

UNIFORM FINANCIAL REPORTING MANUAL TABLE OF CONTENTS

Chapter 1 – Introduction

- 1-1 [Introduction](#)
- 1-2 [Revisions to the UFRM](#)

Chapter 2 – Accounting and Reporting Requirements

- 2-1 [Introduction](#)
- 2-2 [Budgets](#)
- 2-3 [Reporting Entity](#)
- 2-4 [Financial Reporting and Audit Requirements](#)

Chapter 3 – Uniform System of Accounts

- 3-1 [Introduction](#)
- 3-2 [System of Accounts - Funds](#)
- 3-3 [System of Accounts for Revenue](#)
- 3-4 [System of Accounts for Expenditures](#)
- 3-5 [Expenditure Object Classes](#)

Chapter 4 – Comparative Report Transmittal Forms

- 4-1 [Introduction](#)
- 4-2 [General Instructions](#)
- 4-3 [Form 100 - General Government Functional Expenditures and Sources of Revenue](#)
- 4-4 [Form 110 - Joint Activity/Element Form](#)
- 4-5 [Form 120 - Joint Activity/Element Form for Schools](#)
- 4-6 [Form 200 - Local Revenue Form](#)
- 4-7 [Form 700 - General Government Summary Form](#)
- 4-8 [Form 300 - General Government Capital Projects](#)
- 4-9 [Form 310 - Joint Activity/Element Capital Projects Form](#)
- 4-10 [Form 400 - Debt Service for General Government](#)
- 4-11 [Form 600 - Enterprise Activity Provider Form](#)
- 4-12 [Form 610 - Enterprise Activity Contributor Form](#)
- 4-13 [Form 050 - Financial Statement/Transmittal Reconciliation Form](#)
- 4-14 [Review and Verification Forms](#)
- 4-15 [The Auditor's Review](#)
 - [Sample Auditor's Report on the Application of Agreed-Upon Procedures](#)

Chapter 5 – Comparative Report

- 5-1 [Introduction](#)
- 5-2 [Exhibit A - General Government](#)
- 5-3 [Exhibit B - Local Revenue](#)
- 5-4 [Exhibit B-1 - Inter-Governmental Revenue](#)
- 5-5 [Exhibit B-2 - Local Revenue](#)
- 5-6 [Exhibit C - Summary of Maintenance and Operation Expenditures - by Function](#)

UNIFORM FINANCIAL REPORTING MANUAL
TABLE OF CONTENTS

- 5-7 Exhibit C-1 through C-8 - Function Expenditures by Activity
- 5-8 [Exhibit D - Capital Projects for General Government](#)
- 5-9 [Exhibit E - Debt Service for General Government](#)
- 5-10 [Exhibit F - Summary of Enterprise Activities](#)
- 5-11 [Exhibit G - Demographic and Tax Data](#)

Chapter 6 – Public Employee Retirement Systems

- 6-1 [Introduction](#)
- 6-2 [GASB Statement 25](#)
- 6-3 [Soft Dollar Transactions](#)
[- Sample Disclosure for Governments that Participate in VRS](#)

UNIFORM FINANCIAL REPORTING MANUAL
CHAPTER 1
Introduction

1.1 Introduction

The *Uniform Financial Reporting Manual* (UFRM) sets the requirements for Virginia local governments for Comparative Reporting data submitted to the Auditor of Public Accounts. Section 15.2-2510 of the Code of Virginia requires all counties, cities, towns with a population of 3,500 or more, and towns operating a separate school division to submit a statement of revenues, expenditures, and other required data to the Auditor of Public Accounts annually. The UFRM should assist local governments in meeting this reporting requirement.

The UFRM has six chapters, including this introduction.

Chapter 2, Accounting and Reporting Principles, is a discussion of the accounting and reporting principles applicable to Virginia's local governments. As described in Chapter 2, local governments must follow generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) and by the American Institute of Certified Public Accountants.

It is important to note that for purposes of reporting financial information to the Auditor of Public Accounts for preparation of the *Comparative Report of Local Government Revenues and Expenditures* (Comparative Report), certain reporting requirements have been adopted that are not in conformity with generally accepted accounting principles. Chapter 4 discusses these special reporting requirements that meet the needs of state and local government legislative bodies and facilitate uniformity of information. They do not affect the local governments' annual financial reporting requirements.

Chapter 3, Uniform System of Accounts, contains the chart of accounts recommended for use by local governments. Its use is **required** for preparation of the Comparative Report. The chart of accounts and accompanying definitions is included for revenue, expenditure, and object class. The chart of accounts does not address proprietary fund type activities, i.e., water and sewer utilities, and internal service funds.

A local government that adopts the chart of accounts for accounting purposes will find it much easier to prepare the transmittal forms described in Chapter 4, than a locality that uses a different chart of accounts for its internal accounting. A locality using a different chart of accounts may find it necessary to reclassify certain transactions before preparing these forms.

Chapter 4, Comparative Report Transmittal Forms, provides instructions for preparation of transmittal forms submitted to the Auditor of Public Accounts for use in

preparing the Comparative Report. Because of the need for comparable financial data in the Comparative Report for all local governments, preparers must properly utilize, and comply with these instructions. The instructions are MANDATORY for the preparation of transmittal forms submitted to the Auditor of Public Accounts.

Chapter 5, Comparative Report, contains a sample, description and general information for each exhibit of the Comparative Report. The Chapter also defines key report terms and calculations for the exhibits and data.

Chapter 6, Public Employee Retirement Systems, contains the reporting and disclosure requirements for public employee retirement systems (PERS). It also includes guidance for reporting soft dollar transactions as required by Code of Virginia, Section 51.1-1003.

1.2 **Revisions to the UFRM**

This revision of the Uniform Financial Reporting Manual reflects existing requirements for preparing the Comparative Report of Local Government Revenues and Expenditures. It also includes general information on the existing professional literature at the time of issuance. However, as changes occur to the Comparative Report and new accounting and auditing pronouncements emerge, the manual will need to change. The Auditor of Public Accounts will periodically review the manual to identify changes that may be required. The Auditor of Public Accounts will distribute these changes to local governments and their auditors and other known holders of the Manual.

This revision has significant format changes to accommodate electronic distribution. There are no new requirements that have not been previously exposed for public comment and in place in prior years' reports.

The electronic format of the Uniform Financial Reporting Manual is available on the Auditor of Public Accounts web site at http://www.apa.virginia.gov/APA_Reports/manuals.aspx. A printed copy of the Manual is also available upon request.

The Auditor of Public Accounts invites comments regarding this Manual at any time. Comments may be submitted to the address below or e-mailed to LocalGovernment@apa.virginia.gov. We will consider comments in future updates or address the issue in an Accounting and Auditing Alert

Auditor of Public Accounts
Attn: Local Government Section
P.O. Box 1295
Richmond, VA 23218

UNIFORM FINANCIAL REPORTING MANUAL
CHAPTER 2
Accounting and Reporting Requirements

2.1 Introduction

This chapter focuses on basic accounting and financial reporting requirements for Virginia Local Governments.

Annually, local governments must prepare financial statements in accordance with generally accepted accounting principles and obtain an audit of these financial statements. The Governmental Accounting Standards Board (GASB) is the primary standard setting body for acceptable accounting principles for state and local government entities. The GASB has issued a number of official pronouncements detailing accounting principles for a variety of situations; however, their pronouncements do not address all generally accepted accounting principles and practices that have evolved over time. There is no single source of all accounting principles considered generally accepted. In 1992, the American Institute of Certified Public Accountants (AICPA) formally recognized the GASB as the primary standard setting body for state and local governments and established a hierarchy for applying other sources of guidance. Local governments must follow the GASB standards and consider the applicability of the other accounting guidance to receive an unqualified audit report on their financial statements. It is essential for a local government to receive an unqualified audit report because many users of the financial statements, including investors, creditors, and bond underwriters, base their decisions regarding a locality's fiscal worthiness on this report.

The *Governmental Accounting, Auditing and Financial Reporting* published by the Government Finance Officers Association is another source of accounting information for governmental entities. Although not considered authoritative, the book provides professional guidance on the applications of GAAP for governments. The book contains an illustrative Comprehensive Annual Financial Report that may be useful in preparing financial statements.

The local governing body has responsibility for the fair presentation of the financial statements included in the annual financial report. Local governing officials should ensure they have finance managers and other personnel on staff with sufficient knowledge and experience to minimize the risk of non-compliance with accounting and reporting standards.

2.2 Budgets

Sections 15.2-2503 through 15.2-2507 of the Code of Virginia, describe the local budget process in Virginia. Following is brief synopsis of what these code sections require, however, this is not a comprehensive list. Generally, budgets must include, at a minimum: (1) an itemized plan of all contemplated revenues, expenditures and borrowings for the ensuing year; (2) amounts appropriated during the previous year; (3) amounts expended during the previous year; (4) amounts appropriated during the current year; and, (5) the increases or decreases in the contemplated expenditures for the ensuing year compared to the current year. Accompanying this information should be a statement of contemplated revenues, expenditures, liabilities, reserves and surplus or deficit as of the date of the budget and a balance sheet as of the close of the preceding fiscal year.

Generally, a locality should prepare its budget on the cash basis unless it has an effective accrual based accounting system. Localities having major revenue sources geared to an annual collection period, such as property taxes due once or twice a year, should prepare cash forecasts for use as a managerial tool. These forecasts should use budgetary data together with known major cash requirements, such as debt repayments, major new capital outlay programs, etc. Cash management forecasts are not part of the budget for the annual financial statements.

In the annual financial report, GASB requires that governments present certain budgetary comparison schedules for governmental funds. The budgetary comparison schedules must present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. To provide these schedules, each locality must maintain a record of the original budget and subsequent amendments to the budget. The governing body should document its budget actions in the locality's official records, and amendments must comply with Section 15.2-2507 of the Code of Virginia.

2.3 Reporting Entity

The GASB provides criteria for governments to determine organizations to include in their annual financial report. The primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and officers that are not legally separate are, for financial reporting purposes, part of a primary government. Constitutional officers of the local government should be included as part of the primary government.

For financial reporting purposes, School Boards are separate entities presented as a discrete component unit in the local government's basic financial statements. If the

School Board or other discretely presented component units do not issue a separate financial report, GASB requires the local government to include certain fund financial statements for the component unit in their financial report.

If the School Board or other component units issues a separate financial report, they are also required to submit copies of the report to the Auditor of Public Accounts by November 30.

Applicability to the Comparative Report

The primary emphasis of the Comparative Report is on the revenues and expenditures of General Government functions. Authorities, Boards, or Commissions that provide General Government services (such as Community Service Boards, School Boards or Landfill Authorities) MUST be included to ensure comparability of these functions across all local governments in the Report. As discussed in Chapter 4, some entities that do not meet the requirements for inclusion in the reporting entity under GASB standards may nonetheless be included in the Comparative Report. Authorities established to provide Enterprise Activity services (such as water and sewer, public mass transportation, or airport services) should be included in the Comparative Report if they meet the criteria for inclusion in the local government's Annual Financial Report. See Chapter 4 for detailed explanations of the Comparative Report transmittal forms.

2.4 Financial Reporting and Audit Requirements

Financial Statements

All counties, cities, towns with populations of 3,500 or more, and towns operating a separate school division are required to file their audited financial report with the Auditor of Public Accounts by November 30 each year, in accordance with Section 15.2-2510 of the Code of Virginia. Additionally, the Code of Virginia, Section 51.1-1003, requires each public employee retirement system (PERS) to publish an annual report that contains financial statements prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB). Chapter 6 of this manual describes the additional disclosure for public employee retirement systems.

Audit Standards and Specifications

Section 15.2-2511 of the Code of Virginia, requires that every locality contract for the performance of the annual audit not later than April 1 of each fiscal year and that the contract shall incorporate the provisions of the Audit Specifications and the date for submitting the report to the Auditor of Public Accounts. The *Specifications for Audits of Counties, Cities, and Towns* is available on the Auditor of Public Accounts website at http://www.apa.virginia.gov/APA_Reports/manuals.aspx.

Auditors' reports must include a statement that their audit complied with the Specifications. The procurement documents and contracts between local governments and their CPAs should include such a requirement.

Auditors must conduct the audit in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants. This body of literature sets forth the work, and the quality of work, which all certified public accountants must follow, whether in the private arena or the governmental sector.

Government Auditing Standards establish additional standards beyond the requirements of generally accepted auditing standards. The Comptroller General of the United States issues *Government Auditing Standards*, also called generally accepted government auditing standards (GAGAS) or the "Yellow Book." The Auditor of Public Accounts requires all audits of local governments comply with *Government Auditing Standards*, regardless of whether the local government unit receives federal assistance.

The Single Audit Act Amendments of 1996 and United States Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* impose additional audit requirements beyond those required by generally accepted auditing standards or *Government Auditing Standards*. The auditor should familiarize himself with these requirements before starting any audit.

Audit Reports

Local governments must submit either an electronic file or two printed copies of their audited Annual Financial Reports with the report of an independent auditor to the Auditor of Public Accounts by November 30 of each year. In addition to the independent auditor's report on the financial statements, the Annual Financial Report must also contain reports required by *Government Auditing Standards* and OMB Circular A-133. If the local government elects to prepare a separate single audit report, they are also required to submit that to the Auditor of Public Accounts by the November 30 deadline. Local governments must also submit to the Auditor of Public Accounts any separately issued management comment letters received from the auditors.

Local governments must submit the Comparative Report Transmittal data by November 30 of each year. This submission must come with the report of an independent auditor's review of the transmittal form. Instructions for the preparation of the transmittal forms and an example of the required auditor's report are in Chapter 4 of this manual. Timely submission of the transmittal forms is crucial to the preparation of the Comparative Report.

UNIFORM FINANCIAL REPORTING MANUAL
CHAPTER 3
Uniform System of Accounts

3.1 Introduction

The System of Accounts in this Chapter was developed to meet the reporting requirements of the Auditor of Public Accounts. The structure is designed to meet the Comparative Report transmittal reporting requirements but may also be an effective structure for accounting and financial reporting. The System of Accounts has been structured as follows:

| | | |
|--------------------------|----------|----------------|
| FUND | 3 Digits | (Section 3.2) |
| REVENUE | 7 Digits | (Sections 3.3) |
| EXPENDITURE-FUNCTION | 7 Digits | (Sections 3.4) |
| EXPENDITURE-OBJECT CLASS | 4 Digits | (Section 3.5) |

The minimum basic structure for general government should include the components of Fund, Revenue/Expenditure, and Object Class. This system of accounts does not include program, project, and cost center accounts. Each local government should adopt and tailor these to meet its own needs.

The system of accounts presented in this chapter encompasses the ordinary governmental activities of counties, cities, and towns in Virginia. Local governments will need to modify the structure for activities they have that are not included. Also, this system does not include all accounts necessary for the accounting for enterprise funds or activities, such as depreciation.

This System of Accounts ensures the consistent summarization of revenues and expenditures into reporting categories for the Comparative Report. A locality may either adopt this system of accounts for its accounting system or develop a crosswalk from its existing system of accounts to this one. A locality not using this system of accounts must ensure that revenue and expenditure classifications meet the requirements of the comparative report.

REPORTABLE CATEGORIES FOR THE COMPARATIVE REPORT

Local governments must report the revenue detail and expenditures element accounts shown in ALL CAPS on the comparative report transmittal forms annually. The system of accounts includes descriptions of many other accounts, which local governments may include in their accounting systems.

