,810	—
Low Birthweight	—	12,838	10,411	—	—	—	10,411	24,566	(1,317)
Total Department of Health and Environmental Services		$ 6,736	$ 85,408	$ —	$ —	$ —	$ 85,408	$ 89,086	$ 3,058
Department of Revenue—Legal and Enforcement Division									
Child Support Payments	—	$ (215)	$ 4,583	$ —	$ —	$ —	$ 4,583	$ 5,480	$ (1,112)

Note: The Housing and Urban Development programs had loans receivable at June 30, 1988 as follows:

Community Development Block Grant (Norco)	$259,060
Community Development Block Grant (Clinton Rehab)	337,260
	$596,260

Independent Auditor's Report

The Honorable Mayor and Members of the Assembly
Matanuska-Susitna Borough, Alaska:

We have audited the general purpose financial statements of the Matanuska-Susitna Borough, Alaska, for the year ended June 30, 1988, and have issued our report thereon dated October 7, 1988. These general purpose financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office and State of Alaska Single Audit Regulation (2AAC 45.010). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether management has complied with laws and regulations. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Matanuska-Susitna Borough, Alaska, taken as a whole. The supplementary information included in the accompanying schedule of 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 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]

October 7, 1988

MATANUSKA-SUSITNA BOROUGH, ALASKA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—YEAR ENDED JUNE 30, 1988

	Catalog of federal domestic assistance number	Program or award amount	Federal receivable (payable) beginning of year	Eligible expenditures	State and local share of expenditures	Federal share of expenditures	Federal receipts	Federal receivable end of year
Operating grants:								
U.S. Department of Treasury, Federal Revenue Sharing	21.300	$ —	(283,379)	290,044	—	290,044	6,665	—
U.S. Department of Natural Resources, Historic Site Survey #3B	—	9,234	3,931	1,372	686	686	4,617	—
Federal Emergency Management Agency, Pass-through State of Alaska, Department of Military and Veterans Affairs:								
Disaster Assistance	83.516	450,000	(99,346)	99,346	—	99,346	—	—
Emergency Management Institute, Field Training Program:								
1987	83.403	20,000	10,000	—	—	—	10,000	—
1988	83.403	20,000	—	15,000	—	15,000	15,000	—
		$499,234	(368,794)	405,762	686	405,076	36,282	

See accompanying notes to schedule of federal financial assistance.

MATANUSKA-SUSITNA BOROUGH, ALASKA

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—YEAR ENDED JUNE 30, 1988

General

The accompanying schedule of federal financial assistance presents the activity of all federal financial assistance programs of the Matanuska-Susitna Borough, Alaska (Borough). The Borough's reporting entity is defined in note 1 to the Borough's general purpose financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is 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 Borough's general purpose financial statements.

Relationship to General Purpose Financial Statements

Intergovernmental revenues are reported in the Borough's general purpose financial statements as follows:

Operating Fund	$24,006,584
Special Revenue Funds	38,651,357
Capital Projects Fund	4,617,717
	$67,275,658

The following is a reconciliation of federal revenues reported in the schedule of federal financial assistance to federal revenues reported in the Borough's general purpose financial statements:

Intergovernmental revenues per general purpose financial statements	$67,275,658
Plus:	
Federal revenue sharing excess of expenditures over revenue	283,379
Interest earned by Federal Revenue Sharing Fund	6,665
Less:	
Revenue from State of Alaska	(63,615,955)
Federal revenue included in the Matanuska-Susitna Borough School District's federal financial assistance reports	(2,654,781)
Federal in-lieu taxes	(879,890)
	$ 415,076

MATANUSKA-SUSITNA BOROUGH, ALASKA *(continued)*

SCHEDULE OF STATE FINANCIAL ASSISTANCE—
YEAR ENDED JUNE 30, 1988

	Grant number	Award amount	July 1, 1987 receivable (payable)	Eligible expenditures and amount tested	Local and other sources share of expenditures	State share of expenditures	State receipts	June 30, 1988 receivable (payable)
Department of Administration:								
Johnson Road	8/87-430	$ 417,000	76,282	9,546	—	9,546	85,828	—
Safety and Security Improvements to Schools and School Sites in District 16	1/87-410	110,000	(20,900)	—	—	—	—	(20,900)
Butte Fire Station	5/87-424	146,193	57,049	12,723	—	12,723	69,772	—
State Fair Agricultural Building	9/87-425	500,000	—	325,000	—	325,000	325,000	—
Pittman-Meadow Lakes Road	8/88-525	50,000	—	1,858	—	1,858	50,000	(48,142)
Parks-Pitman Connector	8/88-526	50,000	—	18,796	—	18,796	50,000	(31,204)
Long Lake Road	8/88-527	25,000	—	250	—	250	25,000	(24,750)
Fishhook Firehall	5/88-511	25,000	—	—	—	—	25,000	(25,000)
Tanaina Elementary Sidewalk	7/88-520	10,000	—	6,215	—	6,215	10,000	(3,785)
Alpine Civic Club	7/88-521	5,000	—	785	—	785	5,000	(4,215)
Talkeetna Townsite	8/88-528	50,000	—	500	—	500	50,000	(49,500)
Mat-Su Miners Field	9/88-510	10,000	—	7,753	—	7,753	10,000	(2,247)
Hatcher Pass Road	8/88-529	90,000	—	70,000	—	70,000	70,000	—
Old Glenn/Clark Road	8/88-530	30,000	—	—	—	—	30,000	(30,000)
Skwentna School Equipment	7/88-522	10,000	—	100	—	100	10,000	(9,900)
Mat-Su Community College	7/88-523	20,000	—	200	—	200	20,000	(19,800)
Teeland Store Renovation	9/88-511	10,000	—	10,000	—	10,000	10,000	—
Oilwell Road	8/88-531	35,000	—	1,096	—	1,096	35,000	(33,904)
Petersville Road	8/88-532	50,000	—	—	—	—	50,000	(50,000)
Lake Louise Road	8/88-533	40,000	—	400	—	400	40,000	(39,600)
Trapper Creek Road	8/88-534	20,000	—	911	—	911	20,000	(19,089)
Palmer State Fair	7/88-524	20,000	—	20,000	—	20,000	20,000	—
Mand Road	8/88-508	35,386	—	885	—	885	35,386	(34,501)
Point MacKenzie Road	8/88-507	27,667	—	22,775	—	22,775	27,667	(4,892)
Historical Preservation	9/88-506	40,000	—	16,757	—	16,757	40,000	(23,243)
Visitor Center	7/88-642	345,000	—	—	—	—	69,000	(69,000)
Ice Arena Development	7/88-644	50,000	—	—	—	—	50,000	(50,000)
Big Lake Ice Rink	7/88-645	20,000	—	—	—	—	20,000	(20,000)
Willow Long Lake Road	8/88-641	25,000	—	20,232	—	20,232	25,000	(4,768)
Trapper Creek Community Park	7/88-646	7,500	—	—	—	—	7,500	(7,500)
Museum Maintenance and Upgrade	1/88-668	25,000	—	—	—	—	25,000	(25,000)
Nugens Ranch Painting	9/88-605	10,000	—	10,000	—	10,000	10,000	—
Teeland Museum	1/88-669	15,000	—	—	—	—	15,000	(15,000)
Community Signs	9/88-606	40,000	—	—	—	—	40,000	(40,000)
Economic Development Service	7/88-647	10,000	—	—	—	—	10,000	(10,000)
Port Access Roads	8/88-642	200,000	—	—	—	—	40,000	(40,000)
Palmer/Wasilla Highway Lights	8/88-643	100,000	—	—	—	—	20,000	(20,000)

(continued)

MATANUSKA-SUSITNA BOROUGH, ALASKA *(continued)*

	Grant number	Award amount	July 1, 1987 receivable (payable)	Eligible expenditures and amount tested	Local and other sources share of expenditures	State share of expenditures	State receipts	June 30, 1988 receivable (payable)
Big Lake Trails Development	7/88-649	5,000	—	—	—	—	5,000	(5,000)
Chickaloon Bridge Painting	8/88-644	1,600	—	—	—	—	1,600	(1,600)
Willow Library	1/88-670	25,000	—	—	—	—	25,000	(25,000)
Sutton Library	1/88-671	25,000	—	—	—	—	25,000	(25,000)
Sutton Elementary School Access	1/88-672	50,000	—	816	—	816	50,000	(49,184)
Glacier View School Playground	1/88-674	10,000	—	—	—	—	10,000	(10,000)
Talkeetna Fire Station	5/88-607	120,000	—	420	—	420	24,000	(23,580)
South Big Lake/Burma Road	8/88-645	400,000	—	905	—	905	80,000	(79,095)
Willow Creek Recreation Area	7/88-652	45,000	—	723	—	723	45,000	(44,277)
Shirley Lake Road	8/88-665	40,000	—	—	—	—	40,000	(40,000)
Total Department of Administration		3,395,346	112,431	559,646	—	559,646	1,750,753	(1,078,676)
Department of Community and Regional Affairs:								
Municipal Assistance Fund	—	3,062,448	327,347	3,062,448	—	3,062,448	3,389,795	—
Senior Citizen Property Tax Exemption	—	—	—	436,151	—	436,151	436,151	—
State Revenue Sharing	—	2,269,063	105,489	2,269,063	—	2,269,063	2,374,552	—
Coastal Zone Management	—	34,600	—	33,850	—	33,850	22,567	11,283
Total Department of Community and Regional Affairs		5,366,111	432,836	5,801,512	—	5,801,512	6,223,065	11,283
Department of Education:								
Debt Retirement Program		19,389,732	746,666	24,578,505	5,188,773	19,389,732	19,668,535	467,863
Library Grant		21,930	—	21,930	—	21,930	21,930	—
Total Department of Education		19,411,662	746,666	24,600,435	5,188,773	19,411,662	19,690,465	467,863
Department of Environmental Conservation:								
Talkeetna Water and Sewer Project	—	971,000	—	51,813	—	51,813	—	51,813
Talkeetna Water and Sewer Project	—	960,000	—	61,231	—	61,231	—	61,231
Total Department of Environmental Conservation		1,931,000	—	113,044	—	113,044	—	113,044
Department of Military and Veterans Affairs:								
Emergency Aid	—	400,000	(33,115)	253,299	—	253,299	—	220,184
Federal Emergency Management Agency Pass-through State of Alaska	—	450,000	(99,346)	99,346	—	99,346	—	—
Comprehensive Emergency Assistance Pass-through State of Alaska:								
1987	—	20,000	—	10,000	—	10,000	10,000	—
1988	—	20,000	—	15,000	—	15,000	15,000	—
Disaster Preparedness and Relief	—	12,398	—	12,398	—	12,398	398	12,000
Total Department of Military and Veterans Affairs		902,398	(132,461)	390,043	—	390,043	25,398	232,184
Department of Public Safety, Fire Protection Personnel Training	—	4,000	—	4,000	—	4,000	4,000	—
Department of Revenue:								
Electric and Telephone Cooperative Shared Taxes	—	—	287,801	495,616	—	495,616	288,509	494,908
Fish Tax	—	20,967	—	20,967	—	20,967	20,967	—
Total Department of Revenue		20,967	287,801	516,583	—	516,583	309,476	494,908
		31,031,484	1,447,273	31,985,263	5,188,773	26,796,490	28,003,157	240,606

See accompanying notes to schedule of state financial assistance.

MATANUSKA-SUSITNA BOROUGH, ALASKA

NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE—YEAR ENDED JUNE 30, 1988

General

The accompanying schedule of state financial assistance presents the activity of all state financial assistance programs of the Matanuska-Susitna Borough (Borough). The Borough's reporting entity is defined in note 1 to the Borough's general purpose financial statements. State financial assistance received directly from state agencies as well as state financial assistance passed through other government agencies is included on the schedule.

Basis of Accounting

The accompanying schedule of state financial assistance is presented using the modified-accrual basis of accounting, which is described in note 1 to the Borough's general purpose financial statements.

Relationship to General Purpose Financial Statements

State financial assistance revenues are reported in the Borough's general purpose financial statements as follows:

Operating Fund	$24,006,584
Special Revenue Funds	38,651,357
Capital Projects Fund	4,617,717
	$67,275,658

The following is a reconciliation of the above amounts to the schedule of state financial assistance:

Intergovernmental revenues per general purpose financial statements	$67,275,658
Plus senior citizen property tax exemption included in property tax revenue	436,151
Pass-through grant	55,297
Less revenue from federal sources, net of amounts passed through State of Alaska	(3,535,357)
State revenue included in the Matanuska-Susitna Borough School District's state financial assistance reports	(33,889,811)
State revenue awarded before August 1, 1985	(3,545,448)
State revenues per schedule of state financial assistance	$26,796,490

September 9, 1988

To the City Council of the
City of Orange, California

Report on Federal Grant Activity

We have examined the general purpose financial statements of the City of Orange, California, for the year ended June 30, 1988, and have issued our report thereon dated September 9, 1988. Our examination of the general purpose financial statements was made in accordance with generally accepted auditing standards, and in accordance with 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 Grant Activity for the year ended June 30, 1988 presented on page 2 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in this 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]

CITY OF ORANGE

SCHEDULE OF GRANT ACTIVITY—FOR THE YEAR ENDED JUNE 30, 1988

	Department of Housing and Urban Development
	Community Development Block Grant
	B87-MC-06-0507 CFDA No. 14.218
Grant Period	
From	09-20-82
To	09-30-88
Total Grant Award	
Federal	$4,231,000
Revenues	$1,005,299
Expenditures	1,006,919
Excess of Revenues Over (Under) Expenditures	(1,620)
Fund Balance, July 1, 1987	1,054,299
Fund Balance, June 30, 1988	$1,052,679

See accompanying notes to schedule of grant activity.

CITY OF ORANGE

NOTE TO THE SCHEDULE OF GRANT ACTIVITY—JUNE 30, 1988

1) Summary of Significant Accounting Policies

Basis of Accounting

Monies received under the grant program have been recorded within a special revenue fund of the City of Orange. The City utilizes the modified accrual basis of accounting for the aforementioned fund, and the accompanying Schedule of Grant Activity has been prepared accordingly.

Grant Activity Schedule Presentation

The Schedule of Grant Activity presented is prepared from only the accounts of the grant program and therefore does not present the financial position or results of operations of the City of Orange.

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Board of Supervisors
County of Sacramento
Sacramento, California:

We have audited the general purpose financial statements of the County of Sacramento, California, for the year ended June 30, 1988, and have issued our report thereon dated December 16, 1988, which was qualified because certain enterprise funds do not capitalize expenditures for infrastructure assets as required by generally accepted accounting principles. We did not audit the financial statements of the Sacramento County Airport Enterprise Fund, which statements reflect total assets and revenues consisting of 13.6% and 21.4%, respectively, of the related Enterprise fund type totals. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport Enterprise Fund is based solely upon the report of the other auditors. The County, along with other parties, is a defendant in lawsuits with regard to the selection process and franchise rights in building and maintaining a cable television system in the County. Plaintiffs are seeking significant damages. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no liability and loss that may result upon adjudication has been recognized in the general purpose financial statements. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audits of Governmental Organizations, Programs, Activities and Functions* issued by the U.S. General Accounting Office. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the County of Sacramento, California, taken as a whole. The 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 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]

December 16, 1988

COUNTY OF SACRAMENTO

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1988

Summary by Federal Agency:	Award Amount	Receivable July 1, 1987	Expenditures	Cash Receipts	Receivable June 30, 1988
U.S. Department of Agriculture	$ 41,938,044	863,272	40,995,827	40,787,553	1,071,546
U.S. Department of Health & Human Svcs.	150,362,125	7,939,362	142,018,135	139,293,155	10,664,342
U.S. Department of HUD	248,500	13,775	201,260	191,447	23,588
U.S. Department of Justice	945,366	54,373	490,085	339,575	204,883
U.S. Department of Transportation	11,387,964	1,683,909	7,520,645	6,804,970	2,399,584
U.S. Department of the Treasury	73,450		73,450	73,450	
U.S. Environmental Protection Agency	9,049,804	935,571	4,210,353	5,035,102	110,822
U.S. Federal Emergency Management Agency	74,782	14,148	30,557	22,066	22,639
Other Federal Assistance	7,764,255	189,471	3,574,145	3,734,387	29,229
Total Federally Assisted Programs	$221,844,290	11,693,881	199,114,457	196,281,705	14,526,633

Federal Grantor Program Title	Federal Catalogue Number	Award Amount	Receivable (Payable) July 1, 1987	Expenditures	Cash Receipts	Receivable (Payable) June 30, 1988
U.S. Department of Agriculture						
Egg Inspection	10.162	$ 1,200		1,200	1,200	
Meal Reimbursement	10.555	279,300	48,140	289,805	285,823	52,122
Women, Infants, Child Nutrition Program	10.557	572,744	187,871	270,373	331,267	126,977
Food Stamps	10.561	35,227,914		35,227,914	35,227,914	
Non-Assistance Food Stamps—Admin.	10.561	5,856,886	627,261	5,206,535 *	4,941,349	892,447
Total U.S. Department of Agriculture		41,938,044	863,272	40,995,827	40,787,553	1,071,546
U.S. Department of Health & Human Svcs.						
Tuberculosis Outreach	13.116	19,942	9,085	19,039	9,085	19,039
AIDS Testing Project	13.132		61,940		61,940	
AIDS—Anti-Drug Abuse	13.141	139,628		105,652	97,889	7,763
Alcohol—Anti-Drug Abuse	13.141	205,733		97,640	137,152	(39,512)
Drug—Anti-Drug Abuse/General	13.141	164,242		94,599	97,372	(2,773)
AIDS—AZT	13.146	115,898		56,074	56,074	
Health Care for the Homeless	13.151	555,055		77,790	16,890	60,900
Comprehensive Assessment—A4AA	13.633	44,210		66,512	66,512	
Child Welfare Services IV-E	13.645	2,259,623		1,053,221 *	636,331	416,890
Adoption IV-E Non IV-E Admin.	13.645		18,700	*	18,700	
Day Care and Foster Home Licensing	13.658	99,557		99,557 *		99,557
IV-E Independent Living Skills	13.658	88,795		88,795 *		88,795
AFDC Foster Care Assistance	13.658	6,443,602	462,354	6,443,602 *	5,749,225	1,156,731
AFDC Foster Care Assistance—Adm.	13.658	315,270	12,971	315,270 *	311,743	16,498
AFDC Family Group & Unemployment Assis.	13.658	136,019	165,036	136,019 *	116,882	184,173
Adoptions	13.659	174,918		166,824 *		166,824
Adoption Assistance Program	13.659	284,521	65,256	284,521 *	239,249	110,528
Adoption Assistance Program—Admin.	13.659	3,740	2,398	3,740 *	4,254	1,884
Medi-Cal Provider Fees	13.714	60,094	10,634	60,094	43,318	27,410
Early & Periodic Screening Diag.	13.714	159,962	70,739	137,808	133,977	74,570
Child Health & Disability Program	13.714	143,626	87,254	143,365	151,820	78,799
AFDC Administration	13.780	12,511,981	397,308	9,295,465 *	8,805,378	887,395
Out of Home Care Staff Development	13.780	300,163	202,979	300,163 *	339,613	163,529
Emergency Assistance—Abused, Neglected Children	13.780	1,109,558	1,345,678	835,370 *	1,404,475	776,573
Out of Home Care Staff Development	13.780	44,772	(65,227)	44,772 *	(64,332)	43,877
AFDC Family Group & Unemployment Assis.	13.780	112,257,800	1,487,347	109,514,218 *	109,991,547	1,010,018
Domestic Relations Div.—Adm.	13.783	4,985,259	2,319,987	4,985,259 *	4,167,818	3,137,428
Refugee Resettlement Program—Admin.	13.787	482,149	81,623	482,149 *	234,843	328,929
Refugee Demo Program Assistance	13.787	2,690,219	90,289	2,690,219 *	2,702,418	78,090
General Assistance to Refugees	13.787		365	(3,798) *	(5,649)	2,216
Refugee Cash Assistance	13,787	590,300	146,662	583,635 *	707,060	23,237
Refugee Resettlement Program—Admin.	13.787	194,583	116,297	114,006 *	133,165	97,138
Work Incentive Program	13.790	644,418	411	515,810 *	224,013	292,208
Security Income (SSI)	13.807		51,800		51,800	
Family Planning	13.974		51,800		51,800	
Venereal Disease Control	13.977		4,815		4,815	
Medi-Cal Refugee Reimbursement	13.987	6,000	59,457	5,382		64,839
Refugee Prevention Program	13.987	99,400	24,149	98,300	24,149	98,300
Immunization Assistance	13.991		10,205		10,205	
Professional Disease Control	13.991	25,506	9,565	12,422	15,832	6,155
Drug Abuse—Federal Block Grant	13.992	608,260	97,201	596,198	654,791	38,608
Short-Doyle/Medi-Cal	13.992	1,579,837	298,085	1,646,099	1,048,468	895,716
Alcohol—Federal Block Grant Allocation	13.992	349,198	114,159	351,793	434,259	31,693
Terkensha Block Grant	13.992	44,592		44,166	40,876	3,290
Calif. Children's Svcs.—Medi-Cal Adm.	13.994	166,500	86,918	205,771 *	158,433	134,256

(continued)

COUNTY OF SACRAMENTO *(continued)*

Summary by Federal Agency:	Federal Catalogue Number	Award Amount	Receivable (Payable) July 1, 1987	Expenditures	Cash Receipts	Receivable (Payable) June 30, 1988
California Children's Svcs.—Treatment & Therapy	13.994	205,306	32,915	197,870 *	170,245	60,540
Maternal & Child Health	13.994	51,889	8,207	52,744 *	38,720	22,231
Total U.S. Department of Health & Human Svcs.		150,362,125	7,939,362	142,018,135	139,293,155	10,664,342
U.S. Department of HUD						
Community Devel. Block Grant—Weave	14.218	130,000		130,000	130,000	
Federal Block Grant—Health Nuisance Abt.	14.218	118,500	13,775	71,260	61,447	23,588
Total U.S. Department of HUD		248,500	13,775	201,260	191,447	23,588
U.S. Department of Justice						
Gang Violence Suppression	16.540	87,554	22,271	83,477	74,988	30,760
Sacramento Area Gang Information	16.540		32,102		32,102	
Repeat Sexual Offender Prosecution Program	16.573	145,309		145,309	124,424	20,885
Crack Rock Impact Project (CRIP)—Attorney	16.579	171,126		74,632	48,462	26,170
Crack Rock Impact Project (CRIP)	16.579	183,424		93,926	28,836	65,090
Crack Rock Impact Project (CRIP)	16.579	37,349		8,411		8,411
Crack Rock Impact Project (CRIP)	16.579	209,362		60,418	18,161	42,257
Crack Rock Impact Project (CRIP)—Lab Component	16.579	59,906		19,771	12,602	7,169
Crack Rock Impact Project (CRIP)	16.579	51,336		4,141		4,141
Total U.S. Department of Justice		945,366	54,373	490,085	339,575	204,883
U.S. Department of Transportation						
Land Acquisition/08	20.106		346,250		346,250	
Exec. Airport Taxiway & Heli/02	20.106		346		346	
Parallel Runway 16L-34R/Stage III/07	20.106	2,891,747	129,540	2,556,521	1,983,418	702,643
Exec. Airport Taxiway Imprmt/Heli/05	20.106		1,273		1,273	
Parallel Runway 16L-34R/Stage IIIB/08	20.106	930,521		930,521	891,983	38,538
Parallel Runway 164-34R Const/Aip/06	20.106	2,923,904	470,745	41,401	347,563	164,583
Highways & Bridges—Urban & Secondary Aid	20.507	4,641,792	735,755	3,992,202	3,234,137	1,493,820
Total U.S. Department of Transportation		11,387,964	1,683,909	7,520,645	6,804,970	2,399,584
U.S. Department of the Treasury						
Revenue Sharing	21.300	73,450		73,450	73,450	
Total U.S. Department of the Treasury		73,450		73,450	73,450	
U.S. Environmental Protection Agency						
Air Pollution Control Grant	66.001	396,346	98,013	359,528	346,719	110,822
Regional Sanitation District Construction Grant C06038020	66.418	8,603,358	837,558	3,842,400	4,679,958	
UST Cleanup	66.805	50,100		8,425	8,425	
Total U.S. Environmental Protection Agency		9,049,804	935,571	4,210,353	5,035,102	110,822
U.S. Federal Emergency Management Agency						
FEMA—Emergency Preparedness Planning	83.516	74,782	14,148	30,557	22,066	22,639
Total U.S. Federal Emergency Management Agency		74,782	14,148	30,557	22,066	22,639
Other Federal Assistance						
U.S. Marshal—Prisoner Care		1,050,000	187,859	1,166,304	1,354,163	
Primary Prevention Project		27,796		29,229		29,229
Mental Health Center		4,300,000		145,948	145,948	
Community Development Block Grant		4,500		4,500	4,500	
U.S. Border Patrol—Prisoner Care		18,600	1,612	25,172	26,784	
Medi-Cal Administration (Estim.)		2,363,359		2,202,992 *	2,202,992	
Total Other Federal Assistance		7,764,255	189,471	3,574,145	3,734,387	29,229
Total Federally Assisted Programs		$221,844,290	11,693,881	199,114,457	196,281,705	14,526,633

*Reported on a cash basis of accounting, reference Note 2.

COUNTY OF SACRAMENTO

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—JUNE 30, 1988

(1) General

The accompanying Schedule of Federal Financial Assistance (SFFA) for the year ended June 30, 1988 presents the activity of all Federal Financial Assistance Programs of the County of Sacramento, California. The County of Sacramento reporting entity is defined in Note 1 to the County's General Purpose Financial Statements. All Federal financial assistance received directly from Federal agencies, as well as Federal financial assistance passed through other government agencies, are included on the Schedule. As the State of California was unable to specifically identify Federal pass-through funds, the SFFA does not differentiate between direct Federal assistance versus Federal assistance that passed through the State of California. Funds passed through to the County by the State which have been specifically identified as non-Federal financial assistance have been excluded from the SFFA.

(2) Basis of Accounting

The accompanying SFFA is presented using the modified accrual basis of accounting for those grants accounted for in the governmental fund types, and the accrual basis of accounting for those grants accounted for in the proprietary fund types, as described in Note 1 to the County's General Purpose Financial Statements.

The cash basis of accounting is used for those grants as noted on the SFFA, in accordance with the State of California reporting guidelines.

(3) Federal CFDA Number

The CFDA numbers included in this report were determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

(4) Food Stamps

Food stamp expenditures represent the face value of food stamps distributed in the County of Sacramento. They do not represent cash expenditures in the County of Sacramento's Combined Financial Statements for the year ended June 30, 1988.

(5) Regional Sanitation District Expenditures

The Regional Sanitation District Construction grant (CFDA number 66.418) indicates expenditures in the amount of $3,842,400. These expenditures relate to claims for reimbursement filed during the year ended June 30, 1988 but were for costs incurred in prior years. The cash was received during the year ended June 30, 1988, and reflected as current year cash receipts.

(6) Reclassifications

Certain programs previously reported within the Other Federal Assistance Category have been reclassified. These programs are now included with the U.S. Department of Agriculture of the U.S. Department of Health and Human Services categories.

The Honorable Scotty Baesler, Mayor
and Members of the Urban County Council
Lexington, Kentucky

We have audited the general purpose financial statements of the Lexington-Fayette Urban County Government, for the year ended June 30, 1988, and have issued our report thereon dated September 21, 1988. Our audit of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Government Auditing Standards,* 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 audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental combining Statement of Assets and Liabilities and Statement of Revenues, Expenditures and Encumbrances for Federal and State Grant Programs, the Schedule of Federal Financial Assistance and related disclosures are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The supplemental information in the combining financial statements and schedules 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]

Lexington, Kentucky
September 21, 1988

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—
FOR THE YEAR ENDED JUNE 30, 1988

Grantor/Program Title	Federal CFDA Number	Pass-Through Contract Number	Grantor	Balance* July 1	Cash Receipts	Expenditures	Balance* June 30
U.S. DEPARTMENT OF LABOR:							
Passed Through Commonwealth of Kentucky:							
709 JTPA Title IIA FY 88	17.250	8085	Department of Labor		$ (262,809)	$ 408,911	$ 146,102
710 Summer Youth Employment FY 87	17.250	0363	Department of Labor	22,130	(187,023)	164,893	0
714 JTPA Title IIA Incentive FY 88	17.250	8085	Department of Labor		(7,956)	28,542	20,586
715 JTPA IIA Urban League FY 88	17.250	8085	Department of Labor		(33,696)	52,437	18,741
730 Hire Older Workers FY 88	17.250	8085	Department of Labor		(95,255)	158,427	63,172
786 Summer Youth Employment	17.250	8901	Department of Labor			43,839	43,839
Passed Through Eastern Kentucky Concentrated Employment Program:							
711 Eastern Kentucky OJT	17.250	ES-87-88-2606-838	Department of Labor		(10,967)	14,351	3,384
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Direct Programs:							
724 Runaway & Homeless Youth FY 87	13.623	04CY000156-04	Dept of Health & Human Services	4,820	(21,084)	16,264	0
746 Runaway & Homeless Youth FY 88	13.623	04CY000156-05	Dept of Health & Human Services		(51,791)	58,694	6,903
Passed Through Commonwealth of Kentucky:							
749 Title XX FY 88	13.667	SS-87-88-3086	Dept of Health & Human Services		(173,636)	189,420	15,784
782 Senior Citizens Center FY 88	13.633	ES-87-88-3056	Dept of Health & Human Services		(58,164)	58,164	0
U.S. DEPARTMENT OF TRANSPORTATION:							
Direct Programs:							
729 UMTA Section 8 FY 87	20.505	KY-08-0042	Dept of Transportation/Urban Mass Transit	10,854	(22,428)	13,487	1,913
734 UMTA Section 8 FY 88	20.505	KY-08-0045	Dept of Transportation/Urban Mass Transit			6,128	6,128
Passed Through LEXTRAN:							
735 UMTA Section 9 FY 88	20.505	KY-90-X033	Dept of Transportation/Urban Mass Transit		(9,043)	19,630	10,587
741 UMTA Section 9 FY 87	20.505	KY-90-0025	Dept of Transportation/Urban Mass Transit	10,251	(20,564)	10,313	0
744 Transit Center/M.L. King Blvd	20.205	KY-90-X027	Dept of Transportation/Urban Mass Transit				0
Passed Through Commonwealth of Kentucky:							
725 Ridesharing FY 88	20.505	CH11318	Department of Transportation		(24,180)	33,695	9,515
731 FHWA Transportation FY 88	20.205	CH11319	Dept of Transportation/Federal Highway		(43,007)	57,240	14,233
732 FHWA Discretionary FY 88	20.205	CH11319	Dept of Transportation/Federal Highway		(4,295)	7,650	3,355
ENVIRONMENTAL PROTECTION AGENCY:							
Direct Programs:							
717 West Hickman Step III	66.418	C-210623-05	Environmental Protection Agency	547,197		21,738	568,935
742 Manchester Street Relief	66.418	C-210333-03	Environmental Protection Agency	31,822	(26,682)	(4,577)	563
745 Town Branch—Step II	66.418	C-210333-02	Environmental Protection Agency	771,465	(533,714)	(17,484)	220,267
751 South Elkhorn—Step III	66.418	C-210623-06	Environmental Protection Agency	731,101	(503,940)	(61,682)	165,479

755 Town Branch—Phase I	66.418	C-210333-04	Environmental Protection Agency	258,418	(465,115)	223,198	16,501
756 Town Branch—Phase II	66.418	C-210333-05	Environmental Protection Agency	4,513,805	(11,106,031)	7,565,415	973,189
757 Town Branch—Final Phases	66.418	C-210333-05	Environmental Protection Agency			713,758	713,758
Passed Through Commonwealth of Kentucky:							
713 Hazardous Waste 2nd Year	66.803	X004502-85-2	Environmental Protection Agency			22,510	22,510
773 Hazardous Waste Grant	66.803	X004502-85-0	Environmental Protection Agency	14,618	(14,525)	(93)	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
Direct Programs:							
752 Rental Rehab. FY 86	14.230	B85MC210202	Housing & Urban Development		(15,974)	15,974	0
759 Homeless Learning Center #2	14.231	S-88-MC-21-0003	Housing & Urban Development				0
762 Lexington Dry Goods	14.221	B88AA210160(P)	Housing & Urban Development				0
769 Rental Rehab. FY 88	14.230	R87MC210202	Housing & Urban Development		(72,465)	72,465	0
793 Rental Rehab. FY 87	14.230	R86MC210202	Housing & Urban Development		(21,622)	21,622	0
799 Victorian Square	14.221	B83AA210086	Housing & Urban Development				0
795 Festival Market	14.221	B-85-AA-21-0112	Housing & Urban Development				0
Passed Through Commonwealth of Kentucky:							
780 Homeless Learning Center #1	14.231	S-87-MC-21-5003	Housing & Urban Development				0
Community Development Block Grants:							
885 CDBG Program Year FY85	14.218	B85MC210004	Housing & Urban Development (A)		(29,948)	29,948	0
886 CDBG Program Year FY86	14.218	B86MC210004	Housing & Urban Development (A)		(73,684)	73,684	0
887 CDBG Program Year FY87	14.218	B87MC210004	Housing & Urban Development (A)	261,468	(1,244,978)	708,418	(275,092)
888 CDBG Program Year FY88	14.218	B88MC210004	Housing & Urban Development (A)	(439,677)	(886,835)	1,466,742	140,230
U.S. DEPARTMENT OF AGRICULTURE:							
Direct Programs:							
739 Urban Forestry-Passive Parks	10.664	1580 (F&LE)	Agriculture		451	4,549	5,000
785 Urban Forestry—FY 86	10.664	6520 (P & B)	Agriculture	5,000			5,000
Passed Through Commonwealth of Kentucky:							
777 Summer Lunch—Parks CY 87	10.559	034-W05-999	Agriculture	1,461	(14,265)	12,804	0
778 Summer Lunch—Soc Serv CY 87	10.559	034-X75-999	Agriculture	4,056	(128,094)	124,038	0
783 Summer Lunch—Parks CY 88	10.559	034-W05-999	Agriculture			5,410	5,410
784 Summer Lunch—Soc Serv CY 88	10.559	034-X75-999	Agriculture			54,646	54,646
U.S. DEPARTMENT OF INTERIOR:							
Passed Through Commonwealth of Kentucky:							
702 Meadowbrook Park	15.916	21.00981	Interior	29,792	(30,000)	208	0
712 Raven Run Nature Sanctuary	15.916	21.00938	Interior	890	(14,990)	14,100	0
765 Belleau Wood Park	15.916	21.00984	Interior		(30,000)	30,000	0
DEPARTMENT OF JUSTICE:							
Passed Through Commonwealth of Kentucky:							
721 Domestic Violence Unit	16.575	4220-JA13-1/86	Justice		(2,132)	12,737	10,605
736 Drug Monitoring FY 88	16.579	4219-N5-1/87	Justice			760	760
738 Project DARE FY 88	16.574	4100-JA13-1/86	Justice		(51,368)	72,370	21,002
775 Sexual Abuse Victims FY 88	16.575	4172-VC2-2/87	Justice		(7,535)	8,400	865

(A) Balances from closed out program years are reprogrammed to open year grants.

(continued)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT *(continued)*

Grantor/Program Title	Federal CFDA Number	Pass-Through Contract Number	Grantor	Balance* July 1	Cash Receipts	Expenditures	Balance* June 30
FEDERAL EMERGENCY MANAGEMENT AGENCY:							
Passed Through Commonwealth of Kentucky:							
718 Emergency Mgmt. Asst. FY 88	83.505		Federal Emergency Management		(29,967)	43,525	13,558
720 DES Special Projects	83.504		Federal Emergency Management		(3,125)	3,125	0
781 Emergency Mgmt. Asst. FY 87	83.505		Federal Emergency Management		(13,308)	13,308	0
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION:							
Passed Through Commonwealth of Kentucky:							
726 Traffic Safety Advocate	20.600	88-03-R-304-005	National Highway Traffic Safety Administration		(16,671)	28,489	11,818
OTHER ASSISTANCE PROGRAMS:							
701 Fire Training Incentive	155-87		Commonwealth of Kentucky		(984,576)	984,576	0
703 Sewer Financial Assistance	N/A		Kentucky Housing Corporation	2,346	(11,303)	8,957	0
705 Day Treatment FY 87	SS-86-87-3086		Kentucky Cabinet for Human Resources	8,737	(8,317)		420
719 Minimum Security Facility	N/A		Commonwealth of Kentucky	550,451	(596,760)	46,309	0
728 Highway Safety 1987	LSF-0048-LS-1187				(11,634)	13,509	1,875
733 Police Training Incentive	PT-105-88		Kentucky Law Foundation		(811,737)	885,737	74,000
744 Transit Center/M.L. King Blvd	N/A		Kentucky Transportation Cabinet		(2,941,445)	1,182,600	(1,758,845)
744 Transit Center/M.L. King Blvd	KY-90-X027-01		Ky Transportation Cabinet/LEXTRAN		(2,277,523)	2,444,000	166,477
747 Local Records Demonstration II	N/A		Kentucky Dept for Libraries	(1,444)		1,444	0
748 Central Records Storage	N/A		Kentucky Dept for Libraries		(29,280)	16,642	(12,638)
749 Title XX FY 88	SS-87-88-3086		Kentucky Cabinet for Human Resources				0
753 GEER, FY 88	N/A		Kentucky Housing Corporation		(17,000)	17,000	0
754 DARE/UK	UKRF-430934-88-64		University of KY Research Foundation			300	300
761 Meadowbrook Park			Commonwealth of Kentucky	(18,443)		11,138	(7,305)
771 Homeless Learning Center #3	S-87-DC-21-5001(02)		Ky Dept of Local Government	2,356			2,356
772 Energy Repairs for Elderly, FY 87	N/A		Kentucky Housing Corporation	7,000	(1,365)	(5,635)	0
779 Zero to Five FY 88			Bluegrass Area Development District			180,000	180,000
789 Highway Safety 1986	LSF-0021-L2-1186		Ky Justice Cabinet	604	(8,122)	7,518	0
791 National Fitness Campaign-Second Year	6111		National Fitness Campaign				0
723 Kids Safe				(4,913)			(4,913)
774 Street Sales Enforcement					(46,740)		(46,740)

*Credit balances represent deferred revenues—Federal Government.
Debit balances represent intergovernmental receivables—Federal Government.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

NOTES, FINDINGS AND COMPLIANCE DISCLOSURES FOR FEDERALLY ASSISTED PROGRAMS—FOR THE YEAR ENDED JUNE 30, 1988

A. Cognizant Agency

In accordance with the Single Audit Act of 1984 (Circular A-128), the United States Office of Management and Budget (OMB) has designated the U.S. Environmental Protection Agency (EPA) as the cognizant federal agency for the Lexington-Fayette Urban County Government (The Government). The Single Audit Act provides that the Cognizant Agency shall have the following responsibilities:

1. Ensure that audits are made and reports are received in a timely manner and in accordance with the requirements of Circular A-128.
2. Provide technical advice and liaison to Federal, State and local governments and independent auditors.
3. Obtain or make quality control reviews of selected audits made by nonfederal audit organizations, and provide the results, when appropriate, to other interested organizations.
4. Promptly inform other affected Federal agencies and appropriate Federal law enforcement officials of any reported illegal acts or irregularities. They should also inform State or local law enforcement and prosecuting authorities, if not advised by the recipient, of any violation of law within their jurisdiction.
5. Advise the recipient of audits that have been found not to have met the requirements set forth in Circular A-128. In such instances, the recipient will be expected to work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency shall notify the recipient and Federal awarding agencies of the facts and make recommendations for follow up action. Major inadequacies or repetitive substandard performance of independent auditors shall be referred to appropriate professional bodies for disciplinary action.
6. Coordinate, to the extent practicable, audits made by or for Federal agencies that are in addition to the audits made pursuant to Circular A-128; so that the additional audits build upon such audits.
7. Oversee the resolution of audit findings that affect the programs of more than one agency.

B. Indirect Cost Rates

The Lexington-Fayette Urban County Government has received provisional approval of an indirect cost rate of 13.2% for Federally Assisted Programs for the year ended June 30, 1988 and a fixed rate of 14.9% for 1989. This rate is to be utilized for grants and contracts with the U.S. Government for which the Office of Management and Budget Circular A-87 applies.

C. Administrative Cost Limitation

The Lexington-Fayette Urban County Government is in compliance with applicable provisions of the fifteen percent indirect administrative cost limitation imposed by the Commonwealth of Kentucky's Cabinet for Human Resources contracts for the year ended June 30, 1988.

D. Accounting Disclosures

Accounting policies utilized for the Federal and State grant programs are in conformance with Section G 60.109 of the 1987 *Codification of Governmental Accounting and Financial Reporting Standards* issued by The Governmental Accounting Standards Board. Each grant program is accounted for in a separate special revenue type fund. Revenues are recorded on the accrual basis when earned. Grant revenues are considered to be earned upon accrual of program expenditures that comply with terms of the grant agreement. Receipts from grantor agencies which have not been earned are classified as deferred revenues. Additional disclosures and accounting policies are described in a report dated September 21, 1988, on the Government's general purpose financial statements.

E. EPA Grant Award

The Government has received $14,735 under Grant No. 755, Town Branch Construction (EPA Grant No. C-210-333-04-3) in excess of the authorized award. Government officials have received oral confirmation of the grant amendment, but there is no documentation available authorizing the additional award. The receipt has been accounted for as federal revenue received in the accompanying financial statements.

During fiscal 1988, the Government recorded federal revenues earned of $327,936 under Grant No. 745, Town Branch Waste Water Treatment Plant (EPA Grant No. C-210-333-02-2) in excess of the authorized award. The accrual of the revenue in excess of the grant award resulted from the duplicate recording of an award. The accrual has been reclassified to "local revenues" applied to the grant in the accompanying financial statements. There is, therefore, no questioned cost resulting from the prior accrual.

F. Management Letter

Related matters of internal control, compliance and additional auditor findings and recommendations are included in a separately issued management letter dated September 30, 1988.

November 1, 1988

Oconee County Council
County of Oconee
Walhalla, South Carolina

We have audited the general purpose financial statements of Oconee County, South Carolina, for the year ended June 30, 1988, and have issued our report thereon dated November 1, 1988. Our audit of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *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 audit 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 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]

[Signature]

COUNTY OF OCONEE

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—FOR THE YEAR ENDED JUNE 30, 1988

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Grantor's Numbers	Program or Award Amount	Fund Balances as of June 30, 1987	Revenues	Expenditures	Fund Balances as of June 30, 1988
Department of the Treasury Passed through South Carolina State Treasurer Federal Revenue Sharing Program	21.300	—	$130,628	$27,606	$ 4,190[1]	$ 31,796	$ —
U.S. Department of Education Passed through South Carolina State Library Titles I—Library Development	84.034	—	$ 4,421	$ —	$ 4,421	$ 4,421	$ —
U.S. Department of HUD Passed through the State of South Carolina's Governor's Office Community Development Block Grant—Small Cities Jacobs Manufacturing Co. Seneca Project	14.219	84N40	$141,000	$ (1,729)	$121,300	$119,571	$ —
Appalachian Regional Commission Jacobs Manufacturing Co. Seneca Project	23.002	83G07	$170,000	$ —	$ 20,443	$ 53,607	$(33,164)

(1) The revenue sharing program maintained their cash in an interest bearing account. The revenue above of $4,190 is an interest earned allocation. No federal funds were received in the fiscal year ended June 30, 1988.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Honorable Members of the City Council
City of Gardena, California:

We have audited the general purpose financial statements of the City of Gardena, California for the year ended June 30, 1988 and have issued our report thereon, dated September 23, 1988. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions* issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a responsible basis for our opinions.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Gardena, California 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 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 23, 1988

CITY OF GARDENA, CALIFORNIA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—YEAR ENDED JUNE 30, 1988

Grant name	Federal CFDA number	Grant number	Accrued (deferred) grant revenue, July 1, 1987	Actual grant revenue received	City matching contributions and other revenue	Expenditures	Accrued (deferred) grant revenue, June 30, 1988
Area Agency on Aging—Department of Health and Human Services:							
Title III B (Cape)......	13.633	46614	$ 7,367	110,944	5,000	116,679	8,102
Title III C-I (Scamp)..	13.635	46614	7,843	159,576	68,090	240,059	20,236
Title III C-II (Scamp HD)	13.635	46614	2,988	51,816	19,330	72,281	4,123
			18,198	322,336	92,420	429,019	32,461
Community Development Block Grant—Department of HUD ..	14.218	D5214, D6216, D6218, D6220, D7212, D7214, D7221	205,258	400,803	178	254,903	59,180
JTPA—Department of Labor:							
Title IIA—78% regular....................	17.250	87-141	77,921	243,152	—	202,662	36,931
Title IIA—3% older worker..............	17.250	87-141	2,012	7,847	—	9,180	3,345
Title IIB—SYETP	17.250	87-110	212	21,406	—	21,194	—
Title III—Displaced worker..............	17.250	87-141	650	4,646	—	6,085	2,089

(continued)

CITY OF GARDENA, CALIFORNIA *(continued)*

Grant name	Federal CFDA number	Grant number	Accrued (deferred) grant revenue, July 1, 1987	Actual grant revenue received	City matching contributions and other revenue	Expenditures	Accrued (deferred) grant revenue, June 30, 1988
JTPA—IIA—6% incentive	17.250	87-141	109	109	—	17,499	17,499
JTPA—(Admin.) Cost pool	17.250	87-110/87-141	13,041	48,145	—	57,573	22,469
			93,945	325,805	—	314,193	82,333
Department of Transportation:							
UMTA Section 9—capital	20.507	CA-90-0192	—	865,236	219,749	1,098,745	13,760
UMTA Section 9—capital	20.507	CA-90-0131	23,070	344,129	80,688	403,439	1,692
UMTA Section 3	20.507	CA-03-0283	7,170	10,786	903	4,519	—
			30,240	1,220,151	301,340	1,506,703	15,452
Department of Interior:							
UPARR Recovery Action Program	15.919	06-CTY-1400-8601	20,608	35,183	—	43,949	29,374
UPARR Sports Program	15.919	06-CTY-1400-8602	7,851	36,943	—	46,498	17,406
			28,459	72,126	—	90,447	46,780
Department of Parks and Recreation—South Gardena Park Development	15.916	LWCF06-01029	95,862	—	—	—	95,862
Total Federal financial assistance			$471,962	2,341,221	393,938	2,595,265	332,068

CITY OF GARDENA, CALIFORNIA

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—YEAR ENDED JUNE 30, 1988

(1) General

The accompanying Schedule of Federal Financial Assistance presents the activity of all Federal financial assistance programs of the City of Gardena, California. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included on the schedule. The City of Gardena reporting entity is defined in note 1 to the City's general purpose financial statements.

(2) Basis of Accounting

The accompanying Schedule of Federal Financial Assistance is presented using the modified-accrual basis of accounting, as defined in note 1 of notes to the City's general purpose financial statements.

(3) Relationship to Federal Financial Reports

Expenditure amounts reported in the accompanying schedule agree with the amounts reported in the related Federal financial reports.

(4) Reconciliation to the City's Comprehensive Annual Financial Report

A reconciliation of the accrued grant revenue to corresponding figures reported in the City's Comprehensive Annual Financial Report at June 30, 1988 is as follows:

	Amount reported in the Comprehensive Annual Financial Report	Non-Federal grants	Amount reported in the Schedule of Federal Financial Assistance
Department of Transportation	$704,989	689,537	15,452
Community Development Block Grant	59,180	—	59,180
Area Agency on Aging	32,461	—	32,461
JTPA—Department of Labor	82,333	—	82,333
Department of the Interior	46,780	—	46,780
Department of Parks and Recreation	95,862	—	95,862
Other non-Federal grants	12,173	12,173	—

AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Members of the City Council of the City of Tucson, Arizona:

We have audited the general purpose financial statements of the City of Tucson, Arizona, for the year ended June 30, 1988, and have issued our report thereon dated November 16, 1988. 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 audit 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 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]

Tucson, Arizona
December 2, 1988

CITY OF TUCSON, ARIZONA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE— FOR THE YEAR ENDED JUNE 30, 1988

Federal Grantors/Pass-Through Grantor/Program Title	Federal Identification Number	Contract and/or Pass-Through Grantor's Number	Program or Award Amount	Cash/Accrued or (Deferred) Revenue at July 1, 1987	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue Balance at June 30, 1988
Department of Housing and Urban Development (HUD)*							
Direct Programs:							
Public Housing—Conventional subsidy	14.146	SF-225	$ 1,382,525		$ 1,382,525	$ 1,382,525	
Public Housing—Accrued Annual Contribution[1]	14.146	SF-225	408,389	$1,891,549	408,389	3,150,939	$4,634,099
Public Housing—CIAP Planning	14.146	SF-225	85,008		85,008	85,008	
Section 8—Existing[1]	14.156	SF-527E	7,046,556	(158,057)	7,554,696	7,571,720	(141,033)
Section 8—Existing (Pima County)	14.156	SF-526E	1,332,132	(5,955)	1,149,248	1,154,309	(894)
Section 8—Moderate Rehabilitation[1]	14.156	SF-527K001	193,176	(1,330)	192,304	199,464	5,830
Section 8—Moderate Rehabilitation	14.156	SF-527K002	192,984	(2,346)	157,399	158,497	(1,248)
Section 8—Rental Rehabilitation Voucher	14.156	SF-527V	1,074,986	(233)	614,558	613,339	(1,452)

(continued)

CITY OF TUCSON, ARIZONA *(continued)*

Federal Grantors/Pass-Through Grantor/Program Title	Federal Identification Number	Contract and/or Pass-Through Grantor's Number	Program or Award Amount	Cash/Accrued or (Deferred) Revenue at July 1, 1987	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue Balance at June 30, 1988
Section 8—Rental Rehabilitation Voucher (Pima County)	14.156	SF-526V	159,514	118	95,841	95,114	(609)
Agency funds:							
Emergency Shelter Grant Program	14.510	S-87-MC-04-5505	88,000		39,055	39,055	
Rental Rehabilitation Program	14.230	R84/85/86/87-MC-04-0205	1,191,300	65,074	470,370	405,296	
Public Housing—CIAP	14.158	SF-225AZ4-907	924,820		82,383	82,383	
Public Housing—CIAP	14.158	SF-225AZ4-905	1,782,950		490,052	490,052	
Public Housing—CIAP	14.158	SF-225AZ4-906	897,330		341,085	341,085	
Public Housing—Development	14.146	SF-225AZ4-15	6,500,288		47	47	
Public Housing—Development	14.146	SF-225AZ4-18	18,398,149		51,213	51,213	
Community Development Block Grant[2]	14.218	B87-MC-04-0505	4,474,000		5,440,563	5,440,563	
Passed through Arizona Department of Economic Security:							
Emergency Grant Shelter Program	14.510	BGA 2-03-87	28,000		28,000	28,000	
Total Department of HUD			46,160,107	1,788,820	18,582,736	21,288,609	4,494,693
Department of Treasury							
Direct Program:							
Office of Revenue Sharing:							
General Revenue Sharing	21.300	03-2-010-002	0	(221,650)	15,468	237,118	
Department of Education							
Direct Programs:							
National Endowment of the Humanities:							
Open Spaces/City Places	45.137	GL-20774-87	67,431		59,926	59,926	
America A-Reading	45.137	GL-20669-86	206,605		102,816	102,816	
Passed through Arizona Department of Library, Archives and Public Records:							
Library Services and Construction Act:							
Arizona Research & Information Center I '87	84.034	IGA #11538	114,000		33,867	33,867	
Arizona Research & Information Center III '87	84.034	IGA #11537	10,000		5,342	5,342	
Major Urban Resource Library	84.034	86-I-6B	32,500		28,850	28,850	
Ageline	84.034	87-I-10(1)	13,150		12,404	12,404	
Major Urban Resource Library—1987	84.034	87-I-7(2)	39,257		39,257	39,257	
Dial-up-access	84.034	87-I-2(16)	9,710		9,710	9,710	
Major Urban Resource Library—1988	84.034	88-I-7-(2)	39,227		30,538	30,538	
Arizona Research and Information Center	84.034	88-I-6-(11)	132,000		96,215	96,215	
Get With It	84.034	88-I-8-(2)	11,275		4,354	4,354	
Total Department of Education			675,155		423,279	423,279	
Department of Transportation							
Direct Programs:							
Urban Mass Transit Administration (UMTA):							
Capital Grant	20.507	AZ-05-0017	801,192		531	531	

Federal Grantors/Pass-Through Grantor/Program Title	Federal Identification Number	Contract and/or Pass-Through Grantor's Number	Program or Award Amount	Cash/Accrued or (Deferred) Revenue at July 1, 1987	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue Balance at June 30, 1988
Capital/Planning Grant	20.507	AZ-90-X006	4,383,487		501,675	501,675	
Capital/Planning Grant	20.507	AZ-90-X009	3,236,000		353,411	353,411	
Capital Grant	20.507	AZ-90-X017	4,273,600		98,831	98,831	
Capital Grant	20.507	AZ-90-X018	788,888		427,179	427,179	
Operating Assistance (1988) Grant	20.507	AZ-90-4017	1,909,550		1,909,550	1,909,550	
Passed through Arizona Department of Transportation:							
Federal Highway Administration:							
Federal Highway Assistance Projects	20.205	IXM825-8	7,378,996				
Total Department of Transportation			22,771,713		3,291,177	3,291,177	
Department of Justice							
Direct Program:							
Federal Drug Enforcement Administration:							
Police Department Task Force Overtime	16.004	SWAZ017-MQ-85-Z003	85,364		38,209	38,209	
Forfeited Funds and Property	16.004	None	66,289		62,826	62,826	
Bureau of Justice Assistance:							
Enhanced Crime Prevention	16.004	0562-87	60,000		50,109	50,109	
Enhanced Crime Prevention II	15.574	87-SD-CX-K068	50,000		22,324	22,324	
Passed through Arizona Department of Economic Security:							
Tucson Park Watch I	16.573	86-029	29,400		4,005	4,005	
Tucson Park Watch II	16.573	87-279	28,500		13,872	13,872	
Total Department of Justice			319,553		191,345	191,345	
Department of Health & Human Services							
Passed through Arizona Department of Economic Security:							
Social Security Administration:							
Title XX Program	13.667	BGA02-03-88	848,361		848,361	848,361	
Passed through Pima Council on Aging:							
Home Repair and Renovation for Older Persons:							
Fiscal year 87/88	13.668		169,007		169,005	169,005	
Socialization/Nutrition for the Elderly	13.635		70,884		69,799	69,799	
Total Department of Health & Human Services			1,088,252		1,087,165	1,087,165	
Department of Interior							
Passed through Arizona State Park Board:							
Lakeside Park Development	15.916	LWCF-04-00624	$ 75,000		$ 46,744	$ 46,744	
Total Federal Financial Assistance			$71,089,780	$1,567,170	$23,637,914	$26,565,437	$4,494,693

*Presented on HUD budgetary basis; see City of Tucson General Purpose Financial Statements for reconciliation to GAAP budgetary basis.
[1]Disbursements/expenditures includes expenditures in excess of the original award amount which are expected to be reimbursed by HUD.
[2]Includes expenditures and earned revenues related to carryforward of appropriations from grants awarded in the prior year.

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Golden Gate Bridge, Highway
and Transportation District:

We have audited the financial statements of the Golden Gate Bridge, Highway and Transportation District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. Our audit of such financial statements was made in accordance with 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplemental Schedules of Activity for Federal Capital Grant Programs and for Federal Operating and Planning Grants for the Year Ended June 30, 1988 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Signature]

October 14, 1988

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

SUPPLEMENTAL SCHEDULE OF ACTIVITY FOR FEDERAL CAPITAL GRANT PROGRAMS–FOR THE YEAR ENDED JUNE 30, 1988

(In thousands)

				Federal Share Expenditures				
Program Description	Program CFDA Number	Grant Approval Date	Approved Federal Share	Before July 1, 1987 Total	July 1, 1987 to June 30, 1988	Through June 30, 1988 Total	Federal Receipts Through June 30, 1988	Federal Receivable at June 30, 1988
DEPARTMENT OF TRANSPORTATION:								
UMTA Capital Improvement Grants	20.500							
CA-03-0246 Greenbrae Boardwalk..................		August 28, 1981	$ 500	$ 87	$ 54	$ 141	$ 131	$ 10
CA-03-0255 San Rafael Maintenance Facility Renovation................		September 27, 1982	2,080	420	1,660	2,080	1,852	228
UMTA Capital and Operating Assistance Formula Grants	20.507							
CA-05-0126 Farebox/Ferry Improvement		December 29, 1983	935	816	119	935	926	9
CA-90-0003 Bus/Ferry Improvement.................		June 6, 1983	170	170		170	170	
CA-90-X040 Bus/Ferry Improvement.................		March 28, 1984	5,029	4,196	302	4,498	4,410	88
CA-90-X098 Bus/Ferry Improvement.................		May 3, 1985	6,422	1,120	3,562	4,682	4,297	385
CA-90-X179 Bus/Ferry Improvement.................		August 5, 1986	2,946	122	143	265	203	62
CA-90-X239 Bus/Ferry Improvement.................		March 20, 1987	9,184		26	26	13	13
CA-90-X281 Bus/Ferry Improvement.................		April 5, 1988	5,175					
Total UMTA Grants			32,441	6,931	5,866	12,797	12,002	795
Highway Planning and Construction....................	20.205							

Program Description	Program CFDA Number	Grant Approval Date	Approved Federal Share	Federal Share Expenditures: Before July 1, 1987 Total	Federal Share Expenditures: July 1, 1987 to June 30, 1988	Federal Share Expenditures: Through June 30, 1988 Total	Federal Receipts Through June 30, 1988	Federal Receivable at June 30, 1988
FHWA Bridge Deck Replacement Supplements:								
VI—Approach Restoration		May 10, 1979	2,760	1,914	532	2,446	2,323	123
VII—Construction		May 10, 1979	47,886	47,328	(50)	47,278	47,278	
X—Bridge Deck Paving		May 10, 1979	3,992	3,742	9	3,751	3,751	
Total Highways Grants			54,638	52,984	491	53,475	53,352	123
GRAND TOTAL FEDERAL CAPITAL GRANTS			$87,079	$59,915	$6,357	$66,272	$65,354	$918

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

SUPPLEMENTAL SCHEDULE OF ACTIVITY FOR FEDERAL OPERATING AND PLANNING GRANTS–FOR THE YEAR ENDED JUNE 30, 1988

(In thousands)

Program Description	Program CFDA Number	Approved Federal Share	Federal Share Expenditures: Before July 1, 1987 Total	Federal Share Expenditures: July 1, 1987 to June 30, 1988	Federal Share Expenditures: Through June 30, 1988 Total	Federal Receipts Through June 30, 1988	Federal Receivable at June 30, 1988
DEPARTMENT OF TRANSPORTATION:							
CA-08-0163 Planning	20.505	$ 60		$ 2	$ 2		$ 2
CA-08-0186 Planning	20.505	64	$64		64	$ 64	
CA-08-0197 Planning	20.505	62		49	49	30	19
CA-20-2002 Management training	20.503	15	2	6	8	8	
CA-90-X281 Operating assistance	20.507	1,607		1,607	1,607	1,607	
TOTAL		$1,808	$66	$1,664	$1,730	$1,709	$21

Report of Independent Certified Public Accountants

Commissioners of York County
York, Pennsylvania

We have audited the general purpose financial statements of the County of York, Pennsylvania, for the year ended December 31, 1987, and have issued our report thereon dated June 14, 1988. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a responsible basis for our opinions.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the County of York, Pennsylvania, taken as a whole. The supplementary information included in the accompanying schedules 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 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]

June 14, 1988

COUNTY OF YORK, PENNSYLVANIA

*SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE—
FOR THE YEAR ENDED DECEMBER 31, 1987*

Federal Grantor/Pass-Through Grantor/ Program Title—Fund Accounting for Program	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Accrued or (Deferred) Revenue at January 1, 1987	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue December 31, 1987	Grants Received
U.S. Department of Health and Human Services									
Pass-Through Pennsylvania Department of Public Welfare:									
Child Support Enforcement—Domestic Relations	13.679	N/A	01/01/87 to 12/31/87	$ N/A	$146,911	$ 802,842	$ 802,842	$ 170,829	$ 778,924
Social Services Block Grant—Children and Youth	13.667	N/A	07/01/86 to 06/30/87	N/A		77,491	77,491		77,491
Social Services Block Grant—Children and Youth	13.667	N/A	07/01/87 to 06/30/88	N/A		232,472	232,472		232,472
Social Services Block Grant—MH/MR	13.667	N/A	07/01/86 to 06/30/87	397,293		198,646	198,646		198,646
Social Services Block Grant—MH/MR	13.667	N/A	07/01/87 to 06/30/88	400,979		200,491	200,491		200,491
Social Services Block Grant—Aging	13.667	N/A	07/01/87 to 06/30/88	N/A		40,813	40,813		40,813
Human Services Development Fund—Human Services Department (General Fund)	13.667	N/A	07/01/86 to 06/30/87	530,097		261,117	261,117		261,117
Human Services Development Fund—Human Services Department (General Fund)	13.667	N/A	07/01/87 to 06/30/88	515,785		293,693	293,693		293,693
Emergency Shelter Program—Human Services Department (General Fund)	13.667	N/A	07/01/86 to 06/30/87	47,152		47,152	47,152		47,152
Alcohol, Drug Abuse and Mental Health Services Block Grant—MH/MR	13.992	N/A	07/01/86 to 06/30/87	211,786		105,881	105,881		105,881
Alcohol, Drug Abuse and Mental Health Services Block Grant—MH/MR	13.992	N/A	07/01/87 to 06/30/88	211,786		105,893	105,893		105,893
Federal Title IVE—Children and Youth	13.658	N/A	07/01/86 to 06/30/87	N/A		350,883	350,883		350,883
Federal Title IVE—Children and Youth	13.658	N/A	07/01/87 to 06/30/88	N/A		484,180	484,180		484,180
Information and Referral System for Dependent Care Service—Human Services Department (General Fund)	13.673	N/A	01/01/87 to 12/31/87	N/A		59,975	59,975		59,975
					146,911	3,261,529	3,261,529	170,829	3,237,611
Pass-Through Department of Community Affairs:									
Low Income Home Energy Assistance Block Grant—Weatherization	13.818	85-67	07/01/86 to 06/30/87	13,714		13,714	13,714		13,714
Low Income Home Energy Assistance Block Grant—Weatherization	13.818	85-67	07/01/87 to 06/30/88	370,834		81,360	81,360		81,360
					-0-	95,074	95,074	-0-	95,074
Pass-Through Pennsylvania Department of Health:									
Alcohol, drug abuse and Mental Health Services Block Grant—drug and alcohol	13.992	85342	07/01/86 to 06/30/87	140,093		79,004	79,004		79,004
Alcohol, drug abuse and Mental Health Services Block Grant—drug and alcohol	13.992	85342	07/01/87 to 06/30/88	140,093		66,450	66,450		66,450