3.2 System of Accounts - Funds

The Fund component has two levels: Type and Name of fund. The first level is one digit and represents up to nine different types of funds. The second level consists of two digits which permit up to ninety-nine individual funds within a fund type. The various types of funds and examples of individual funds within a fund type are as follows:

GENERAL FUND

The General Fund is used to account for the ordinary operations of the government financed through taxes and other revenues. The General Fund includes all government activities not accounted for in a separate fund due to legal, contractual, statutory, or financial management requirements. Generally accepted accounting principles preclude the use of more than one general fund.

SPECIAL REVENUE FUNDS

Special revenue funds should be used where legal or contractual requirements restrict the use of resources to specific purposes. Examples include state or federal grant revenues, and collections of certain taxes legally restricted as to use (for example, coal road improvement taxes.)

CAPITAL PROJECT FUNDS

Capital project funds should be established where legally mandated. They may also account for the acquisition or construction of major capital facilities when financed through bonds, intergovernmental revenues, major private donations, or special assessments. Rather than establishing separate funds for individual bond issues or projects, local governments may use subaccounts and project codes to maintain control over individual projects and bond issues.

DEBT SERVICE FUNDS

Debt Service funds are established through legal requirements or when a bond indenture requires the maintenance of a sinking fund for the accumulation of resources to repay the bond issue. Debt Service Funds also may account for the accumulation and debt service of special assessment debt.

ENTERPRISE FUNDS

Enterprise funds should be used to account for operations supported by user charges that are financed and operated in a manner similar to private business enterprises. Enterprise funds are also appropriate where the governing body determines that public policy, management control, and accountability warrant their use. *For the comparative report, only the following activities are reported as enterprise activities:*

| | |
|-------------------------|---|
| - Water Utilities | - Airports |
| - Sewer Utilities | - Hospitals |
| - Electric | - Nursing Homes |
| - Gas Utilities | - Ports |
| - Parking Facilities | - Coliseums (including stadiums and arenas) |
| - Public Transportation | - Communication Services (including telephone, internet, and cable) |
| - Steam Plants | |

Individual local governments may establish enterprise funds for other activities such as landfills and golf courses; however, *for the comparative report, local governments must classify all activities other than those listed above as general government.*

INTERNAL SERVICE FUNDS

Internal service funds are appropriate where service costs, including capital assets costs, are recovered through charges from user departments of the general government. Examples of internal service activities include central garages and motor pools, duplicating and printing services, data processing services, purchasing and central stores, and risk management services.

FIDUCIARY FUNDS

Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary funds include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds generally do not involve a formal trust agreement. Rather, agency funds are used to account for assets held for other funds, governments, or individuals in a purely custodial capacity.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. These programs should be for the benefit of the government or its citizens. Similar arrangements for the benefit of those outside the

government (individual, private organizations, or other governments) should be accounted for as private-purpose trust funds rather than permanent funds.

An example of one possible local government fund structure is presented below:

- 100 General Fund**
- 200 Special Revenue Funds**
 - 201 Virginia Public Assistance Fund
 - 202 Federal Grants Fund
 - 203 Urban Highway Maintenance Fund
 - 204 to 299 [Other - detail as desired]
- 300 Capital Projects Funds**
 - 301 School Construction Fund
 - 302 to 399 [Other - detail as desired]
- 400 Debt Service Funds**
 - 401 to 499 [Detail by debt issue]
- 500 Enterprise Funds**
 - 501 Water Fund
 - 502 Sewer Fund
 - 503 Public Transportation Fund
 - 504 Airport Fund
 - 505 Electric Utility Fund
 - 506 Nursing Home Fund
 - 507 Coliseum Fund
 - 508 Steam Plant Fund
 - 509 Gas Utility Fund
 - 510 Local Port Fund
 - 511 Local Hospital Fund
 - 512 Parking Facilities Fund
 - 513 Communications Fund
 - 514 to 599 [Other - detail as desired]
- 600 Internal Service Funds**
 - 601 Central Motor Pool Fund
 - 602 Duplication and Printing Services Fund
 - 603 Data Processing Services Fund
 - 604 Central Stores Fund
 - 606 Risk Management Fund
 - 607 to 699 [Other - detail as desired]

700 Fiduciary Funds
701 to 799 [Detail as desired]

800 Permanent Funds
801 to 899 [Detail as desired]

3.3 System of Accounts for Revenue

The System of Accounts separates revenues into five levels: Type, General Source, Major Source, Minor Source, and Detail Source.

TYPE: Revenues (1 digit)

GENERAL SOURCE: (1 digit)

The broadest designator of the source of revenues. The General Sources of revenue and other sources of funds are revenues: from local sources, from the Commonwealth, from the federal government, and non-revenue receipts.

MAJOR SOURCE: (1 digit)

The general category in which revenues are raised. Examples are general property taxes, other local taxes, and charges for services.

MINOR SOURCE: (2 digits)

The specific types of revenue. Examples are real property taxes, personal property taxes, business license taxes, and charges for sanitation and waste removal.

DETAIL SOURCE: (2 digits)

The unique types of revenue. Examples are land redemptions, mobile home taxes, retail sales taxes, business license taxes, and street sanitation charges.

An illustration of the revenue account code structure (for Building permits - account # 3130308) is diagrammed below:

Type

3 - Revenue

4 - Expenditures

General Source

1 - Local

2 - State

3 - Federal

4 - Non-Revenue

Major Source

1 - General Property Taxes

2 - Other Local Taxes

**3 - Permits, Privilege Fees
& Regulatory Licenses**

4 - Fines & Forfeitures

Minor Source

01 - Animal Licenses

02 - Bear/Deer Damage Stamps

03 - Permits/Other Licenses

Detail Source

01 - Abandoned vehicle permits

02 - Bicycle permits

03 - On-Street parking permits

08 - Building Permits

30 - Wetland application fee

Revenue Coding System

This section contains detailed descriptions and a coding system for the revenue accounts. *For the Comparative Report, local governments must report detail revenue accounts identified in ALL CAPS. Other revenue accounts are reported in summary on transmittal forms.* Accounts marked with an asterisk (*) represent accounts that may be maintained for delinquent taxes.

REVENUE FROM LOCAL SOURCES

MAJOR SOURCE: 311XXXX - GENERAL PROPERTY TAXES - Includes all revenues due for the fiscal year from general property taxes. Penalties and interest collected on all property taxes are reported separately.

31101XX REAL PROPERTY TAXES - Includes land redemptions. Excludes real property taxes collected from public service corporations. Report the gross amount assessed on property owned by the elderly or handicapped as a revenue, and, property tax relief for the elderly or handicapped as an expenditure under Welfare/Social Services. *(Section 58.1-3200, Code of Virginia)*

3110101 Current Taxes

3110102 Delinquent Taxes

- 3110103 Land redemptions - Include penalties and interest by those localities distinguishing land redemptions.
 - 3110104 to 3110199 [Other - detail as desired]

- 31102XX REAL AND PERSONAL PUBLIC SERVICE CORPORATION PROPERTY TAXES - Public service corporations include all privately owned "gas, pipeline, electric light, heat, power and water supply companies, sewer companies, telephone companies, telegraph companies, and all persons authorized to transport passengers or property as a common carrier." (*Section 58.1-2600, Code of Virginia.*)
 - 3110201 Current Taxes on Real Property
 - 3110202 Delinquent Taxes on Real Property
 - 3110203 Current Taxes on Personal Property
 - 3110204 Delinquent Taxes on Personal Property
 - 3110205 to 3110299 [Other - detail as desired]

- 31103XX PERSONAL PROPERTY TAXES - Excludes the personal property taxes collected from public service corporations. Personal property taxes include farm tools, machinery and livestock, and mobile homes, but are reported separately for the Comparative Report. (*Section 58.1-3008, Code of Virginia.*)
 - 3110301 Current Taxes
 - 3110302 Delinquent Taxes
 - 3110303 to 3110399 [Other - detail as desired]

- 31104XX MACHINERY AND TOOLS TAXES - Revenue collected by the local government from levies on machinery and tools. (*Section 58.1-3507, Code of Virginia.*)
 - 3110401 Current Taxes
 - 3110402 Delinquent Taxes
 - 3110403 to 3110499 [Other - detail as desired]

- 31105XX MERCHANTS' CAPITAL TAXES - Revenue collected from taxes on merchants' capital. Merchants' capital includes inventory of stock on hand, daily rental vehicles, and all other taxable personal property, except money on hand and on deposit, and tangible personal property not offered for sale as merchandise. (*Section 58.1-3510, Code of Virginia.*)
 - 3110501 Current Taxes
 - 3110502 Delinquent Taxes
 - 3110503 to 3110599 [Detail as desired]

- 31106XX Penalties and Interest

- 3110601 PENALTIES - All Property Taxes
- 3110602 INTEREST - All Property Taxes
- 3110603 to 3110699 [Other - detail as desired]

MAJOR SOURCE: 312XXXX - OTHER LOCAL TAXES - Includes revenue received by the local government on each local tax listed below.

- 31201XX LOCAL SALES AND USE TAXES - Revenue received by the local government from local sales and use taxes. Report the portion of sales tax distributed to localities on the basis of school age population as Revenue from the Commonwealth. Counties report local sales taxes net of any revenue that is remitted to towns. (*Sections 58.1-600 through 58.1-639, Code of Virginia.*)
3120101 to 3120199 [Detail as desired]
- 31202XX CONSUMER UTILITY TAXES - Taxes collected by utility companies and remitted to the local government from residential, industrial and commercial users of gas, water, and electric services. (*Sections 58.1-3814 through 58.1-3816, Code of Virginia.*)
3120201 Electric, gas
3120202 Water & sewer
3120203 to 3120299 [Other - detail as desired]
- 31203XX BUSINESS LICENSE TAXES - Revenues collected from businesses, professions and occupations for a license tax. (*Sections 58.1-3700 through 58.1-3735, Code of Virginia.*) Report license taxes paid by public service corporations as franchise license taxes. Types of revenues include:
3120301 Contractor
3120302 Retail Sales
3120303 Financial, Real Estate, and Professional Services
3120304 Repairs, Personal, and Business Services
3120305 Wholesale Sales
3120306 to 3120399 [Other - detail as desired]
- 31204XX FRANCHISE LICENSE TAXES - Taxes collected from the public service corporation as a utility license tax. (*Sections 58.1-2620 through 58.1-2635, Code of Virginia.*)
3120401 Public service corporations
3120402 to 3120499 [Other - detail as desired]
- 31205XX MOTOR VEHICLE LICENSES - (*Sections 46.2-600 through 46.2-756, Code of Virginia.*)

- 3120501 to 3120599 [Detail as desired]
- 31206XX BANK STOCK TAXES - Locally derived revenue collected from the bank stock tax. (*Sections 58.1-1200 through 58.1-1217, Code of Virginia.*)
 3120601 to 3120699 [Detail as desired]
- 31207XX TAXES ON RECORDATION AND WILLS - Revenues collected by the Clerk of the Circuit Court and remitted to the local government. Types of taxes include:
- 3120701 Recordation Taxes - Local tax levied on the admission to record of deeds, deeds of trust, mortgages, leases and contracts. (*Sections 58.1-800 through 58.1-814, Code of Virginia.*)
 The state tax imposed on deeds by *Section 58.1-802, Code of Virginia.* one-half of which is shared with localities, is reported as Revenue from the Commonwealth, Non-Categorical. Taxes returned under *Section 58.1-816, Code of Virginia* are reported as Revenue from the Commonwealth, Categorical.
- 3120702 Tax on Wills - The local tax on the probate of wills and grants of administration. (*Sections 58.1-1711 through 58.1-1718, Code of Virginia*; also *Section 58.1-3805.*)
- 3120703 to 3120799 [Other - detail as desired]
- 31208XX CIGARETTE TAXES (*Sections 58.1-3830 through 58.1-3832, Code of Virginia*)
- 31209XX ADMISSION TAXES - Includes admissions charged for entry into museums, botanical or similar gardens, and zoos, and admissions charged to participants in order to participate in sporting events. (*Sections 58.1-3817 through 58.1-3818.02, Code of Virginia.*)
- 31210XX HOTEL AND MOTEL ROOM TAXES - also referred to as Transient Occupancy Taxes or Transient Lodging Taxes; (*Sections 58.1-3819 through 58.1-3826, Code of Virginia.*)
- 31211XX RESTAURANT FOOD TAXES - also referred to as Meal Taxes or Prepared Food Taxes; (*Section 58.1-3833, Code of Virginia.*)
- 31213XX COAL, OIL, AND GAS SEVERANCE TAXES – Revenue from license tax on those that sever coal, oil, or gases from the earth. (*Sections 58.1-3712 through 58.1-3712.1, Code of Virginia.*)

- 31214XX COAL ROAD IMPROVEMENT TAXES - (*Section 58.1-3713, Code of Virginia.*)
- 31215XX VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY TAXES (*Section 58.1-3713, Code of Virginia.*)
- 31217XX FUEL TAXES (*Section 58.1-1720, Code of Virginia.*)
- 31218XX OTHER LOCAL TAXES**
3121801 to 3121899 [Detail as desired]

MAJOR SOURCE: 313XXXX - PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES - Includes revenues collected by the local government from the following sources.

- 31301XX ANIMAL LICENSES- Revenue collected for animal licenses (e.g., dog tags).
3130101 to 3130199 [Detail as desired]
- 31302XX BEAR AND DEER DAMAGE STAMPS (*Section 29.1-352 through 29.1-355, Code of Virginia.*)
3130201 to 3130299 [Detail as desired]
- 31303XX PERMITS AND OTHER LICENSES - Revenues collected from permits and privilege fees required by the local government. In some instances, the revenue from the permit is intended to partially offset the cost of inspections which are provided by the local government after the permit is obtained. Although a service (e.g., an inspection) may be provided subsequent to obtaining a permit, the permit and resulting inspection are mandatory and therefore classified in this source rather than in Charges for Services. Types of permits include:
 - 3130301 Abandoned Vehicle Permits
 - 3130302 Bicycle Permits
 - 3130303 On Street Parking Permits
 - 3130304 Land Use Application Fees
 - 3130305 Transfer Fees
 - 3130306 Zoning Advertising Fees
 - 3130307 Zoning and Subdivision Permits
 - 3130308 Building Permits
 - 3130309 Building Inspection Fees
 - 3130310 Electrical Permits

- 3130311 Electrical Inspection Fees
- 3130312 Plumbing Permits
- 3130313 Plumbing Inspection Fees
- 3130314 Mechanical Permits
- 3130315 Elevator Inspection Fees
- 3130316 Boiler Inspection Fees
- 3130317 Weights and Measures Inspection Fees
- 3130318 Septic Tank Permits
- 3130319 Sign Permits and Inspection Fees
- 3130320 Highway and Driveway Permits
- 3130321 Excess Size and Weight Permits
- 3130322 Utility Pole Permits
- 3130323 Occupancy Permits
- 3130324 Erosion and Sediment Control Permits
- 3130325 Refuse Disposal Permits
- 3130326 Burial Permits
- 3130327 Solicitor Permits
- 3130328 Weapons Permits
- 3130329 Examination Fees (Electricians, Plumbers, etc.)
- 3130330 Wetlands Application Fees
- 3130331 Tobacco License (Wholesale and retail)
- 3130332 Landfill Host Fees
- 3130333 to 3130399 [Other - detail as desired]

MAJOR SOURCE: 314XXXX - FINES AND FORFEITURES

- 31401XX FINES AND FORFEITURES - Revenues collected by the local government for court fines, parking fines and forfeitures as a result of violations of local ordinances and regulations. Library fines are not included here but are reported under Charges for Services.
- 3140101 Court Fines and Forfeitures
- 3140102 Parking Fines
- 3140103 to 3140199 [Other - detail as desired]

MAJOR SOURCE: 315XXXX - REVENUE FROM USE OF MONEY AND PROPERTY

- 31501XX REVENUE FROM USE OF MONEY - Revenues earned by the local government from investment of funds.
- 3150101 Interest on Bank Deposits
- 3150102 Interest on Investments
- 3150103 Dividends on Investments
- 3150104 Gain on Sale of Investments

3150105 to 3150199 [Other - detail as desired]

- 31502XX REVENUE FROM USE OF PROPERTY - Revenues collected by the local government from the rental of property except for proceeds from the rental of school textbooks which are accounted for under Charges for Services. Types of revenue from use of property include:
 - 3150201 Rental of General Property
 - 3150202 Rental of Recreational Properties and Facilities
 - 3150203 Concession Rentals and Commissions
 - 3150204 Rental of Buses for Special Purposes
 - 3150205 to 3150299 [Other - detail as desired]

MAJOR SOURCE: 316XXXX - CHARGES FOR SERVICES - Includes revenues collected from charges for services exclusive of revenues for enterprise type activities (e.g., water and sewer charges). The following sources are structured so that the Charges for Services can be reflected in the Comparative Report according to the activity from which such revenue was generated. For example, revenues received from swimming pools and golf course fees are reported with the expenditures for Parks and Recreation.

- 31601XX COURT COSTS - Revenue remitted to the local government in the following areas:
 - 3160101 FEES OF THE CLERK OF THE CIRCUIT COURT - Fees collected by the Clerk of the Circuit Court for the local government. This account is applicable only in localities that pay the salaries and expenses of the Clerk's Office from the General Fund of the local government.
 - 3160102 EXCESS FEES OF CLERKS - Revenues collected by the Clerk of the Circuit Court and returned by the state to the local government because they were in excess of that needed to operate the Clerk's Office.
 - 3160103 SHERIFF'S FEES - Revenues collected by the Sheriff's Department for serving court papers.
 - 3160104 Law Library Fees (*Section 42.1-70, Code of Virginia.*)
 - 3160105 DNA Analysis Fees (*Section 19.2-310.2, Code of Virginia*)
 - 3160106 Local Criminal Justice Academy Fee (*Section 9.1-106, Code of Virginia*)
 - 3160107 to 3160199 [Other - detail as desired]

- 31602XX COMMONWEALTH'S ATTORNEY FEES - Revenues collected by the Commonwealth's Attorney Office and remitted to the local government.

- 3160201 to 3160299 [Detail as desired]
- 31603XX CHARGES FOR LAW ENFORCEMENT AND TRAFFIC CONTROL - Revenues collected for charges related to law enforcement including entrance and service charges, charges for impounded vehicle storage, and lock-up fees.
 3160301 Lock-up Fees
 3160302 to 3160399 [Other - detail as desired]
- 31604XX CHARGES FOR FIRE AND RESCUE SERVICES - Revenues collected for special fire services, the removal of fire hazards and similar charges.
 3160401 Fire Protection Services
 3160402 Ambulance and Rescue Services
 3160403 to 3160499 [Other - detail as desired]
- 31605XX CHARGES FOR CORRECTION AND DETENTION - Revenues collected for charges related to correction and detention. Payments from the state, federal government, and other localities for housing prisoners are reported as recovered costs.
 3160501 Weekend Jail Time Fee (*Section 53.1-131.1, Code of Virginia*)
 3160502 Jail Processing Fee (*Section 15.2-1613.1, Code of Virginia*)
 3160503 Home/Electronic incarceration Fee (*Section 53.1-131.2, Code of Virginia*)
 3160504 Prisoner Room and Board Fee (*Section 53.1-131.3, Code of Virginia*)
 3160505 to 3160599 [Detail as desired]
- 31606XX CHARGES FOR OTHER PROTECTION - Revenues collected for charges related to animal protection (e.g., room and board for animals, sale of animals).
 3160601 Animal Protection
 3160602 to 3160699 [Other - detail as desired]
- 31607XX CHARGES FOR MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, AND SIDEWALKS - Revenue collected for charges related to highways, streets, and sidewalk maintenance. Includes:
 3160701 Street Lights - (charges for installation and maintenance)
 3160702 Street and Sidewalk Assessments
 3160703 Parking Meters and Lot Charges
 3160704 to 3160799 [Other - detail as desired]

- 31608XX CHARGES FOR SANITATION AND WASTE REMOVAL - Charges related to sanitation and waste removal, exclusive of charges for water and sewer services. Includes:
 - 3160801 Street Sanitation Charges
 - 3160802 Waste Collection and Disposal Charges, includes landfill charges
 - 3160803 Weed Cutting Charges
 - 3160804 Leaf Collection Charges
 - 3160805 to 3160899 [Other - detail as desired]

- 31609XX CHARGES FOR HEALTH
 - 3160901 to 3160999 [Detail as desired]

- 31610XX CHARGES FOR MENTAL HEALTH AND MENTAL RETARDATION - Revenues collected by the local government for charges related to mental health and mental retardation services.
 - 3161001 to 3161099 [Detail as desired]

- 31611XX CHARGES FOR WELFARE/SOCIAL SERVICES
 - 3161101 to 3161199 [Detail as desired]

- 31612XX CHARGES FOR PARKS AND RECREATION - Includes revenue collected for participant recreation. Includes:
 - 3161201 Recreation Fees
 - 3161202 Swimming Pool Fees
 - 3161203 Golf Fees
 - 3161204 Marina and Boat Landing Fees
 - 3161205 Cemetery Services (other than fiduciary)
 - 3161206 to 3161299 [Other - detail as desired]

- 31613XX CHARGES FOR CULTURAL ENRICHMENT - Admission fees for such facilities as museums, galleries, zoos, and botanical gardens.
 - 3161301 Admission Charges
 - 3161302 to 3161399 [Other - detail as desired]

- 31614XX CHARGES FOR LIBRARY - Revenues from library fees and fines.
 - 3161401 Library Fees and Fines
 - 3161402 to 3161499 [Other - detail as desired]

- 31615XX CHARGES FOR PLANNING AND COMMUNITY DEVELOPMENT - Charges for publications, maps, plats, surveys and other similar charges.
 - 3161501 Sale of Maps, Plats, Surveys, etc.

- 3161502 Sale of Publications
- 3161503 to 3161599 [Other - Detail as desired]
- 31616XX CHARGES FOR ENVIRONMENTAL MANAGEMENT
3161601 to 3161699 [Detail as desired]
- 31617XX CHARGES FOR COOPERATIVE EXTENSION PROGRAM
3161701 to 3161799 [Detail as desired]
- 31618XX CHARGES FOR EDUCATION - Revenue collected by the local government for charges related to education. Includes:
 - 3161801 Tuition from Private Sources
 - 3161802 Special Fees from Pupils
 - 3161803 Sale and Rental of Textbooks
 - 3161804 School Food Service
 - 3161805 Transportation of Pupils
 - 3161806 Tuition from Private Sources - Adult
 - 3161807 Tuition from Private Sources - Summer School
 - 3161808 to 3161899 [Other - detail as desired]

MAJOR SOURCE: 318XXXX - MISCELLANEOUS REVENUE - Includes revenues collected by the local government from the following sources:

- 31801XX PAYMENTS IN LIEU OF TAXES FROM ENTERPRISE ACTIVITIES - Payments in lieu of taxes required from enterprise activities.
3180101 to 3180199 [Detail as desired]
- 31802XX ANNEXATION PAYMENTS FOR LOSS OF NET TAX REVENUE
3180201 to 3180299 [Detail as desired]
- 31803XX Expenditure Refunds (Suspense Account) - These accounts may be used to accumulate expenditure refunds and rebates; however, such receipts should be netted against expenditures for financial reporting.
 - 3180301 Refunds - Gasoline Tax - School Bus Operation
 - 3180302 Rebates and Refunds - Other Motor Vehicles
 - 3180303 to 3180399 [Other - detail by expenditures]
- 31804XX INTER-LOCAL GOVERNMENT REVENUE SHARING AGREEMENTS
- 31899XX Miscellaneous - Revenue collected by the local government that is not classified in any other revenue accounts.
 - 3189901 Primary Fees - Each candidate for office at any primary is required to pay a fee in filing a declaration of candidacy. (*Section 24.2-523, Code of Virginia.*)
 - 3189902 Payments in Lieu of Taxes (Service charges) from Other Localities and Entities

- 3189903 Gifts and Donations - Private Sources
- 3189904 Sale of Supplies
- 3189905 Sale of Salvage and Surplus Property
- 3189906 Sale of Real Estate - recurring (e.g.- cemetery lots, industrial development parks)
- 3189907 Sale of School Buses
- 3189908 Sale of Equipment
- 3189909 Insurance Adjustments
- 3189910 Real Estate Taxes Shared by a County with a Town - In instances where a county agrees to share certain revenues with a town in order to dissuade annexation proceedings, such revenues should be classified as miscellaneous revenues by the town.
- 3189911 to 3189999 [Other - detail as desired]

MAJOR SOURCE: 319XXXX - RECOVERED COSTS

- 31901XX Tuition or other payments from another county or city, regardless of whether it is in Virginia or another state.
 - 3190101 Tuition from another county or city
 - 3190102 Other payments from another county or city
- 31902XX Recovered Costs
 - 3190201 Payments for housing state and federal prisoners
 - 3190202 Local Jails (Treatment Personnel)
 - 3190203 Reimbursement for extradition of prisoners
 - 3190204 to 3190199 [Other - detail by Expenditure Activity]

REVENUE FROM THE COMMONWEALTH

Revenues from the Commonwealth are classified as payments in lieu of taxes, non-categorical aid, revenue for shared expenses, and categorical aid. Federal funds received from the state (pass-thru funds) should be classified as REVENUE FROM THE FEDERAL GOVERNMENT. Reimbursements for local government expenditures on the state's behalf (e.g., housing state prisoners in local jails and treatment personnel) are handled as Recovered Costs and are therefore not reported here. Refunds from the state (e.g., refunds from the Health Department for local money not spent) should be treated as an adjustment to expenditures and therefore not reported here.

MAJOR SOURCE: 321XXXX - PAYMENTS IN LIEU OF TAXES - Includes revenues collected from the state for service charges (e.g.,

payments in lieu of property taxes). (*Section 58.1-3400 through 58.1-3407, Code of Virginia.*)

32101XX Service Charges
3210101 to 3210199 [Detail as desired]

MAJOR SOURCE: 322XXXX - NON-CATEGORICAL AID - Includes revenues which are raised by the state and shared with the local government. The use of such revenues is at the discretion of the local government. Sources include:

- 3220102 WINE TAXES (*Section 4.1-235, Code of Virginia.*)
Counties should report this revenue source net of any revenue remitted to towns with a separate school division.
- 3220103 MOTOR VEHICLE CARRIERS' TAXES - also known as Rolling Stock Tax; (*Section 58.1-2652 through 58.1-2659, Code of Virginia.*)
- 3220104 MOBILE HOME TITLING TAXES - (*Section 58.1-3520 through 58.1-3521, Code of Virginia.*)
- 3220105 TAX ON DEEDS - The tax imposed by *Section 58.1-802, Code of Virginia* on deeds and shared with the locality. Also referred to as grantor's tax. This does not include the amounts returned to localities under *Section 58.1-816, Code of Virginia*. These amounts are reported as Categorical Aid.
- 3220106 INDIRECT COSTS
- 3220107 RAILROAD ROLLING STOCK TAXES - (*Section 58.1-2658.1, Code of Virginia.*)
- NOTE: Effective FY 2008 the Assistance to Localities with Police Departments revenue moved to categorical aid because localities are required to use funding for local public safety services.
- 3220109 PERSONAL PROPERTY TAX REIMBURSEMENT – (*Section 58.1-3523 through 58.1-3536, Code of Virginia*)
- 3220110 Auto Rental Tax – (*Section 58.1-2402 and Section 58.1-2425, Code of Virginia*)
- 3220120 Reduction in State Aid to Local Governments – localities that elect to reimburse the Commonwealth in aggregate or in part for their share of the reduction should report as negative non-categorical state aid. (2008 budget bill)

3220130 Communication Sales and Use Tax (*Section 58.1-662, Code of Virginia.*) (Note – effective FY 2010)
 32201XX to 3220199 [Other - detail as desired]

MAJOR SOURCE: 323XXXX - SHARED EXPENSES (CATEGORICAL) - Includes revenues collected from the Commonwealth for the state's share of expenditures in activities that are considered to be a state/local responsibility in the Comparative Report. Revenue from each source is shown in the activity that it benefits.

32301XX COMMONWEALTH'S ATTORNEY
 32302XX SHERIFF
 32303XX COMMISSIONER OF REVENUE
 32304XX TREASURER - Includes moneys collected from the state for the Director of Finance in those localities not having a Treasurer or Commissioner of Revenue, or both.
 32305XX MEDICAL EXAMINER
 32306XX REGISTRAR/ELECTORAL BOARDS
 32307XX CLERK OF THE CIRCUIT COURT

MAJOR SOURCE: 324XXXX - CATEGORICAL AID - Includes revenues received from and designated by the Commonwealth for a specific use by the local government. Such revenues are usually received on a reimbursable basis from the state. Revenue that originated at the federal level but was disbursed to local governments by the state should be classified as federal aid and accounted for as such in the annual financial reports and Comparative Report.