Alcohol and Drug Abuse Treatment and Rehabilitation Block Grant—Unmet Needs	13.141	85342	07/01/87 to 06/30/88	26,000					
Alcohol and Drug Abuse Treatment and Rehabilitation Block Grant—SAP Treatment	13.141	85342	07/01/87 to 06/30/88	21,110					
					-0-	145,454	145,454	-0-	145,454
Pass-Through Pennsylvania Department of Aging:									
Special programs for the aging—Title III A, B, and C—Comprehensive services to the aging	13.633 & 13.635	2587	07/01/86 to 06/30/87	766,408	(6,501)	356,951	356,951		350,450
Special programs for the aging—Title III A, B, and C—Comprehensive services to the aging	13.633 & 13.635	2588	07/01/87 to 06/30/88	817,207		407,537	407,537	(33,202)	440,739
					(6,501)	764,488	764,488	(33,202)	791,189
Total U.S. Department of Health and Human Services					140,410	4,266,545	4,266,545	137,627	4,269,328
U.S. Department of the Treasury									
Federal Revenue Sharing—Federal Revenue Sharing	21.300	N/A	01/01/87 to 12/31/87	17,584		17,584	17,584		17,584
U.S. Department of Transportation									
Pass-Through Pennsylvania Bureau of Mass Transit:									
Urban Mass Transportation Capital Improvement Grant—York Transportation Club	20.500	N/A	N/A	N/A	-0-	114,534	114,534	-0-	114,534
Pass-Through Pennsylvania Department of Transportation									
York Area Transportation Study	20.205	69444-M	07/01/86 to 06/30/87	56,038	17,922	21,982	21,982	-0-	39,904
York Area Transportation Study	20.205	69444-N 69444-O	07/01/87 to 06/30/88	73,058	-0-	30,130	30,130	16,369	13,761
					17,922	52,112	52,112	16,369	53,665
Total U.S. Department of Transportation					17,922	166,646	166,646	16,369	168,199
Federal Emergency Management Agency									
Pass-Through Pennsylvania Department of Transportation:									
Emergency Management Assistance—Emergency Management Department (General Fund)	83.503	N/A	10/01/86 to 09/30/87	N/A		43,103	43,103		43,103
Emergency Management Assistance—Emergency Management Department (General Fund)	83.503	N/A	10/01/87 to 09/30/88	N/A		8,196	8,196		8,196
Total Federal Emergency Management Agency					-0-	51,299	51,299	-0-	51,299
U.S. Department of Justice									
Pass-Through Pennsylvania Department of Health:									
Juvenile Treatment Alternative to Street Crime—Drug and Alcohol	16.542	85342	07/01/86 to 06/30/87	10,500		10,500	10,500		10,500
Pass-Through Pennsylvania Commission on Crime and Delinquency Crime Victim Assistance	16.575	N/A	01/01/87 to 12/31/87	7,500		5,209	5,209		5,209
Total U.S. Department of Justice					-0-	15,709	15,709	-0-	15,709

(continued)

COUNTY OF YORK, PENNSYLVANIA *(continued)*

Federal Grantor/Pass-Through Grantor/ Program Title—Fund Accounting for Program	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Accrued or (Deferred) Revenue at January 1, 1987	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue December 31, 1987	Grants Received
U.S. Department of Energy									
Pass-Through Department of Community Affairs:									
Weatherization Assistance for Low Income Persons—Weatherization	81.042	85-67	07/01/86 to 06/30/87	164,248	53,673	56,500	56,500		110,173
Weatherization Assistance for Low Income Persons—Weatherization	81.042	85-67	07/01/87 to 06/30/88	188,060		58,350	58,350	(50,196)	108,546
Total U.S. Department of Energy					53,673	114,850	114,850	(50,196)	218,719
U.S. Department of Housing and Urban Development									
Community Development Block Grant Program, Entitlement Grants—Community Development Block Grant	14.218	N/A	Various Program Years		256,530	2,840,943	2,840,943	(339,551)	3,437,024
U.S. Department of Labor									
Job Training Partnership Act Title IIA—Adult and Youth and Older Worker Programs	17.246-50	N/A	07/01/86 to 06/30/87	1,705,194	176,856	990,036	990,036	-0-	1,166,892
Job Training Partnership Act Title IIA—Adult and Youth and Older Worker Programs	17.246-50	N/A	07/01/87 to 06/30/88	1,969,207	-0-	436,500	436,500	-0-	436,500
Job Training Partnership Act Title IIA—Pregnant and Parenting Youth Program	17.246-50	N/A	02/01/86 to 01/31/87	57,796	-0-	11,873	11,873	-0-	11,873
Job Training Partnership Act Title IIA—Pregnant and Parenting Youth Programs	17.246-50	N/A	02/01/87 to 01/31/88	56,642	-0-	22,300	22,300	-0-	22,300
Job Training Partnership Act Title IIA—Adult and Youth Programs	17.246-50	N/A	01/01/86 to 12/31/86	391,415	-0-	73,822	73,822	-0-	73,822
Job Training Partnership Act Title IIA—Adult and Youth Programs	17.246-50	N/A	01/01/87 to 06/30/88	317,093	-0-	225,000	225,000	-0-	225,000
Job Training Partnership Act Title IIB—Summer Youth Employment and Training Programs	17.246-50	N/A	10/01/86 to 09/30/87	585,239	-0-	72,500	72,500	-0-	72,500
Job Training Partnership Act Title IIB—Summer Youth Employment and Training Programs	17.246-50	N/A	10/01/87 to 09/30/88	575,429	-0-	503,500	503,500	-0-	503,500
					176,856	2,335,531	2,335,531	-0-	2,512,387

Pass-Through Pennsylvania Department of Aging									
Senior Community Service Employment Program—Comprehensive Services to the Aging	17.235	2,125	07/01/86 to 06/30/87	71,562		38,201	38,201		38,201
Senior Community Service Employment Program—Comprehensive Services to the Aging	17.235	2,125	07/01/87 to 06/30/88	74,875		29,926	29,926		29,926
Job Training Partnership Act—Comprehensive Services to the Aging	17.246-50	5,525	07/01/86 to 06/30/87	21,592		9,677	9,677		9,677
Job Training Partnership Act—Comprehensive Services to the Aging	17.246-50	5,525	07/01/87 to 06/30/88	22,432		6,553	6,553		6,553
					-0-	84,357	84,357		84,357
Total U.S. Department of Labor					176,856	2,419,888	2,419,888	-0-	2,596,744
U.S. Department of Agriculture									
Farmers' Home Association—Community Development Block Grant	10.433	N/A	01/01/87 to 12/31/87	N/A		42,848	42,848		42,848
Pass-Through Pennsylvania Department of Agriculture:									
Title II Emergency Food Assistance Program—Human Services Department (General Fund)	10.550	N/A	10/01/86 to 09/30/87	N/A	-0-	20,343	20,343	-0-	20,343
Pass-Through Pennsylvania Department of Aging:									
Food Distribution—Comprehensive Services to the Aging	10.550	N/A	07/01/86 to 06/30/87	N/A		113,465	113,465		113,465
Food Distribution—Comprehensive Services to the Aging	10.550	N/A	07/01/87 to 06/30/88	N/A		38,970	38,970		38,970
Food Distribution—Comprehensive Services to the Aging	10.550	N/A	07/01/85 to 06/30/86	N/A		18,671	18,671		18,671
Food Distribution—Comprehensive Services to the Aging	10.550	N/A	07/01/84 to 06/30/85	N/A		1,014	1,014		1,014
					-0-	172,120	172,120	-0-	172,120
Pass-Through Pennsylvania Department of Education									
National School Lunch Program—Children and Youth (General Fund)	10.555	N/A	01/01/87 to 12/31/87	N/A	-0-	7,849	7,849	-0-	7,849
Total U.S. Department of Agriculture					-0-	179,969	179,969	-0-	179,969
Total Federal Assistance					$645,391	$10,073,433	$10,073,433	$(235,751)	$10,954,575

COUNTY OF YORK, PENNSYLVANIA

NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

1—General

The accompanying Schedule of Federal Financial Assistance presents the activity of all federal financial assistance programs of the County of York, Pennsylvania. The reporting entity is defined in Note 1 to the County's financial statements.

2—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 County's financial statements.

3—Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

4—Pennsylvania Department of Public Welfare Programs

The reports on compliance and internal control apply to the following Pennsylvania Department of Public Welfare Programs:

Child Support Enforcement (major)

Children and Youth (major)

Emergency Shelter

Attendant Care

REPORT ON INTERNAL CONTROLS* (ACCOUNTING AND ADMINISTRATIVE) USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The auditor should be alert to the fact that this report is required to cover both accounting and administrative controls used to administer federal financial assistance programs. Further, in contrast with the report on internal accounting control resulting from the examination of the general purpose or basic financial statements, the evaluations required to issue this report may *not* exclude any accounting or administrative control systems used to administer federal financial assistance programs. This report should be prepared in accordance with the criteria set forth in SAS No. 30, paragraphs 60-61. Examples of the report are as follows:

*In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide, *Audits of State and Local Governmental Units*. It superseded the reporting examples appearing in appendix A and provides new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective at the time of their issuance for the *Report on Internal Controls (Accounting and Administrative)—Based on a Study and Evaluation Made as a Part of an Audit of the General Purpose or Basic Financial Statements and the Additional Tests Required by the Single Audit Act*.

REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Honorable County Executive and
Members of the County Legislature
County of Erie, New York:

We have audited the general purpose financial statements of the County of Erie for the year ended December 31, 1987, and have issued our report thereon dated May 16, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U. S. General Accounting Office, the Single Audit Act of 1984 (P.L. 98-502), and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls:

- Treasury Cycle
- Revenue/Receipts Cycle
- Disbursements Cycle
- Reporting Cycle

Administration Controls:

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
- Monitoring Subrecipients
- Other Special Requirements

The management of the County of Erie is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1987, the County of Erie expended 89% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the County of Erie, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control system used solely in administering the nonmajor federal financial assistance programs of the County of Erie 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 County of Erie. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the County of Erie. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the County of Erie.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the County of Erie.

This report is intended solely for the use of management and the Department of Health and Human Services 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 County of Erie, New York is a matter of public record.

[Signature]

November 21, 1988

Independent Auditors' Report

The Honorable Mayor and Members of the Assembly
Matanuska-Susitna Borough, Alaska:

We have audited the general purpose financial statements of the Matanuska-Susitna Borough, Alaska, for the year ended June 30, 1988, and have issued our report thereon dated October 7, 1988. These general purpose financial statements are the responsibility of the Borough'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; the standards for financial audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions* issued by the U.S. General Accounting Office; the State Single Audit Regulation (2AAC 45.010); and the provisions of the State of Alaska, Office of Management and Budget, *State Single Audit Guide and Compliance Supplement*. 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 misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Under the date of October 7, 1988, we reported separately on the results of our study and evaluation of internal accounting controls performed in connection with our audit of the general purpose financial statements. The results of our study and evaluation of internal accounting and administrative controls used in administering federal financial assistance programs are presented herein.

For purposes of this report, we have classified the significant internal accounting and administrative controls used in administering the major state financial assistance programs in the following categories:

Accounting controls:

—Revenues and receipts

—Purchasing and disbursements

—Payroll

Administrative Controls Used in Administering the Major State Financial Assistance Programs:

General requirements

—Public purpose

—Political activity

—Civil Rights

—Cash management

—State financial reports

—Prevailing wages

—Worker's compensation

—Contractors' bonds

—Responsibility for third parties

—Record retention

Specific requirements

—Types of services

—Eligibility

—Matching level of efforts

—Reporting

—Special requirements, if any

Our study and evaluation included all the applicable control categories listed above.

The management of the Matanuska-Susitna Borough, Alaska, is responsible for establishing and maintaining internal control systems used in administering state 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 state financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to state financial assistance programs resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and that 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 state financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

During the year ended June 30, 1988, the Matanuska-Susitna Borough, Alaska, expended 98.7% of its total state financial assistance under major state financial assistance programs. With respect to internal control systems used in administering major state 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 nonmajor state financial assistance programs, 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. Accordingly, our audit would not necessarily disclose material weaknesses in the internal accounting control systems used solely in administering nonmajor state financial assistance programs.

Our study and evaluation described in the two preceding paragraphs was more limited than would be necessary to express an opinion on the internal control systems used in administering the major and nonmajor state financial assistance programs of the Matanuska-Susitna Borough, Alaska. Accordingly, we do not express an opinion on the internal control systems used in administering the major and nonmajor state financial assistance programs of the Matanuska-Susitna Borough, Alaska. However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a state financial assistance program of the Matanuska-Susitna Borough, Alaska. In our letter to management dated October 7, 1988, we have separately communicated our observations and recommendations regarding certain other matters, including those pertaining to nonmaterial internal control findings.

This report is intended solely for the use of management and the cognizant state 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 Matanuska-Susitna Borough, Alaska, is a matter of public record.

[Signature]

October 7, 1988

AUDITORS' 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

To the Members of the City Council of the
City of Tucson, Arizona:

We have audited the general purpose financial statements of the City of Tucson, Arizona, for the year ended June 30, 1988, and have issued our report thereon dated November 16, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of the OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls:

Cycles of the City's Activity

- Treasury/financing
- Revenue/receipts
- Purchases/disbursements
- External financial reporting

Financial Statement Captions

- Cash
- Receivables
- Inventory
- Fixed assets
- Payables and accrued liabilities
- Debt
- Fund balance

Accounting Applications:

- Billings
- Receivables
- Cash receipts
- Purchasing and receiving
- Accounts payable
- Cash disbursements
- Payroll
- Fixed assets
- General ledger

General Requirements

- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Subrecipients

Specific Requirements

- Types of services
- Eligibility
- Matching level of effort
- Reporting

The management of the City of Tucson, Arizona, 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 condition 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, 1988, the City of Tucson, Arizona, expended 84.94% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the City of Tucson, Arizona, 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 Tucson, Arizona, 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 Tucson, Arizona. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Tucson, Arizona.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the City of

Tucson, Arizona. A report to City management, dated November 16, 1988, has been issued summarizing nonmaterial weaknesses in the system of internal controls identified during our study and evaluation.

This report is intended solely for the use of management and the Department of Housing and Urban Development 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 Department of Housing and Urban Development, is a matter of public record.

[Signature]

Tucson, Arizona
December 2, 1988

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL FOR FEDERAL PROGRAMS

City Commissioner
City of Great Falls
Great Falls, Montana

We have audited the general purpose financial statements of the City of Great Falls, Montana, for the year ended June 30, 1988, and have issued our report thereon dated December 23, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audits of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of the 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

- Cash receipts
- Cash disbursements
- Federal financial reports

Internal administrative controls–general requirements

- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- Federal financial reports

Internal administrative controls–specific requirements

- Types of services
- Eligibility
- Reporting
- Cost allocation

The management of the City of Great Falls, 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.

Our study included all of the applicable control categories listed above. During the year ended June 30, 1988, the City of Great Falls, Montana, expended 70% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the City of Great Falls, Montana, 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 Great Falls, Montana, 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 Great Falls, Montana. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Great Falls, Montana.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control system, 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.

As previously mentioned in the "Findings and Recommendations" section dealing with weaknesses discovered in internal accounting control based on a study and evaluation made as a part of the examinations of the general purpose financial statements we discovered that outlay reports and requests for reimbursement reports, required by the Environmental Protection Agency for their water and sewer construction grants, are sometimes delayed up to five months between preparation and submission to the Environmental Protection Agency. Also, cash receipts generated by Community Development Block Grant Letter of Credit drawdown requests are not discovered by the finance department until the end of the month when it shows up as a reconciling item in the City's bank reconciliation.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the June 30, 1988 general purpose financial statements and (2) 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 December 23, 1988.

This report is intended solely for the use of management, the State of Montana Department of Commerce—Division of Local Government Services, and U.S. Department of Housing and Urban Development 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 Great Falls, Montana, is a matter of public record.

[Signature]

December 23, 1988

Independent Auditors' Report

Board of Commissioners
County of Dauphin
Harrisburg, Pennsylvania

We have audited the general purpose financial statements of the County of Dauphin, Pennsylvania, for the year ended December 31, 1987, and have issued our report thereon dated May 27, 1988. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit 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 the Commonwealth of Pennsylvania Department of Public Welfare Single Audit Supplement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of accounting and administrative internal controls. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

The management of the County of Dauphin, Pennsylvania, is also responsible for establishing and maintaining internal control systems. 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 are to provide management with reasonable, but not absolute, assurance that resources use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; that transactions are executed in accordance with management's authorization; and that data are obtained, recorded, and maintained properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the preparation of federal reports in accordance with federal requirements. Because of inherent limitations in any system of internal accounting and administrative controls, 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.

For purposes of this report, we have classified the significant internal accounting and administrative controls in the following categories:

Accounting Controls:

- Treasury/financing
- Revenue/receipts
- Purchasing/disbursements
- Payroll
- External financial reporting

Administrative Controls Used In Administering the Major Federal Financial Assistance Programs:

General Requirements:

- Political activity
- Civil Rights
- Cash management
- Federal financial reports

Specific Requirements

- Types of service
- Eligibility
- Matching level of effort
- Reporting
- Monitoring subrecipients

Our study and evaluation included all the control categories listed above except that we did not evaluate the accounting controls over treasury/financing and revenue/receipts because we believed the audit could be performed more efficiently by expanding substantive testing rather than placing reliance on the internal control system and because the accounting controls that were not evaluated are not significant to the major federal or major selected Commonwealth of Pennsylvania financial assistance programs.

The purpose of our study and evaluation was to determine the nature, timing and extent of auditing procedures necessary for expressing an opinion on the general purpose financial statements of the County of Dauphin, Pennsylvania. 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 control identified above.

During the year ended December 31, 1987, the County of Dauphin, Pennsylvania, expended 75 and 98 percent, respectively, of its total federal and selected Commonwealth of Pennsylvania financial assistance under major financial assistance programs. With respect to internal control systems used in administering major 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 necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering nonmajor financial assistance programs, 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. Accordingly, our examination would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

Our study and evaluation described above was more limited than would be necessary to express an opinion on the internal control systems of the County of Dauphin, Pennsylvania. Accordingly, we do not express an opinion on the internal control systems of the County of Dauphin, Pennsylvania, taken as a whole, or on any of the control categories identified above. However, our study and evaluation and our audit disclosed the following conditions, reported in the Schedule of Findings and Questioned Costs 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 general purpose financial statements or to a federal financial assistance program may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in (1) our audit of the 1987 general purpose financial statements and (2) our audit and review of the County's compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. This report does not affect our reports on the general purpose financial statements and on the County's compliance with laws and regulations dated May 27, 1988.

The report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the County of Dauphin, Pennsylvania, is a matter of public record.

[Signature]

May 27, 1988

Independent Auditors' Report

The Honorable Members of Council of
the City of Pittsburgh, Pennsylvania:

We have audited the general purpose financial statements of the City of Pittsburgh, Pennsylvania, for the year ended December 31, 1987, and have issued our report thereon dated June 10, 1988 which report was qualified because of the omission of a general fixed asset account group from the City's financial statements. 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; the standards for financial audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether management has complied with laws and regulations, and whether management has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Under the date of June 10, 1988, we reported separately on the results of our study and evaluation of internal accounting controls performed in connection with our audit of the general purpose financial statements. 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 the major federal financial assistance programs in the following categories:

Accounting Controls:

- Cash receipts
- Cash disbursements
- Payroll

Administrative Controls Used In Administering the Major Federal Financial Assistance Programs:

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
- Cash allocation
- Special requirements
- Monitoring subrecipients

Our study and evaluation included all of the applicable control categories listed above.

The management of the City of Pittsburgh, Pennsylvania, 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 December 31, 1987, the City of Pittsburgh, Pennsylvania, expended 98 percent 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, 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. Accordingly, our audit would not necessarily disclose all material weaknesses in the internal control systems used in administering nonmajor federal financial assistance programs.

Our study and evaluation described in the two preceding paragraphs was more limited than would be necessary to express an opinion on the internal control systems used in administering the major and nonmajor federal financial assistance programs of the City of Pittsburgh, Pennsylvania. Accordingly, we do not express an opinion on the internal control systems used in administering the major and nonmajor federal financial assistance programs of the City of Pittsburgh, Pennsylvania. However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements or to a federal financial assistance program may occur and not be detected within a timely period.

Community Development Block Grant (CDBG) Program

Monitoring of Subrecipients

General Procedures

A portion of the City's federal funds is passed through the CDBG Program to subrecipients. It is the responsibility of the Department of City Planning to monitor subrecipients. As a result of previously identified deficiencies in the City's procedures for monitoring subrecipients, several contract conditions were placed on the 1987 Entitlement Grant. The Pittsburgh office of HUD issued a letter dated February 8, 1988 which removed the contract conditions relating to these deficiencies. However, we understand the Regional Inspector General for Audit (RIGA) has not yet approved the removal of the conditions. We recommend the Department of City Planning take appropriate action to obtain clearance from RIGA as to the adequacy of the City's monitoring function to guard against potential future Entitlement Grant conditions.

On September 30, 1988, the City received a letter from HUD *identifying the URA as a subrecipient of the City.* HUD will monitor the URA through 1989 thereby allowing the City sufficient time to develop its monitoring capacity for future monitorings of the URA. The City will begin to develop this process in mid-1989.

Cash Requirements

The City's monitoring procedures are designed to include a review of advances to and payments by subrecipients so as to limit cash advances to subrecipients for only their immediate cash requirements. The CD fiscal officer reviews the URA's cash position on a periodic basis. However, as noted in 1986, the procedures performed, recommendations made and subsequent follow-up are not documented. We recommend the City establish a policy to monitor the URA's cash position, including on-site visits to the URA.

City's Response

During the fourth quarter of 1987, the URA established a revolving fund for payment of community development invoices to pay community development invoices with non-CD dollars and then request reimbursement from the City for these expenditures in the exact amount. This revolving fund eliminates the possibility of the URA drawing CD dollars in excess of its immediate needs.

In addition, the URA now sends monthly financial reports to the CD fiscal office which enables the City to review its cash position on a monthly basis. The CD fiscal office will make periodic on-site visits to verify this information beginning in 1989.

Implementation of these recommendations would improve the City's ability to effectively monitor its subrecipients.

In a separate letter to management, we have communicated our observations and recommendations regarding other matters, including those pertaining to nonmaterial internal control findings.

* * * * *

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in (1) our audit of the 1987 general purpose financial statements and (2) our audit and review of the City's compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. This report does not affect our reports on the general purpose financial statements and on the City's compliance with laws and regulations dated June 10, 1988.

This report is intended solely for the use of management and the Department of Housing and Urban Development 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 Pittsburgh, Pennsylvania, is a matter of public record.

[Signature]

June 10, 1988

The Honorable Scotty Baesler, Mayor
and Members of the Urban County Council
Lexington, Kentucky

We have audited the general purpose financial statements of the Lexington-Fayette Urban County Government, for the year ended June 30, 1988, and have issued our report thereon dated September 21, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial audits contained in the *Government Auditing Standards*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in the administering federal financial assistance programs in the following categories:

I. Significant Internal Accounting Controls That Were Evaluated
   - A. Receivables
   - B. Cash Receipts
   - C. Purchasing and receiving
   - D. Cash disbursements, accounts payable
   - E. Payroll
   - F. Indirect cost allocation
   - G. Budgeting and budget reporting
   - H. Property and equipment
   - I. General ledger

II. Controls Used in Administering Federal Programs
   - A. General Requirements
     1. Political activity
     2. Davis-Bacon act
     3. Civil Rights
     4. Cash management
     5. Relocation assistance and real property acquisition
     6. Federal financial reports
   - B. Specific Requirements
     1. Types of services
     2. Eligibility
     3. Matching level of effort
     4. Reporting
     5. Cost allocation

The management of the Lexington-Fayette Urban County Government 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, 1988, the Lexington-Fayette Urban County Government, expended 95% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

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 Lexington-Fayette Urban County Government. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Lexington-Fayette Urban County Government. 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 Lexington-Fayette Urban County Government.

This report is intended solely for the use of management and Federal and State 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 Lexington-Fayette Urban County Government, is a matter of public record.

[Signature]

Lexington, Kentucky
September 21, 1988

Honorable Mayor and Members
of the City Council
City of South Tucson
South Tucson, Arizona

We have audited the general purpose financial statements of the City of South Tucson, Arizona for the year ended June 30, 1988 and have issued our report thereon, dated December 30, 1988. As a part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering Federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering Federal financial assistance programs in the following categories:

1. Accounting Controls
   - A. Cash and investments
   - B. Receivables
   - C. Cash receipts
   - D. Cash disbursements
   - E. Accounts payable
   - F. Purchasing
   - G. Payroll
   - H. Property and equipment
   - I. General ledger
2. Controls Used In Administering Federal Programs
   - A. General Requirements
     - 1) Political activity
     - 2) Davis-Bacon Act
     - 3) Civil Rights
     - 4) Federal financial reports
     - 5) Cash management
     - 6) Relocation assistance and real property acquisition
   - B. Specific Requirements
     - 1) Types of services
     - 2) Eligibility
     - 3) Matching level of effort
     - 4) Reporting requirements
     - 5) Cost allocation
     - 6) Special requirements, if any

The management of the City of South Tucson, Arizona, 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, 1988 the City of

South Tucson, Arizona expended 65.54% of its total Federal financial assistance under major Federal financial assistance programs and the following nonmajor Federal financial assistance program: Section 8 Housing Assistance Program. 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 South Tucson, Arizona, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment, the accounting system, and control procedures. Our study and evaluation of the internal control systems used solely in administering the nonmajor Federal financial assistance programs of the City of South Tucson, Arizona, 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 South Tucson, Arizona. Accordingly, we do not express an opinion on the internal control systems used in administering Federal financial assistance programs of the City of South Tucson, Arizona. 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 South Tucson, Arizona.

Also our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems for which our study and evaluation was limited to a preliminary review of the systems as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed no condition that we believed to be a material weakness in relation to a Federal financial assistance program of the City of South Tucson, Arizona. Under separate cover, we have submitted a report to management dated December 30, 1988, which discusses non-material weaknesses in internal controls and recommends corrective actions.

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.

Respectfully submitted,

[Signature]

December 30, 1988

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)—BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Honorable Members of The Marquette
County Board of Supervisors
Marquette County, Wisconsin

We have audited the general purpose financial statements of MARQUETTE COUNTY, WISCONSIN, for the year ended December 31, 1987, and have issued our report thereon dated December 8, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal and state financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, the provisions of OMB Circular A-128, *Audits of State and Local Governments* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration (DOA). For the purposes of this report, we have classified the significant internal accounting and administrative controls used in administering federal and state financial assistance programs in the following categories:

Accounting Controls:

Treasury or financing

- Revenue/receipts
- Purchases/disbursements
- External financial reporting

Administrative Controls:

General Requirements

- Political activity
- Davis-Bacon Act
- Civil Rights
- Federal financial reports

Specific Requirements

- Types of Services
- Eligibility
- Matching level of effort
- Reporting

The management of MARQUETTE COUNTY, WISCONSIN, is responsible for establishing and maintaining internal control systems used in administering federal and state 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 and state financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal and state financial assistance programs, resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss and misuse; and reliable data are obtained, maintained, and disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal and state financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1987, MARQUETTE COUNTY, WISCONSIN expended 55% of its total federal financial assistance under major federal financial assistance programs and the following nonmajor federal financial assistance program—Federal Title III C—Nutrition Services, and expended 50% of its state financial assistance under major state financial assistance programs and the following nonmajor state financial assistance programs: the state match funds of the Social Services Block Grant and the Wildlife Damage Claims and Abatement. With respect to internal control systems used in administering major and nonmajor federal and major and nonmajor state 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 and state financial assistance programs of MARQUETTE COUNTY, WISCONSIN, 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 and state financial assistance programs of MARQUETTE COUNTY, WISCONSIN, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal and state financial assistance programs of MARQUETTE COUNTY, WISCONSIN. Accordingly, we do not express an opinion on the internal control systems used in administering the federal and state financial assistance programs of MARQUETTE COUNTY, WISCONSIN. Further, we do not express an opinion on the internal control systems used in administering the major federal and state financial assistance programs of MARQUETTE COUNTY, WISCONSIN.

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 system, 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 or state financial assistance program of MARQUETTE COUNTY, WISCONSIN. See separate management letter for nonmaterial recommendations to improve the system.

This report is intended solely for the use of management, the Wisconsin Department of Health and Social Services and other State and Federal cognizant 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 MARQUETTE COUNTY, WISCONSIN is a matter of public record.

[Signature]

December 8, 1988
Wisconsin Rapids, Wisconsin

Board of Commissioners
Lucas County
Toledo, Ohio 43604

Re: *Report on Internal Accounting and Federal Administrative Controls*

We have examined the general purpose financial statements of Lucas County for the year ended December 31, 1987, and have issued our report thereon dated September 8, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of the County to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards for financial and compliance audits. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

Internal Accounting Control Classifications:

A. Cash and Equivalents Balances
   1. Reconciliation
   2. Petty Cash
   3. Cash Equivalent Investments

B. Cash Activity
   1. Receipts
   2. Disbursements
      a. Purchasing and Receiving
      b. Payroll

C. Budgetary Balances and Activities

D. Debt Balances and Activity

E. Inventory Balances and Activity

F. Property and Equipment Balances and Activity

G. Electronic Data Processing Controls

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 performing 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.

Also, as part of our examination, we made a study of the internal control systems, including applicable administrative controls, used in administering federal assistance programs, to the extent we considered it necessary to evaluate the systems as required by generally accepted government auditing standards for financial and compliance audits, the Single Audit Act of 1984 (Public Law 98-502), and the provisions of OMB Circular A-128. For the purpose of this report, we have classified the significant internal accounting controls used in administering federal financial assistance programs in the same manner as indicated in the preceding paragraph, and the administrative controls used in administering federal financial assistance programs in the following categories:

General Requirements

- Political Activity
- Davis-Bacon Act
- Civil Rights
- Cash Management
- Federal and applicable state financial reports

Specific Requirements

- Types of services
- Eligibility
- Matching level of effort
- Reporting
- Cost Allocation
- Special program-specific requirements
- Monitoring Subrecipients

Our study included all of the control categories indicated above for each program studied for which these control categories applied.

The management of Lucas County is responsible for establishing and maintaining a system of internal accounting control. It is also responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling these responsibilities, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of a system of internal accounting control 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 or such accounting principles as prescribed or permitted by the Auditor of State.

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, that resources are safeguarded against waste, loss, and misuse, and that reliable data are obtained, maintained, and fairly disclosed in applicable reports.

Because of inherent limitations in any system of internal accounting control, or in any system of accounting and administrative controls used in administering federal financial assistance, 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 of the internal accounting controls made as a part of the examination of the general purpose financial statements of Lucas County for the limited purpose described in the first paragraph above 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 Lucas County taken as a whole, or on any of the categories of controls identified in the first paragraph.

During the year ended December 31, 1987, Lucas County expended 89% of its total federal financial assistance under major federal financial assistance programs, and the following nonmajor federal financial assistance programs: Title IV-E, Title XIX Medicaid, Food Stamp Program, Social Services Block Grant Title XX Day Care Services, Title IV-D Child Support Enforcement and ADC/Medicaid Administration. 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 Lucas County, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal financial assistance programs of Lucas County did not extend beyond this preliminary review phase.

Our study and evaluation of control systems used in administering federal assistance programs of Lucas County was more limited than would be necessary to express an opinion on those systems. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Lucas County. Further, we do not express an opinion on the internal control systems used in administering the major federal assistance programs of Lucas County.

Also, our examination 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 second preceding 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 amounts that would be material in relation to the financial statements of Lucas County, or in relation to a federal assistance program, may occur and not be detected within a timely period.

CONDITIONS MATERIAL TO FEDERAL ASSISTANCE PROGRAMS

COMMUNITY MENTAL HEALTH

Audit Reports

Although the audit reports provided by subrecipients could be construed to address criteria required by Circular A-110, Attachment F, concerning the effectiveness of financial management systems and the establishment of internal procedures to meet the terms and conditions of agreements, the reports do not clearly address these criteria.

Inasmuch as a primary recipient (the Board) shall require subrecipients to adopt the standards of Attachment F, we recommend that the Board require its subrecipients to revise their audit scopes. This can be achieved by requiring that an internal control report be provided by subrecipients intended for the Board as well as the subrecipients. The report should include specific reference to the aforementioned criteria. Such a report can be prepared as part of the examination of the financial statements thus resulting in no expression of an opinion on the system of internal control.

HUMAN SERVICES

Title IV D Cases

Title IV D cases are not maintained in such form to allow determination of those cases originated at any specific date. Case numbers are not assigned designating Title IV D cases nor are lists maintained of new cases. This lack of record keeping makes determining compliance with federal regulations difficult for new cases which could subsequently affect future awards of federal funds. We recommend that a record of Title IV D cases be maintained in a manner which allows access to all cases originated on any given day.

CONDITIONS MATERIAL TO THE COMBINED FINANCIAL STATEMENTS

GENERAL FINANCIAL CONDITION

Insurance—Employee Bonds

The coverage of the employee bonds in some departments appears to be insufficient when considering their duties. Also, in many instances employees are bonded individually rather than on a blanket bond which could be more cost efficient.

To assure that all employees are adequately bonded and to possibly reduce the costs for this coverage, we recommend the insurance coverage be reviewed annually for adequacy. Also, where feasible, employee bonds be consolidated on blanket bonds to acquire the lowest insurance costs.

Insurance—Schedule of Premiums

Because of the large number and variety of insurance policies, they presently are not sufficiently overseen, resulting in untimely payments of insurance premiums. To correct this weakness it is recommended that a payment schedule be constructed and perpetually maintained.

Insurance—New Acquisitions

There are no procedures to notify the County's Risk Manager of new acquisitions for the purpose of obtaining additional insurance coverage. This could result in insufficient insurance protection for the County's assets and increasing the possibility of losses.

To assure insurance coverage, it is recommended that procedures be implemented whereby the Risk Manager is notified by the Director of Accounting of any new acquisitions.

EDP Programming Controls

No audit trail is provided when journal entries are made using the Quiz Program. This lack of control over data input could result in improper journal entries that could distort the financial statements.

To provide adequate internal control in the EDP production of the financial statements, it is recommended that the Quiz Program have provisions for summaries of all journal entries and require adequate supportive documentation.

Related Party Transactions Policy

A review of the internal accounting controls and the procedures for awarding of contracts disclosed that there is no formal policy adopted by the board for identifying related party transactions. A lack of formal procedures will not provide adequate assurance that significant related party transactions did not occur which had a material influence on the financial statements or a significant influence over management's control. It is recommended that the Board of Commissioners adopt a formal policy and procedures to identify and properly disclose all related party transactions that are material to the financial statements and those which may affect management's control.

Tax Settlement Revenues

The real estate tax revenues due to the General Fund, Community Mental Health Fund, Board of Mental Retardation Fund and the Emergency Telephone Fund were recorded net of Auditor and Treasurer fees.

To accurately report the actual real estate tax revenues collected, it is recommended that they be recorded in the County funds at the gross amounts collected. The Auditor and Treasurer fees are to be recorded as an expense to the applicable funds.

CONDITIONS NONMATERIAL TO THE COMBINED FINANCIAL STATEMENTS

GENERAL FINANCIAL CONDITION

Budgetary Procedures

Differences existed between the Commissioners' estimated resources and appropriations and those that the County Auditor recorded. Despite an extensive examination, some discrepancies could not be resolved.

To improve coordination of budgetary reporting procedures, we recommend the Fiscal Director and the Deputy Auditor responsible for budgetary controls periodically compare their information and reconcile any differences. Documentation supporting any changes should be provided.

Rental Income

The examination of the files maintained for rentals disclosed that some were not complete. One file did not contain a lease agreement. The lease agreement was not up to date in another.

To correct these weaknesses, we recommend that all lease agreement files include a signed lease agreement and any amendments. They are to be reviewed periodically to ensure that rental payments are made in the correct amounts.

Payroll Records

Each department maintains its employees' sick leave and vacation records. The payroll department does not keep perpetual balances of all county employees' sick leave and vacation. Because of this lack of control over accumulated sick leave and vacation at the payroll department, numerous errors and incorrect balances could be reported.

To improve the accuracy of accounting for accumulated sick leave and vacation it is recommended that each department payroll supervisor enter on the bi-weekly payroll pre-list the sick leave and vacation time used by each employee during that pay period and that the payroll department utilize this information to perpetually maintain balances as a part of the payroll process.

COMMISSIONERS

Payroll Procedures

Only the payroll officer in the Commissioners' Office has the knowledge to prepare the payroll records. Because of this total dependence on one employee, in his absence, payroll procedures may not be properly performed and amounts may be inaccurately submitted. To prevent such occurrences, it is recommended that other personnel in the Commissioners' Office be cross-trained in the proper payroll procedures.

CHILDREN SERVICES BOARD

Segregation of Duties

The accounts receivable clerk who receipts monies also posts to the records, deposits monies, and reconciles the records. This condition increases impairment of internal control in that errors could occur and not be detected on a timely basis. We recommend that an employee not associated with the cash function record all incoming monies on a prenumbered duplicate receipt.

Trust Accounts—Extended Care Unit

The accounting procedures for the trust accounts were deficient in the following areas:

1. The control ledger indicating receipts and expenditures was not posted up to date.
2. The subsidiary ledger indicating financial activity by individual was not posted up to date.
3. Year to date totals were not reflected in the control ledger.

To permit accountability, review and analysis, and to prevent reporting distortions, we recommend:

1. All receipts and disbursements be recorded in the control ledger.
2. All corresponding duplicate receipt numbers and year to date totals be reflected in the control ledger.
3. Receipts and disbursements be recorded in the subsidiary ledger and reconciled to the trust accounts on a monthly basis.

CLERK OF COURTS

Cash Receipts—Over the Counter

Bookkeepers as well as clerks are permitted to perform over the counter transactions. The segregation of duties is therefore diminished.

To assure that sufficient segregation of duties is present between employees who receive cash and those who record over the counter payments, it is recommended that:

Only designated employees who do not perform bookkeeping procedures be permitted to operate cash machines.

Outstanding Checks

Outstanding check lists for the criminal and jury accounts were maintained perpetually. This method provides accountability only at an instant in the accounting period.

To provide a more permanent record of the checks outstanding at the end of each month, it is recommended that:

An outstanding check list be made as of the end of each month and retained.

Ledger Balances

Petit and grand jury ledgers are balanced only in total for both accounts.

To provide a more detailed accounting of the activity in both the petit and grand jury accounts, it is recommended that:

The amounts recorded as being received in the petit and grand jury ledgers be balanced individually on a monthly basis and the totals be traced to the check register.

Voided Checks

Voided checks for the petit and grand jury accounts need to be properly recorded and filed in order to maintain proper accountability.

To maintain proper accountability of the voided checks for the petit and grand jury accounts, it is recommended that:

The voided checks be recorded and filed with the other redeemed checks for a particular month.

Procedures: Petit and Grand Jury

Written procedures explaining the process that is required to complete the receipt and disbursement activity within the petit and grand jury accounts do not exist.

To provide the bookkeeper with the information required to perform his/her job in an accountable and consistent manner, it is recommended that:

A procedure manual be prepared to explain the receipt and disbursement process to be used by the bookkeeper. This manual should also contain information about posting to the appropriate ledger and account reconciliations.

BUILDING REGULATIONS

Segregation of Duties

The same employee is responsible for receipting, posting, reconciling the records, and depositing monies received. As a result of this internal control weakness, discrepancies could occur and be undetected for considerable periods. Also, the likelihood of a diversion of funds is increased.

To reduce the possibility of these instances, we recommend a periodic review of the accounting records be performed by an employee independent of the cash function.

SHERIFF

Cash Receipts—Over the Counter

Bookkeepers and clerks are permitted to perform over the counter transactions. The segregation of duties is therefore diminished.

To assure that sufficient segregation is present between employees who receive over the counter payments and those who record them, we recommend only designated employees who do not perform bookkeeping procedures be permitted to collect over the counter payments.

The Furtherance of Justice and
The Pursuit and Transportation of Prisoners Accounts

The accounting procedures for the Furtherance of Justice and the Pursuit and Transportation of Prisoners accounts had the following weaknesses:

1. No cash journal is maintained and only a checkbook indicating daily activity is the sole record.
2. No duplicate receipts were issued for the money received in checks.
3. The checkbook and duplicate receipts book did not correspond to each other.
4. One employee performs all of the accounting duties.

Dependency on one employee to perform all accounting duties with no checks or balances being implemented to prevent manipulation of accounting records increases the probability of errors or omissions occurring and not being detected on a timely basis. To correct these weaknesses we recommend:

1. All cash received and disbursed be recorded in a proper cash journal with the corresponding balances.
2. Pre-numbered duplicate receipts be issued for all money received in any form, cash or check.
3. The checkbook and duplicate receipts book have the same information for receipts and disbursements.
4. Other employees be trained to perform accounting duties and that these duties be rotated periodically.

DATA PROCESSING BOARD

Disaster Recovery Plan

The County does not have a formalized disaster recovery plan detailing the steps to be taken in the event of a disaster. Although the occurrence of a major disaster is unlikely, management should take specific steps to work towards disaster recovery preparedness. A formal disaster recovery plan should at the minimum, cover the following:

1. Identification and restoration of critical applications.
2. A written agreement for an alternate processing facility.
3. Critical file identification and backup objectives.
4. All documentation relating to essential systems.
5. Roles of EDP staff in the testing and implementation of the disaster recovery plan.
6. A copy of the disaster recovery plan in an off-site location.

JUVENILE COURT

Our review of the accounting procedures relating to the open items for the cashiers department disclosed that no open item listing has been prepared and a monthly calculator tape indicating individual balances has not been retained. This record maintenance deficiency increases the potential for errors occurring and not being detected on a timely basis. We recommend that an open items listing be prepared and reconciled to the cashbook on a monthly basis. The listing is to be retained for future reference and historical purposes.

PROSECUTING ATTORNEY

Furtherance of Justice Fund (FOJ)

Supporting documentation was not being maintained, in all instances, concerning the advancement or reimbursement of travel expenses from the FOJ Fund. Without supporting documentation verification of the travel expenses can not be made. This weakness increases the likelihood of misuse of the FOJ Fund. It is recommended that all receipts for expenses be turned in and retained in the voucher file.

SANITARY ENGINEER

Segregation of Duties

The employee responsible for posting and reconciling the records also receipts and deposits monies. As a result of this internal control weakness, discrepancies could occur and be undetected for considerable periods. Also, the likelihood of a diversion of funds is increased. It is recommended that a periodic review of the accounting records be performed by an employee independent of the cash function.

DOG WARDEN

Duplicate Receipts

When duplicate receipts are voided the original receipt is discarded. Without sufficient documentation, monies could be diverted and not be detected in a timely period. It is recommended that the original receipt be retained with the duplicate receipt until audited.

CHILD SUPPORT ENFORCEMENT AGENCY

Mailed-In Cash Receipts

The receipting procedures in effect do not require the daily preparation of a list of mailed-in cash receipts. This impairs the internal accounting control procedures.

To provide adequate assurance that all monies collected by the agency are properly receipted and recorded, it is recommended that an employee not associated with the cash receipting process prepare a list of each business day's mailed-in receipts. This list is then to be compared to the daily deposit for those receipts.

Data Processing—Physical Safeguards

The review of the physical safeguards for the electronic data processing system disclosed the following weaknesses:

1. There are no smoke or fire detectors in either the computer room or the adjacent areas.
2. Although a sprinkler system was in use throughout the office, protection from water damage was not provided for the computer system hardware.
3. There was inadequate auxiliary power for the EDP system, its air conditioning unit and emergency lighting in the computer room.
4. The insurance coverage is for the system's hardware only.
5. No written disaster recovery plan was available.

To minimize the potential for loss due to fire, the effects of disastrous conditions, and the time required to reinstate the services provided by the agency it is recommended:

1. Smoke and fire detectors be placed in the computer rooms and strategically throughout the department.
2. Water resistant covers be readily available in the computer room to reduce the effects of water damage.
3. Adequate emergency power be provided for the system hardware, air conditioner and emergency lighting.
4. Insurance coverage be obtained for the cost of lost files, rewriting destroyed programs and payments for the use of alternate facilities and hardware.
5. Management establish a written disaster recovery plan wherein the personnel procedures, schedule of contingent facilities use, the necessary office equipment and supplies acquisition are contained.

Payroll Procedures

The department payroll officer is the only employee that has the knowledge to prepare the bi-weekly payroll information required by the County Auditor to process payroll.

To prevent inaccurate payroll information being processed during the absence of the department payroll officer, it is recommended that other agency personnel be cross-trained in the payroll procedures.

CHILDREN SERVICES BOARD

Trust Accounts—Administrative

The accounting procedures for the trust accounts were deficient in the following areas:

1. Request forms and supporting documentation in most instances were not evident.
2. Duplicate receipt numbers are not entered in the control ledger.
3. A subsidiary ledger indicating financial activity by individual has been abolished.
4. Only funds posted to individual saving accounts are noted in the control ledger.
5. Not all transactions were posted to the control ledger.

To permit accountability review and analysis and to prevent reporting distortions, it is recommended that:

1. All receipts and disbursements be recorded in the cashbook.
2. All corresponding duplicate receipt numbers and request form numbers be entered in the control ledger.
3. All receipts and disbursements be recorded to the subsidiary ledger and said subsidiary ledger be reconciled to the control ledger on a monthly basis.
4. All disbursements be supported by a numbered request form and supporting documentation.
5. Any disbursement transaction lacking supporting documentation for a period in excess of forty five days be noted and brought to supervisory attention.

Trust Accounts—Extended Care Unit

The accounting procedures for the trust accounts were deficient in the following areas:

1. Duplicate receipts numbers are not entered in the control ledger or to the subsidiary ledger.
2. Board and care fees are accounted for separately.

To permit accountability, review and analysis and to prevent reporting distortions it is recommended that:

1. All receipts and disbursements be recorded in the control ledger including board and care fees.
2. All corresponding duplicate receipt numbers be entered in the control ledger and to the subsidiary ledger.
3. All expenditures be assigned a number and said number be posted to the control and subsidiary ledger.

Donation Account

The accounting procedures for the donation account disclosed the following:

1. Not all receipts and disbursements were posted to the control ledger.

2. Not all transactions were recorded on a pre-numbered duplicate receipt.
3. Not all expenditures were supported by a request form.
4. There was no supporting documentation for the majority of expenditures.
5. Request forms were not numbered and no account receivable ledger was established.
6. Monthly reports to the children services board did not agree with the control ledger.

To permit accountability, review and analysis and to prevent reporting distortions and unauthorized usage of the donation account, it is recommended that:

1. The board adopt a formal policy to include but not be limited to the following:
   A) Method of receiving donation money.
   B) Restrictions placed on expenditures.
   C) Time limit for returning unused donation money and/or supporting documentation.
   D) Methods for resolving delinquent transactions.
2. The savings account be closed out and transferred to the Lucas County Treasury.
3. Only pre-numbered duplicate receipts be utilized and the corresponding duplicate receipt numbers be recorded in the control ledger.
4. Request forms be numbered and their corresponding numbers be recorded in the control ledger.
5. An accounts receivable ledger be established and the corresponding duplicate receipt numbers and request form numbers be noted.

Cash Receipts

A review of the procedures for the accountability of cash assets disclosed the following:

1. Receipts are recorded on one of three numbered duplicate receipt books and in some instances donations were recorded on a non-numbered form.
2. Checks made out to individuals are dated on an envelope and kept unopened in a vault until the individual and caseworker picks up the check. It was noted that some checks were over six months old.
3. Not all receipts or disbursements were recorded to the cashbook.
4. Corresponding duplicate receipt numbers are not noted.
5. Duplicate receipts for cash receipts of the extended care unit are voided on the original and on all copies of the duplicate receipt.
6. Receipts are recorded on the receivable ledger only after they are disbursed.

The aforementioned condition increases the probability of errors occurring and not being detected on a timely basis. To correct these weaknesses we recommend that:

1. All receipts and corresponding duplicate receipt numbers be posted in order of occurrence to the cashbook and receivable ledger.
2. A list of unopened checks be prepared by an employee independent of accounting functions. The employee who reconciles bank accounts to the cashbook cross reference the list each month.
3. Disbursements be numbered and noted in the cashbook.
4. The employee who reconciles bank accounts compare duplicate receipts to amounts deposited.
5. Only pre-numbered duplicate receipts be utilized and access to them be limited to the preparer and the employee who reconciles bank accounts.
6. All petty cash funds be posted to the cashbook.

Segregation of Duties

During the review of the internal control functions of the Children Services Board, it was disclosed that certain individuals performed specific duties with very little cross-training of assignments. This practice could result in possible manipulation of accounting records and/or dependency on key employees to perform specific duties with no checks and balances being implemented.

To ensure adequate safeguards for performing the necessary accounting procedures and to prevent dependency on one employee, it is recommended that:

Employees be cross-trained to perform other tasks and that they be rotated on a regular basis.

HUMAN SERVICES

Restitution Account Receivables

Our review of the accounting procedures relating to the collection of restitution payments disclosed the following conditions:

1. Fiscal department does not indicate any balances outside of individuals' balances.
2. Payments made by food stamp coupons are recorded on non-numbered duplicate receipts.
3. Corresponding duplicate receipt numbers are not posted to individuals' ledger sheets.
4. Fiscal department does not reconcile their records to the collection department.
5. A delinquent file of inactive cases has been established and no board policy for determining inactive cases has been established. There appears to be no accounting controls for inactive cases.

To ensure collection of receivables, to prevent reporting distortion and to permit accountability review and analysis it is recommended that:

1. Food stamp coupons and grant reduction payments be recorded on a prenumbered duplicate receipt and corresponding duplicate receipt number be recorded to the daily cash journal and to the individuals' account receivable ledger sheets.

2. A control ledger be established indicating but not be limited to grand totals of active and inactive cases. Said ledger be reconciled on a monthly basis to individual balances and to the collection department records.
3. Human Services Board adopt a policy for inactive cases and said inactive cases be reconciled to the control ledger on a monthly basis.

Segregation of Duties

During the review of internal control functions of human services, it was disclosed that the same person who collects incoming monies also posts to the records and prepares the deposits. This practice could result in possible manipulation of accounting records.

To ensure adequate safeguards for performing the necessary accounting procedures and to lessen the probability of errors, it is recommended that:

A proper segregation of duties be enforced whereby the employee who records incoming monies does not have access to the accounting records.

[Signature]
Auditor of State

September 8, 1988

Board of County Commissioners
Missoula County, Montana

We have audited the general purpose financial statements of Missoula County, Montana for the year ended June 30, 1988, and have issued our report thereon dated November 23, 1988, which report was qualified due to the omission of Missoula Aging Services, a component unit of Missoula County, and the condition of the component unit's records which precluded the application of necessary audit procedures. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U. S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls:

- Cash receipts
- Cash disbursements
- Purchasing, claims and warrants
- Payroll
- Budgeting
- General ledger and financial reporting
- Rural Special Improvement districts
- Fixed assets
- Materials and supplies inventory
- Airport accounting

Controls Used in Administering Federal Programs:

General Requirements

- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports

Special Requirements

- Types of services
- Eligibility
- Matching level of effort
- Reporting
- Special requirements
- Monitoring subrecipients

The management of Missoula County, 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.

Our study included all of the applicable control categories listed above, except that we did not evaluate the internal controls over airport accounting or the controls used in administering the following federal assistance programs:

Description of Grant Examined by Other Auditors	Grant Number	Period Covered	FY 88 Expenditures
CFR Building.........	3-30-0056-10	7/1/87-6/30/88	$1,226,230

The reports of other auditors relative to internal accounting and administrative controls over the federal funds noted above have been issued to the County and to appropriate federal agencies, and this report does not include the internal control matters encompassed therein.

During the year ended June 30, 1988, excluding the federal financial assistance program described above, Missoula County, Montana expended 53% of its total federal financial assistance under the Department of Interior Payment in Lieu of Taxes, (a major federal assistance program), and the following nonmajor federal financial assistance programs:

Description of Grant	Grant Number	Period Covered	FY 88 Expenditures
Forest Reserve Receipts	—	7/1/87-6/30/88	$282,228
Maternal Child Health Block Grant...............	13.994	7/1/87-6/30/88	269,232

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 Missoula County, Montana, 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 Missoula County, Montana 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 Missoula County, Montana. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Missoula County, Montana. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of Missoula County, Montana.

Also, our audit made in accordance with the standards 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 second preceding paragraph of this report.

However, our study and evaluation and our audit disclosed one condition that we believe results in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period. This condition is discussed on page 46.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the County's general purpose financial statements and (2) our audit and review of the County's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the County's compliance with laws and regulations dated November 23, 1988.

This report is intended solely for the use of management, the State of Montana Department of Commerce, and the Office of Inspector General for Audit—U.S. Department of Health and Human Services, 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 Missoula County, Montana, is a matter of public record.

[Signature]

November 23, 1988

MISSOULA AGING SERVICES

Finding—As discussed on page 40, significant control deficiencies exist in Missoula Aging Services to the extent that the component unit's records were inadequate to permit the application of necessary audit procedures. These weaknesses include internal accounting and administrative controls relative to federal financial assistance programs at Missoula Aging Services.

Recipients of federal funds are required by OMB Circular A-102, Attachment H, to maintain adequate financial accounting and reporting systems to permit the preparation of financial statements and federal financial reports. The Single Audit Act of 1984 also requires that grantees implement adequate systems of internal accounting and administrative controls to provide reasonable assurance that federal programs are administered properly.

Without adequate controls, the possibility exists that federal funds will not be used or administered properly. Such conditions could ultimately result in loss of federal funding to the County.

Recommendation—As noted on page 41, we recommend that the County implement and enforce adequate internal accounting and administrative controls relative to all federal programs of the Missoula Aging Services to ensure that financial activities are properly accounted for and reported, and that compliance is maintained with applicable federal laws and regulations.

County Response—See page 41.

MISSOULA AGING SERVICES

Finding—Missoula Aging Services did not have financial statements available for use in the Missoula County audit as of the report date. Other auditors are currently engaged to perform an audit but have been delayed due to weaknesses in the record keeping system of Missoula Aging Services.

Financial information for fiscal year 1987 was also not available due to weaknesses in the record keeping system as discussed in the fiscal year 1987 audit report.

The federal government requires certain procedures, including adequate accounting, to be performed by any entity which receives federal funds. Missoula Aging Services could jeopardize funding sources if control weaknesses concerning accurate record keeping are not addressed.

Recommendation—We recommend Missoula County implement controls to ensure Missoula Aging Services has the ability to account for its financial activities in a complete and timely manner.

County Response—Missoula County will continue to try to find ways to improve the accountability of Missoula Aging Services.

Honorable Mayor and Members
of The City Council
Jacksonville, North Carolina

We have examined the general purpose financial statements of the City of Jacksonville, North Carolina, for the year ended June 30, 1988 and have issued our report thereon dated October 31, 1988. 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 and state financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office; the Single Audit Act of 1984, the provisions of OMB Circular A-128, *Audits of State and Local Governments;* and State Single Audit Implementation Act. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal and state financial assistance programs in the following categories:

Accounting Controls

1 Cash and Cash Equivalents

2 Receivables

3 Inventory

4 Property and Equipment

5 Payables

6 Accrued Liabilities

7 Debt

8 Fund Balance

General Requirements

1 Political Activity

2 Davis-Bacon Act

3 Civil Rights

4 Cash Management

5 Relocation Assistance and Real Property

6 Federal Financial Reports

Specific Requirements

1 Type of Service

2 Matching level of effort

3 Reporting

4 Cost allocation

5 Special requirements, if any

The management of the City of Jacksonville, North Carolina, is responsible for establishing and maintaining internal control systems used in administering federal and state 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 and state financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal and state financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal and state 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, 1988, the City of Jacksonville, North Carolina, had no major federal financial assistance programs and expended 76% of its total federal financial assistance under the following nonmajor federal financial assistance programs:

1) U. S. Department of Housing and Urban Development—Community Development

2) Environmental Protection Agency—Construction Grant for Water Treatment Works.

With respect to internal control systems used in administering these nonmajor federal and major state 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 and state financial assistance programs of the City of Jacksonville, 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 the other nonmajor federal and state financial assistance programs of the City of Jacksonville, 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 and state financial assistance programs of the City of Jacksonville, North Carolina. Accordingly, we do not express an opinion on the internal control systems used in administering the federal and state financial assistance programs of the City of Jacksonville, North Carolina. Further, we do not express an opinion on the internal control systems used in administering the major state financial assistance program of the City of Jacksonville, North Carolina.

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 or state financial assistance program of the City of Jacksonville, North Carolina.

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 City Council of the City of Jacksonville, is a matter of public record.

[Signature]

October 31, 1988

REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Members of the Town Council
Town of Farmington, Connecticut:

We have audited the general purpose financial statements of the Town of Farmington for the year ended June 30, 1988, and have issued our report thereon dated November 30, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Control Categories:

- Billing
- Receivables
- Cash Receipts
- Purchasing
- Accounts Payable
- Encumbrances
- Cash Disbursements
- Payroll
- Fixed Assets
- Taxes
- General Ledger

Administrative Control Categories:

- Political Activity
- Davis-Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Assistance
- Eligibility
- Cost Allocation

The management of the Town of Farmington 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 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, 1988, the Town of Farmington had no major federal financial assistance programs and expended 69% of its total federal financial assistance under the following nonmajor federal financial assistance programs: Section 8 Low Income Housing, Donated Commodities Letter of Credit and Federal Cafeteria Reimbursement. 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 could prevent 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 Farmington, 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 Farmington 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 system of internal control systems used in administering the federal financial assistance programs of the Town of Farmington. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Town of Farmington.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems, for which our study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Town of Farmington.

This report is intended solely for the use of management, 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 Farmington, is a matter of public record.

[Signature]

November 30, 1988

September 6, 1988

Honorable Mayor Boyd S. Park
Members of the City Council
City of Nephi, Utah 84648

Gentlemen:

We have audited the general purpose financial statements of the City of Nephi, Utah, for the year ended June 30, 1988, and have issued our report thereon dated September 6, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organization, 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:

- Control Environment
- Accounting System
- Control Procedures
- Cash
- Investments
- Revenue and Receivables
- Expenditures and Accounts Payable
- Payroll and Related Liabilities
- Property, Equipment and Capital Expenditures
- Debt and Debt Service Expenditures
- Single Audit and Similar Grant Programs

The management of Nephi City is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed in the first paragraph. During the year ended June 30, 1988, the City of Nephi, Utah, had no major federal financial assistance programs and expended 100% of its total federal financial assistance under the following nonmajor federal financial assistance programs:

1. Community Development Block Grants
2. Emergency Management Assistance
3. Anti-Drug Abuse Act of 1986

4. Criminal Justice Block Grants
5. Library Services (LSCA Title 1)

With respect to the internal control systems used solely in administering the other nonmajor federal financial assistance programs of the City of Nephi, Utah, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment, the accounting system, and control procedures. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal financial assistance programs of the City of Nephi, Utah, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Nephi, Utah. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Nephi, Utah.

Also, our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems, for which our study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed 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.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in (1) our audit of the 1988 general purpose financial statements and (2) our examination and review of the 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 September 6, 1988.

Lack of Separation of Duties

Since the Treasurer handles cash receipts and does the utility billing, there is no system of "independent checking" of utility collections.

Computer Problems

Several problems involving Nephi City's hardware and software were noted during the audit. Fluctuations in power and extremely cold temperatures have resulted in computer malfunctions during the past few years. This has resulted in erroneous double posting of several adjusting entries.

The computer software generates two utility billing reports, the billing summary and the billing register, which do not agree. Occasionally a valid bill will not be printed during a utility run.

This report is intended solely for the use of management and the applicable 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 City of Nephi, is a matter of public record.

[Signature]

November 1, 1988

Oconee County Council
County of Oconee
Walhalla, South Carolina

We have audited the general purpose financial statements of Oconee County, South Carolina for the year ended June 30, 1988, and have issued our report thereon dated November 1, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Auditing Controls:

1. Revenue and Receipts cycle
2. Purchases and disbursements

Administrative Controls:

1. Political Activity
2. Davis-Bacon Act
3. Civil Rights
4. Cash management
5. Federal financial reports
6. Relocation Assistance and Real Property Acquisition

The management of Oconee County, South 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 are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed in the first paragraph. During the year ended June 30, 1988, Oconee County, South Carolina, had no major federal financial assistance programs and expended its total federal financial assistance of the nonmajor federal financial assistance programs list in the schedule of federal financial assistance. With respect to internal control systems used in administering these nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of Oconee County, South Carolina, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment, the accounting system, and control procedures. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal financial assistance programs of Oconee County, South 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 Oconee County, South Carolina. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Oconee County, South Carolina.