32401XX PUBLIC SAFETY
 3240101 Criminal Justice Services Grant for Law Enforcement
 3240102 Juvenile Detention Homes
 3240103 Assistance to Localities Operating Police Departments ("HB 599 funds" and *Section 9.1-169, Code of Virginia*)
 3240104 Spay and Neuter – sterilization program from tax refunds
 32401XX to 3240199 [Other - detail as desired]

32402XX FIRE AND RESCUE SERVICES
 3240201 Distribution of Fire Program Funds
 3240202 to 3240299 [Other - detail as desired]

- 32403XX PUBLIC WORKS
 - 3240301 Street and Highway Maintenance
 - 3240302 Litter Control
 - 3240303 to 3240399 [Other - detail as desired]

- 32404XX HEALTH
 - 3240401 Financial Assistance for Health Promotion
 - 3240402 to 3240499 [Other - detail as desired]

- 32405XX MENTAL HEALTH AND MENTAL RETARDATION
 - 3240501 Financial Assistance for Mental Health Services
 - 3240502 Financial Assistance for Mental Retardation Services
 - 3240503 Financial Assistance for Substance Abuse Services
 - 3240504 Mental Health and Mental Retardation Services Board
 - 3240505 to 3240599 [Other - detail as desired]

- 32406XX WELFARE AND SOCIAL SERVICES
 - 3240601 State and Local Hospitalization
 - 3240602 Public Assistance and Welfare Administration
 - 3240603 General Relief
 - 3240604 Foster Care
 - 3240605 Nutritional Services
 - 3240606 Employment Services
 - 3240607 Resettlement Assistance
 - 3240608 Workforce Investment Fund
 - 32406XX to 3240699 [Other - detail as desired]

- 32407XX PARKS AND RECREATION
 - 3240701 Young Adult Conservation Corps Program
 - 3240702 Youth Conservation Corps Program
 - 3240703 to 3240799 [Other - detail as desired]

- 32408XX LIBRARY
 - 3240801 Financial Assistance to Public Libraries
 - 3240802 to 3240899 [Other - detail as desired]

- 32409XX COMMUNITY DEVELOPMENT
 - 3240901 CDBG - Rent Subsidies
 - 3240902 Abandoned Vehicles
 - 3240903 to 3240999 [Other - detail as desired]

- 32410XX EDUCATION
 - 3241001 State Sales Tax Receipts

| | |
|---------|---|
| 3241002 | Basic School Aid |
| 3241005 | Regular Foster Care |
| 3241006 | Adult High School Courses |
| 3241007 | Gifted and Talented |
| 3241008 | Remedial Education |
| 3241009 | Enrollment Loss |
| 3241010 | State Supplemental Payments |
| 3241011 | Pilot Studies |
| 3241012 | Special Education - Standards of Quality |
| 3241014 | Textbook Payments |
| 3241015 | School Food Services |
| 3241017 | Vocational Standards of Quality Payments |
| 3241018 | Vocational Adult Education |
| 3241019 | Vocational Apprenticeship |
| 3241020 | Hospital, Clinics, Detention Homes |
| 3241021 | Social Security - Instructional |
| 3241022 | Social Security - Non-Instructional |
| 3241023 | Teacher Retirement - Instructional |
| 3241024 | Teacher Retirement - Non-Instructional |
| 3241025 | Group Life Insurance - Instructional |
| 3241026 | Group Life Insurance - Non-Instructional |
| 3241029 | Magnet - Regional School Year |
| 3241031 | Indian Children |
| 3241033 | Jobs for Virginia Graduates |
| 3241034 | Elementary Model School |
| 3241038 | Migrant Education - State |
| 3241040 | Adult Literacy - State |
| 3241042 | Governor's School |
| 3241043 | Software Rights |
| 3241045 | Dropout Prevention |
| 3241046 | Homebound |
| 3241047 | Private School Tuition |
| 3241048 | Regional Programs |
| 3241049 | In-service |
| 3241050 | Special Education/Vocational Education |
| 3241051 | Interagency Pool |
| 3241052 | Vocational Equipment |
| 3241053 | Vocational Occupational/Technical Education |
| 3241054 | Vocational Conference Travel |
| 3241055 | Vocational Canneries |
| 3241056 | Adult Transitional |
| 3241058 | Teacher Incentive Payments |
| 3241059 | Special Education Foster Care |

- 3241060 Magnet - Regional Summer
- 3241061 Electronic Classroom Payments
- 3241062 Software Flow-Through
- 3241063 Benefits from Other State Agencies
- 3241064 Recordation Tax - This includes the share of state taxes distributable to counties and cities under *Section 58.1-816, Code of Virginia*. These moneys can only be used for transportation purposes and public education.
- 3241065 to 3241099 [Other - detail as desired]

REVENUE FROM THE FEDERAL GOVERNMENT

Revenue reported in these accounts includes revenue received or accrued from the federal government and classified as payments in lieu of taxes, non-categorical aid or categorical aid. Revenue from the federal government includes federal pass-thru funds from state agencies.

MAJOR SOURCE: 331XXXX - PAYMENTS IN LIEU OF TAXES

- 33101XX PAYMENTS IN LIEU OF TAXES
 - 3310101 National Forests Reserve Funds - Act of May 23, 1908, as amended 16USC500., CFDA 10.665
 - 3310102 Flood Control Act of 1954 - Payments for federally owned lands that were on the tax roll prior to transfer of the land to the federal government. Public Law 97-258, CFDA 12.112
 - 3310103 to 3310199 [Other - detail as desired]

NOTE: Impacted area aid grants designated for Education are not considered payments in lieu of taxes, but are reflected under Categorical Aid.

MAJOR SOURCE: 332XXXX - NON-CATEGORICAL AID - Includes revenue received from the federal government which is used at the discretion of the local government. Accounts in this classification include:

- 33201XX COMMUNITY DEVELOPMENT BLOCK GRANTS - Includes administrative portion of Community Development Block Grants. Grants for construction or acquisition of capital assets should be reported as capital projects revenues. Grants for water and sewer lines should be reported with enterprise activities.
- 3320101 to 3320199 [Detail as desired]

33202XX INDIRECT COSTS
 3320201 to 3320299 [Detail as desired]

MAJOR SOURCE: 333XXXX - CATEGORICAL AID - There are numerous federal categorical grants including impacted area aid grants. Sources should be structured so there will be sufficient detail to relate grants to the appropriate activity for Comparative Report purposes.

33301XX PUBLIC SAFETY
 3330101 Ground Transp. Safety - Police Traffic Services
 3330102 Ground Transp. Safety - Alcohol Countermeasures
 3330103 Ground Transp. Safety - Driver Improvement
 3330104 Ground Transp. Safety - Emergency Medical Services
 3330105 Ground Transp. Safety - Safety Construction
 3330106 Crime Victims Assistance
 3330107 Juvenile Justice and Delinquency Prevention
 3330108 Anti-Drug Abuse
 3330109 Justice Assistance Grants
 3330110 Emergency Management Assistance
 3330111 Emergency Operating Centers
 3330112 Law Enforcement - Proceeds of Forfeited Assets
 3330113 Community Domestic Violence
 3330114 Juvenile Accountability
 33301XX to 3330199 [Other - detail as desired]

33302XX PUBLIC WORKS
 3330201 Disaster Relief Public Assistance
 3330202 Emergency Management Preparedness
 3330203 to 3330299 [Other - detail as desired]

33303XX HEALTH
 3330301 Maternal and Child Health Services
 3330302 to 3330399 [Other - detail as desired]

33304XX MENTAL HEALTH
 3330401 Mental Health Research Grants
 3330402 Alcohol Abuse
 3330403 Drug Abuse
 3330404 Mental Health Disaster Assistance
 3330405 Assistance in Transition from Homelessness
 3330406 to 3330499 [Other - detail as desired]

33305XX SOCIAL SERVICES
 3330501 Temporary Assistance to Needy Families
 3330502 Refugee Assistance
 3330503 Energy Assistance

| | | |
|---------|--|---|
| | 3330504 | Social Services Block Grant |
| | 3330505 | Financial Assistance for Local Services to the Elderly |
| | 3330506 | Senior Community Employment Program |
| | 3330507 | Section 8 Housing for Low Income |
| | 3330508 | Disaster Relief |
| | 3330509 | Workforce Investment Act |
| | 3330510 | Welfare to Work |
| | 3330511 | Foster Care |
| | 3330512 to 3330599 [Other - detail as desired] | |
| 33306XX | PARKS, RECREATION, AND CULTURAL | |
| | 3330601 | Historic Preservation - Planning and Survey |
| | 3330602 | Library Services |
| | 3330603 | Promotion of the Arts |
| | 3330604 to 3330699 [Other - detail as desired] | |
| 33307XX | COMMUNITY DEVELOPMENT | |
| | 3330701 | Cooperative Forestry Assistance |
| | 3330702 | Watershed Protection & Flood Protection |
| | 3330703 | Air Pollution Control Program |
| | 3330704 to 3330799 [Other - detail as desired] | |
| 33308XX | EDUCATION | |
| | 3330801 | Basic Adult Education |
| | 3330802 | Title 1 Grants to LEAs |
| | 3330803 | Title 1 Accountability |
| | 3330804 | Migrant Program |
| | 3330805 | Forest Land Use |
| | 3330806 | Workforce Investment Act |
| | 3330807 | Title III of P.L. 95-561 (Formerly P.L. 815-Impact Aid) |
| | 3330808 | Title III of P.L. 95-561 (Formerly P.L. 874-Impact Aid) |
| | 3330809 | School Breakfast Program – |
| | 3330810 | School Lunch Program |
| | 3330811 | Adult Literacy |
| | 3330812 | Emergency Immigrant Assistance |
| | 3330813 | Transition for Refugee Children |
| | 3330814 | Title I |
| | 3330815 | Title VI – Innovative Education Program |
| | 3330816 | Title VI - B - Special Education (PL 94-142) |
| | 3330817 | Title VI – Rural Education |
| | 3330818 | Title VII - Bilingual Education |
| | 3330819 | Title XI - Indian Education |
| | 3330820 | Title XIII - Adult Education |
| | 3330821 | Career Education |
| | 3330822 | Vocational Education Federal Funds |
| | 3330823 | Foster Care Title IV-E |

| | |
|--------------------|--|
| 3330824 | Title II |
| 3330825 | Drug Free |
| 3330826 | Development Disabilities Grant |
| 3330827 | Cash in Lieu of USDA Commodities |
| 3330828 | Asbestos Inspection |
| 3330829 to 3330899 | [Other - detail by Expenditure Activity] |

Other Financing Sources

MAJOR SOURCE: 341XXXX - NON-REVENUE RECEIPTS - Examples of accounts in this general source include:

| | |
|---------|--|
| 34101XX | INSURANCE RECOVERY 3410101 to 3410199 [Detail as desired] |
| 34102XX | SALE of LAND, VEHICLES, EQUIPMENT and/or BUILDINGS- (Nonrecurring) 3410201 to 3410299 [Detail as desired] |
| 34103XX | ANNEXATION PAYMENTS FOR THE VALUE OF PUBLIC IMPROVEMENTS 3410301 to 3410399 [Detail as desired] |
| 34104XX | PROCEEDS FROM INDEBTEDNESS 3410401 Local Bond Issues 3410402 Loans from Literary Fund 3410403 Proceeds from Bond Issue Anticipation Note 3410404 Temporary Loans 3410405 Capital Leases 3410406 to 3410499 [Detail as desired] |

3.4 System of Accounts for Expenditures

The System of Accounts presents expenditures in six levels of detail: Type, Function, Activity, Subactivity, Element, and Subelement.

TYPE: Expenditures (1 digit)

FUNCTION: (2 digits)

The function is a group of related activities aimed at accomplishing a major service or regulatory program for which a locality is responsible. Examples of functions are Judicial Administration, Public Safety, and Health and Welfare.

ACTIVITY: (1 digit)

The activity is a specific and distinguishable line of activities or services provided by one or more components of a locality to accomplish a function for which the governmental unit is responsible. Examples of activities are Courts, Fire and Rescue Services, and Welfare/Social Services.

SUBACTIVITY: (1 digit)

A subactivity is a further refinement of the activity. The subactivity, classroom instruction, defines the activity, instruction.

ELEMENT: (1 digit)

An element is a service that carries out a local government activity. Examples are General District Court, Fire Department, and Public Assistance.

SUBELEMENT: (1 digit)

A subelement is a further refinement of an element. The subelements counseling or placement services are types of guidance services (an element).

This Section includes an overview of expenditure accounts typical to local governments and a suggested coding structure. For proper management and control some local governments may find it necessary to set up an account for each element, some may need additional elements, while others may combine elements.

An illustration of the expenditure account structure (for Student Counseling Services - Account # **4061212**) is diagrammed below:

Type

3 - Revenue

4 - Expenditures

Function

- 01 - General Government Administration
- 02 - Judicial Administration
- 03 - Public Safety
- 04 - Public Works
- 05 - Health & Welfare
- 06 - Education**
- 07 - Parks, Recreation & Cultural
- 08 - Community Development
- 09 - Nondepartmental

Activity

- 1 - Instruction**
- 2 - General Support

- 3 - Non-instructional Operations
- 4 - Facilities
- 5 - Other

Subactivity

- 1 - Classroom
- 2 - Instructional Support - Student**
- 3 - Instructional Support - Staff

Element

- 1 - Guidance**
- 2 - Social Worker
- 3 - Homebound

Subelement

- 1 - Management & Direction
- 2 - Counseling Services**
- 3 - Appraisal Services
- 4 - Information Services
- 5 - Record Maintenance Services

For the Comparative Report, most expenditures are reported at the "Activity" level. In some cases, because of a need for information at a more detailed level, local governments must report expenditures at the "Subactivity" or "Element" level. In the Sections that follow, these required detail accounts are highlighted in **ALL CAPS**.

OBJECT CLASSES

An object is an expenditure classification that categorizes the type of item purchased or the service obtained. Examples are personal service, fringe benefits, and contractual services.

Some governments also use Subobjects to provide a better definition of the specific types of expenditures charged to each object. A subobject is a more detailed classification of an object. It specifically defines a type of expenditure included in the object class. Object class and subobject definitions are presented in Section 3.5, but are not necessary for Comparative transmittal reporting.

PROGRAMS

Program accounts present a further refinement of expenditures. A program is a plan of activities and procedures designed to accomplish a predetermined objective. The program dimension provides the framework to determine the cost for the planned activity. Programs can be categorized into uses that support internal management decision making, those that aid in justifying funding requests, and those needed for accountability or reporting. Program accounts are not necessary for Comparative transmittal reporting.

PROJECTS

Project accounts identify expenditures applicable to a funding source, authority, or special purpose for which records are required. The use of project codes is may be helpful for identifying specific capital projects or service initiatives that cross several departments.

COST CENTERS

Cost Centers are operating units for which costs are accumulated. They are usually major departments or divisions within a department. A primary use of cost centers is to capture the actual cost of operations for budget comparisons. Cost Centers may be classified by location, type of service, revenue producing and non-revenue producing centers. Cost Centers can be used to further allocate direct expenditures such as salaries and other charges and indirect cost such as central stores and purchasing. Cost Centers are not necessary for Comparative transmittal reporting.

EXPENDITURES

FUNCTION 01 - GENERAL GOVERNMENT ADMINISTRATION

4011XXX LEGISLATIVE - Expenditures of the Board of Supervisors and City/Town Council in the performance of its main work and subsidiary activities. Includes direct expenditures for the members of the governing body and staff exclusively responsible to the governing body (excluding the manager or attorney). It also includes related expenses such as printing the procedures of the governing body.

4011100 Board of Supervisors; City/Town Council

4011200 Clerk of the Board; City/Town Clerk - Where the clerk of the Circuit Court or some other official also performs the duties of the Clerk of the Board, only include the allocated share of expenditures related to the duties of the Clerk of the Board.