Also, our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems, for which our study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material may occur and not be detected within a timely period.

Fixed asset records detailing date acquired, actual cost, or estimated historical costs of assets are not maintained. However, the County is presently in the process of establishing, and implementing a fixed asset control system.

The County has experienced problems in the costing and control of perpetual records of the motor pool parts inventory. A new system has been developed and is presently being implemented, which will improve the control and costing out of parts inventory.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the June 30, 1988 general purpose financial statements and (2) our examination and review of the County's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the County's compliance with laws and regulations dated November 1, 1988.

This report is intended solely for the use of management and Oconee County Council 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 Oconee County, South Carolina is a matter of public record.

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LEGAL AND REGULATORY COMPLIANCE REQUIREMENTS

Circular A-128 requires the auditor's report on compliance with laws and regulations to contain—

- A statement of positive assurance with respect to those items tested for compliance, including compliance with laws and regulations pertaining to financial reports and claims for advances and reimbursements.
- Negative assurance on those items not tested.
- A summary of all instances (findings) of noncompliance.
- An identification of total amounts of questioned costs, if any, for each federal financial assistance award related to acts of noncompliance.

To comply with those reporting requirements, the auditor may issue either separate reports or one report that combines the following elements:

- With respect to compliance with laws and regulations noncompliance with which the auditor believes could materially affect the general purpose or basic financial statements (an entitywide perspective), explicit statements of positive assurance concerning compliance for the items tested and negative assurance concerning compliance for the items not tested.
- With respect to compliance with laws and regulations noncompliance with which the auditor believes could materially affect the allowability of program expenditures for each major federal financial assistance program (a federal program perspective), *an opinion* on

whether the audited organization is in compliance, in all material respects, with laws and regulations.

- With respect to compliance with laws and regulations that affect nonmajor federal financial assistance programs, positive assurance concerning compliance for the items tested and negative assurance concerning compliance for the items not tested.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS IDENTIFYING ALL FINDINGS OF NONCOMPLIANCE AND QUESTIONED COSTS*

Circular A-128 requires that the auditor's report on compliance contain a summary of *all* findings of noncompliance and an identification of total amounts questioned, if any, for each federal financial assistance award, as a result of noncompliance. For example, the auditor may conclude a finding related to the late filing of quarterly financial status reports would not have a material effect on the entity's financial statements or the supplementary schedule of federal financial assistance programs. However, because the auditor should report *all* noncompliance findings, the instance of noncompliance described would be reportable.

Table 7-1 lists the most frequently cited findings observed in the survey. Examples of the compliance reports and summary of findings are as follows:

TABLE 7-1. CRITERIA FOR REPORTING A FINDING

	Instances Observed		
Criteria	**1988**	**1987**	**1986**
Untimely reporting/reporting requirements	145	125	88
Undocumented costs	70	60	36
Unallowable costs	64	37	29
Cash/Financial management	62	62	56
Unapproved costs	41	23	27
Discrimination/Affirmative Action (DBE, MBE)	32	71	36
Davis-Bacon Act	26	27	13
Improper cut-offs	26	26	3
Unreasonable costs	14	22	4
Mathematical errors/erroneous reporting	7	14	43

*[Note: In April, 1989 the Auditing Standards Board issued Statement on Auditing Standards No. 63, *"Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance"* which prescribes new reporting formats for Compliance under the Single Audit Act. This includes separate compliance reports for the major programs—specific requirements, major programs—general requirements and nonmajor programs. The provisions of the statement are effective for fiscal periods beginning on or after January 1, 1989. In August 1989 the AICPA issued Statement of Position 89-6 which amended the audit guide *Audits of State and Local Governmental Units.* It superseded the reporting examples appearing in appendix A and provided new examples in response to SAS's Nos. 58, 62, and 63. The provisions for the statement are effective for compliance with laws and regulations for fiscal periods beginning on or after January 1, 1989. See section 1 for a further discussion.]

Members of City Council
City of Anderson, South Carolina

We have audited the general purpose financial statements of the City of Anderson, South Carolina, for the year ended June 30, 1988, and have issued our report thereon dated September 12, 1988. Our audit 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, the Single Audit Act of 1984, 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 Anderson, South Carolina, is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Anderson, South Carolina, had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed no instances of noncompliance with those laws and regulations.

In our opinion, for the year ended June 30, 1988, the City of Anderson, South Carolina, 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 Anderson, South Carolina, complied with the laws and regulations referred to in the second paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether the City of Anderson, South Carolina, administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Anderson, South Carolina, had not complied with laws and regulations.

[Signature]

September 12, 1988

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO MAJOR AND NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Advisory Board
Merrimack Valley Regional Transit Authority

We have audited the general purpose financial statements of the Merrimack Valley Regional Transit Authority, for the year ended June 30, 1988, and have issued our report thereon dated September 20, 1988. Our audit 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 Merrimack Valley Regional Transit Authority is responsible for the Authority's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that Merrimack Valley Regional Transit Authority 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.

In our opinion, for the year ended June 30, 1988, Merrimack Valley Regional Transit Authority 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 Merrimack Valley Regional Transit Authority 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 Merrimack Valley Regional Transit Authority 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 Merrimack Valley Regional Transit Authority 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]

Haverhill, Massachusetts
September 20, 1988

Independent Auditors' Report

The Honorable Mayor and Members of the Assembly
Matanuska-Susitna Borough, Alaska:

We have audited the general purpose financial statements of the Matanuska-Susitna Borough, Alaska, for the year ended June 30, 1988, and have issued our report thereon dated October 7, 1988. These general purpose financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office; the State of Alaska Single Audit Regulation (2AAC 45.010); and the provisions of the State of Alaska, Office of Management and Budget, *State Single Audit Guide and Compliance Supplement*. 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 misstatements, whether management has complied with laws and regulations and has established and maintained a system of internal accounting and administrative controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The management of the Matanuska-Susitna Borough, Alaska, is also responsible for the Borough's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records that included but were not limited to transactions and records relating to each major state financial assistance program. The purpose of our testing of transactions and records was to obtain reasonable assurance that the Matanuska-Susitna Borough, Alaska, had, in all material respects, administered its major state financial assistance programs and executed the tested transactions in compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures or the Borough's general purpose financial statements. Such laws and regulations include those pertaining to state financial reports and claims for advances and reimbursements.

In our opinion, for the year ended June 30, 1988, the Matanuska-Susitna Borough, Alaska, administered each of its major state 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.

Our testing of transactions and records selected from state financial assistance programs disclosed instances of noncompliance with certain laws and regulations. All instances of noncompliance that we found, and the programs to which they relate, are identified in the accompanying schedule of findings and questioned costs, the ultimate resolution of which cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made to the state financial assistance programs to which they relate. We do not believe these instances of noncompliance could have a material effect on the allowability of program expenditures.

Further, the results of our testing of transactions and records selected from nonmajor state financial assistance programs indicate that, for the transactions and records tested, the Matanuska-Susitna Borough, Alaska, complied with those laws and regulations referred to in the third paragraph of our report, except as described in the accompanying schedule of findings and questioned costs. Our testing was more limited than would be necessary to express an opinion on whether the Matanuska-Susitna Borough, Alaska, administered the nonmajor state 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 tests also indicate that, for the transactions and records tested, the Matanuska-Susitna Borough, Alaska, complied with those laws and regulations for which noncompliance could have a material effect on the Borough's general purpose financial statements. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Matanuska-Susitna Borough, Alaska, 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 7, 1988

MATANUSKA-SUSITNA BOROUGH, ALASKA

FEDERAL FINANCIAL ASSISTANCE REPORTS SCHEDULE OF FINDINGS—YEAR ENDED JUNE 30, 1988

U.S. Department of Treasury, Federal Revenue Sharing

Compliance Requirement

Recipients must hold a public hearing on the relationship of revenue sharing funds to the entire budget prior to enactment of the annual budget or any changes to same. A notice of the proposed hearing must be published at least ten days before the hearing.

Finding

The notice of the proposed public hearing was published one day before the hearing enacting the original budget and seven days before a hearing that revised the original budget to appropriate interest earnings on federal revenue sharing moneys.

Compliance Requirement

The recipient is required to publish a notice within thirty days of enacting a budget advising that a summary budget is available for inspection.

Finding

The notice was published forty-eight days after the budget was enacted.

Compliance Requirement

The recipient is required to publish notification that the audit report is available for public inspection no later than thirty days following the receipt of the report.

Finding

The notice was published 211 days after receipt of the report.

Compliance Requirement

The recipient is required to file a use report with the Bureau of Census that describes the amount and purpose for which revenue sharing funds were spent, appropriated or obligated during the year.

Finding

The Borough did not file the use report.

DEPARTMENT OF ADMINISTRATION

Grant #8/87-430 Johnson Road

Compliance Requirement

All grants greater than $100,000 must submit a monthly financial report until the project is complete.

Finding

The Borough did not submit monthly financial reports for July 1987, August 1987 and March 1988.

Borough's Response

The exceptions resulted from scheduling conflicts incurred by the Borough Finance Department. We were still incurring scheduling problems at the beginning of this fiscal year but we now believe we have the conflict resolved.

Grant #5/87-424 Butte Fire Station

Compliance Requirement

All grants greater than $100,000 must submit a monthly financial report until the project is complete.

Finding

The Borough did not submit monthly financial reports for July 1987, August 1987, November 1987 and March 1988.

Borough's Response

The exceptions resulted from scheduling conflicts incurred by the Borough Finance Department. We were still incurring scheduling problems at the beginning of this fiscal year but we now believe we have the conflict resolved.

Grant #1/87-410 Safety and Security Improvements to Schools

Compliance Requirement

All grants greater than $100,000 must submit a monthly financial report until the project is complete.

Finding

The Borough did not submit monthly financial reports for July 1987, August 1987, November 1987 and March 1988.

Borough's Response

The exceptions resulted from scheduling conflicts incurred by the Borough Finance Department. We were still incurring scheduling problems at the beginning of this fiscal year but we now believe we have the conflict resolved.

Grant #9/87-425 State Fair Agricultural Building

Compliance Requirement

State Single Audit Regulation 2AAC 45.010(i) requires recipients of state financial assistance disbursing $100,000 or more in assistance funds to third parties to ensure that third parties comply with its requirements.

Finding

Although the Borough has established a system for notifying third parties of their responsibilities under this regulation, the Borough has not used that system to track noncompliance with the regulation. The state fair did not have a single audit in compliance with the regulation within one year of its fiscal year-end and the Borough has yet to resolve that noncompliance.

Borough's Response

We met with the President of the Alaska State Fair on March 7, 1989 and have requested that they submit an audit for their current year operations since they have not had an audit for at least a decade.

We are also implementing a plan of follow-up on *all* grantees.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Emergency Aid

Compliance Requirement

To receive reimbursement for amounts expended under a categorical grant, the applicant shall submit a claim to the state within sixty days after the completion of approved work.

Finding

The only report filed with the Department of Military and Veterans Affairs during the year ended June 30, 1988 was filed February 11, 1988 and included no amounts incurred within the allowed sixty-day period.

The grantor might disallow the total costs of $352,645 claimed on this report because the Borough did not request reimbursement within the sixty-day period.

Compliance Requirement

The Borough Code requires contracts for supplies, services and construction to be awarded by competitive sealed bidding.

Finding

The Borough purchased $31,560 in materials without receiving bids or quotes from any firm other than the one awarded the contract. The grantor might disallow these purchases because they were not bid.

Compliance Requirement

The recipient is required to maintain proper documentation in support of expenditures. That documentation should allow a determination of whether an expenditure is necessary, reasonable and eligible.

Finding

The Borough charged $5,000 of "Professional Services" to the grant without documentation that the services were necessary and reasonable.

Questioned Costs—$5,000.

Borough's Response to All Emergency Aid Findings

Notwithstanding the appearance of noncompliance, the $352,645, the $31,560, and the $5,000 have been determined eligible and approved.

Because of our record keeping, cooperation with state and federal agencies, and the resolution of differences, the state and federal audits have been waived. A very small amount of costs were determined ineligible which were obviously ineligible.

We have received $600,398.36 of the $662,207.72 eligible costs. The remaining $61,809.36 has not been billed because the verification and in-house JE's have not been done due to lack of time and personnel.

The grant-in-lieu of ($250,000) has not been billed because the backup documentation has not been completed due to lack of time and personnel.

Hence, there is $311,809.36 which needs to be billed. Again, all costs are eligible and approved pending documentation and billing.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC)

Village Safe Water Program

Compliance Requirement

The grantee shall set up a separate bank account from which all expenditures will be paid. Copies of monthly bank account balances are to be provided to the village safe water engineer.

Finding

The Borough maintained no separate account for village safe water funds. All expenditures were paid from the central treasury. Consequently, monthly bank balances were not provided to the engineer.

Compliance Requirement

The procurement of equipment and materials requires preapproval from DEC. In addition, the cost of equipment purchases exceeding the cost of renting similar equipment for the life of the project is not an allowable expenditure.

Finding

The Borough purchased portable radios and charged $2,656 of the cost to the village safe water grant. That expenditure was determined to be not entirely eligible by the DEC.

Questioned Costs—$2,656, less the cost of renting the radios.

Borough's Response to All Village Safe Water Program Findings

The requirements to set up a separate bank account and submit monthly bank account balances to the engineer has been waived at the state level as part of its practices. These state requirements have been on the books for many years and need updating. The program regulations are being revised since all portions are not applicable in all cases.

These requirements were specifically discussed with Mike Burns, DEC Project Engineer at the time of the grant and re-affirmed on March 31, 1989, that they were waived and not applicable to our project.

The Borough accounting methods under this program are acceptable to the DEC. Consequently, we met the requirements under a DEC waiver.

Facility Construction and Operation Grant

Compliance Requirement

The cost of equipment purchases exceeding the cost of renting similar equipment for the life of the project is not an allowable expenditure.

Finding

The Borough purchased portable radios and charged $1,328 of the cost to the DEC grant. That expenditure was determined to be not entirely eligible by the DEC.

Questioned Costs—$1,328, less the cost of renting the radios.

Borough's Response to Facility Construction and Operating Grant Findings

The procurement of equipment and materials requires pre-approval from DEC and the cost of equipment purchases exceeding the cost of renting similar equipment issues were resolved early in the construction stage to the satisfaction of DEC.

First, the pre-approval was resolved by submitting large purchases to DEC for prior approval and submitting regular procurement reports to DEC for approval.

The solution to avoid any noncompliance in the future for DEC or other grants requiring special handling would be to preplan, with an experienced grant administrator the handling of grants.

Secondly, the purchasing vs. renting issue is not a problem between the DEC and the Borough since it is recognized that eligible costs will be negotiated. The DEC has not been billed nor requested to pay for any portion of the costs. Billings are done manually based on eligibility and the Borough accounts are eventually adjusted to coincide with billings.

The solution to avoid misconception of eligibility and have Borough accounts reflect and be the basis for billing is two-fold. First, an experienced grant administrator in handling DEC and other special requirements grant should be involved, from the beginning, in determining eligibility. Second, charges to the project should be made to a "clearing account" where total costs/appropriations can be controlled and the eligibility can be determined (weekly, monthly or whatever time period) before being charged to the project account. Costs against the "clearing account" can be pre-cleared for eligibility but on a broader basis (general grant requirements) than the final eligibility determination which may not be obtained in a timely manner due to final interpretation and/or negotiations.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO MAJOR AND NONMAJOR FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

Board of Commissioners
County of Chatham
Pittsboro, North Carolina

We have audited the general purpose financial statements of the County of Chatham, North Carolina, for the year ended June 30, 1988, and have issued our report thereon dated September 8, 1988. Our audit 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 OMB Circular A-128, *Audits of State and Local Governments* and the State Single Audit Implementation Act 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 of Chatham, North Carolina, is responsible for the County's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal and state financial assistance programs. The purpose of our testing of transactions and records from those federal and state financial assistance programs was to obtain reasonable assurance that the County of Chatham, North Carolina, had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed no instances of noncompliance with certain laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, for the year ended June 30, 1988, the County of Chatham, North Carolina, 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 and state financial assistance programs indicate that for the transactions and records tested the County of Chatham, North Carolina, 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 County of Chatham, North Carolina, administered those programs in compliance in all material respects with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the County of Chatham, North Carolina, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

September 8, 1988

COUNTY OF CHATHAM, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED JUNE 30, 1988

Program	Findings/Noncompliance	Questioned costs
Social Services—Administration CFDA No. 10.561 13.645 13.658 13.659 13.667 13.714 13.780 13.783 13.789	To receive reimbursement of federal and state shares, the County reports administrative expenses incurred for social service programs, monthly, on DSS-1571. The 1571 is to be submitted to the state office by the seventh working day of the month. None of the County reports were signed by the Finance Officer within this time period. The Department indicated that they keep the State Department informed of any delays and in every case had reports filed by the twentieth.	
	$878 of charges reported as purchased services in May 1988 were also reported as other SSBG regular in June 1988 on the DSS-1571	$878
	The correct amount of $2,591 reported on Part IV for purchased services in June 1988 was incorrectly recorded as $2,561 on Part II of the DSS-1571	(30)
	Indirect costs were underreported on the June 1988 DSS-1571 by $528	(528)
Social Services—Block grant CFDA No. 13.667	All service records must be retained by the County for a minimum of three years. Of five monthly chore worker time records selected, one could not be located.	
Social Services—Food Stamps CFDA No. 10.551	To be eligible for food stamps, the client's household cannot exceed certain reserve limits. The household reserve is calculated on the client's application and reported to the state on Form 8590. Of five food stamp case files reviewed, household reserve amounts had not been updated since the original application for two cases. Recipient's eligibility was not affected in either case, however.	
Crime Control—Juvenile Justice and Delinquency Prevention CFDA No. 16.540 Justice System Improvement CFDA No. 16.573	Monies received for these programs are remitted (passed-through) by the County to other organizations. Amounts are not reflected on the County's financial records and the County has no procedures in place to monitor the subrecipient's compliance with federal and state rules and regulations.	

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE RELATING TO FEDERAL AND STATE ASSISTANCE PROGRAMS

Board of Commissioners
Hamilton County, Tennessee

We have audited the general purpose financial statements of Hamilton County, Tennessee, as of June 30, 1988 and for the year then ended, and have issued our report thereon dated September 15, 1988. Our audit was conducted 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 Hamilton County, Tennessee, is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal and state financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal and state financial assistance programs was to obtain reasonable assurance that Hamilton County, Tennessee, 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 and state 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. The ultimate resolution of the instances of noncompliance should not have a material effect on the allowability of expenditures of the identified programs.

In our opinion, for the year ended June 30, 1988, Hamilton County, Tennessee, administered each of its major federal and state financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested Hamilton County, Tennessee, 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 Hamilton County, Tennessee, 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 Hamilton County, Tennessee, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

September 15, 1988

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1988

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Education		
	Finding #1	
Education of the Handicapped Act—Part B	OMB Circular A-102, Attachment O requires that all contracts in excess of $10,000 shall contain a provision requiring compliance with Executive Order 11246, entitled "Equal Employment Opportunity." The contract for the evaluation of students with the Team Evaluation Center did not include such provision. MANAGEMENT RESPONSE: Such contract for 1988-89 had already been approved by our Board at the time of audit. We will ensure that it is in the contract next year.	$ -0-
	Finding #2	
Education Consolidation and Improvement Act Chapter 1	OMB Circular A-128, requires submission of required reports on a timely basis. Per review of the filing instructions for the "Quarterly Request for Federal Funds," the report is to be filed by the tenth of the month succeeding the quarter end. The report for the quarter ending 12/31/87 was not filed until 1/19/88. MANAGEMENT RESPONSE: The Department of Education returned to work on 1/4/88 after a two week holiday shutdown. At that time, the applicable computer reports were not available and from 1/7/88 through 1/13/88, the Department was closed due to heavy snowfall. As such, the "Quarterly Request for Federal Funds" was filed as soon as practical under the circumstances.	-0-

(continued)

HAMILTON COUNTY, TENNESSEE *(continued)*

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Health and Human Services		
	Finding #3	
Child Support Enforcement Program—Title IV-D	The contract between the State of Tennessee, Department of Human Services and the County of Hamilton, a Political Subdivision of the State of Tennessee, requires that the records be maintained in accordance with generally accepted accounting principles. A portion of the fidelity bond expense for the period 4/88-4/89 was not deferred at 6/30/88 to record expenditures in the proper period.	140.83
	MANAGEMENT RESPONSE: The bonding agency has been requested to prorate our expense for the period 4/25/89 through 6/30/89. Such amount will be paid in the 1988/89 fiscal year and then they will bill us for the period 7/1/89 through 6/30/90. This should properly allocate the fidelity bond expense.	
	Finding #4	
Family Planning	The internal control procedures at the Family Planning Clinic require that the medical supplies log is maintained on a perpetual inventory basis. Test counts on the log revealed several discrepancies between the logged quantity and the actual quantity on hand.	77.76
	MANAGEMENT RESPONSE: We will instruct in writing to all clinic staff that whenever items are removed from the shelves, even when they are outdated or expired, they must be logged out. This practice has not been uniformly followed and will be part of all staff's orientation to family planning from now on.	
	Finding #5	
	The accounting procedures at the Health Department Accounting Department require that cash receipts for the Family Planning Clinic be recorded and sent to the State. Testwork revealed cash receipts for another area in the Health Department were commingled with the Family Planning funds and included in the funds remitted to the State. Such overpayment can probably not be returned by the State.	391.25
	MANAGEMENT RESPONSE: Overpayments to the State for non-family planning services rendered in the Family Planning Clinic occurred when a new employee was in training. Instructions were either unclear or misunderstood, as the new employee thought all fees collected at Third Street Family Planning Clinic were family planning services fees. Such employee has since been instructed that occasionally fees collected in this clinic are for adult health only. Further, the Third Street Family Planning Clinic staff has been asked to note when adult health fees have been collected to serve as a reminder. The accounting office will make periodic checks on funds collected and posted to determine if errors have been made.	

INDEPENDENT AUDITORS' COMBINED REPORT ON COMPLIANCE AT THE GENERAL PURPOSE FINANCIAL STATEMENT LEVEL AND THE FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAM LEVEL

The Honorable Mayor and Members of City Council
City of Fayetteville, North Carolina

We have audited the general purpose financial statements of the City of Fayetteville, North Carolina, for the year ended June 30, 1988, and have issued our report thereon dated

September 15, 1988. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 the State Single Audit Implementation Act. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements, whether management has complied with laws and regulations and whether management has established and maintained a system of internal accounting and administrative controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the City of Fayetteville, North Carolina, is also responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records that included, but were not limited to, transactions and records relating to each major federal and state financial assistance program and certain nonmajor federal and state financial assistance programs. The purpose of our testing of transactions and records was to obtain reasonable assurance that the City of Fayetteville, North Carolina, had, in all material respects, administered its major federal and state financial assistance programs and executed the tested 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 City's general purpose financial statements. Such laws and regulations include those pertaining to federal and state financial reports and claims for advances and reimbursements.

Our testing of transactions and records selected from federal and state financial assistance programs disclosed instances of noncompliance with certain laws and regulations. All instances of noncompliance that we found, and the programs to which they relate, are identified in the accompanying schedule of findings and questioned costs, the ultimate resolution of which cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made to the general purpose financial statements or the federal and state financial assistance programs to which they relate.

In our opinion, for the year ended June 30, 1988, the City of Fayetteville, North Carolina, administered each of its major federal and state 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 selected from nonmajor federal and state financial assistance programs indicate that for the transactions and records tested, the City of Fayetteville, North Carolina, complied with those laws and regulations referred to in the third paragraph of our report, except as described in the accompanying schedule of findings and questioned costs. Our testing was more limited than would be necessary to express an opinion on whether the City of Fayetteville, North Carolina, administered the nonmajor federal and state 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 tests also indicate that for the transactions and records tested, the City of Fayetteville, North Carolina, complied with those laws and regulations for which noncompliance could have a material effect on the City's general purpose financial statements.

With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Fayetteville, North Carolina, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

September 15, 1988

CITY OF FAYETTEVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED JUNE 30, 1988

Program	Finding/Noncompliance	Questioned costs
Community Development Block Grant CFDA No. 14.218	In three cases from a sampling of fifty case files for this program, a rehabilitation grant had been awarded although there was no documentation of an initial city code inspection available for the grantees. Since a structure must contain at least one violation of the minimum housing code to qualify for rehabilitation, the initial city code inspection is necessary documentation for a proper grant. The City was not able to obtain the necessary proper documentation subsequent to our finding; therefore, the three grants in the amounts of $5,000, $5,000 and $4,100 are as questioned costs.	$14,100

(continued)

CITY OF FAYETTEVILLE, NORTH CAROLINA *(continued)*

Program	Finding/Noncompliance	Questioned costs
Community Development Block Grant CFDA No. 14.218	In two cases from a sampling of fifty case files for this program, no independent verification of salary was available for the grantee. Since a recipient's eligibility for a loan is based on their salary, this item is necessary documentation for a proper loan. The City was able to obtain the necessary documentation subsequent to our finding; therefore, there is no questioned cost. This is a recurring finding.	—
Community Development Block Grant CFDA No. 14.218	During our testwork on the Grantee Performance Report for the fiscal year ended June 30, 1988, we discovered that the current year expenditures for one project were understated by $406 on the report. The discrepancy is due to a late invoice being recorded by the City on their general ledger but not included in the report. Since the expenditure will be included in the following year's report, there are no questioned costs associated with this filing.	—
Community Development Block Grant CFDA No. 14.218	During our testwork for this program, we discovered that personnel and operating costs redistributed to the grant were greater than the actual costs incurred in the Community Development department. The error occurred because an inaccurate formula was being used to redistribute personnel costs. The error has been corrected by the City and the grant will be adjusted in the next fiscal year. The amount by which the redistribution exceeded actual expenditures is reported as a questioned cost.	12,796
North Carolina Department of Transportation	During our testwork on cash management, we found several cases where quarterly reports prepared for financial reporting to the North Carolina Department of Transportation (NCDOT) were prepared using incorrect budget numbers. The error occurred when the transit director, who administers the grants, obtained approval for a budget amendment from NCDOT but did not notify grant accounting personnel. This resulted in the requests for funds being refused by NCDOT. The corrected requests were subsequently accepted, therefore there is no questioned cost.	—
Urban Mass Transportation Capital and Operating Assistance Grants CFDA No. 20.507	During our financial reporting testwork for this program, we found that the required quarterly reports (Financial Status Reports) for the grants had not been completed and submitted to UMTA on a timely basis for the fourth quarter. There were no effects on the City's funding and therefore there is no questioned cost associated with this finding.	—
Urban Mass Transportation Capital and Operating Assistance Grants CFDA No. 20.507	All drawdown requests made to state transit grants during the year except one were rejected because they had been prepared incorrectly. Proper requests have been submitted subsequently, therefore there is no questioned cost.	—
Urban Mass Transportation Capital and Operating Assistance Grants CFDA No. 20.507	During our testwork on cash management for the transit operating grant, we noted that this grant was overdrawn by $40,638. The overdraw was due to the City using an incorrect formula for calculating the	40,638

Program	Finding/Noncompliance	Questioned costs
	amount of federal money to draw down. The City has taken steps to correct the situation. The amount of the overdraw is a questioned cost.	
Powell Bill Funds	During testwork for this program, we found that the City failed to include two current year expenditures in the Powell Bill report submitted to the NC Department of Transportation. The expenditures were for the amounts of $4,625 and $2,589. These are allowable expenses and will be reported next year, therefore; there is no questioned cost.	—
Federal Aviation Administrative Airport Development Program CFDA No. 20.106	During our cash management testwork for this program, we found one grant that was overdrawn during the past year in the amount of $1,586. Since the City had completed the project, they had to reimburse the grantor agency for the amount of the overdraw. The error resulted from the City charging sales taxes to the grant which are not allowable. The City has taken steps to prevent this from occurring in the future. Since the overdraw had been refunded as of year-end, there is no questioned cost associated with this finding.	—
Federal Aviation Administrative Airport Development Program CFDA No. 20.106	During our cash management testwork for this program, we found one grant that was overdrawn at June 30, 1988 in the amount of $4,410. The overdraw was the result of the City charging sales taxes to the grant, which are unallowable expenditures. The City has taken steps to prevent this situation from occurring in the future. The amount of the overdraw is a questioned cost.	4,410

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS IDENTIFYING ALL FINDINGS OF NONCOMPLIANCE AND QUESTIONED COSTS

The Honorable County Executive and
Members of the County Legislature
County of Erie, New York

We have audited the general purpose financial statements of the County of Erie for the year ended December 31, 1987, and have issued our report thereon dated May 16, 1988. Our audit 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 of Erie is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal 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 County of Erie had, in all material respects, administered major programs and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended December 31, 1987; the County of Erie 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 County of Erie 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 County of Erie 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 County of Erie 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]

November 21, 1988

COUNTY OF ERIE, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED DECEMBER 31, 1987

Program Finding 1

Foster Care, Title IV-E (13.658)

Condition: Of the twenty-one case files examined, four cases did not have evidence of the supervisor review on the application. (D.S.S. Form 2921)

Criteria: The findings of the investigation together with the recommendations for case action shall be reviewed and approved by the supervisor. Supervisory approval shall be indicated by a dated signature in the case record. (Title 18 Code Rules and Regulations of the State of New York (NYCRR) 351.7)

Effect: Certification of eligibility may be in error.

Cause: No evidence of supervisor review was indicated on the applications since the County DSS procedures require the supervisor's signature on the authorizing payment document (DSS 3209).

Recommendation: Internal control policies relating to the Foster Care Program should include the supervisor's approval of the application and such approval should be documented on the application.

Auditee Response: The County disagrees with the finding. They state that:

Erie County DSS procedures require that every case decision with respect to client eligibility be reviewed and countersigned by the supervisor. To assure proper control over all payment authorizations this countersignature is required on the authorizing document (DSS-3209, 2970 or DSS-3636-APP TAD), rather than the application for certification/recertification. This meets the regulatory requirement as quoted above, and has never been cited as a finding in the thousands of cases audited by the NYS Department of Social Services and the Federal Government.

Program Finding 2

Foster Care, Title IV-E (13.658)

Condition: Of the twenty-one case files examined, one case file was missing the initial application (D.S.S. Form 2921).

Criteria: The State-prescribed form must be completed for a new ADC-Foster Care case, in the event responsibility for care and placement of a child in foster care shall have been explicitly imposed on the social services official by court order. (Title 18 NYCRR 350.4(a)(6)).

Effect; Disbursements may have been made to ineligible recipients.

Cause: Failure to maintain necessary documentation in case files.

Recommendation: We recommend that proper file maintenance be emphasized.

Auditee Response; The County agrees with the finding, but notes that under normal procedure a signed application accompanies WMS documentation and this case would not have been opened by Accounting without a signed application accompanying the case opening. Thus, the County believes that a signed application exists, but they have been unable to locate it. Therefore, the County believes that this is a situation where there is a misplaced DSS-2921 rather than a case where no application was ever taken.

Program Finding 3

Medical Assistance (13.714)

Condition: Of the twenty-two case files examined, four cases did not have evidence of the supervisor review on the application/recertification.