4011300 to 4011900 [Other - detail as desired]

4012XXX GENERAL AND FINANCIAL ADMINISTRATION - Expenditures related to general management and financial administration of the government.

| | |
|---------|--|
| 4012100 | Executive Administration |
| | 4012110 Manager or Other Executive |
| | 4012120 Assistant Manager and/or Other Executive Officers |
| 4012200 | General Administration |
| | 4012210 Legal Services - Includes the costs of attorneys employed by the locality including county attorney and fees paid for special legal counsel. Also includes the costs of legal services provided by the Commonwealth's Attorney at the direction of the governing body. Expenditures related to the Commonwealth's Attorney for judicial responsibilities performed for the state are reported under Commonwealth's Attorney. |
| | 4012220 Personnel - Includes administration of the personal function, including recruitment, examination and certification, training, classification and pay, employee services and relations. |
| | 4012230 Research and Statistics |
| | 4012240 Independent Auditor - The costs of the annual audit and other examinations of the accounts and records of the local government by an independent auditor. |
| | 4012250 Internal Auditor |
| 4012300 | Revenue Administration |
| | 4012310 COMMISSIONER OF REVENUE - Includes all personnel of the Office of the Commissioner of Revenue, including those positions that are funded locally if they are directly responsible to the Commissioner. |
| | 4012320 Assessor |
| | 4012330 Equalization Board |
| | 4012340 License Bureau |
| 4012400 | Financial Administration |
| | 4012410 TREASURER - Includes all personnel of the Treasurer's Office, including those positions that are funded locally if they are directly responsible to the Treasurer. |

- 4012420 Director of Finance - For those localities with a Director of Finance, expenditures would include those similar to the Commissioner of Revenue and/or Treasurer.
- 4012430 Accounting
- 4012440 Budgeting
- 4012450 Administration of Retirement System - Includes expenditures related to the administration of the retirement system. Contributions on behalf of employees are a fringe benefit and are reported as an expenditure of the activity to which the employees charged their time.
- 4012500 Internal Services
 - 4012510 DATA PROCESSING/INFORMATION TECHNOLOGY
 - 4012520 AUTOMOTIVE/MOTOR POOL
 - 4012530 CENTRAL PURCHASING/CENTRAL STORE
 - 4012540 PRINT SHOP
 - 4012550 RISK MANAGEMENT
- 4012600 to 4012900 [Other - detail as desired]
- 4013XXX BOARD OF ELECTIONS - Expenditures for recording voters and holding general, primary, and special elections. Also includes purchase and maintenance of voting machines and other related equipment.
 - 4013100 Electoral Board and Officials
 - 4013200 Registrar
 - 4013300 to 4013900 [Other - detail as desired]

FUNCTION 02 - JUDICIAL ADMINISTRATION

- 4021XXX COURTS - Expenditures by the local government relating to the court system.
 - 4021100 Circuit Court
 - 4021200 General District Court
 - 4021300 Special Magistrates
 - 4021400 High Constable
 - 4021500 Public Defender
 - 4021600 Juvenile and Domestic Relations District Court - The expenditures made for the Juvenile Court Services Unit probation offices are reflected under Correction and Detention.

- 4021700 CLERK OF THE CIRCUIT COURT - Includes expenditures made by the local government for the Office of the Clerk of the Circuit Court. Duties, if any, the Clerk performs for the Board of Supervisors are reported under General and Financial Administration.
- 4021800 SHERIFF - Includes that portion of expenditures in the Office of the Sheriff related to serving papers as required by the court and for providing court security. Expenditures of the Sheriff's Office related to law enforcement or the jail are reported under activities in Public Safety.
- 4021900 Law Library
- 4021910 Victim and Witness Assistance - Includes promotion of victim cooperation with law enforcement and direct assistance to victims.

[Other - detail as desired]

- 4022XXX COMMONWEALTH'S ATTORNEY - Includes expenditures of the Office of the Commonwealth's Attorney. In localities where the Commonwealth's Attorney also serves as counsel for the Board of Supervisors, the expenditures related to that capacity are reported under General and Financial Administration.

4022100 Commonwealth's Attorney
 4022200 to 4022900 [Other - detail as desired]

FUNCTION 03 - PUBLIC SAFETY

- 4031XXX LAW ENFORCEMENT AND TRAFFIC CONTROL - Includes expenditures for police activities within the locality. It includes, but is not limited to the control and investigation of crime, lock-up facilities, uniform policing and patrol, law enforcement training, records retention and identification, crime laboratory, custody of property, and support services such as automotive services, medical services, and administration. Expenditures for radio and communications are included under this activity, unless a material amount of radio and communication is used in another activity. In this case, costs should be allocated in a consistent and reasonable manner.

- 4031100 Police Department
- 4031200 SHERIFF - Includes the portion of expenditures in the Sheriff's Office relating to law enforcement. Expenditures in the Sheriff's Office for serving court papers or court security are reported under Courts. Expenditures for the jail are reported under Correction and Detention.

- 4031300 Traffic Control - Includes officers assigned to traffic control including school crossing guards. Traffic engineering expenditures (e.g., placement, installation and maintenance of traffic signs and lights) are reflected under Maintenance of Highways, Streets, Bridges and Sidewalks.
- 4031400 911 system – Maintaining a locality-wide emergency telephone system in the police department or by the Sheriff. Expenditures for E-911 Systems maintained in a separate Emergency Services department should be reflected under Other Protection.
- 4031500 Marine Life Enforcement - Includes the operation of marine patrol and marine life regulation of watercourses.
- 4031600 Ground Transportation Safety - Includes police traffic services, alcohol countermeasures, and driver improvement.
- 4031700 Virginia Alcohol Safety Action Program unless administered by the sheriff or the police department.
- 4031800 to 4031900 [Other - detail as desired]

- 4032XXX FIRE AND RESCUE SERVICES - Expenditures for fire fighting and fire prevention in the locality. Includes inspection of fire hazards, investigation of fire causes, fire prevention education, arson investigation, installation and maintenance of fire hydrants and fire training (including maintenance of special training facilities). This activity also includes contributions or payments to other entities which provide fire protection, and expenditures for providing ambulance, rescue, and paramedic services.
 - 4032100 Fire Department
 - 4032200 Volunteer Fire Department
 - 4032300 Ambulance and Rescue Services
 - 4032400 to 4032900 [Other - detail as desired]

- 4033XXX CORRECTION AND DETENTION - Expenditures related to correction and detention facilities. Expenditures for each element are reported separately.
 - 4033100 SHERIFF - Includes that portion of expenditures of the Sheriff for the maintenance and operation of the jail. (Expenditures of the Sheriff's Office related to serving papers or providing court security are charged to Courts. Law enforcement related expenditures are reflected in Law Enforcement and Traffic Control).

- 4033200 COUNTY/CITY OPERATED INSTITUTIONS - Includes the following institutions:
 1. Jail - when the jail is operated by someone other than the Sheriff (serving in the capacity of a constitutional officer). Lock-up facilities are charged to Law Enforcement and Traffic Control.
 2. County and City Jail Farms.
 3. Juvenile Detention Homes.
 4. Group Homes.
 5. Regional Jails.
- 4033300 PROBATION OFFICE - Includes the Juvenile Court Services Unit which is responsible for the supervision of juveniles placed on probation or parole.
- 4033400 OTHER CORRECTION & DETENTION - Includes community diversion programs.
- 4033500 to 4033900 [Other - detail as desired]

- 4034XXX INSPECTIONS - Expenditures for making protective inspections other than for health or fire.
 - 4034100 Building Structure
 - 4034200 Building Components
 - 4034210 Plumbing
 - 4034220 Electrical
 - 4034230 Heating and Air Conditioning
 - 4034240 Elevator
 - 4034250 Natural Gas
 - 4034260 Boiler
 - 4034300 Commercial
 - 4034310 Weights and Measures
 - 4034400 Enforcement
 - 4034500 to 4034999 [Other - detail as desired]

- 4035XXX OTHER PROTECTION - Expenditures for protection services not included in the foregoing activities.
 - 4035100 Animal Control - Includes collecting, impounding, and disposing of animals. Also includes any contributions made to humane societies.
 - 4035200 Game Warden - Includes claims paid for poultry and livestock that have been killed.
 - 4035300 Medical Examiner (Coroner)
 - 4035400 Consumer Protection Services
 - 4035500 Emergency Services (Civil Defense) - Expenditures for the preparation of survival plans in the event of war,

- terrorist act, or national disaster; administration of training, protection and survival for such disasters, and maintenance of shelters, supplies, and equipment. This also includes the operation and maintenance of communications systems for the police, sheriff, fire, ambulance, and other emergency services.
- 4035600 911 System - Maintaining a locality-wide emergency telephone system in a separate Emergency Services Department. Expenditures for E 911 System maintained by the Sheriff or Police Department are reported under Law Enforcement and Traffic Control.
- 4035700 to 4035999 [Other - detail as desired]

FUNCTION 04 - PUBLIC WORKS

NOTE: Only maintenance and repairs of existing structures should be included in the activities listed below. Construction or acquisition of new streets, bridges, sidewalks, buildings, landfills, etc. should be included in Capital Projects.

- 4041XXX MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, AND SIDEWALKS - Expenditures made by the local government for the maintenance and operation of streets, sidewalks, curbs and gutters, bridges and similar "infrastructure" facilities. Includes street lighting, snow removal, and the maintenance and operation of parking meters and lots. This activity also includes the preliminary engineering, field installation, and maintenance of traffic signals and signs.
 - 4041100 General Engineering/Administration
 - 4041200 Highways, Streets, Bridges, and Sidewalks
 - 4041300 Other Maintenance
 - 4041310 Storm Drainage - Drainage Systems and curbing constructed as part of a new road or street should be included as part of the capital project. However, if drainage and curbing are added to existing streets, expenditures should be included here.
 - 4041320 Street Lights - Acquisition and installation. Lights related to park facilities (e.g., tennis court lights) are reported under Parks and Recreation.
 - 4041330 Snow and Ice Removal
 - 4041340 Parking Meters and Lots
 - 4041400 Traffic Engineering
 - 4041500 to 4041999 [Other - detail as desired]

4042XXX SANITATION AND WASTE REMOVAL - Expenditures relating to the collecting and disposing of refuse. Includes operation of incinerators and sanitary landfills. Also, includes street cleaning and leaf collection as well as cutting and controlling weeds.

- 4042100 General Engineering/Administration
- 4042200 Street and Road Cleaning
- 4042300 Refuse Collection
- 4042400 Refuse Disposal
- 4042500 Weed Control
- 4042600 Litter Control
- 4042700 to 4042999 [Other - detail as desired]

4043XXX MAINTENANCE OF GENERAL BUILDINGS AND GROUNDS - Expenditures related to the repair and maintenance of all local government structures except educational, parks and recreation, and enterprise activity facilities. Rent and insurance and utility costs (e.g., heat, power, light, water, and sewer) are included except telephone (which is charged to the activities benefited).

- 4043100 General Engineering/Administration
- 4043200 General Properties
- 4043300 General Properties for Commercial Use (Other than Enterprise)
- 4043400 to 4043999 [Other - detail as desired]

FUNCTION 05 - HEALTH AND WELFARE

4051XXX HEALTH - Expenditures of the local government for health services, including Local Health Department programs that are part of the state/local cooperative health budget as well as programs that are fully funded locally. Mosquito and rat control are included in this activity. School health services and state and local hospitalization are charged to Education and to Welfare/Social Services, respectively.

- 4051100 Local Health Department
- 4051200 Supplement of Local Health Department
- 4051300 Pest Control
 - 4051310 Mosquito Control
 - 4051320 Rat Control
- 4051400 to 4051999 [Other - detail as desired]

4052XXX MENTAL HEALTH AND MENTAL RETARDATION - Expenditures related to mental health, mental retardation and substance abuse programs including contributions made by the local government to

Mental Health and Mental Retardation Services Boards (Chapter X Boards).

- 4052100 Administration
- 4052200 Mental Health Services
- 4052300 Mental Retardation Services
- 4052400 Substance Abuse Services
- 4052500 Chapter X Board
- 4052600 to 4052999 [Other - detail as desired]

4053XXX WELFARE/SOCIAL SERVICES - Local expenditures for welfare and social services including: (1) administration of the Department/Board of Welfare, (2) public assistance payments made to individuals, and (3) payments or contributions for social services.

- 4053100 Administration
 - 4053110 Welfare Administration
 - 4053120 Food Stamp Administration
 - 4053130 Temporary Assistance to Needy Families Administration
 - 4053140 Energy Assistance Administration
- 4053200 Assistance - Direct
 - 4053210 Public Assistance
 - 4053220 State and Local Hospitalization - Payments to medically indigent individuals.
 - 4053230 Area Agency on Aging
 - 4053240 Transportation Programs for Elderly - Other
- 4053300 Property Tax Relief for Elderly/Handicapped - The revenue abated for property tax relief for the elderly and the handicapped. If property taxes are only deferred, they should not be reflected as an expenditure.
- 4053400 Assistance - Institutions
 - 4053410 Foster Homes
 - 4053420 Child Daycare
- 4053500 Comprehensive Service Act
- 4053600 to 4053999 [Other - detail as desired]

FUNCTION 06 - EDUCATION

Expenditures for the maintenance and operation of the educational function of the local government.

4061XXX INSTRUCTION - Instruction includes the activities dealing with the interaction between teachers and students. Instruction may be provided

for students in a school classroom, in another location such as a home or hospital, or in other learning situations. Instruction may also be provided through another approved medium such as television, Internet, radio, telephones, or correspondence. Activities of aides or classroom assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process are included in Instruction.

- 4061100 Classroom Instruction - Compensation of all instructional staff for regular day schools, grades K - 12, should be included in this sub-activity regardless of the source of funds (local, state, federal, other) for such compensation.
- 4061200 Instructional Support-Student - Activities designed to assess and improve the well-being of students and to supplement the teaching process.
 - 4061210 Guidance Services - Activities involving counseling, evaluating and assisting students, parents, and other staff members.
 - 4061211 Management and Direction
 - 4061212 Counseling Services
 - 4061213 Appraisal Services
 - 4061214 Information Services
 - 4061215 Record Maintenance Services
 - 4061216 Placement Services
 - 4061220 School Social Worker Services - Activities designed to improve student attendance at school and that attempt to prevent or resolve student problems involving the home, school, and community. Registration activities for adult education programs are included here.
 - 4061221 Management and Direction
 - 4061222 Social Work Services
 - 4061230 Homebound Instruction - Meeting the educational needs of students who are unable to attend regular school because of illness, emotional disturbance, pregnancy, congenital deformity, or accident, etc.

- 4061300 Instructional Support-Staff - Activities associated with assisting the instructional staff with content and process of instructing students.
 - 4061310 Improvement of Instruction - Activities that assist instructional staff plan, develop, and evaluate the process of providing learning experiences for students. These activities include curriculum development, techniques of instruction, child development, and staff training, etc.
 - 4061311 Management and Direction
 - 4061312 Instruction and Curriculum Development
 - 4061313 Instructional Staff Training Services
 - 4061320 Media Services - Activities concerned with the use of all teaching and learning resources. Educational media are defined as any devices, content materials, methods, or experiences used for teaching and learning.
 - 4061321 Management and Direction
 - 4061322 School Library Services
 - 4061323 Audiovisual Services
 - 4061324 Educational Television Services
 - 4061325 Computer Assisted Instruction Services
 - 4061326 Other Educational Media Services
- 4061400 Instructional Support-School Administration - Activities concerned with overall administrative responsibility for a school.
 - 4061410 Office of the Principal - Activities concerned with directing and managing the operation of a particular school.
- 4062XXX ADMINISTRATION, ATTENDANCE, AND HEALTH - Activities concerned with establishing and administering policy for administration, attendance, and health.

- 4062100 Administration - Activities concerned with establishing and administering policy for operating the Local Educational Agency (LEA).
 - 4062110 Board Services – Activities of the elected body that has been created according to state law and vested with responsibility for educational activities in a given administrative unit.
 - 4062111 Supervision of Board Services
 - 4062112 Clerk Services
 - 4062120 Executive Administration Services - Activities associated with overall general administration of or executive responsibility for the LEA, including the Superintendent, Assistant Superintendent and other staff who directly report to the Superintendent.
 - 4062121 Office of the Superintendent
 - 4062122 Community Relations Services
 - 4062123 State and Federal Relations Services
 - 4062124 Special Area Administration Services
 - 4062130 Information Services - Activities concerned with disseminating educational and administrative information to students, staff, and the general public through direct mailing, the various news media, or personal contact.
 - 4062131 Management and Direction
 - 4062132 Internal Information Services
 - 4062133 Public Information Services
 - 4062134 Management Information Services
 - 4062140 Personnel Services - Activities concerned with maintaining the school system's staff. It includes such activities as recruiting and

| | |
|---------|--|
| | placement, staff transfers, in-service training, health services, and staff accounting. |
| | 4062141 Management and Direction |
| | 4062142 Recruitment and Placement Services |
| | 4062143 Staff Accounting Services |
| | 4062144 In-service Training |
| | 4062145 Health Services |
| 4062150 | Planning Services - Activities, other than general administration, which support each of the other instructional and support service programs. These activities include planning, research, development, evaluation, and information. |
| | 4062151 Management and Direction |
| | 4062152 Planning Services |
| | 4062153 Research Services |
| | 4062154 Evaluation Services |
| 4062160 | Fiscal Services - Activities concerned with the fiscal operations of the LEA. This function includes budgeting, receiving, and disbursing, financial and property accounting, payroll, inventory control, internal auditing, and managing funds. |
| | 4062161 Management and Direction |
| | 4062162 Budgeting Services |
| | 4062163 Accounting Services |
| | 4062164 Payroll Services |
| | 4062165 Internal Auditing Services |
| | 4062166 Property Accounting Services |
| 4062170 | Purchasing Services - Activities concerned with purchasing supplies, furniture, equipment, and materials used in schools or school system operations. |
| 4062180 | Reprographics - The activities of printing and publishing administrative publications such as annual reports, school directories, and manuals. Activities here |

- also include centralized services for duplicating school materials and instruments such as school bulletins, newsletters, and notices.
- 4062200 Attendance and Health Services - Activities designed to promote and improve children's attendance at school. Includes activities in the field of physical and mental health, such as medicine, dentistry psychology, psychiatry, nursing services and student attendance services.
 - 4062210 Attendance Services - Activities such as promoting improved attitudes toward attendance, analyzing causes of non-attendance, and enforcing compulsory attendance laws.
 - 4062220 Health Services - Physical and mental health services which are not related to direct instruction. Included are activities that provide students with appropriate medical, dental, and nursing services.
 - 4062221 Management and Direction
 - 4062222 Medical Services
 - 4062223 Dental Services
 - 4062224 Nursing Services
 - 4062225 Other Health Services
 - 4062230 Psychological Services - Activities concerned with administering psychological tests and psychological counseling for students, staff, and parents.
 - 4062231 Management and Direction
 - 4062232 Psychological Testing Services
 - 4062233 Psychological Counseling Services
 - 4062234 Psychotherapy Services
 - 4062240 Speech/Audiology Services - Activities which identify, assess, and treat children with speech, hearing, and language impairments.

- 4063XXX PUPIL TRANSPORTATION SERVICES - Activities concerned with transporting students to and from school, as provided by state and federal law. This includes trips between home and school, and trips to school activities.
- 4063100 Management and Direction
 - 4063200 Vehicle Operation Services - Activities involved in operating vehicles for student transportation.
 - 4063300 Monitoring Services - Activities concerned with supervising students in the process of being transported between home and school and between school and off-site school activities.
 - 4063400 Vehicle Maintenance Services - Activities involved in maintaining student transportation vehicles.
 - 4063500 School Buses – Regular Purchases Activities involved in the purchase of school buses.
 - 4063600 School Buses – lease Purchases – Include only the expenditures for the current year made for lease-purchases of school buses.
- 4064XXX OPERATION AND MAINTENANCE SERVICES - Activities concerned with keeping the school facilities open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition.
- 4064100 Management and Direction
 - 4064200 Building Services - Activities concerned with keeping the physical plant clean and ready for daily use. Include operating the heating, lighting, and ventilating systems. It also includes the costs of building rental and property insurance.
 - 4064300 Ground Services - Activities such as snow removal, landscaping, grounds maintenance designed to maintain and improve the land (but not the building).
 - 4064400 Equipment Services - Activities involved in maintaining equipment owned or used by LEA.
 - 4064500 Vehicle Services (Other than Pupil Transportation Vehicles) - Activities involved in maintaining general purpose vehicles such as trucks, tractors, graders, and staff vehicles.
 - 4064600 Security Services - Activities concerned with maintaining order and safety in school buildings, on the grounds, and in the vicinity of schools at all times. Include police

4071110 Supervision of Parks and Recreation
 4071200 Maintenance
 4071300 Recreation Facilities
 4071310 Recreation Centers and Playgrounds
 4071320 Swimming Pools
 4071330 Golf Courses
 4071340 Marinas and Boat Landings
 4071400 Cemeteries - Does not include any expenditure within a Trust and Agency Fund for perpetual care.
 4071500 to 4071900 [Other - detail as desired]

4072XXX CULTURAL ENRICHMENT - Expenditures to maintain and operate facilities of a cultural nature. Includes contributions to culturally related private organizations (e.g., symphonies, art galleries).
 4072100 Botanical Gardens
 4072200 Museums
 4072300 Art Galleries
 4072400 Zoos
 4072500 Historical Landmarks
 4072600 Downtown Malls
 4072700 to 4072900 [Other - detail as desired]

4073XXX LIBRARY - Expenditures for the maintenance and operation of a library or a contribution to a regional library facility.
 4073100 Library Administration
 4073200 Regional Library
 4073300 to 4073900 [Other - detail as desired]

FUNCTION 08 - COMMUNITY DEVELOPMENT

4081XXX PLANNING AND COMMUNITY DEVELOPMENT - Expenditures related to long and short range planning for physical, social, economic, and environmental issues. Includes expenditures for a planning department, planning commission, zoning board, or contributions to a planning district commission. Also includes programs that assist in the retention, expansion, and relocation of existing businesses and industries; efforts to acquire new businesses and industries; redevelopment and housing projects (including a contribution to a redevelopment and housing authority); and the costs of the industrial development commission or authority. Costs of attracting conferences and conventions, local marketing and promotional activities, including visitors' centers, tourist bureaus and public communications offices are also included in this activity.
 4081100 Planning

- 4081200 Community Development
- 4081300 Redevelopment and Housing
- 4081400 Zoning Board
- 4081500 Economic Development
- 4081600 to 4081900 [Other - detail as desired]

- 4082XXX ENVIRONMENTAL MANAGEMENT - Expenditures related to the monitoring or control of environmental factors.
 - 4082100 Air Pollution
 - 4082200 Water Quality Management
 - 4082300 Flood and Erosion Control
 - 4082400 Soil and Water Conservation District
 - 4082500 Cooperative Forestry and Reforestation
 - 4082600 to 4082900 [Other - detail as desired]

- 4083XXX COOPERATIVE EXTENSION PROGRAM - Expenditures by the local government that are part of the Cooperative Extension Service of the Virginia Polytechnic Institute and State University. Programs are developed for the community with emphasis in four major areas:
 - 4083100 Horticulture
 - 4083200 Family Resources
 - 4083300 Community Development
 - 4083400 4-H Youth
 - 4083500 to 4083900 [Other - detail as desired]

- FUNCTION 09 - NONDEPARTMENTAL**
- 4091XXX NONDEPARTMENTAL - Includes expenditures by the local government in the following areas:
 - 4091100 Judgments and Settlements - Includes settlements of tort claims made out of court. Expenditures and awards in condemnation proceedings are charged as capital outlays of the applicable activity or capital project.
 - 4091300 Annexation Costs
 - 4091400 to 4091900 [Other - detail as desired]

- 4092XXX REVENUE REFUNDS (SUSPENSE ACCOUNT) - Refunds made by the local government for overpayments to the local government. These refunds are netted from the appropriate revenue account. If a local government does not net these refunds when made, then an account is provided that may be used as a suspense account for recording these refunds throughout the year. Adjustments are then made at year end to net the refunds from the original revenue account such that the Revenue Refund Account is eliminated and never reported as an expenditure for

comparative reporting. Each refund must be sufficiently identified in order that it can be “netted” from the appropriate revenue at year end.

4094XXX CAPITAL PROJECTS - General Government capital projects consist of expenditures for the acquisition of major capital facilities which are constructed or acquired, i.e., land and buildings. Also report expenditures for new streets, roads and bridges. Expenditures for improvements or maintenance to existing streets, roads, bridges and sidewalks are capital outlay and reported as capital outlay, not capital projects.
[Detail as desired]

4095XXX DEBT SERVICE
[Detail as desired]

3.5 Expenditure Object Classes

Expenditures are classified by object to describe the types of services or commodities a locality obtains. Objects are broad classifications of expenditures. For more definitive expenditure classification, objects are further divided into subobjects.

The numbering system is presented only as guidance.

Recovered Costs are reported as an object for comparative reporting. Recovered Costs are those amounts received by a local government from other governmental entities for services the other locality provides them (e.g., payment by the state for housing state prisoners). For budgeting and accounting purposes, these items are typically recorded as revenues under Revenue from Local Sources - Recovered Costs (account 31902XX). Therefore, an object class for Recovered Costs has not been provided in the following objects as they are structured for use in day to day accounting.

OBJECT DEFINITIONS

1000 PERSONAL SERVICES - All compensation for the direct labor of persons in the employment of the local government. Salaries and wages paid to employees for full and part-time work, including overtime, shift differential and similar compensation. Also includes payments for time not worked, including sick leave, vacation, holidays, and other paid absences (jury duty, military pay, etc.) which are earned during the reporting period.

2000 EMPLOYEE BENEFITS - Job related benefits provided employees is part of their total compensation. Fringe benefits include the employer's portion of FICA, pensions, insurance (life, health, disability income, etc.) and employee allowances.

Note: Fringe Benefits are a significant component of employee compensation and, like salaries and wages, are charged to the appropriate object of expenditures within each program. If possible, fringe benefit costs should be charged to the applicable program or activity on an ongoing basis. As an alternative, fringe benefits may be charged to fringe benefit clearing accounts. As part of the year-end closing process, these accounts are closed, and all costs are allocated to the appropriate program or activity based on a reasonable allocation method. Any allocation method adopted should be consistently applied.

Fringe benefits MUST be allocated to employee departments for comparative reporting.

3000 CONTRACTUAL SERVICES - Services acquired from outside sources (i.e., private vendors, public authorities or other governmental entities). Purchase of the service is on a fee basis or fixed time contract basis. Payments for rentals and utilities are not included in this account description.

4000 INTERNAL SERVICES - Charges from an Internal Service Fund to other functions/activities/elements of the local government for the use of intragovernmental services. Internal Services are defined as data processing, automotive/motor pool, central purchasing/central store, print shop, and risk management.

- Data Processing
- Automotive/Motor Pool
- Central Purchasing/Store
- Print Shop
- Risk Management

Note: INTERNAL SERVICES object/subobjects are used to account for: (1) ongoing charges for services rendered by Internal Service Funds; or (2) the reclassification at year end of expenditures of activities which are internal service in nature. Reclassification is required for comparative reporting.

5000 OTHER CHARGES - Includes expenditures for utilities; leases and rentals; property insurance; postal services; travel; and payments to individuals for public assistance payments.

6000 MATERIALS AND SUPPLIES - Includes articles and commodities that are consumed or materially altered when used and minor equipment that is not capitalized.

7000 PAYMENT TO JOINT OPERATIONS - Payments to the Fiscal Agent for operations that are jointly operated by two or more local governments. An

operation is defined as jointly operated if the local governments have responsibility of ownership and policy making. Policy making may be handled directly by the local governing bodies or indirectly through an appointed board.

8000 CAPITAL OUTLAY - Outlays which result in the acquisition of or additions to capital assets except outlays for major capital facilities (i.e., land and buildings) which are constructed or acquired. Expenditures for these major capital facilities are reflected within Capital Project Funds. Capital Outlay includes the purchase of assets both replacement and/or additions.

UNIFORM FINANCIAL REPORTING MANUAL
CHAPTER 4
Comparative Report Transmittal Forms

4.1 Introduction

Cities, counties and towns prepare the Comparative Report Transmittal Forms to report data required for the *Comparative Report of Local Government Revenues and Expenditures*. This Chapter provides instructions for the preparation, review and submission of the transmittal forms. General instructions for preparation of forms are presented at Section 4.2. Detailed instructions for individual forms are presented in the sections listed below. The instructions for related forms have been organized together in this Chapter for ease of understanding.

| <u>Form</u> | <u>Title</u> | <u>Section</u> |
|--------------|---|----------------|
| 100 | Functional Expenditures and Sources of Revenue by Activity Form | 4.3 |
| 110 | Joint Activity Form | 4.4 |
| 120 | Joint Activity Form for Schools | 4.5 |
| 200 | Local Revenue Form | 4.6 |
| 700 | General Government Summary Form | 4.7 |
| 300 | General Government Capital Projects Form | 4.8 |
| 310 | Joint Activity Capital Projects Form | 4.9 |
| 400 | Debt Service for General Government Form | 4.10 |
| 600 | Enterprise Activity Provider Form | 4.11 |
| 610 | Enterprise Activity Contributor Form | 4.12 |
| 050 | Financial Statement/Transmittal Reconciliation | 4.13 |
| EDIT | EDIT CHECKS | 4.14 |
| LOCAL REVIEW | COMPARATIVE REPORT LOCAL REVIEW WORKSHEET | 4.14 |
| ANALYSIS | ANALYTICAL REVIEW | 4.14 |

| | | |
|--------|---------------------|------|
| VERIFY | VERIFICATION REPORT | 4.14 |
|--------|---------------------|------|

The Auditor's Role

The information used to prepare the transmittal forms is taken from audited records, and must conform to the requirements of this Manual. Certain agreed upon procedures have been developed for the auditor's review of the forms. A report on these agreed upon procedures must accompany the forms indicating their conformity, in all material respects, with the requirements of this Manual.

Some local governments may prefer to have their auditors prepare the transmittal forms as a part of the annual audit of the financial statements. This arrangement is acceptable to the Auditor of Public Accounts, provided the auditor gives assurance that the forms are prepared in accordance with this Manual.

Section 4.15 provides minimum procedures to be performed by the auditor in the review of the transmittal forms. In addition, a sample of the auditor's report is included.

4.2 General Instructions

The Comparative Report is compiled annually and presents uniform, comparative financial data about Virginia's localities. Most of the information contained in the Comparative Report comes from the localities' audited financial records. Each local government uses the Comparative Report Transmittal Forms to report the required financial data to the Auditor of Public Accounts.

For comparative reporting, financial data must be summarized in accordance with a uniform system of accounts. The Auditor of Public Accounts has developed a chart of accounts that is used to report financial data for compilation of the Comparative Report. These requirements are described in Chapter 3 and are REQUIRED for comparative reporting purposes.

The accounting principles applied to the local government's Annual Financial Report is inherently different from the financial data reported on the Comparative Report. The Financial Statement/Transmittal Reconciliation Form, Form 050, is used to summarize these differences. This form is discussed in detail at Section 4.13.

This section provides general instructions for the preparation and submission of the transmittal forms to the Auditor of Public Accounts.