Criteria: The findings of the investigation together with the recommendations for case action shall be reviewed and approved by the supervisor. Supervisory approval shall be indicated by a dated signature in the case record. (Title 18 NYCRR 351.7)

Effect: Certification and Recertification of eligibility may be in error.

Cause: No evidence of the supervisor review was indicated on the application/recertifications since the County DSS procedures require the supervisor's signature on the authorizing payment document (DSS 3209).

Recommendation: Internal control policies relating to the Medical Assistance Program should include the supervisor's approval of the application/recertification and such approval should be documented on the application/recertification.

Auditee Response: The County disagrees with the finding. They state that:

Erie County DSS procedures require that every case decision with respect to client eligibility be reviewed and countersigned by the supervisor. To assure proper control over all payment authorizations this countersignature is required on the authorizing document (DSS 3209, 2970 or DSS-3636-APP TAD), rather than the application for certification/recertification. This meets the regulatory requirement as quoted above, and has never been cited as a finding in the thousands of cases audited by the NYS Department of Social Services and the Federal Government.

Program Finding 4

Medical Assistance (13.714)

Condition: Of the twenty-two case files examined, three cases, which were categorically eligible for Medical Assistance because of their Public Assistance (PA) status, were not recertified for PA every six months.

Criteria: All variable factors of need and eligibility shall be reconsidered, reevaluated and verified at least once in every six months, in cases of Aid to Dependent Children (ADC) when eligibility is not based on the unemployment of a parent and in cases of Home Relief. (Title 18 NYCRR 351.21(b)(2))

Effect: Eligibility factors and status may have changed.

Cause: Failure to complete timely recertifications.

Recommendation: The County agrees with the finding but notes that in June 1982 the NYS Department of Social Services granted Erie County a waiver of the six-month recertification requirement. This waiver permits Erie County to conduct a face-to-face recertification process once in every twelve months and, in lieu of a six-month contact, they review eligibility based on a questionnaire mailed to all recipients.

Program Finding 5

Aid to Dependent Children (13.808)

Condition: Of the thirty-five cases examined documentation was lacking as follows:

For seven vendor payments there was no written evidence from the client requesting that payment be made to the vendor on their behalf.

Criteria: In those ADC cases where an applicant/recipient requests a vendor or protective payment the request shall be in writing from the recipient to whom payment would otherwise be made in an unrestricted manner and shall be recorded or retained in the case record. (Title 18 NYCRR 381.4(b)(5)(c)(2))

Effect: Vendor or protective payments may have been inappropriately made.

Cause: Lack of written evidence in case file in which client authorizes vendor payment to be made by the County.

Recommendation: We recommend that the County implement a formal policy that would provide a request be in writing from the client for vendor or protective payments.

Auditee Response: The County has been implementing this policy change by attrition i.e., as new requests are made for restricted payments, written requests are required, but no attempt was made to obtain such requests on cases where restricted payments were already being made per the client's oral request.

The County also notes that in every case where a restricted payment is made, the client is advised in writing that this will occur. Thus, there is little or no chance that such payments would be made inappropriately. The Department plans to continue this procedure.

Program Finding 6

Aid to Dependent Children (13.808)

Condition: Of the thirty-five case files examined, seven cases did not have evidence of the supervisor review on the application/recertification. Additionally, in accordance with our financial audit of disbursements, we noted four cases which did not have evidence of the supervisor review on the application/recertification.

Criteria: The findings of the investigation together with the recommendations for case action shall be reviewed and approved by the supervisor. Supervisory approval shall be indicated by a dated signature in the case record. (Title 18 NYCRR 351.7)

Effect: Certification and Recertification of eligibility may be in error.

Cause: No evidence of the supervisor review was indicated on the application/recertifications since the County DSS procedures require the supervisor's signature on the authorizing payment document (DSS 3209).

Recommendation: Internal control policies relating to the ADC program should include the supervisor's approval of the application/recertification and such approval should be documented on the application/recertification.

Auditee Response: The County disagrees with the finding. They state that:

Erie County DSS procedures require that every case decision with respect to client eligibility be reviewed and countersigned by the supervisor. To assure proper control over all payment authorizations this countersignature is required on the authorizing document (DSS 3209, 2970 or DSS-3636-APP TAD), rather than the application for certification/recertification. This meets the regulatory requirement as quoted above, and has never been cited as a finding in the thousands of cases audited by the NYS Department of Social Services and the Federal Government.

Program Finding 7

Aid to Dependent Children (13.808)

Condition: Of the thirty-five cases examined, one case lacked documentation verifying the deprivation of parental support or care (i.e. Absent Parent Form) which is one of the criteria for eligibility.

Criteria: Determination of initial eligibility is based on the following factors:

a. Financial need
b. Compliance with child support enforcement program (IV-D) eligibility requirements
c. Age
d. Welfare of child or minor
e. Residence requirement
f. Living with parent or other relative
g. Deprivation of parental support or care

- Deprivation of parental support or care.

(1) General principles. (i) A child or minor shall be considered to be deprived of parental support or care by reason of the death, continued absence from the home, physical or

mental incapacity of a parent, or unemployment of a parent, when such death, continued absence, incapacity or unemployment is a contributing factor in the child's need for a grant of ADC.

(ii) The basis for a determination that a child has been deprived of parental support or care, as defined above, shall be established for each child or minor for whom application is made for an ADC grant or for whose benefit an ADC grant is being made. (Title 18 NYCRR 369.2(g))

Effect: Initial eligibility determination may be incorrect.

Cause: Failure to maintain documentation verifying deprivation of parental support or care.

Recommendation: We recommend that documentation of the absent parent form be retained in the case file.

Auditee Response: The County agrees with the finding and notes that current procedures reflect the audit recommendation, and that this problem occurred in a very small percentage of cases.

Program Finding 8

Home Energy Assistance Program (HEAP) (13.818)

Condition: Of the twenty-two cases examined, six cases, which were categorically eligible for HEAP because of their PA status, did not have evidence of the supervisor review on the application/recertification in the PA case file.

Criteria: The findings of the investigation together with the recommendations for case action shall be reviewed and approved by the supervisor. Supervisory approval shall be indicated by a dated signature in the case record. (Title 18 NYCRR 351.7)

Effect: Certification and Recertification of eligibility may be in error.

Cause: No evidence of the supervisor review was indicated on the application/recertifications since the County DSS procedures require the supervisor's signature on the authorizing payment document (DSS 3209).

Recommendation: Internal control policies relating to the PA programs should include the supervisor's approval of the application/recertification and such approval should be documented on the application/recertification.

Auditee Response: The County disagrees with the finding. They state that:

Erie County DSS procedures require that every case decision with respect to client eligibility be reviewed and countersigned by the supervisor. To assure proper control over all payment authorizations this countersignature is required on the authorizing document (DSS 3209, 2970 or DSS-3636-APP TAD), rather than the application for certification/recertification. This meets the regulatory requirement as quoted above, and has never been cited as a finding in the thousands of cases audited by the NYS Department of Social Services and the Federal Government.

COUNTY OF ERIE, NEW YORK

AUDIT FOLLOW-UP OF DECEMBER 31, 1986 SINGLE AUDIT FINDINGS AND QUESTIONED COSTS

General Finding 1

Condition: While most County department heads were familiar with general compliance features of Federal Assistance programs, we observed that some County employees were not aware of certain requirements.

Status: This condition no longer exists. On January 9, 1987 the County Executive issued a memorandum and a summary of the six general compliance features identified by OMB to all elected officials and department heads. Each of the recipients distributed a copy of the OMB requirements to any employee having either direct or indirect involvement with federally assisted programs, along with a suitable memo stressing the importance of compliance with the requirements.

General Finding 2

Condition: While revenues are federally coded, expenditure transactions related to federal programs cannot be readily identified in the County's various accounting reports.

Status: While expenditure transactions related to federal programs cannot be readily identified in the County's various accounting reports, detail reports of the County's separate grant fund and capital project fund contain sufficient information. The benefit of a summary index system does not seem to warrant the associated costs. This comment is not identified as a current year finding.

General Finding 3

Condition: The County does not record administrative revenues associated with the social service programs to the individual program revenue codes; rather all administrative revenues are combined into one revenue code.

Status: The Department of Social Services maintains complete records that identify adequately the source and application of funds for each federally supported activity.

Program Finding 1

Foster Care, Title IV-E (13.658)

Condition: Of the disbursements selected for examination we noted five errors in regards to the requirements for licensing and certifying the foster boarding homes. Specifically the discrepancies were:

- In three cases payments were made to foster home providers without a home study being completed and approved.
- In one case a child was residing with, and payments were made to, a foster home provider whose license had expired.
- In the last case the child's case record indicates that she was placed with a special resource provider (relative), but the case does not indicate the relationship between child and foster care provider, nor does the record have any indication of being referred to the Home Finding Unit. The Home Finding Unit has no

record of the foster care provider, therefore no home study or certification of foster home has been completed.

Status: Our 1987 single audit sample did not detect any further instances of this condition relating to the failure to perform proper home studies.

Program Finding 2

Medical Assistance (13.714)

Condition: Of the disbursements selected for examination, two cases lacked evidence that the eligibility information had been completely reviewed and approved.

Status: The condition still persists and has been identified as a current year finding.

Program Finding 3

Medical Assistance (13.714)

Condition: Of the disbursements examined, six individuals' case files did not have verification that an investigation for possible third party insurers had taken place.

Status: Our 1987 single audit sample did not detect any further instances of this condition relating to inadequate verifications.

Program Finding 4

Home Energy Assistance Program (HEAP) (13.818)

Condition: County records indicated that the required desk reviews, to determine eligibility, were completed. However, of the 96,300 HEAP interviews conducted during 1986 only 597 were subject to outside investigation, none of the other applications were subjected to outside verification of information obtained from applicant.

Status: The County has investigated the possibility of collateral confirmation of HEAP eligibility documentation. Based on the fact that State quality control audits of the County's HEAP program have found ineligibility to be insignificant and that the cost of collateral confirmation for an individual could exceed the HEAP grant paid to them, the County has determined that any benefit derived from collateral confirmation would not outweigh the associated costs.

Program Finding 5

Community Development Block Grant (14.218)

Condition: We found instances where the County did not comply with Treasury and HUD policy that requires that funds drawn down be disbursed within three days.

Status: An analysis of the County's drawdowns indicate that the County's established cash management procedures effectively minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement of such funds.

Program Finding 6

General Revenue Sharing (21.300)

Condition: We found that the County could not identify specific vouchers for expenditures of some Revenue Sharing monies. The funds were expended for "County residents enrolled in community colleges" out of the General Fund. However, there was no indication of the specific vouchers for which Revenue Sharing monies were used.

Status: Federal aid is no longer available under this program.

Program Finding 7

General Revenue Sharing (21.300)

Condition: In the area of assurances, reports and public participation (31 CFR Part 51 Subpart B) the County was deficient specifically:

- A notice of availability for public inspection of the summary of the enacted budget for 1986 was not published.
- Notice that the Revenue Sharing Use Report (Form RS9F) for 1985 (which was issued in July 1986) was available for inspection was not published within the thirty day limit.
- A notice of availability for public inspection of the prior year's single audit reports was not published.

Status: The County took steps necessary to correct each of the listed deficiencies in the year subsequent to that which was cited in the finding. Such corrective measures will not have to be continued in future years, however, because federal aid is no longer available under this program.

Program Finding 8

Construction Grant for Wastewater Treatment Works (66.418)

Condition: We found that the County did not verify that laborers employed by contractors for federally financed construction projects are paid in accordance with Davis-Bacon Act standards.

Status: County units responsible for overseeing construction activity review wage rates to assure compliance with federal law.

Board of County Commissioners
Missoula, Montana

We have audited the general purpose financial statements of Missoula County, Montana for year ended June 30, 1988, and have issued our report thereon dated November 23, 1988, which report was qualified due to the omission of Missoula Aging Services, a component unit of Missoula County, and the condition of the component unit's records which precluded the application of necessary audit procedures. Our audit 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 Missoula County, Montana is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal 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 Missoula County, Montana 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. We did not examine the compliance provisions of certain grants which were examined by other auditors as follows:

Description of Grant Examined by Other Auditors	CFDA 20.106 Grant Number	Period Covered	FY 88 Expenditures
CRF Building	3-30-0056-10	7/1/87-6/30/88	$1,226,230

The reports of other auditors relative to compliance matters involving the federal funds noted above have been issued to the County and to appropriate federal agencies, and this report does not include the compliance matters encompassed therein.

We did not audit the compliance provisions of the following grants because the records of Missoula Aging Services were not adequate to permit the application of necessary audit procedures:

Description of Grant	CFDA #	Period Covered	FY 88 Expenditures
Foster Grandparent	72.001	7/1/87-6/30/88	(Not available)
Retired Senior Volunteer...	72.002	7/1/87-6/30/88	(Not available)
Senior Companion	72.008	7/1/87-6/30/88	(Not available)
Senior Nutrition (Title III)..................	13.635	7/1/87-6/30/88	(Not available)

Noncompliance issues relating to Missoula Aging Services are discussed on page 51.

In our opinion, subject to the effect of the ultimate resolution of the above mentioned instance of noncompliance, for the year ended June 30, 1988, Missoula County, Montana administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial report 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, Missoula County, Montana 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 Missoula County, Montana 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, and except for the matter described on page 51, nothing came to our attention to indicate that Missoula County, Montana had not complied with laws and regulations.

[Signature]

November 23, 1988

Missoula Aging Services

Finding—Recipients of federal funds are required by OMB Circular A-102, Attachment H, to maintain adequate financial accounting and reporting systems to permit the preparation of financial statements and federal financial reports. The Single Audit Act of 1984 also requires that grantees implement adequate systems of internal accounting and administrative controls to provide reasonable assurance that federal programs are administered properly. Based on other auditors' examination, Missoula Aging Services was not in compliance with this requirement during the year ended June 30, 1988.

Without adequate controls, the possibility exists that federal funds will not be used or administered properly. Such conditions could ultimately result in loss of federal funding to the County.

Recommendation—We recommend Missoula County implement adequate financial accounting and reporting systems for Missoula Aging Services to permit compliance with OMB Circular A-102, Attachment H.

County Response—See page 41.

Missoula Aging Services

Finding—Missoula Aging Services did not have financial statements available for use in the Missoula County audit as of the report date. Other auditors are currently engaged to perform an audit but have been delayed due to weaknesses in the record keeping system of Missoula Aging Services.

Financial information for fiscal year 1987 was also not available due to weaknesses in the record keeping system as discussed in the fiscal year 1987 audit report.

The federal government requires certain procedures, including adequate accounting, to be performed by any entity which receives federal funds. Missoula Aging Services could jeopardize funding sources if control weaknesses concerning accurate record keeping are not addressed.

Recommendation—We recommend Missoula County implement controls to ensure Missoula Aging Services has the ability to account for its financial activities in a complete and timely manner.

County Response—Missoula County will continue to try to find ways to improve the accountability of Missoula Aging Services.

STATUS OF PRIOR AUDIT COMMENTS

The following section summarizes comments made in the examination of the County's June 30, 1987 financial statements and the current status of recommendations. The current status of prior comments addressed elsewhere in this report are not reiterated here.

Prior audit comment:	Current Status:
Complete census forms required for Revenue sharing funds.............	Recommendation implemented.

STATUS OF PRIOR AUDIT COMMENTS

The following section summarizes comments made in the examination of the County's June 30, 1987 financial statements and the current status of recommendations. The current status of prior comments addressed elsewhere in this report are not reiterated here.

Prior audit comments:	Current Status:
Investment Advisory Committee periodically review investment activity directed by fiscal officer. ..	Recommendation implemented.
Develop procedures for adequate reconciliation of monthly changes on fixed asset detail and capital expenditures.	Recommendation implemented.

To the Board of County Commissioners
Greene County
Snow Hill, North Carolina

We have audited the general purpose financial statements of Greene County, North Carolina, for the year ended June 30, 1988, and have issued our report thereon dated October 13, 1988. Our audit 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 OMB Circular A-128, *Audits of State and Local Governments*; and the State Single Audit Implementation Act, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Greene County, North Carolina, is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal and state financial assistance program and certain nonmajor federal and state financial assistance programs. The purpose of our testing of transactions and records from those federal and state financial assistance programs was to obtain reasonable assurance that Greene County, North Carolina had, in all material respects, administered major programs and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal and state financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1988, Greene County, North Carolina, administered each of its major federal and state financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal and state financial assistance programs indicate that for the transactions and records tested, Greene County, North Carolina, 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 Greene County, North Carolina, administered those programs in compliance, in all material respects, with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that Greene County, North Carolina, had not complied with laws and regulations other than those laws and regulations for which we noted a violation in our testing referred to above.

[Signature]

Greenville, North Carolina
October 13, 1988

GREENE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1988

Program	Title and Findings	Questioned Costs
Medical Assistance Title XIX (CFDA No. 13.714) major program—federal and state	Repaired transportation log (Form 2056) not maintained during fiscal year 87-88. *Criteria:* Recipients must prepare a transportation log for each transaction, giving beneficiary's name, ID#, case number, and destination, maintaining one copy for audit file.	None

(continued)

GREENE COUNTY, NORTH CAROLINA *(continued)*

Program	Title and Findings	Questioned Costs
	Response: Greene County believed the transporation log was no longer a requirement. The same type information was being maintained on check request forms. However, they will resume maintenance of a log for future periods.	
Medical Assistance Title XIX (CFDA No. 13.714) major program—federal and state	Discovered technical (nonmonetary) error in preparing the "Request for Reimbursement" Form DMA-2055. *Criteria:* Recipient must properly complete a "Reimbursement Request Form" to be submitted no later than the 15th of each month following the month of service. *Response:* Greene County states that the error was an unintentional oversight in recording the proper number of individuals receiving services and that greater care will be exercised in the future.	None
Medical Assistance Title XIX (CFDA No. 13.714) major program—federal and state	Discovered technical error in recording an applicant's "Reserve" on the verification Form DMA-5008. *Criteria:* Recipient must prepare a Verification Form for each applicant. *Response:* Greene County states the error was an unintentional oversight in recording the proper reserve. However, when corrected there was no change in the applicant's benefit allotment. (Greater care will be exercised in the future.)	None
Aid to Families with Dependent Children (CFDA No. 14.219) major program—federal and state	Application Form-8124 was missing proper personnel signature. *Criteria:* The administrative functions to be performed by the local government commission are specified in the approved state plan and state directives implementing the plan. *Response:* Greene County states this error was an unintentional oversight which did not affect the applicant's benefit allotment. They will increase efforts to ensure proper completion of applications.	None
Community Development Block Grant (CFDA No. 14.219) major program—federal and state	Contract clause requiring County's approval of subcontracting is not being adhered to. *Criteria:* Contract clause requires the consent of Commissioners before a particular job can be 100% subcontracted. *Response:* Greene County was unaware of this contract requirement and will adhere to in future periods.	None
Food Stamp (CFDA No. 10.561) major program—federal	Discovered technical error in recording applicants' reserve on application Form DSS-1698. *Criteria:* The state is required to operate a quality control system that reviews the determinations of recipient eligibility and allotments and complete, through statistical sampling procedures, the number and dollar impact of incorrect determinations. *Response:* Greene County states this error was an unintentional oversight which did not affect the applicants' benefit allotment. They will in-	None

Program	Title and Findings	Questioned Costs
	crease efforts to ensure proper completion of applications.	
Social Services Administration Compliance with State Standards for Office Space and Facilities	The Social Services Department at Greene County does not meet the requisite regulations for staff space, file storage, lobby, and space for the clerical staff. Failure to correct the noted deficiencies could affect federal and state participation in administrative cost. *Recommendation:* Greene County should comply with space requirements and provide the Department of Social Services with adequate space to fulfill the standards of administration of public assistance programs. *Response:* When the Greene County office complex was designed, the assistance of the Social Services Division was requested in determining the amount of space needed for Social Services. The space was designed based upon their recommendation. The revised standards regarding space for Social Services are currently under consideration before the County proceeds to address this problem any further.	None

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Honorable Mayor, City Council
and City Manager
City of Las Vegas, Nevada

We have audited the general purpose financial statements of the City of Las Vegas, Nevada, and the combining, individual fund, and account group financial statements of the City of Las Vegas, Nevada, as of and for the year ended June 30, 1988, and have issued our report thereon dated November 23, 1988. Our audit 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 (1988 Revision), 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 Las Vegas, Nevada, is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Las Vegas, Nevada, 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.

In our opinion, for the year ended June 30, 1988, the City of Las Vegas, Nevada, 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.

Our testing was more limited than would be necessary to express an opinion on whether the City of Las Vegas, Nevada, administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Las Vegas, Nevada, had not complied with laws and regulations.

[Signature]

Las Vegas, Nevada
November 23, 1988

To the Honorable Mayor and
Members of the City Council
City of Glendora, California

We have examined the general purpose financial statements of the City of Glendora, California as of and for the year ended June 30, 1988, and have issued our report thereon dated October 5, 1988. Our audit 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 Glendora is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from the major federal financial assistance program. The purpose of our testing of transactions and records from that federal financial assistance program was to obtain reasonable assurance that the City of Glendora had, in all material respects, administered the major 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 for the major federal financial assistance program.

Our testing of transactions and records selected from the major federal financial assistance program disclosed no instances of noncompliance with those laws and regulations that we believe could have a material effect on the allowability of program expenditures.

In our opinion, for the year ended June 30, 1988 the City of Glendora administered its major federal financial assistance program in substantial 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.

[Signature]

Pasadena, California
October 5, 1988

INDEPENDENT AUDITORS' FEDERAL COMPLIANCE REPORT

The Honorable Board of Supervisors,
County of Santa Clara:

We have audited the general purpose financial statements of the County of Santa Clara (County) for the year ended June 30, 1988 and have issued our report thereon dated November 14, 1988. Our audit was conducted in accordance with generally accepted auditing standards; 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*; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The County's management is responsible for the County's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from each major federal financial assistance program. The purpose of our testing of transactions and records from such federal financial assistance programs was to obtain reasonable assurance that the County of Santa Clara had, in all material respects, administered such 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. Such findings are not considered material in relation to the federal financial assistance programs being audited.

In our opinion, for the year ended June 30, 1988, the County of Santa Clara 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]

November 14, 1988

COUNTY OF SANTA CLARA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1988

1988 Findings:

U.S. Department of Agriculture

CFDA NO. 10.551 Food Stamps—
Grant No. Not Applicable
Total Questioned Costs—None

Compliance Findings Questioned Costs: None

Of twenty case files examined, sixteen fulfilled all compliance tests performed. Findings with respect to the remaining four case files are as follows:

1) Two out of twenty case files reviewed did not contain the required Claim Determination Worksheet, DFA 842. The Claim Determination Worksheet is prepared by the eligibility worker to initiate claims against food stamp recipients.

2) Three out of twenty case files reviewed did not contain a Notice of Action, DFA 377.7B. The DFA 377.7B is a form sent to the food stamp recipient to begin the collection process.

3) Two out of twenty case files reviewed did not contain a Food Stamp Repayment Agreement, DFA 377.7C. The DFA 377.7C is a form sent to the food stamp recipient to obtain agreement to repay extra food stamp benefits.

The Food Stamp program should develop a checklist of forms required to be in each file. The eligibility worker should complete the checklist and include it with the file for review. Both the eligibility worker and the supervisor should sign and date the checklist. All file documentation should be brought up to date and the required actions should be implemented.

Management Response

The County is in the midst of extensive corrective action on Food Stamp Claims. The three forms found to be lacking in these findings are a part of the present corrective actions now taking place and planned for implementation in the near future.

The County agrees that more review of the Food Stamp cases is required to ensure that all Food Stamp Claims are established by the completion of DFA 842, and that a Repayment Notice and Repayment Agreement is sent for every claim. The County agrees to develop a checklist of mandatory forms which shall be available for use by the eligibility work supervisor. When the checklist is used, both the eligibility worker and the eligibility work supervisor shall be required to sign the form.

The Food Stamp Corrective Action Committee has planned two mini-reviews on claims next year for the months of March and November. A Department Memo will be issued in February and October explaining to staff what the subject of the mini-review will be. It will list the questions which will be asked, and the correct method for establishing and collecting claims. Each supervisor will be required to review eight cases for every Food Stamp worker in their unit in each of these months, using a management listing which displays each overissuance which presently exists in every case.

This committee issues a flyer every month to Food Stamp workers which gives reminders for corrective action in areas where high error rates exist. A flyer will be issued in both March and November to coincide with the mini-reviews on the same subject.

The Claims section of the Food Stamp Handbook has been entirely rewritten and went out to clearance to the Food Stamp Program Committee on October 12, 1988. In this section, the Claims process has been updated and clarified. It is anticipated that this Section H update will be published to staff by December 1, 1988.

The County believes that these reviews, reminders, and clarification actions will ensure that all correct forms are completed for every claim.

U.S. Department of Health and Human Services

CFDA No. 13.658 Foster Care—Title IV-E—
Grant No. Not Applicable
Total Questioned Costs—$2,602

Compliance Findings

1) *Finding* Questioned Costs: $2,602

Two out of twenty case files selected ($2,602 of $36,405 total sample items) did not contain the required Grant Payment Computation Form CA30 (AFDC Budget Worksheet). The CA30 is required at intake, when change of placement occurs, or when the payment rate changes.

The Foster Care program should develop a checklist of forms required to be in each file. The eligibility worker should complete the checklist and include it with the file for the review. Both the eligibility worker and the supervisor should sign and date the checklist. All file documentation should be brought up to date.

Management Response

The County agrees more review of Foster Care is required to ensure that the CA30 is completed in order to provide documentation and computation of correct payment rate. The County will develop a checklist of mandatory forms to be available for use by the eligibility worker. When the checklist is used, both the eligibility worker and the supervisor will be required to sign the form.

In addition, the County will develop a mini-review in the Foster Care program on the required use of the CA30. The mini-review will be created by the Foster Care Mini-Review Committee and shall be completed by staff by the end of 1989.

The County believes that these two new review procedures will ensure that the CA30 form is completed on every Foster Care case. It is County policy that all documentation be kept up to date.

CFDA No. 13.783 Child Support Enforcement—
Grant No. Not Applicable
Total Questioned Costs—$1,224,240

Compliance Findings

1) *Finding* Questioned Costs: $1,224,240

The State of California and the County Family Support Division recently underwent an audit of their Child Support program, specifically the collection and distribution of child support collections. The audit was performed by the Office of Child Support Enforcement, a division of the Federal Department of Health and Human Services. The audit found that the State is not deducting interest/investment income earned on child support collections from Title IV-D administrative costs as required by Public Law 97-35 and is therefore auditing each county to determine the impact of this problem. Upon review of the cash collections, distributions, and interest earned by the County's trust fund numbers 204 (Child Support Advance Fund) and 205 (Child Support Trust Fund), the federal auditors determined that the County incorrectly omitted $1,224,240 of interest earned from their quarterly Claim of Administrative Expenditures. This interest pertains to all child support collections (welfare, non-welfare, and suspense items) dating back to 1982.

Management Response

The issue of Santa Clara County having to pay back interest on Child Support Collections is now being fought at State level. Federal auditors maintain that the interest should be treated as program income and used to abate our expenditures which the federal government partially reimburses. The State argues that since each County pays for a portion of the Child Support Program (32% presently), the County is entitled to keep the interest. A Grant Appeals Board and, probably, the federal courts are expected to rule on the issue.

Since the inception of the program, Santa Clara County, along with all other California counties, was advised by the State not to report the interest.

CFDA No. 13.787 Refugee Assistance Program—
Grant No. Various
Total Questioned Costs—$17,096

Compliance Findings

1) *Finding* Questioned Costs: $17,096

Two out of sixteen case files reviewed did not contain the required Voluntary Agency Forms SC1468 (Volag Forms). The Volag Form SC1468 is addressed to the sponsor for the immigrant and the Resettlement Agency which originally assisted the refugee. In resettling a refugee, the resettlement agency and sponsor undertake certain responsibilities such as providing food, shelter, pocket money, etc. The Volag Forms are sent to determine what assistance was provided by the sponsor or agency. This form must be completed at intake and at each reinvestigation for refugees who have been in the United States less than three years. Accordingly, all payments ever made to these refugees are questioned costs.

The Refugee Assistance Program should develop a checklist of forms required to be in each file. The eligibility worker should complete the checklist and include it with the file for review. Both the eligibility worker and the supervisor should sign and date the checklist. All file documentation should be brought up to date.

Management Response

The use of the Volag Form in each refugee case is required to determine if any contribution has been made by the Volag agency to the client. The lack of the form is considered to be a procedural error and does not result in an overpayment, unless it is later found that the Volag did make a contribution in any month for which one was not counted against the grant.

The County agrees that more review of refugee cases is required to ensure that Volag Forms are completed. The County will develop a checklist of mandatory forms to be available for use at the discretion of the eligibility supervisor. When it is used, both the eligibility worker and the eligibility work supervisor shall be required to sign the form.

In addition, the County will develop a mini-review in the refugee program on the required use of the Volag Forms. Each supervisor will be required to review eight cases for every refugee worker in their unit for one month. The mini-review will be created by the Refugee Program Eligibility Supervisor Committee and shall be completed by staff by the end of 1989.

The County believes that the two new review procedures will ensure that the Volag Forms are sent on every Refugee case. It is County policy that all documentation be kept up to date.

U.S. Department of Housing and Urban Development—

CFDA No. 14.218 Community Development Block Grant—
Grant No. B-87-UC-06-0007
Total Questioned Costs—None

Compliance Findings

1) *Finding* Questioned Costs: None

Housing and Community Development received a one month extension to submit the Grantee Performance Report for fiscal 1988 to HUD. This report was not signed by the County Executive until October 3, 1988 which was after the extended due date of September 30, 1988. As such, the Grantee Performance Report was not filed in a timely manner.

The Grantee Performance Report should be submitted in a timely manner.

Management Response

It is true that the County HCD Program did receive an extension from HUD on the due date for the transmittal of the Grantee Performance Report (GPR) until September 30, 1988.

However, on September 30, some remaining inconsistencies were identified in the GPR final figures. These inconsistencies were not completely cleared until the end of the day on September 30, 1988.

When it was apparent that the County would not be able to transmit the GPR within the agreed time frame, the Program Manager contacted the HUD area office. The HUD Program representative indicated that it would be acceptable for the County to hand deliver the GPR during the HUD training session scheduled for October 4, 1988.

U.S. Department of Justice

CFDA No. 16.540 Juvenile Justice and Delinquency Prevention—Allocation to States
Grant Nos. JJ85B10430-00, JJ85010430-00, JJ85C10430-00, JJ86020430-00, JJ86B20430-00, JJ86C2043-00, JJ86D10430-00, JP8600043-00, J-5109-2-84, JP85000430-00
Total Questioned Costs—None

Compliance Finding

1) *Finding* Questioned Costs: None

The financial information provided for presentation in the Schedule of Federal Financial Assistance (Schedule) was incomplete. Both Cash Receipts and Disbursements/Expenditures as presented in the Schedule are understated. The impact of the understatement is expected to be less than $100,000. The effect, also expected to be less than $100,000, on Cash—Accured or (Deferred) at June 30, 1988, is unknown.