Getting Started

The preparation of the transmittal forms begins with gaining an understanding of the requirements of this Manual and the extent to which the local government's accounting practices and reporting entity differ with these requirements. Identifying these differences is perhaps the most important step in properly classifying and reporting information in the transmittal forms. The following procedures are considered minimum procedures for gaining an understanding adequate to prepare the transmittal forms properly:

1. Identify and document differences between the locality's and the UFRM systems of accounts for general government operations. A local government not using the chart of accounts presented in Chapter 3 of this Manual must be able to crosswalk its own chart of accounts to classifications required by the Auditor of Public Accounts.
2. Identify and document areas where the locality's system of accounts does not summarize directly into the information required for reporting of general government. Areas of concern include classifications for Operations and Maintenance (O&M), Capital Projects and Debt Service activities; and allocation of certain types of expenditures (such as the Sheriff or fringe benefits).
3. Identify and document differences between the accounting principles used by the locality and those required by the Auditor of Public Accounts. Differences may include treatment of "internal services", classification of recovered costs and tax relief programs, and basis of accounting differences due to fund classification of certain activities.
4. Identify joint activities in which the local government participates, and contact the fiscal agent to ensure that Forms 110, 120, or 310 will be prepared and distributed to participating localities timely. In activities where the entity acts as its own fiscal agent, the participating localities may have to prepare the Form 110 from the entity's audited financial statements.
5. Compare the locality's fund structure to the Comparative Report categories. Plan adjustments necessary to meet classification requirements for General Government O&M activities, General Government Capital Projects, General Government Debt Service, and Enterprise Activities.

Preparing the Forms

Detailed instructions for preparing each of the transmittal forms are presented in the 3 that follow. The order in which the forms are prepared is a matter of preference; however, it may be helpful to follow the order presented in Sections 4.3 forward.

The transmittal forms are automated and prepared in Microsoft Excel. The transmit.xls file is unique for each local government and fiscal year. The file contains underlying data specific to the local government such as the prior year data, prior year review comments, and known joint activities.

Entering Data

Each transmittal form is located in a separate sheet within the Excel workbook. The name of each form is on the sheet tabs. To begin entering data, select the desired form and begin keying amounts. The file is password protected to ensure formulas and cell references are not altered. The Auditor of Public Accounts prepares the Comparative Report by automatically uploading the data to the specific Exhibits.

The following basic rules apply when entering data:

- It is not necessary to enter the name of the locality or the fiscal year. These are preloaded into the file.
 - Amounts should be entered into all forms without commas or dollar signs.
 - Generally all numbers should be entered as a positive amount, except for those entered on Form 50. Recovered costs on Form 050 should always be entered as a negative amount. Also, reclassifications and other adjustments should be entered as a positive or negative number as needed.
 - Where formulas are included, avoid copying data from one location to another. This can cause an error due to a change in the necessary cell reference.
 - If you get an error in a cell due to an invalid cell reference or some other formula discrepancy that you cannot resolve, you can e-mail the file to the Auditor of Public Accounts to remove the cell reference error and reset the formula.
-
6. Post Revenue and Expenditure activity from the Fund Statements of the Annual Financial Report to Form 050 (Per Financial Statements) for each fund. Spread Fund activity to appropriate Comparative Report classifications (to right of financial statements column).
 7. For each joint activity, obtain Form 110 for operating expenditures, Form 120 operating expenditures for Schools, and Form 310 for capital project expenditures from the fiscal agent. Include the allocated revenue and expenditure information calculated on these forms on Forms 100, 200, and 300, as indicated by the instructions. Post the effects of Forms 110, 120, and 310 to Form 050 for each joint activity.
 8. Calculate the effect of accounting principle adjustment(s) and reclassification(s). These adjustments may include: classification of capital project, debt service, and enterprise activities; treatment of internal services and

recovered costs; elimination of transfers to School Board and other Component Units, and elimination of interfund transfers within the O&M activity. Post the effect of accounting principle adjustments and reclassifications to Form 050 in the adjustments space provided.

9. Prepare each form according to the instructions provided in Sections 4.3 through 4.14.
10. Complete the Financial Statement/Transmittal Form Reconciliation (Form 050) for both revenues and expenditures.
11. Check the Local Review Form for flags or errors indicated. Post additional data to necessary forms or provide an explanation for pending or unique situations within the locality.
12. Check the "Edit Checks" Form for completeness. Make corrections for errors noted or provide explanations for unique situations within the locality.
13. Check accuracy between forms by reviewing the "verification report", a feature that makes the required comparisons and highlights differences between the forms.
14. Prior to submission to the Auditor of Public Accounts, transmittal forms must be reviewed by an independent auditor. Instructions for the auditor's review are presented in Section 4.15. The Auditor's Report on Applying Agreed-Upon Procedures must be submitted to the Auditor of Public Accounts by November 30.
15. The Transmittal file, with an error-free Verify Report, must be submitted to the Auditor of Public Accounts by November 30 (Code of Virginia, Section 15.2-2510). The file may be sent through electronic mail or delivered on disk.
16. The Auditor of Public Accounts performs a review of the Comparative Report transmittal data in relation to the locality's Annual Financial Report and the requirements as set forth in the Uniform Financial Reporting Manual. The Auditor of Public Accounts prepares a review comment sheet on each transmittal. If there are errors or misclassifications or questions on the reported amounts, the Auditor of Public Accounts sends the Comment file to the local government and their auditor. The transmittal preparer is required to make the necessary corrections or provide additional explanations and resubmit the transmittal file to the Auditor of Public Accounts by the follow-up due date indicated.

Auditor of Public Accounts Review of Transmittal Forms

Upon receipt of the completed transmittal forms, the Auditor of Public Accounts commences a review of the forms. The review is designed to determine that the forms are in balance and do not contain errors or omissions that would materially affect the presentation in the Comparative Report. If the review uncovers significant errors or omissions, the Auditor of Public Accounts will notify the local government or their auditors of the findings and require corrections be made and transmittal file resubmitted.

4.3 Form 100 - General Government Functional Expenditures and Sources of Revenue

Form 100 presents detailed data about general government expenditures reported by functional activity. Form 100 includes only a local government's expenditures for general government operations. It does not include expenditures for capital projects (reported on Form 300), debt retirement (reported on Form 400), or enterprise activities (reported on Form 600).

Information related to state and federal categorical aid, state reimbursement for shared expenses, and local charges for services is reported with the expenditure activity to which it relates. The chart of accounts in Chapter 3 is organized to facilitate this "matching" of expenditures and revenues.

The information from Form 100 is compiled in the Comparative Report in Exhibit C, Exhibits C-1 through C-8. The Comparative Report exhibits are discussed in Chapter 5 of this Manual.

Instructions - General

1. The expenditure functions, activities, and elements used in preparing Form 100 are explained in detail in Chapter 3, System of Accounts. Form 100 is organized by function. Activities are listed within each function. Within some activities there are certain reportable elements which are shown separately. In such cases, data about the reportable element is collected on one line. An "other" expenditure line is used to collect all activity expenditures not included in the reportable element(s).

Note: Reportable elements are those expenditure accounts designated in ALL CAPS in Chapter 3.

2. Revenue sources specifically applicable to or generated from the activities reported on Form 100 are also reported on this form in Columns K - M. Refer

to the Revenue Chart of Accounts (Sections 3.3) for each activity or reportable element to determine where state and federal aid or charges for services should be reported. Generally, the total sources will not equal net expenditures (Column D).

3. Expenditures must be classified as defined in the Uniform System of Accounts (Chapter 3). If the local government does not use the Auditor of Public Accounts System of Accounts for preparation of its financial statements, certain reclassifications must be made when posting expenditures to the Form 100.

Joint Activity or Joint Element - Column C

4. The Code of Virginia authorizes local governments to act cooperatively to address regional problems or needs. Often regional authorities and boards are created to provide services to several participating local governments. Regional library boards, regional jails and joint or regional community services boards are common examples. Total revenues and expenditures of the joint activity or element are allocated to participating local governments via Form 110, Form 120, and Form 310. Form 110 allocates total joint activity operating revenues and expenditures for joint activities other than schools. Form 120 allocates total joint school operating revenues and expenditures. It distinguishes between operating and cafeteria fund revenues and reports expenditures by function. Form 310 allocates total sources and uses of funds for joint activity capital projects. Instructions for completion of Forms 110, 120, and 310 are located in Sections 4.4, 4.5, and 4.9, respectively.
5. The fiscal agent (usually the government responsible for accounting for the revenues and expenditures of the joint operation) is responsible for completing the Form 110, Form 120, and Form 310. Each participating local government should follow the instructions in #7 below to report its allocated share of expenditures and revenue sources on Form 100.
6. IF NO JOINT ELEMENTS OR ACTIVITIES EXIST -- Column C (Joint Activities) is left blank and Form 110 and Form 120 is not used.
7. Participating Local Government Instructions - These instructions are for all local governments contributing to a joint activity, regardless of whether the government acts as the fiscal agent:
 - a. Arrange to receive a completed Form 110 and Form 120 from the fiscal agent for each activity or element shared.
 - b. Review the contribution information for your local government shown in Part A: contributions to the joint activity/element. The

contribution reported by the fiscal agent is used to allocate all expenditures of the joint activity to the participating governments and should agree to your accounting records.

c. Part B: sources of funds for the joint activity/element. This section allocates revenues from sources other than local contributions to each participating government. Activity reported for your government should be posted to your Form 100, Columns K, LP (pass-thru), LD (direct), and M.

d. Part C: distribution of net expenditures for the activity to participating governments. The total expenditures for this activity reported for your government by the fiscal agent should be posted to your Form 100, Column C.

Internal Service Activities

8. Internal service funds account for goods or services provided by one department or agency to other departments or agencies of the local government on a cost reimbursement basis.
9. Activities (reportable elements) that qualify for treatment as internal services for the Comparative Report are reported as if they were internal service funds, even if the locality's accounting structure does not include an actual Internal Service Fund.
10. The following services are frequently accounted for in Internal Service funds:
 - Data processing
 - Automotive/motor pool
 - Central purchasing/stores
 - Print shop
 - Risk Management/Self-insurance
11. For preparation of the Comparative Report, the services listed above **MUST** be accounted for as "Internal Service" if they meet the following criteria:
 - a. Over 25% of the department's (element's) expenditures relate to providing internal services to other departments, and
 - b. total expenditures of the internal service exceed \$100,000 exclusive of depreciation or capital outlays.
12. As with any other activity or reportable element, the costs incurred to provide the internal service are reported under the applicable object. Internal service

costs, however, are charged out to the benefiting activities on an equitable basis.

13. The activity receiving the service reflects an expenditure under the object Internal Service; the providing activity reflects the revenue from these charges as Recovered Costs. Suggested methods for allocating internal service cost to the activities receiving the services are listed below. These allocation methods should be considered for internal services that do not apply charges on an ongoing basis:

| | |
|--------------------------------------|--|
| Data Processing | Job Accounting System Clock time (Perhaps separate charge outs for data entry and computer processing) If CRT (on line terminals): # of terminals or # of transactions in each terminal |
| Automotive/ Motor Pool | Elapsed time and mileage Number of vehicles assigned to a department Elapsed time (Rates should cover acquisition costs, operating expenses and maintenance costs) |
| Central Purchasing/ Central Store | Requisitions Purchase orders |
| Print Shop | Masters Pages Printed Standard Rate Schedule |
| Risk Management | Employees Covered (Health coverage) Vehicle usage (Auto coverage) Square footage (Fire, boiler coverage) Payroll dollars (Workers Compensation) |

14. Generally, each of the internal services is a reportable element under General and Financial Administration. If an internal service is not provided under General and Financial Administration (i.e., data processing system within Education), the value of services provided to other activities should be treated as Recovered Costs to the activity actually providing the service.
15. In the internal services, depreciation expense is an allocated expense and no capital outlay expenditures are reported.

16. Any profit or significant deficits of the Internal Service fund should be allocated to the activities charged for the service (netted from Recovered Costs and Internal Service Charges where reported).
17. Inventory in an Internal Service fund is expensed as it is used, not as it is purchased.

Sheriff

18. Activities of Sheriffs' Departments include Courtroom Security; Law Enforcement & Traffic Control; and Correction & Detention. The Sheriff's Department may have any or all three responsibilities in a local government. The expenditures for meeting each of these responsibilities are reported separately in the Comparative Report. It is necessary to allocate the expenditures for the Sheriff's Department in the following manner:
 - a. Courtroom Security, Line 2.12 - Include only the expenditures related to serving all civil or other papers as required by the courts and for providing court security.
 - b. Law Enforcement and Traffic Control, Line 3.11 - Include the expenditures related to law enforcement and traffic control. Also include expenditures related to the E-911 System if operated by the Sheriff's office.
 - c. Correction and Detention, Line 3.31 - Include only the expenditures related to the maintenance and operation of the jail and the retention of prisoners.
19. Actual salaries of the Sheriff's department employees should be allocated between each of the department's areas of responsibility based on employees' duties and the time spent in each function. Employee benefits should be allocated using the same basis. Other expenses (e.g. contractual services, capital outlays) should be reported with the applicable function they support or allocated similar to employee benefits if not otherwise determinable.
20. A ratio of salaries allocated to each activity to total salaries should be developed for the allocated expenditures. These ratios should be used to allocate the state shared expense for the sheriff revenues to Lines 2.12, 3.11 and 3.31 (Column K).

Nondepartmental (Line 8.00)

21. The Nondepartmental function category may only consist of annexation costs, judgments, settlements, and certain donations to towns. Other costs must be allocated to the appropriate functions and activities.

General Government Service Provided to Enterprise Activity

22. If the general government provides a service to an enterprise activity, the enterprise activity should show the fair value of such service as an expenditure (on Form 600) and the general government should reflect that amount as Recovered Costs to the activity providing the service.

Enterprise Service to General Government

23. Payments for the fair value of any enterprise services rendered to the general government should be reflected as expenditures on Form 100.

Reconciliation to Other Forms

24. The Grand Totals, Line 10.00, MUST agree to amounts presented on other forms as shown below. If forms are not in agreement, applicable errors will be noted on the Verification Report.
- a. Net Expenditures, Line 10.00, Column D, MUST agree to expenditures for Maintenance and Operations reported on Form 700, Line 5.00.
 - b. State Categorical Aid and Shared Expenses, Line 10.00, Column K, MUST agree to the total Shared Expenses and Categorical State Aid reported on Form 700, Line 1.25.
 - c. Federal Categorical Aid - Pass-thru, Line 10.00, Column LP, MUST agree to Total Federal Categorical Aid - Pass-Thru reported on Form 700, Line 1.34.9
 - d. Federal Categorical Aid - Direct, Line 10.00, Column LD, MUST agree to Total Federal Categorical Aid - Direct reported on Form 700, Line 1.33.9
 - e. Charges for Services, Line 10.00, Column M, MUST agree to Charges for Services reported on Form 200, Line 6.00.

4.4 Form 110 - Joint Activity/Element Form

The Code of Virginia encourages local governments to work cooperatively to solve regional problems or provide services regionally. Many local governments have entered into agreements with other local governments to provide general government services regionally and reduce duplicative costs of providing those services. In most cases, these services are funded partly through local appropriations by the participating local governments. In some cases, the joint activity itself has the ability to raise revenues through other sources: federal and state grants, charges for services, private donations, etc.