The information provided for presentation in the Schedule of Federal Financial Assistance should be complete.

Management Response

Corrective action is being taken to maintain the proper recording of Juvenile Justice grant dollars. Complete files will be kept and maintained. The program's portion of the Schedule of Federal Financial Assistance will be completed in the future.

U.S. Department of Transportation

CFDA No. 20.500 Urban Mass Transportation Capital Improvement Grants
CFDA No. 20.507 Urban Mass Transportation Capital and Operating Assistance Grants
Grant No. Various
Total Questioned Costs—None

Compliance Findings

1) *Finding* Questioned Costs: None

The Davis-Bacon Act requires that the Transit District receive certified payroll records from contractors to monitor compliance with prevailing wage requirements. Currently, certified payroll records received from contractors do not all include sufficient information to identify job classifications and groupings for comparison to related guidelines for prevailing wages. In addition, the Transit District uses a Caltrans publication of prevailing wages where a Department of Labor publication should be used.

To adequately document compliance with the prevailing wage requirements of the Davis-Bacon Act, the Transit District should require contractors to provide specific job classifications and groupings for all construction workers. Additionally, the Transit District should use a Department of Labor publication of prevailing wages to test compliance of the certified payroll.

Management Response

In response to the recommendation, we will review our procedures on the requirement for the contractors with the UMTA guidelines for prevailing wages and require more detail be provided if necessary. Failure of the prime contractor to make the necessary corrections shall cause withholding of payment.

We will also use the Department of Labor publications to test compliance with prevailing wages.

2) *Finding* Questioned Costs: None

With respect to the information reported on the Transit District's Section Form 006—Section 9 Statistics Summary included in its Section 15 Level A reporting package for the year ended June 30, 1988 (Form 006), we noted the following:

- Data summaries used to summarize the vehicle mile data reported on Form 006 are not reviewed by individuals independent of the individual preparing such data summaries.
- Although the Transit District's system of internal controls requires that the source documents used to accumulate the vehicle mile and passenger mile data and the data summaries used to summarize the passenger mile data reported on Form 006 be reviewed by an individual independent of the individual preparing such source documents and data summaries, the Transit District's system does not require reviewers'/supervisors' signatures as evidence that such reviews have been performed. (Accordingly, we were unable to determine that such reviews had been performed during the year, as required.)
- When proving the arithmetic accuracy of various summaries (i.e., "dailies" totaling to "monthlies"), differences were noted between the detail and the summary totals (up to 0.05% of the summary totals).
- The Transit District does not have a contract signed by both parties for the purchase of the Dumbarton Bridge transit service. Such a contract is required, pursuant to Section 15 reporting.

To ensure that the information shown on the Transit District's Form 006 is presented in conformity with the requirements of the Urban Mass Transportation Administration, as specified in Title 49, Code of Federal Regulations, Part 630:

- All data summaries should be reviewed by individuals independent of the individuals preparing such data summaries.
- All reviews of source documents and data summaries should be evidenced by the reviewers'/supervisors' signatures.
- The arithmetic accuracy of all summaries should be reviewed and proven and any differences corrected appropriately.
- The Transit District should obtain a contract for the purchase of the Dumbarton Bridge transit service. At a minimum, such contract should be signed by both parties and should specify the specific mass transportation services to be provided by the contractor, the monetary consideration obligated by the Transit District for the service and the period covered by the contract. In addition, the period covered by the contract should coincide with the Transit District's fiscal year, and a copy of the executed contract must be retained by the Transit District for a minimum of three years following the related contract period.

Management Response

We concur with the findings and a procedure will be put into effect for review of all calculations and summary data by an independent individual from the one preparing the data summaries. All reviews of document and data summaries will be evidenced by a signature.

A formal agreement for the Dumbarton Bridge transit service will be approved and signed by the Board of Supervisors.

Independent Auditors' Report

The Honorable Members of Council of
the City of Pittsburgh, Pennsylvania:

We have audited the general purpose financial statements of the City of Pittsburgh, Pennsylvania, for the year ended December 31, 1987, and have issued our report thereon dated June 10, 1988 which report was qualified because of the omission of a general fixed asset account group from the City's financial statements. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit of Governmental*

Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether management has complied with laws and regulations and whether management has established and maintained a system of internal accounting and administrative controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The management of the City of Pittsburgh, Pennsylvania, is also responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records that included, but were not limited to, transactions and records relating to each major federal financial assistance program. The purpose of our testing of transactions and records was to obtain reasonable assurance that the City of Pittsburgh, Pennsylvania, had, in all material respects, administered its major federal financial assistance programs and executed the tested 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 City's general purpose financial statements. Such laws and regulations include those pertaining to federal financial reports and claims for advances and reimbursements.

In our opinion, for the year ended December 31, 1987, the City of Pittsburgh, Pennsylvania, 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.

Our testing of transactions and records selected from federal financial assistance programs disclosed instances of noncompliance with certain laws and regulations. All instances of noncompliance that we found, and the programs to which they relate, are identified in the accompanying schedule of findings and questioned costs, the ultimate resolution of which cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made to the federal financial assistance programs to which they relate. We do not believe these instances of noncompliance could have a material effect on the allowability of program expenditures.

The results of our tests also indicate that, for the transactions and records tested, the City of Pittsburgh, Pennsylvania, complied with those laws and regulations for which noncompliance could have a material effect on the City's general purpose financial statements. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Pittsburgh, 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]

June 10, 1988

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED DECEMBER 31, 1987

Program	Findings/Noncompliance	Questioned Cost
JTPA	*Finding No. 1* For the first year of the two-year planning cycle ending June 30, 1988, the City's JTPA Program expended approximately 52% of the available dollars under the title II-A adult/youth funds on training. The Pennsylvania Department of Labor (PA-DOL) requires that a minimum of 70% of total expenditures be expended on training during the cycle. *City's Response* The City agrees with this finding. The shortfall in this area was caused by not expending all available dollars. During the program year ended June 30, 1987, approximately $2,029,000 of total Title II-A adult/youth expenditures of $2,864,000 (71%) was spent on training. Training expenditures July 1, 1987 through May, 1988 are averaging 76% of total expenditures. Should the City incur the expenditures it has planned for late June 1988, compliance with the 70% training requirement is expected for the two-year planning cycle ending June 30, 1988.	—
JTPA	*Finding No. 2* For the program year ended June 30, 1987, the City's JTPA Program expended approximately 66% of the available dollars under the Title II-A State and Federal Education Grant (SEG) funds on training. The PA-DOL and the Pennsylvania Department of Education require that a minimum of 70% of total expenditures be expended on training during the program year. *City's Response* The City agrees with this finding. Shortfalls in this area were caused by not expending all available dollars during the program year ended June 30, 1987.	—

Program	Findings/Noncompliance	Questioned Cost
	For the program year ended June 30, 1987, 73.5% of total expenditures were for training. However, the City did not expend approximately 90% of its FY '87 allocation. It will remain difficult to expend 100% of allocated funds while at the same time ensuring that expenditures do not exceed availability. This will be especially difficult in our situation where the City subcontracts almost all of the SEG funds to local service providers.	
JTPA	*Finding No. 3* For the two-year planning cycle ended September 30, 1987, the City's JTPA Program expended approximately 86% of the available dollars under the Title II-B summer youth employment and training program funds. The PA-DOL requires that a minimum of 90% of the allocated funds be expended. *City's Response* The City agrees with this finding. It is very difficult to expend 100% of allocated funds while at the same time ensuring that expenditures do not exceed availability. The vast majority of funds under the summer program are budgeted for one of two areas—wages for the participants or subcontractors to local service providers. In both of these areas, actual cost incurred often deviates substantially from that which was budgeted. While the City does implement corrective action such as reprogramming of funds or program extensions, it is often difficult for the corrective actions to be effective when they occur late in the program year.	—
JTPA	*Finding No. 4* The amount expended for participant training on the Older Workers contract exceeded the budgeted amount by 26%. Variances exceeding 15% of the budgeted cost category require a contract modification approved by the PA-DOL prior to the expiration date of the contract. The City did not obtain the required contract modification. *City's Response* The City agrees with this finding and will review planned activity more frequently so that it can be determined if a contract modification is necessary. Modifications may remain problematic if the deviations to the plan occur or are discovered late in the program year when modifications are no longer permitted by the State. Also, after a point in time, due to the length of time needed to process a plan modification and the resulting contract amendment, it is no longer practical to modify. The City will request guidance from the Pennsylvania Department of Labor and Industry concerning this situation.	—
JTPA	*Finding No. 5* PA-DOL regulations governing the JTPA Program require that cash on hand be limited to the amount needed for the next day's expenditures. The City's JTPA Program maintained excessive average cash balances during the month of November 1987. *City's Response* The City agrees that the average cash balance during November 1987 was in excess of one day's need. This was for the most part due to the fact that $600,000 drawn for payment to the School District of Pittsburgh could not be disbursed until a supplemental agreement with the School District was fully executed. Full execution did not occur until early December 1987, and thus the disbursement could not be made until then.	—
JTPA	*Finding No. 6* The Financial Status Report (FSR) for the State Education Grant (SEG) for the month of June 1987 was filed after the expiration of the twelve-day filing period. *City's Response* The City agrees with this finding and will make every effort to ensure that all future FSRs are filed by the due date. Note that the June 1987 SEG FSR was submitted by the fifteenth day, three days after the due date. The submission after the due date resulted from confusion with the Pennsylvania Department of Education Contract as to when the FSR was due. The City received a letter dated November 4, 1986, which stated that FSR entries should be made no later than the twelfth calendar day of the subsequent month. The City has also received a letter dated May 28, 1986 that established the due date as the tenth of each month. However, SEG contract language also references compliance with the Policies and Procedures Manual and other guidelines issued by the Department of Labor and Industry which has established the fifteenth as the due date. The City is now fully aware of the fact that the due date is the tenth calendar day of the subsequent month and will comply with that due date.	—

CITY OF PITTSBURGH, PENNSYLVANIA

PRIOR AUDIT REPORTS

The City has taken corrective action on findings in prior audit reports as follows:

Job Training Partnership Act (JTPA) Program

Finding No. 1

Request for Funds (RFF) reports are transmitted to the PA Department of Labor (PA-DOL) using an on-line computer prior to a hard copy being signed by the appropriate certifying officer. All RFF reports should be signed by the appropriate certifying officer prior to transmission to the PA-DOL.

Action Taken

RRF reports are sent to the appropriate certifying officer for approval prior to transmission to the PA-DOL.

Finding No. 2

For the two-year planning cycle ended June 30, 1986, the City's JTPA Program expended approximately 63% of the dollars available under the Title II-A adult/youth funds on training. The PA-DOL requires that a minimum of 70% of the funds be expended on training. The JTPA Program should establish procedures to monitor expenditures to ensure that expenditures are made in accordance with PA-DOL requirements.

Action Taken

The City's JTPA Program continues to expend a lower percentage of dollars available under the Title II-A adult/youth on training than required.

Finding No. 3

For the two-year planning cycle ended June 30, 1986, the JTPA Program expended approximately 24% of the dollars available under the Title II-A adult/youth funds on services to eligible youth. The PA-DOL requires that a minimum of 30% of such funds be expended on services to eligible youth. The JTPA Program should establish procedures to monitor expenditures to ensure that expenditures are made in accordance with PA-DOL requirements. The JTPA is in compliance with such requirements by the end of the 1986 calendar year (the first six months of the two-year planning cycle ending June 30, 1988).

Action Taken

At June 30, 1987, expenditures for the above JTPA Program were in compliance with required percentages.

Finding No. 4

For the two-year planning cycle ended June 30, 1986, the JTPA Program expended approximately 62% of the dollars available under the Title II-A older workers funds on training. The PA-DOL requires that a minimum of 70% of such funds be expended on training. The JTPA Program should establish procedures to monitor expenditures to ensure that expenditures are made in accordance with PA-DOL requirements.

Action Taken

At June 30, 1987, expenditures for the above JTPA Program were in compliance with the required percentages.

AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO FINANCIAL ASSISTANCE PROGRAMS

To the Members of the City Council of the
City of Tucson, Arizona

We have audited the general purpose financial statements of the City of Tucson, Arizona, for the year ended June 30, 1988, and have issued our report thereon dated November 16, 1988. Our audit 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 Tucson, Arizona, is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program 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 Tucson, Arizona 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 June 30, 1988, the City of Tucson, Arizona, administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, 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 assistance programs indicate that for the transactions and records tested the City of Tucson, Arizona, 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 City of Tucson, Arizona, administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Tucson, Arizona, 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]

Tucson, Arizona
December 2, 1988

CITY OF TUCSON, ARIZONA

FINDINGS AND RECOMMENDATIONS—SPECIFIC COMPLIANCE MATTERS

Program		Questioned Costs
All	1. *File Federal EEO-4 Report on a Timely Basis* The City did not file the Federal EEO-4 report by November 30, 1988 as required by the Equal Employment Opportunity Commission under the general compliance procedures prescribed by OMB Circular-128. The completed report is expected to be filed by March 31, 1989. We noted the City was prepared to submit the report in a timely fashion. We recommend the City obtain a waiver of the November 30th deadline if it is unable to receive the federal forms soon enough to file a timely report. Management's Response: Although the City of Tucson has always been prepared to file the EEO-4 Report on a timely basis, the report has been submitted late due to the federal government's late submission of forms to the City. A waiver request of the March 31, 1989 deadline will be submitted by the City of Tucson.	None
Public Housing Comprehensive Improvement Assistance Program	2. *Maintain Supporting Documentation of Federal Financial Reports* The 1988 fourth quarter Schedule/Report of Modernization Expenditures required under the Public Housing Comprehensive Improvement Assistance Program were agreed to the City's general ledger. However, no supporting documentation was maintained for the amount representing "Total Funds Obligated." OMB Circular A-128 specific compliance procedures require that all amounts recorded on Federal Financial Reports be agreed to supporting documentation. We recommend that the City maintain supporting documentation for all amounts reported on federal financial reports to ensure that amounts submitted on the reports are accurate. Management's Response: The Community Services Department agrees that ". . .all amounts reported on federal financial reports. . ." must have supporting documentation. A. A detail of all funds expended is documented in three reports produced regularly by the Finance Department. 1) Sub-Ledger Trial Balance Report 2) Agency/Organization Detail Report 3) Job Transaction Detail Report B. A detail of all funds encumbered is documented in two reports: 1) Sub-Ledger Trial Balance Report 2) Agency/Organization Detail Report C. The above reports are used to prepare the CIAP Quarterly Report. The "Total Funds Obligated" figure	None

(continued)

CITY OF TUCSON, ARIZONA *(continued)*

Program		Questioned Costs
	on the Quarterly Report is the total of all funds expended through the end of the quarter, plus all funds encumbered through the end of the quarter. These procedures should prevent future problems of the kind noted by the auditor.	
Urban Mass Transit Administration	3. *Use Actual Figures on Federal Financial Status Reports* The 1988 fourth quarter Financial Status Report under the Urban Mass Transit Administration Program contained some inaccurate figures. However, we also noted this report was corrected and resubmitted to UMTA on December 2, 1988 with the actual amounts. We recommend actual amounts be reported on Federal Financial Status Reports as required by the grantor. Management's Response: The Financial Status Report for the period April 1, 1988 to June 30, 1988 included only actual Mass Transit operating expenditures through April ($14,279,100). This error was corrected by submitting a revised report in December with total expenditures through June 30 ($15,630,875).	None
HUD Section 8	4. *Request Federal Funds Only to the Extent of Immediate Needs* The requisition for partial payment of annual contributions for the quarter ended June 30, 1988 indicates that this program was overfunded for the previous quarter. The requisition states that the overpayment to date of $114,688 was used to offset the requested installment payments. Federal guidelines state that grantee financial management systems include procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursements of funds by the grantee. We recommend that the City carefully review all requests for federal funds to ensure that funds are requested only for immediate needs. Management's Response: The Community Services Department believes that the City has in place appropriate financial management systems which include procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursements of funds by the grantee. The overfunded requisition for the quarter ending March 31, 1988 occurred because the administrative fee earned through January was used instead of the administrative fee through February. The administrative fee earned (shown on 22B) should have been increased by $74,033; therefore, line 26 Total Cost should have been increased accordingly. The overpayment would then have been reduced to $40,655, which is less than 2% of the quarterly budget. The Department has revised the requisition review process to allow sufficient time for better review and control.	None
Department of HUD, Community Development Block Grant	5. *Require Reimbursement of Undocumented Expenditures From Subrecipient* During the current year the Internal Audit Division of	$24,542

Program		Questioned Costs
	the City of Tucson performed a compliance audit of CARE Community Services, Inc. ("CARE"), a subrecipient of CDBG funds. This audit revealed that the condition of the financial records and the accounting system of CARE did not warrant reliance on the documentation of reported expenses. CARE received $24,542 in CDBG funds during the year ended June 30, 1988. These funds were received prior to the audit performed by the City's Internal Audit Department. Since the audit, CARE has received no CDBG funds. We recommend the City seek reimbursement from CARE of these funds. Management's Response: The Community Services Department does not agree that the $24,542 funded to CARE Community Services, Inc. during 1987-88 should be classified as "Questioned Costs." CARE Community Services, Inc. is no longer a subrecipient of CDBG funds and the agency no longer exists. Although a draft audit of previous year's funds indicated problems with the financial records, these funds have not specifically been audited. Since the agency no longer exists and financial records are not available, we should rely on the City's records and monitoring reports, which indicate that the contracted services were delivered. Given that the contracted services have been delivered, there is no need to attempt to reconstruct CARE's financial records.	
HUD Section 8 Program	6. *Monitor Compliance with Section 8 Program Guidelines* In April 1988 the Department of Housing and Urban Development ("HUD") performed a review to determine whether the City of Tucson was in compliance with Section 8 Program guidelines. During this review the following deficiencies were noted: A) The Tucson Housing Department could not provide documentation which would indicate the reinspection by a supervisor of a random sample of five percent of the approved units inspected under the Housing Quality Standards (HQS). Thirty-two units were inspected, of which 14 (43 percent) of the random sample failed. This would indicate the need for an improvement in quality control measures by the Housing Department. (Handbook 7420.7, 5-12) B) The Certificate and Voucher Holder's Packets failed to include information on the Housing Department's procedures for conducting informal hearings and a description of circumstances when the Housing Department must provide an opportunity for a hearing. (CFR 882.209) C) Thirty-two of the thirty-three tenant files reviewed contained an incomplete Tenant Data Summary (HUD 50058) form. The summary had blocks 1 (PHA name) and 37 (authorizing PHA official) blank. This form is intended primarily for recording tenant data which is to be the primary data system. Once the system development process is complete, PHAs will be required to submit the form.	None

(continued)

CITY OF TUCSON, ARIZONA *(continued)*

Program		Questioned Costs
	D) Thirty-one of the thirty-three tenant files reviewed did not contain a lead-based paint notice signed and dated by the tenant.	
	E) Twenty-four of the thirty-three tenant files did not contain a signed and dated privacy act statement.	
	The City implemented procedures to correct the above findings. In a letter to HUD dated July 29, 1988, the Director of Community Services Department detailed all policies implemented by the City to correct the findings. HUD responded in a letter dated September 9, 1988 stating that all findings were closed.	
	We recommend the City establish appropriate procedures to ensure such deficiencies will not recur.	
	Management's Response: All findings and deficiencies noted in the April 1988 DHUD Program Review have been corrected and closed out. A letter from DHUD dated September 9, 1988 confirms completion.	
	Procedural changes initiated since the Program Review should prevent recurrence.	

CITY OF TUCSON, ARIZONA

DISPOSITION OF PRIOR YEAR FINDINGS

1. *Update Contract to Include a Clause Prohibiting Use of Lead-Based Paint*

   Finding:

   Contracts for construction under the Public Housing Comprehensive Improvement Assistance Program did not contain a clause prohibiting the use of lead-based paint as required by HUD under this program.

   Disposition:

   Based upon our procedures for the current period, it appears that the City has taken steps to include the appropriate clauses in all HUD construction contracts.

2. *File Quarterly Reports on a Timely Basis*

   Finding:

   The 1987 second quarter Schedule/Report of Modernization Expenditures required under the Public Housing comprehensive Improvement Assistance program was submitted to HUD fifteen days late.

   Disposition:

   Based upon our procedures, it appears that the City has filed all federal assistance reports on a timely basis.

3. *Drawdown Funds for Cash Needed in the Immediate Future*

   Finding:

   In October 1986, the City requested a drawdown of funds from the Community Development Block Grant program that exceeded their immediate future needs. Under OMB Circular A-128 general compliance procedures, cash drawdowns of funds may not exceed projected cash needs for the next 30 days. The drawdown received in October 1986 was the City's projected cash needs for the remainder of the fiscal year under this program.

   Disposition:

   Based upon our procedures for the current period, it appears that the City is drawing down funds only for cost needed in the immediate future.

4. *Agree Federal Financial Reports to the City's Financial Records*

   Finding:

   The 1987 second quarter Schedule/Report of Modernization Expenditures required under the Public Housing Comprehensive Improvement Assistance Program grant could not be agreed to the City's general ledger because the housing department had not adequately documented the source for amounts used in the report. OMB Circular A-128 specific compliance procedures under this program require that all reports submitted be agreed to supporting documentation. The preparers of the report (the City) were unable to provide the required report support. If the report is incorrect, the cash advances made to the City based on the report would be incorrect also.

   Disposition:

   Based upon our procedures for the current period, the City has substantially improved its procedures for preparing federal financial reports. However, one instance of noncompliance was discovered. See Finding #2 on page 8 for further discussion.

5. *Continue Correcting Findings From U.S. Department of Housing and Urban Development Audit*

   Finding:

   Under the Housing Assistance Payments Program for Low Income Families, the City is responsible for determining eligibility of housing applicants and conducting a nondiscrimination monitoring review. An audit performed by the U.S. Department of Housing & Urban Development during the fiscal year ended June 30, 1987, documented the following findings:

1. The City Housing Department charged all zero or negative rent tenants a nominal rent of $1.00 per month. Tenants may not be charged rent in excess of 30% of adjusted or 10% of gross income for rent.
2. The applicant/tenant certification required a Notice PIH 85-18, to be used in conjunction with HUD 50058, did not include information that applicant/tenant had discrimination data with FHEO National Toll-Free Hotline telephone number.
3. Tenant files did not include documentation to indicate income limits had been addressed at move-in.

Disposition:

Based upon our procedures for the current period, it appears that the City has responded to all findings of a Section 8 Program Review conducted during fiscal year 1987-1988. A letter from HUD indicates that all findings for that year are closed.

6. *File Federal EEO-4 Report on a Timely Basis*

Finding:

The City did not file the Federal EEO-4 report by November 1987 as required by the Equal Employment Opportunity Commission under the general compliance procedures proscribed by OMB Circular A-128.

Disposition:

Based upon our procedures for the current period, it appears that the City had not filed the current Federal EEO-4 report by November 1988 because they had not received the appropriate federal forms. See current year Finding #1 on page 8 for further discussion.

September 9, 1988

To the City Council of the
City of Orange, California

Report on Compliance with Laws and Regulations Related to Federal Financial Assistance Programs

We have examined the general purpose financial statements of the City of Orange, California, for the year ended June 30, 1988, and have issued our report thereon dated September 9, 1988. Our examination was made in accordance with generally accepted auditing standards and in accordance with 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 Orange, California, is responsible for the City's compliance with laws and regulations. In connection with the examination referred to above for the year ended June 30, 1988, we selected and tested transactions and records from its one federal financial assistance program. The purpose of our testing of transactions and records from the one federal financial assistance program was to obtain reasonable assurance that the City of Orange, California, had, in all material respects, administered their 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.

Our testing of transactions and records selected from the federal financial assistance program disclosed instances of noncompliance with those laws and regulations. These instances of noncompliance and the program to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effects of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph for the year ended June 30, 1988, the City of Orange, California, administered its 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]

CITY OF ORANGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—JUNE 30, 1988

Community Development Block Grant

1) *Finding:*

The City's request for reimbursement, prepared by the Community Development Department, for May 1988 expenditures was $1,720 less than expenditures recorded in the general ledger. This was the result of an addition error on the fund summary supporting the reimbursement request, with the error not being detected during processing.

Recommendation:

We recommend the review process include recalculations as necessary to assure that proper amounts are reported on documents supporting requests for reimbursement.

Response:

The City has recently implemented revised federal funds monitoring procedures, a copy of which has been provided to HUD. These procedures are intended to detect and correct errors of this nature.

2) *Finding:*

The Community Development Department retains CDBG project records such as environmental review documents for three years regardless of the duration of the project. Therefore, environmental review document files for active projects, such as Triangle Terrace, which have been active more than three years are no longer available.

Recommendation:

We recommend all documents be retained for a minimum of three years following completion of projects to comply with federal regulations pertaining to records retention.

Response:

The records retention requirement was misunderstood by the person responsible for administering the project. The City will develop a process for approval of destruction of records as a supplement to the recently implemented federal funds monitoring procedures referred to in the Report on Internal Controls (Accounting and Administrative) used in administering federal financial assistance programs.

Status of Prior Finding

The prior findings reported in the Single Audit Report for the year ended June 30, 1987 have been resolved/corrected in the current year.

November 1, 1988

Oconee County Council
County of Oconee
Walhalla, South Carolina

We have audited the general purpose financial statements of Oconee County, South Carolina, for the year ended June 30, 1988, and have issued our report thereon dated November 1, 1988. Our audit 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 Oconee County, is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from nonmajor federal financial assistance programs to determine the 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 Oconee County, South Carolina, complied with the laws and regulations referred to above. Our testing was more limited than would be necessary to express an opinion on whether Oconee County, South Carolina, 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 Oconee County, South Carolina, had violated the laws and regulations referred to above.

[Signature]

Certified Public Accountant

[Signature]

Certified Public Accounting

Board of Directors
Missoula Urban Transportation District

We have audited the financial statements of Missoula Urban Transportation District for the year ended June 30, 1988, and have issued our report thereon dated August 22, 1988. Our audit 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 Missoula Urban Transportation District is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from 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 Missoula Urban Transportation 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 Missoula Urban Transportation 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 Missoula Urban Transportation District had violated laws and regulations, noncompliance with which could have a material effect on the allowability of program expenditures.

[Signature]

August 22, 1988

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Board of Selectmen
Town of Stoughton, Massachusetts:

We have audited the general purpose financial statements of the Town of Stoughton, Massachusetts, for the year ended June 30, 1988, and have issued our report thereon dated November 11, 1988. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit 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*. 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 and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the Town of Stoughton, Massachusetts, is responsible for the Town's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from nonmajor federal financial assistance programs to determine the Town's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our tests indicate that for the transactions and records tested the Town of Stoughton, Massachusetts, 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 Town of Stoughton, Massachusetts, administered those programs in compliance in all material respects with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions that were not tested by us, nothing came to our attention to indicate that the Town of Stoughton, Massachusetts, had violated laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

[Signature]

November 11, 1988

TOWN OF STOUGHTON, MASSACHUSETTS—EXHIBIT VI

FINDINGS AND QUESTIONED COSTS—YEAR ENDED JUNE 30, 1988

Finding Number: 1

Federal Agency: Department of Treasury

CFDA Number: 21.300

Program: Federal Revenue Sharing

Finding: Public notice of the enacted budget was not printed and available for public inspection. Public notice of the enacted budget must be printed and available for public inspection within 30 days of its enactment, as required by 31 CFR 51.13(d).

Recommendation: Public notice of the budget should be printed and available for public inspection 30 days after its enactment.

Grantee Response: The Federal revenue sharing program has terminated and, as such, this requirement will no longer be necessary.

Finding Number: 2

Federal Agency: Department of Education

CFDA Number: 84.024

Program: Early Childhood Allocation

Finding: It was noted that of thirty items tested one employee's weekly payroll check was overpaid by $66.00 resulting in a questioned cost.

Recommendation: The payroll department should recalculate individual employee's payroll amounts and document this review by initialling the payroll register and/or timecards.

Grantee Response: In the future, timecards will be mathematically verified and initialled.

Finding Number: 3

Federal Agency: Department of Education

CFDA Number: 84.024 and 84.151

Program: Early Childhood Allocation, ECIA Chapter II

Finding: Final expenditure reports are to be filed annually within 30 days after the grant agreement expires. These reports have not been filed, due to changes in personnel in the school department.

Recommendation: We recommend that one individual within the school department be assigned responsibility for compliance with federal regulations.

Grantee Response: Reports will be filed in a timely manner.

Finding Number: 4

Federal Agency: Department of Education

CFDA Number: 84.024, 84.151 and 84.010

Program: Early Childhood Allocation, ECIA Chapter II, Chapter I

Finding: Quarterly requests for reports are not being filed on a timely basis. This causes an unnecessary delay in receipt of funds to the Town.

Recommendation: We recommend that one individual within the school department be assigned responsibility for timely filing of requests for funds.

Grantee Response: Reports will be filed in a timely basis.

SUMMARY SCHEDULE OF QUESTIONED COSTS—YEAR ENDED JUNE 30, 1988

Grantor	Program	Finding Number	CFDA Number	Questioned Cost
U.S. Department of Education...	Early Childhood Allocation	2	84.024	$66.00

STATUS OF PRIOR YEAR FINDINGS—EXHIBIT VII

The findings noted in the June 30, 1987 and 1986 single audit reports have been submitted to the applicable federal and state agencies. As of November 11, 1988, the Town has not received clearance letters from any of the respective agencies.

Independent Auditors' Compliance Report

Board of Finance
Town of Darien
Darien, Connecticut

We have audited the general purpose financial statements of the Town of Darien for the year ended June 30, 1988, and have issued our report thereon dated October 7, 1988. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions,* issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, *Audits of State and Local Governments* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Town of Darien is responsible for the Town's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from nonmajor federal financial assistance programs to determine the Town's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our tests indicate that for the transactions and records tested, the Town of Darien 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 Town of Darien administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Town of Darien, 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 7, 1988

TOWN OF DARIEN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS—FOR THE YEAR ENDED JUNE 30, 1988

Program	Findings	Questioned Costs
Drug Free Schools (035-929-07-1011)	Disbursements reported on Form ED-142 were understated by $20; the correct public disbursements on line 330 and total disbursements should be $6,172	-0-

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 008001	City of Anniston
	01 2 030004	City of Russellville
	01 2 061004	Lincoln City
	01 4 007601	Housing Authority of the City of Georgiana
	01 4 051901	Montgomery Airport Authority
Alaska	02 1 006002	Fairbanks North Star Borough
	02 1 013007	Matanuska—Susitna
	02 2 002001	Anchorage City—Borough
	02 2 005001	Aleknagik City
	02 2 013003	Wasilla City
Arizona	03 1 007007	Maricopa County
	03 1 010010	Pima 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 007010	City of Phoenix
	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 013002	City of Prescott
	03 4 014003	Wellton Mohawk Irrigation Drainage District
Arkansas	04 1 060060	Metroplan
	04 2 060004	City of Little Rock
	04 5 060001	Little Rock School District of Pulaski County
	04 5 066001	Fort Smith School District #100
	04 5 072007	Springdale School District 50
California	05 1 004004	County of Butte
	05 1 007007	County of Contra Costa
	05 1 030030	County of Orange
	05 1 034034	County of Sacramento
	05 1 036036	County of San Bernardino
	05 1 039038	County of San Joaquin
	05 1 041040	San Mateo County
	05 1 043042	Santa Clara County
	05 1 054053	County of Tulare
	05 2 019007	City of Beverly Hills
	05 2 019009	City of Claremont
	05 2 019016	City of Gardena
	05 2 019018	Glendora City
	05 2 019026	City of Long Beach
	05 2 019029	City of Manhattan Beach
	05 2 019041	City of Santa Monica
	05 2 019045	South Pasadena City
	05 2 019046	City of Torrance
	05 2 019048	West Covina City
	05 2 019507	City of Paramount
	05 2 019514	City of Commerce
	05 2 019523	City of Rosemead

State	Census Bureau Number	Entity Name
	05 2 024006	City of Merced
	05 2 030004	Costa Mesa City
	05 2 030009	City of Huntington Beach
	05 2 030013	City of Orange
	05 2 030016	City of Santa Ana
	05 2 030504	Westminster City
	05 2 037002	City of Chula Vista
	05 2 037010	City of San Diego
	05 2 038001	City and County of San Francisco
	05 2 040003	City of Pismo Beach
	05 2 041012	City of San Mateo
	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 038002	Golden Gate Bridge Highway Transportation District
	05 4 042702	Santa Maria Public Airport District
	05 4 056901	South Coast Area Transit
	05 5 019024	Covina Valley Unified School District
	05 5 030801	Saddleback Community College District
Colorado	06 1 003003	Arapahoe County
	06 1 007007	Boulder County
	06 1 022021	Fremont County
	06 1 043042	Montrose County
	06 1 049048	Pitkin County
	06 1 062061	Weld County
	06 2 001004	City of Commerce City
	06 2 001006	City of Thornton
	06 2 002001	Alamosa City
	06 2 003501	City of Aurora
	06 2 007001	City of Boulder
	06 2 016001	City and County of Denver
	06 2 021002	City of Colorado Springs
	06 2 021003	City of Fountain
	06 2 023002	City of Glenwood Springs
	06 2 035003	City of Fort Collins
	06 2 051001	City of Pueblo
	06 4 016803	Regional Transportation District
	06 5 001701	School District No. 12, Adams County
	06 5 007503	Boulder Valley School District RE2
	06 5 016001	Denver School District 1
Connecticut	07 2 002002	City of Hartford
	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 001019	Wilton Town
	07 3 002002	Berlin Town
	07 3 002010	Farmington Town
	07 4 002901	Greater Hartford Transit District
Delaware	08 1 002002	New Castle County
Florida	10 1 012012	Columbia County
	10 1 013013	Metropolitan Dade County
	10 1 027027	Hernando County
	10 1 029029	Hillsborough County
	10 1 044044	Monroe County
	10 1 045045	Nassau County
	10 1 050050	Palm Beach County
	10 1 052052	Pinellas County

State	Census Bureau Number	Entity Name
	10 2 013013	City of Miami
	10 2 013014	City of Miami Beach
	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 048009	City of Orlando
	10 2 058001	City of Sarasota
	10 2 064001	City of Daytona Beach
	10 4 064901	Deland Housing Authority
Georgia	11 1 022022	Carroll County
	11 1 025025	Chatham County
	11 1 033033	Cobb County
	11 1 060060	Fulton County
	11 1 067067	Gwinnett County
	11 1 121121	Richmond County
	11 2 025003	City of Savannah
	11 2 070001	City of Sparta
	11 2 092004	City of Valdosta
	11 2 106002	Consolidated Government of Columbus
	11 5 106001	Muscogee County School District
Hawaii	12 1 003003	County of Kauai
	12 2 002001	City and County of Honolulu
Idaho	13 1 004004	Bear Lake County
	13 2 010002	City of Idaho Falls
	13 2 035003	City of Lewiston
	13 5 024002	Gooding Joint School District No. 231
	13 5 038002	Joint School District No. 371—Payette
Illinois	14 1 007007	Calhoun County
	14 1 069069	Morgan County
	14 1 098098	Whiteside County
	14 2 015002	City of Charleston
	14 2 016027	City of Evanston
	14 3 016015	Niles Township
	14 3 092005	Danville Township
	14 4 091001	Housing Authority of the County of Union
Indiana	15 2 071003	City of Mishawaka
Iowa	16 1 035035	Franklin County
	16 2 084011	City of Orange City
	16 4 031601	Eastern Iowa Regional Housing Authority
	16 5 016018	Tipton Community School District
	16 5 077009	Des Moines Independent Community School District
Kansas	17 1 023023	Douglas County
	17 2 008005	City of El Dorado
	17 2 056005	City of Emporia
	17 4 083701	Wet Walnut Creek Watershed Joint District No. 58
Kentucky	18 1 056056	Jefferson County Fiscal Court
	18 2 021001	Carrollton City
	18 2 034001	Lexington—Fayette Urban County Government
	18 2 042002	City of Mayfield
	18 2 054004	City of Madisonville
	18 4 019901	Transit Authority of Northern Kentucky
	18 5 074001	McCreary County School District
Louisiana	19 1 009009	Caddo Parish Commission
	19 1 026025	Jefferson Parish

State	Census Bureau Number	Entity Name
	19 1 052050	St. Tammany Parish
	19 2 009003	City of Shreveport
	19 2 017002	Baton Rouge City and East Baton Rouge Parish
	19 2 027003	Jennings City
	19 2 029003	City of Thibodaux
	19 2 032002	City of Denham Springs
	19 2 036001	City of New Orleans
	19 2 040001	City of Alexandria
	19 2 051004	City of Morgan City
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 003003	Town of Brunswick
	20 3 003007	Falmouth Town
	20 4 002007	Presque Isle Housing Authority
Maryland	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 2 007008	City of Westminster
	21 2 011004	City of Frederick
	21 4 016801	Housing Opportunities Commission
Massachusetts	22 2 005008	City of Salem
	22 2 011001	City of Quincy
	22 2 013001	City of Boston
	22 2 014004	City of Worcester
	22 3 011003	Town of Braintree
	22 3 011022	Stoughton Town
	22 4 005601	Merrimack Valley Regional Transit Authority
	22 5 008501	Amherst-Pelham Regional School District
Michigan	23 1 005005	Antrim County
	23 1 025025	Genesee County
	23 1 073073	Saginaw County
	23 2 017002	Sault St. Marie City
	23 2 025003	City of Fenton
	23 2 025901	Burton City
	23 2 033002	City of East Lansing
	23 2 050003	East Detroit City
	23 2 050801	City of Sterling Heights
	23 3 013010	Charter Township of Emmett
	23 3 023006	Charter Township of Delta
	23 3 025007	Charter Township of Flint
	23 3 050004	Township of Clinton
	23 5 033021	Lansing School District
	23 5 073020	Buena Vista School District
	23 5 073061	School District of the City of Saginaw
Minnesota	24 1 010010	County of Carver
	24 1 027027	Hennepin County
	24 1 062062	Ramsey County
	24 1 069069	St. Louis County
	24 2 002003	City of Blaine
	24 2 003003	Detroit Lakes City
	24 2 018002	City of Brainerd
	24 2 027001	City of Bloomington
	24 2 027020	City of Minneapolis
	24 2 055004	City of Rochester
	24 4 002902	Columbia Heights Housing and Redevelopment Authority
	24 4 019801	Housing and Redevelopment Authority of South St. Paul

State	Census Bureau Number	Entity Name
	24 5 014011	Moorhead School District No. 152
	24 5 017010	Mountain Lake Independent School District 173
	24 5 018003	Independent School District No. 181 Brainerd
	24 5 027039	Robbinsdale School District 281
	24 5 062001	Independent School District St. Paul Minnesota
Mississippi	25 1 043043	Lincoln County
	25 2 025002	Durant Town
	25 2 025004	City of Jackson
	25 2 038001	City of Meridan
	25 5 059601	Booneville Municipal Separate School District
Missouri	26 1 010010	Boone County
	26 1 039039	Greene County
	26 2 039003	City of Springfield
	26 2 050006	City of Pevely
	26 2 096001	City of St. Louis
	26 2 109006	City of Nevada
	26 4 048901	Kansas City Area Transit Authority
	26 5 048017	Consolidated School District No. 2 of Jackson County
	26 5 095018	Parkway School District
Montana	27 1 032032	Missoula County
	27 2 007003	City of Great Falls
	27 2 016002	City of Bozeman
	27 2 025002	City of Helena
	27 2 056001	City of Billings
	27 4 032607	Missoula Urban Transportation District
Nebraska	28 2 040004	City of Grand Island
	28 2 055007	City of Lincoln
Nevada	29 1 002002	Clark County
	29 1 004004	Elko County
	29 1 016016	Washoe County
	29 2 002001	City of Henderson
	29 2 002002	City of Las Vegas
	29 2 002003	City of North Las Vegas
	29 2 013001	Carson City
	29 2 016001	City of Reno
	29 4 002903	Las Vegas—Clark County Library District
	29 5 003001	Douglas County School District
	29 5 008001	Lander County School District
	29 5 013001	Carson City School District
	29 5 016001	Washoe County School District
New Hampshire	30 1 009009	Strafford County
	30 2 005501	City of Lebanon
	30 2 006001	City of Manchester
	30 2 007001	City of Concord
	30 2 007002	City of Franklin
	30 2 008001	City of Portsmouth
	30 2 009001	City of Dover
	30 3 005017	Town of Hanover
	30 4 004602	Lancaster Housing Authority
	30 4 008902	New Market Housing Authority
New Jersey	31 1 020020	City of Union
	31 5 001004	Township of Galloway School District
	31 5 007401	Newark School District
	31 5 011901	Trenton School District County of Mercer
New Mexico	32 1 015015	Incorporated County of Los Alamos
	32 2 001001	City of Albuquerque

State	Census Bureau Number	Entity Name
	32 2 005004	City of Texico
	32 2 007002	City of Las Cruces
	32 2 008002	City of Carlsbad
	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 008002	Carlsbad School District
	32 5 025001	Las Vegas City School District No. 2
New York	33 1 015014	County of Erie
	33 1 028026	County of Monroe
	33 1 030028	County of Nassau
	33 1 034031	County of Onondaga
	33 1 052047	Suffolk County
	33 2 001001	City of Albany
	33 2 015005	Buffalo City
	33 2 015017	Town of Tonawanda
	33 2 031001	City of New York
	33 2 035004	City of Geneva
	33 2 057001	City of Glens Falls
	33 3 014014	Town of Poughkeepsie
	33 3 015017	Town of Lancaster
	33 3 036017	Town of Wallkill
	33 5 015023	Kenmore—Town of Tonawanda Union Free School District
	33 5 015036	West Seneca Central School District
	33 5 019002	City School District of Batavia
	33 5 030061	Westbury Union Free School District
	33 5 054020	Tioga Central School District
North Carolina	34 1 014014	Caldwell County
	34 1 018018	Catawba County
	34 1 019019	Chatham County
	34 1 023023	Cleveland County
	34 1 026026	Cumberland County
	34 1 032032	Durham County
	34 1 040040	Greene County
	34 1 041041	Guilford County
	34 1 065065	New Hanover County
	34 1 092092	County of Wake
	34 2 025003	City of New Bern
	34 2 026001	City of Fayetteville
	34 2 039002	City of Oxford
	34 2 041002	City of Greensboro
	34 2 041004	City of High Point
	34 2 065003	Wilmington City
	34 2 067002	City of Jacksonville
	34 2 068002	Town of Chapel Hill
	34 2 070001	Elizabeth City
	34 2 095002	Town of Boone
	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 009009	Cass County
	35 1 045045	Stark County

State	Census Bureau Number	Entity Name
	35 1 051051	Ward County
	35 4 047801	Jamestown Airport Authority
	35 5 008005	Bismark Public School District No. 1
	35 5 018035	Grand Forks Public School District No. 1
Ohio	36 1 018018	County of Cuyahoga
	36 1 048048	Lucas County
	36 2 018003	City of Bedford
	36 2 018014	City of Cleveland
	36 2 025003	City of Columbus
	36 2 085015	City of Wooster
	36 4 048802	Toledo Area Regional Transit Authority
	36 4 050801	Western Reserve Transit Authority
	36 4 077801	Metro Regional Transit Authority
Oklahoma	37 2 055015	City of Oklahoma City
	37 2 060006	City of Stillwater
	37 2 072010	Tulsa City
Oregon	38 1 020020	Lane County
	38 1 026026	Multnomah County
	38 1 027027	Polk County
	38 2 015007	City of Medford
	38 2 020009	City of Springfield
	38 2 026003	City of Portland
	38 2 027001	City of Dallas
	38 4 020901	Lane Transit District
	38 4 021008	Housing Authority of Lincoln County
	38 4 027804	Polk County Housing Authority
	38 5 001001	School District No. 5-J, Baker County
	38 5 003040	Oregon City School District 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
	38 5 031009	Union County School District No. 1
Pennsylvania	39 1 002002	County of Allegheny
	39 1 009009	County of Bucks
	39 1 022022	County of Dauphin
	39 1 036036	County of Lancaster
	39 1 038038	County of Lebanon
	39 1 043043	County of Mercer
	39 1 046046	County of Montgomery
	39 1 067066	County of York
	39 2 002056	City of Pittsburgh
	39 2 006016	City of Reading
	39 2 022006	City of Harrisburg
	39 2 028001	Borough of Chambersburg
	39 2 045002	Borough of East Stroudsburg
	39 2 051001	City of Philadelphia
	39 2 067035	City of York
	39 3 002029	Penn Hills Township
	39 3 046001	Abington Township
	39 4 002701	Port Authority of Allegheny County
Rhode Island	40 2 003001	City of Newport
	40 2 004002	City of Cranston
	40 2 004005	City of Woonsocket
	40 3 004011	Smithfield Town

State	Census Bureau Number	Entity Name
South Carolina	41 1 032032	County of Lexington
	41 1 037037	Oconee County
	41 2 002005	City of North Augusta
	41 2 004001	City of Anderson
	41 2 010901	City of North Charleston
	41 2 024001	City of Greenwood
	41 2 026005	Myrtle Beach City
	41 2 036003	City of Newberry
	41 4 010604	Charleston County Substance Abuse Commission
	41 4 023601	Greenville Transit Authority
	41 4 040701	Richland-Lexington Airport District
	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
	41 5 037001	School District of Oconee County
South Dakota	42 1 045044	McPherson County
	42 1 050049	Minnehaha County
	42 1 052051	Pennington County
	42 2 015005	City of Watertown
	42 5 020011	Clear Lake School District No. 19-2
Tennessee	43 1 033033	Hamilton County
	43 2 010001	City of Elizabethton
	43 2 054001	City of Athens
	43 2 056002	City of Red Boiling Springs
	43 2 079005	City of Memphis
Texas	44 1 014014	Bell County
	44 1 043043	Collin County
	44 1 062062	DeWitt County
	44 1 101101	Harris County
	44 1 236236	Walker County
	44 2 015010	City of San Antonio
	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 178003	City of Corpus Christi
	44 2 220011	City of Fort Worth
	44 2 227001	City of Austin
	44 2 235001	Victoria City
	44 5 014007	Killeen Independent School District
	44 5 015011	Randolph Field Independent School District
	44 5 028002	Luling Independent School District
	44 5 031003	Harlingen Consolidated Independent School District
	44 5 049005	Gainesville Independent School District 901
	44 5 101015	Katy Independent School District
Utah	45 1 021021	Sevier County
	45 1 023023	Tooele County
	45 2 002003	Brigham City Corporation
	45 2 006001	Bountiful City
	45 2 006009	Layton City Corporation
	45 2 012004	Nephi City
	45 2 018603	City of West Valley City
	45 2 025008	City of Orem

State	Census Bureau Number	Entity Name
	45 2 029003	City of Ogden
	45 5 004001	Carbon County School District
	45 5 005001	Daggett County School District
	45 5 018001	Granite School District
	45 5 018004	Salt Lake City School District
Vermont	46 4 002601	Bennington Housing Authority
Virginia	47 1 002002	County of Albemarle
	47 1 007007	Arlington County
	47 1 024024	County of Culpeper
	47 1 044044	Henrico County
	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 017017	King County
	48 2 003003	City of Kennewick
	48 2 017021	City of Seattle
	48 2 034701	City of Lacey
	48 2 036004	City of Walla Walla
	48 4 003022	Benton County Public Utility District No. 1
	48 4 005014	Public Utility District No. 1 of Clallam County
	48 4 011008	Public Utility District No. 1 of Franklin County
	48 4 020010	Public Utility District No. 1 of Klickitat County
	48 5 029002	Burlington-Edison School District No. 100
West Virginia	49 4 020901	Kanawha Valley Regional Transportation Authority
Wisconsin	50 1 013013	County of Dane
	50 1 014014	County of Dodge
	50 1 036036	Manitowoc County
	50 1 037037	Marathon County
	50 1 039039	Marquette County
	50 1 041041	County of Milwaukee
	50 1 052052	County of Racine
	50 1 054054	Rock County
	50 1 068068	Waukesha County
	50 2 005003	City of Green Bay
	50 2 037014	City of Wausau
	50 2 041009	City of Milwaukee
	50 2 060010	City of Sheboygan
	50 4 013901	Dane County Housing Authority
	50 5 005602	Green Bay School District
	50 5 006010	Gilmanton School District
	50 5 020701	Moraine Park Vocational, Technical Adult Education District
Wyoming	51 1 007007	Fremont County
	51 1 013013	Natrona County
	51 2 001001	City of Laramie
	51 2 011003	City of Cheyenne
	51 2 013001	City of Casper
	51 2 019002	City of Green River
	51 5 005005	Converse County School District No. 2
	51 5 019002	Sweetwater County School District 2

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)
Notes to general purpose financial statements	(FTNT)
Schedule of federal financial assistance	(FDLASST)
Schedule of compliance findings	(FNDG)
Fund types presented	(FND/TYP)
Combined statement of revenues, expenditures and changes in fund balance	(RECFB)
Auditor reports	(REPRT)
Auditor's report on compliance	(RPT/CMPL)
Auditor's report on internal controls	(RPT/IC)

Using segments

A typical segment search follows this format:

name of segment search

nm/unt (detroit)

Using the nm/unt (name-of-governmental unit) segment tells the LEXIS® service to look for reports that are about *detroit*. It would not find reports that simply mentioned *detroit*.

Choosing connectors for segment searches

Use OR to connect words or descriptors in any part of a document.

Use AND to connect words or descriptors in all group segments, except for the FTNT or FNDG group segments.

Use W/SEG or W/n to connect words or descriptors in all other segments, including the FTNT and FNDG segments.

Group segments

A group segment combines related segments for convenience in searching or viewing documents. Note that the OR and AND connectors can connect words or descriptors in separate segments in a group segment, but that the W/n and

W/SEG cannot. Which connectors you select depends on your search objective, e.g.,

To find: A governmental annual report with a balance sheet segment (b/s) that had the *gnocapbs* descriptor and the word *payroll*.

TRANSMIT: *b/s (gnocapbs* AND *payroll)*

Remarks: Use the AND connector. The *gnocapbs* descriptor is in the TITLE-BS segment of the B/S group segment, and the word *payroll* is in another segment within the B/S group segment. The AND connector must be used to cross the individual segment boundaries within a group segment.

To find: A note with both the *gcommt* and *gdeprec* descriptors.

TRANSMIT: *gcommt* W/SEG *gdeprec*

Remarks: Although FTNT (notes to the financial statements) is a group segment, each individual note in an annual report is a separately searchable segment. You want to find annual reports with *both* descriptors in the *same* note. The W/SEG connector requires this, whereas the AND connector would find annual reports with the *gcommt* and *gdeprec* descriptors in different notes. You do not need to use parentheses, as these descriptors are only found in the FTNT segment.

Arithmetically searchable segments

Segments indicated with an * are arithmetically searchable. This allows you to specify that an arithmetic value in the segment concerned be equal to, greater than, or less than, some other value.

To find: Governmental unit annual reports with a total dollar number of federal financial assistance in excess of $10,000,000.

TRANSMIT: *tl/asst 10,000,000*

Remarks: The last three zeroes are *not* omitted from numerical values in the GR file. The files containing corporate annual reports (such as AR) *do* omit the last three zeroes from numerical values.

*Indicates arithmetically searchable segments

Segment organization

Name-of-governmental unit	NM/UNT	
Name-of-state	NM/ST	
Census Bureau number	BUR/NO	
Type of governmental unit	TYP/UNT	
Auditor(s)	AUD	
Scope of audit	SCOP/AUD	
Fiscal year ended—Date of balance sheet	DB/S	
Date of auditor(s) report of General Purpose Financial Statements	D/REPRT	
Elapsed time between fiscal year-end and date of auditor's report (nearest whole month)	ELPSD	
Fund types presented	FND/TYP	
Type of Financial Statements	TYP/FS	
Top City Ranking	CTYRNK	
Top County Ranking	CNTYRNK	
Population	TL/POP	
Total Assets	TL/ASET	
Total Liabilities	TL/LIA	
Total Fund Balance	TL/FBAL	
Total Revenue GOVERNMENTAL FUND TYPES	TL/REV	
Excess Revenues Over Expenditures (Excess Expenditures Over Revenues) GOVERNMENTAL FUND TYPES	N/REV	
Total Revenue PROPRIETARY FUND TYPES	PTL/REV	
Total Net Income PROPRIETARY FUND TYPES	PTL/NI	
Total dollar value of compliance findings	TL/FNDG	
Total number of compliance findings	NBR/FDG	
Total dollar value of federal financial assistance	TL/ASST	
Comments	COM	
Auditor's Reports	REPRT	
Schedule of federal financial assistance	FDLASST	
Auditor's report on compliance	RPT/CMPL	
Auditor's report on internal control	RPT/IC	
Combined Balance Sheet	B/S	(group segment)
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	RECFB	(group segment)
Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget vs. Actual	B/A	(group segment)
Combined Statement of Revenues and Expenses and Changes in Retained Earnings	RECR/E	(group segment)
Combined Statement of Changes in Financial Position	SCF/P	(group segment)
Notes to General Purpose Financial Statements	FTNT	(group segment)
Schedule of compliance findings	FNDG	(group segment)

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—(Notes)	TITLE-FTNT
FTNT	Notes (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	
NOTE DISCLOSURE ONLY	GNOCAPBS
Caption between liabilities and equity section	GBETLEQU
Reservation of fund balance or retained earnings	GRESRVD
Caption between equity total and (total liability and equity)	GBETTOT
Other (i.e., caption following total liabilities and equity caption, part of total liabilities)	GFOLTTLS

Combined statement of revenues, expenditures and changes in fund balances—all governmental fund types and expendable trusts (RECFB)

	Descriptor
Expenditures grouped by	
Program or function	GPROFUNC
Character (current, capital, debt)	GXPNDCHAR
Organization or department	GXPNDDPT
Other financing sources (uses)	
Separately identified	GOTHSRCUSE

Auditor's report on general purpose financial statements (REPRT)

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

Notes to the financial statement 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 nonvested accumulated plan benefits	GPVVSTD, GPVNVSTD
Actuarial present value of credited projected benefits	GPVCRPB
Not disclosed	GNANTDIS
Discount rate method	
Expected rate of return on present and future assets	GEXPROR
Current settlement rate	GCSTLMNT
Others	GOTHRATE
Not disclosed	GRTNTDIS

Origins of liabilities for claims and contingent liabilities

Possible disallowance or dispute related to federal contract or grant	GFDLCON
Discrimination/civil rights	GCVLRGHT
Action of governmental personnel (i.e., accident by government driver, malpractice by government doctor, or improper arrest)	GGVTEMPL
Claim for property damage	GPRPDMG
Disputes—tax levies or assessed valuations	GTXDSPU
Contract dispute	GCONDSPU
Lawsuits:	
Specified	GSPFIED
Unspecified	GUNSPFIED
Compensation claim	GCOMPENCL
Unemployment liability	GUNMPLIA
Other description	GOTHORGN

Note: These descriptors should be given with GLITGAT or GCOMMT

Reasons cited for excluding governmental functions and organizations from disclosures related to entities reported in the financial statements

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 note descriptors alphabetically arranged by concept

	Descriptor
Basis of accounting	GACCTBAS
Budget vs. GAAP reconciliation	GBDGREC
Budgetary accounting	GBUDGAC
Capital lease—lessor (sales type)	GSTLSEOR
Capital leases—lessee	GCAPLSE
Capitalization of interest	GINTCAP
Change in accounting estimate	GACCTEST
Change in accounting principle	GACCTPRN
Change in fiscal year	GFYCHG
Commitments and contingencies (can be given in addition to GLITGAT)	GCOMMT
Compensated absences	GCOMPEN, GABSCOMP
Compensation and special termination benefits	GCOMPEN
Debt disclosure (See Addendum)	GDEBTAC
Defeasance of debt	GDEFEZE
Deferred charges and credits (unidentified)	GDEFERC
Deficit fund balances or retained earnings of individual funds	GNEGBAL
Depreciation	GDEPREC
Depreciation not recorded	GNODEPREC
Designation reported as part of unreserved fund balance	GDESUFB
Discontinued operations	GDISCOP
Discrete entity separate summary of significant acctg policies	GDSCRET
Encumbrances	GNCUMBR
Excess of expenditures over appropriations in individual funds	GXCES
Extraordinary items	GXTRA
Fund accounting	GFNDACCT
Guaranteed debt	GCOMMT, GDEBTAC
Inconsistencies caused by transactions between component units having different fiscal year-ends	GFYDIF
Intangible assets	GINTANG
Interfund payables and receivables	GINTFND
Interfund transfers	GTRNSFR
Internal control	GINTCONT
Inventory	GINVENT
Investments, including repurchase agreements (excludes cash equivalents)	GNVSTMT
Joint ventures	GJNTVEN
Leveraged leases	GLEVRGL
Line-of-business/Major customer	GLOBU
Litigation	GLITGAT
Long-term debt (See Addendum)	GLGTRM
Long-term construction commitments	GCONTR
Operating lease—lessee	GOPLSE
Operating lease—lessor	GOPLSR
Pension or retirement plans	GPENS
Prior period adjustments	GPRIPER
Property or fixed asset policy	GPROP
Property taxes	GPTXREV
Receivables	GREC
Reclassifications	GRECLAS
Related party transactions (Other than governmental entity)	GINSIDR
Relationship of component unit to oversight unit in separately issued component unit financial report or statement	GSEPCUFR
Reporting entity	GENTYP
Revenue recognition	GREVREC
Safe Harbor Leases	GPROP, GCONTR, GREVREC, GSTLSEOR
Subsequent event	GSUBEV
Summary of significant acctg policies	GPRACT
Supplementary information	GSUPINF
Total columns	GTOTCLMN
Violations of legal provisions	GVIOPROV

Other note descriptors alphabetically arranged by descriptor

GABSCOMP	Compensated absences
GACCTBAS	Basis of accounting
GACCTEST	Change in accounting estimate
GACCTPRN	Change in accounting principle
GADVREF	Advance refunding of debt or early extinguishment
GBDGREC	Budget vs. GAAP reconciliation
GBUDGAC	Budgetary accounting
GCAPLSE	Capital leases—lessee
GCOMMT	Commitments and contingencies (can be given in addition to GLITGAT)
GCOMPEN	Compensation and special termination benefits
GCONTR	Long-term construction commitments
GDEBTAC	Debt disclosure (see addendum)
GDEFERC	Deferred charges and credits (unidentified)
GDEFEZE	Defeasance of debt
GDEPREC	Depreciation
GDESUFB	Designation reported as part of unreserved fund balance
GDISCOP	Discontinued operations
GDSCRET	Discrete entity separate summary of significant acctg policies
GENTYP	Reporting entity
GFNDACCT	Fund accounting
GFYCHG	Change in fiscal year
GFYDIF	Inconsistencies caused by transactions between component units having different fiscal year-ends
GINSIDR	Related party transactions (Other than governmental entity)
GINTANG	Intangible assets
GINTCAP	Capitalization of interest
GINTCONT	Internal control
GINTFND	Interfund payables and receivables
GINVENT	Inventory
GJNTVEN	Joint ventures
GLEVRGL	Leveraged leases
GLGTRM	Long-term debt (see addendum)
GLITGAT	Litigation
GLOBU	Line-of-business/major customer
GNCUMBR	Encumbrances

GNEGBAL	Deficit fund balances or retained earnings of individual funds
GNODEPREC	Depreciation not recorded
GNVSTMT	Investments, including repurchase agreements (excludes cash equivalents)
GOPLSE	Operating lease—lessee
GOPLSR	Operating lease—lessor
GPENS	Pension or retirement plans
GPRACT	Summary of significant acctg policies
GPRIPER	Prior period adjustments
GPROP	Property or fixed asset policy
GPTXREV	Property taxes
GREC	Receivables
GRECLAS	Reclassifications
GREVREC	Revenue recognition
GSEPCUFR	Relationship of component unit to oversight unit in separately issued component unit financial report or statement
GSTLSEOR	Capital lease—lessor (sales type)
GSUBEV	Subsequent event
GSUPINF	Supplementary information
GTOTCLMN	Total columns
GTRNSFR	Interfund transfers
GVIOPROV	Violations of legal provisions
GXCES	Excess of expenditures over appropriations in individual funds
GXTRA	Extraordinary items

Addendum
Application of long-term debt (GLGTRM)

In summary of Significant Accounting Policies (GPRACT) note:

Given for accountability of long-term debt. For example, long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group.

If the actual long-term debt is described, GDEBTAC is also given. For example, long-term debt payable as of June 30, 1986, consisted of $500,000 1980 Sewer System general obligation bonds maturing in 1996.

In other notes, 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 note and only once for all remaining notes (usually given in the first long-term debt note).

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	GPRACT W/SEG GBDGREC
changes in accounting principle and estimate	GPRACT W/SEG (GACCTEST or GACCTPRN)
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 G87 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 NOTES TO THE FINANCIAL STATEMENTS OF GOVERNMENTAL UNITS

Topic	Search Strategy
Fixed assets	GPROP NOT W/SEG GPRACT
Employee benefits/plan/retirement/pension	GPENS OR (GCOMPEN 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 '87	DB/S(= 7/31/87)
August '87	DB/S(= 8/31/87)
September '87	DB/S(= 9/30/87)
October '87	DB/S(= 10/31/87)
November '87	DB/S(= 11/31/87)
December '87	DB/S(= 12/31/87)
January '88	DB/S(= 1/31/88)
February '88	DB/S(= 2/28/88)
March '88	DB/S(= 3/31/88)
April '88	DB/S(= 4/30/88)
May '88	DB/S(= 5/31/88)
June '88	DB/S(= 6/30/88)

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
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)
Trusts	BA/RVNUE (TRUST)

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:	
Current year only	SCF/P (MEMO! NOT W/SEG ((1986 W/SEG 1987) OR (1987 W/SEG 1988)))
Current and past years	SCF/P ((1986 W/SEG 1987) OR (1987 W/SEG 1988) 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)
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

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