The Joint Activity/Element Form, Form 110, is used to allocate the total costs and funding sources of general government activities other than schools operated jointly to each of the participating governments. This allocation is made to provide comparability between local governments that provide these services internally with those that have taken a regional approach. Amounts calculated on this form are carried to Form 100 and are reported as Joint Activities/Elements. Joint Schools' activities are allocated to the participating local governments using Form 120, discussed at Section 4.5 of this Manual. Capital Projects related to joint activities are allocated to the participating local governments using Form 310, discussed at Section 4.9 of this Manual.

Joint Activity/Element Defined

An activity or element is considered a joint activity if more than one local government participates in supporting the operations beyond, or in addition to, paying direct user charges for the services received. An activity is also considered joint if participating local governments share the responsibility for policy making, or if this responsibility is delegated to a separate body, such as a regional board. Exclusion from the transmittal forms, and thus the Comparative Report, of joint general government functions such as libraries, jails, schools and mental health services would cause comparisons with other local governments to be misleading. Joint activities do not include Trust and Agency Funds or other accounts established for which a local government only provides an accounting service.

Activities that are often reported on a Form 110 include joint, regional, or shared:

- Libraries
- Jails
- Juvenile Detention Centers or Group Homes
- Social Service Boards
- Mental Health (Chapter 10) Boards
- Waste Management Services or Landfills
- Dispatch Centers
- Recreation Facilities

General Information

1. The government responsible for maintaining the accounting records for the revenues and expenditures of the joint operation is the "fiscal agent" for the activity. Some joint activities have a fiscal agent who is independent of all participating governments. The fiscal agent, whether a participating government or independent agent, is responsible for completing the Form 110.
2. Joint activities should be audited annually, under either the *Specifications for Audits of Counties, Cities and Towns* or the *Specifications for Audits of Authorities Boards and Commissions*, both issued by the Auditor of Public Accounts. The Form 110 should be prepared from audited financial records.
3. Since it is necessary for the fiscal agent to allocate all the expenditures and sources of funds among the governments involved in the joint operation, the fiscal agent must send the completed Form 110 to each participating government. Participating governments will not be able to complete Form 100 without the information from Form 110 prepared by the fiscal agent. Participating governments are responsible for following up with the fiscal agent and obtaining the Form 110 for inclusion in their locality's transmittals for comparative reporting.
4. Sources and uses of funds (federal, state, local, or private) used for joint activity capital projects should be reported on the Form 310. Capital projects should NOT be included on Form 110.

Instructions - General

5. Form 110 is divided into three parts. The fiscal agent must complete Parts A through C. Each participating government incorporates Form 110 into its transmittal forms.

Instructions for Fiscal Agents

6. Part A: CONTRIBUTIONS TO THE JOINT ACTIVITY/ELEMENT

This section calculates the percentages used to allocate total revenues and expenditures of the activity to the participating governments. The percentages are based on each local government's proportionate share of total local contributions.

- A. List the fiscal agent in the "Participants" column on line 1.00 and participating governments on lines 1.10 through 1.19. Space is provided for up to 10 participating governments.

If none of the participating governments act as the fiscal agent for the activity, leave line 1.00 blank.

If there are more than 10 participating governments, list counties first, then cities, then large towns. Small towns (those with a population less than 3,500) may be grouped together and listed as "other towns".

B. The contribution from local sources for each participating government should be entered in the "Amount of Contributions" column. Local contributions include both general appropriations made pursuant to an agreement of the participants, and direct charges for services to the participating governments (e.g., per diem charges). Reimbursements for housing prisoners should not be included when determining the amount of contribution.

C. The proportionate contribution by each participating government will normally be the basis for allocating total sources and expenditures in Parts B and C. However, if the members of the joint activity/element mutually agree, different allocation percentages can be used to achieve a more accurate distribution of expenditures and revenues. If allocation percentages are computed on a basis other than local contributions, an explanation of the basis used should be provided.

7. **Part B: SOURCES OF FUNDS FOR THE JOINT ACTIVITY/ELEMENT**

In Part B, sources of funds other than local contributions from participating governments are allocated based on the contribution percentages calculated in Part A.

A. List TOTAL revenues from each source listed on Lines 2.10 through 2.60. The preparer (fiscal agent) should contact participating governments to determine all state and federal categorical aid they received to support operating expenses for this activity. The categorical aid of all participating localities should be totaled with the state and federal aid for operations received by the fiscal agent.

B. The percentages computed in Part A, for the Fiscal Agent through Other Participating Government #10, are reported at the top of each column on Line 2.00. Revenues are allocated by applying these percentages to each revenue source for each participating government on Lines 2.10 through 2.60.

8. **Part C: DISTRIBUTION OF NET EXPENDITURES FOR THE ACTIVITY TO PARTICIPATING GOVERNMENTS**

A. Enter the total expenditures for the joint operation as a separate entity on Line 4.10, Total column. Total expenditures should include capital outlay, but exclude capital projects and debt service. Enter recovered costs for the joint operation on Line 4.20, Total column. Recovered Costs include all charges made on a per unit basis for services provided to non-participating local governments or the state government. Charges to individuals for services provided are not included in Recovered Costs.

B. The percentages computed in Part A, for the fiscal agent and each participating government are reported on Line 4.00. Allocated expenditures and allocated recovered costs for each participating government are calculated by applying the percentages on Line 4.00 to total expenditures on Line 4.10 and total recovered costs on Line 4.20.

C. The local contributions for each participating government as listed in Part A on Line 4.30 less recovered costs (Line 4.20) and local contributions (Line 4.30) result in allocated expenditures on Line 4.99.

9. The Preparer should put their Name and Telephone number on the completed Form 110 and send a copy to each participating locality.

Instructions for Participating Governments

10. After receiving the completed Form 110 from the fiscal agent, each participating government must add allocated expenditures and revenues to its transmittal forms. Post allocated revenues on Lines 2.10 through 2.99 to the appropriate form and lines using the instructions on the bottom of the Form 110. Post allocated expenditures computed on Line 4.99 to the appropriate form and lines using the instructions on the bottom of the Form 110. To determine which line to post the activity to on Form 100, refer to the information below.

| Line | Post to Form 100 |
|---|---------------------|
| Jails, Adult Detention Facilities | 3.32 |
| Juvenile Detention Facilities and Group Homes | 3.32 |
| E-911 or Emergency Dispatch Centers | 3.50 |
| Waste Management Services or Landfills | 4.20 |
| Mental Health (Community Services) Boards | 5.20 |
| Social Services Boards | 5.32 |
| Park and Recreation Facilities | 6.10 |
| Libraries | 6.30 |

11. There are five separate Form 110 sheets in the transmittal workbook. A separate form is required for each joint activity. If the local government participates in more than five joint activities and needs additional Form 110 sheets, they can obtain a file with blank joint activity forms from the Auditor of Public Accounts web site.

Reconciliation to Other Forms

12. Amounts calculated on Lines 2.50 and 2.60 MUST be posted to Form 200, Lines 5.10 and 7.30, respectively.
13. Amounts calculated on Line 4.99 MUST be posted to the appropriate line of Form 100, Column C.
14. Amounts from Form 110, Lines 2.99 and 4.99 MUST be reflected as adjustments for joint activities on Form 050 (General Government O & M column).

4.5 Form 120 - Joint Activity/Element Form for Schools

Special Procedures for Joint School Systems

The Commonwealth supports each locality's public school system under the Financial Assistance for Instruction Assistance - Standards of Quality program. Under this program, a minimum per student amount that each locality must spend is computed. The Commonwealth provides a portion of this amount as Basic School Aid. A joint school system with a locality as a fiscal agent should include Basic School Aid in the local contributions reported for each participating government in Part A of Form 120 for purposes of computing the allocation percentages. Basic School Aid should be excluded from the total state categorical aid allocated to participating governments on Line 2.10. Participating governments should report Basic School Aid directly on Form

100, Column K and add other allocated state categorical aid from Form 120 to that total.

The general information for the Form 120 is similar to the Form 110. Participating governments should refer to the information on the preparation of the Form 110 included in Section 4.4. Additionally, there are posting instructions on Form 120 for the participating government to follow.

4.6 Form 200 - Local Revenue Form

The Local Revenue Form, Form 200, presents data on revenues from local sources except revenues from enterprise activities (reported on Form 600). Data from this form is compiled in Exhibits B and B-2 of the Comparative Report. The Comparative Report exhibits are discussed at Chapter 5 of this Manual.

Instructions- General

1. The format of Form 200 follows the local revenue accounts as defined in the Revenue System of Accounts, Section 3.3.

General Property Taxes

2. General property taxes reported on Lines 1.00 through 1.99 represent current and delinquent taxes collected and the amounts accrued in accordance with generally accepted accounting principles for modified accrual.
3. General property taxes include revenue which would have been received if property taxes for the elderly and/or handicapped had not been abated. (The amount of abatements in relief for the elderly/handicapped should be reported as an expenditure on Form 100, Line 5.31.)
4. Personal property taxes reported on Line 1.31 does not include the Commonwealth's portion of personal property taxes on qualifying vehicles paid to the local government under the Personal Property Tax Relief Act. The Commonwealth's portion is reported as Non-categorical state aid on Form 700, Line 1.22.7.
5. Penalties and interest collected on all general property taxes are reported in total on Lines 1.43 and 1.44, respectively. Penalties and interest related to land redemptions are included in real property taxes (Line 1.10).

Other Local Taxes

6. Franchise Taxes, Line 2.30.2, are taxes collected from public service corporations as a utility license tax. The franchise designation stems from the

exclusive right to service an area. Franchise taxes should only be reported on Line 2.30.2 and not included with Consumer Utility taxes or Business License Taxes.

7. Taxes on Recordations and Wills, Line 2.30.5, do not include the locality's 1/2 share of the state grantor's tax on deeds. This share of the tax is revenue from the Commonwealth, and should be reported as Non-Categorical State Aid on Form 700, Line 1.22.6, Tax on Deeds (Grantor's Tax).
8. The E-911 Emergency Telephone Service Tax provided by Code of Virginia, Section 58.1-802 is a tax and should be reported on Line 2.30.13. Do not include this tax in Charges for Services.

Reconciliation to Other Forms

The following totals are reconciled automatically through the Verification Report process.

9. Charges for Services, Line 6.00, MUST agree to Total Charges for Services reported on Form 100, Line 10.00, Column M.
10. Total Local Revenue, Line 10.00, MUST agree to the amount reported for Local Revenue on Form 700, Line 1.10.

4.7 Form 700 - General Government Summary Form

The General Government Summary Form, Form 700, is used to summarize the total funds available to a local government for general government and the total expenditures by a local government, including transfers. Many of the amounts reported on this form are totals automatically carried forward from other forms. Each of these amounts is cross-referenced to the applicable Form and Line numbers.

The data from this form is compiled at Exhibit A and Exhibit B-1 of the Comparative Report. The Comparative Report exhibits are discussed at Chapter 5 of this Manual.

Instructions - Revenue from the Commonwealth and Federal Government

1. The format of Form 700 follows the commonwealth and federal revenue account classification of revenues as set forth in the Uniform System of Accounts, Section 3.3 of this manual.

2. Revenues reported on Form 700 include only those for general government use. Revenues related to enterprise activities are reported on Form 600. Revenues specifically designated for capital projects are reported on Form 300. Revenues for debt service are reported on Form 400.
3. Non-categorical aid is revenue from the state or federal governments that is not specifically designated for use for a specific purpose. Categorical aid refers to revenue that is designated for a particular use. Reimbursements from the State Compensation Board for a portion of the salaries of constitutional officers are considered categorical aid.

Reconciliation to Other Forms**General Government Funds Available**

The following totals are reconciled automatically through the Verification Report process.

1. Local Revenue, Line 1.10 MUST agree to Form 200, Line 10.00.
2. The total of Shared Expenses and Categorical State Aid, Line 1.25, MUST agree to Form 100, Line 10.00, Column K.
3. Total Federal Categorical Aid MUST agree to Form 100 as follows:
 - a. Direct Funds, Line 1.33.9, MUST agree to the amount reported on Form 100, Line 10.00, Column L (Direct).
 - b. Pass-Thru Funds, Line 1.34.9, MUST agree to the amount reported on Form 100, Line 10.00, Column L (Pass-Thru).

Transfers from Other Funds

4. Transfers from Capital Project Funds to General Government, Line 3.10, MUST agree to Form 300, Line 11.10.
5. Transfers from Debt Service Funds to General Government, Line 3.20, MUST agree to Form 400, Line 7.00.
6. Transfers from Enterprise Activity Funds to General Government, Line 3.30, MUST agree to Form 600, Line 1.32.
7. Total General Government Funds Available, Line 4.00, MUST agree to Form 050, Total Revenues, General Government O&M

General Government Expenditures (including transfers)

8. Maintenance & Operations Expenditures, Line 5.00, MUST agree to Form 100, Line 10.00, Column D.
9. Transfers to Capital Projects Funds, Line 6.10, MUST agree to Form 300, Line 6.00.
10. Transfers to Debt Service Funds, Line 6.20, MUST agree to Form 400, Line 2.10.
11. General Government transfers and contributions to support capital projects of Enterprise Activities, Line 6.32.1, MUST agree to Form 600, Line 4.20
12. Transfers and contributions to support capital projects of Enterprise Activities of other localities and authorities, Line 6.32.2, MUST agree to Form 610, Line 2.99.
13. General Government transfers and contributions to subsidize operations of Enterprise Activities, Line 6.31.1, MUST agree to Form 600, Line 1.31
14. Transfers and contributions to subsidize operations of Enterprise Activities of other localities and authorities, Line 6.31.2, MUST agree to Form 610, Line 1.99.
15. Total General Government Expenditures, Transfers and Contributions, Line 7.00, MUST agree to Form 050, Total Expenditures, General Government O&M.

4.8 Form 300 - General Government Capital Projects

The General Government Capital Projects Form presents data on all capital projects of the general government, including capital projects for the local school division. Enterprise activity capital projects should be reported on Form 600, Enterprise Activity. Information from this form is compiled at Exhibit D of the Comparative Report. The Comparative Report exhibits are discussed in Chapter 5 of this Manual.

Instructions - General

1. Sources and applications of funds for capital projects are classified into three functional categories: Education; Streets Roads and Bridges; and Other General Government. Capital projects for the Education function should be reported as Education regardless of whether they are reported by the local

government or the School Board. Capital projects related to Enterprise Activities are reported on Form 600 and are not included on this form.

2. A capital project is defined as an expenditure of funds for the acquisition of land and buildings or the construction of major facilities having a relatively long life. Examples of capital projects include buildings and new streets, roads and bridges. Major improvements that increase the useful life of structures are also treated as capital projects, except for improvements to existing streets, roads and bridges.
3. Costs of furnishing a new building for initial use may be included in the total capital projects costs reported on Form 300. All general government capital project expenditures should be reported on this form regardless of which fund is financing the project.
4. It is important to distinguish between capital projects reported on this form and capital outlay reported on Form 100. Capital outlay is the acquisition of tangible personal property items including furniture, equipment and vehicles. Improvements such as resurfacing and adding drainage curbs to existing streets, roads, bridges and sidewalks are considered capital outlay under the general government activity Maintenance of Highways, Streets, Bridges and Sidewalks. It is not appropriate to include capital outlay expenditures on Form 300.
5. Sources and applications for capital projects should be reported separately for: education; streets, roads and bridges; and other general government. Major sources of funding include debt proceeds, state or federal grants, and general government "transfers".

Sources of Capital Project Funds

6. State and federal grants for capital projects, Lines 1.00 and 2.00 respectively, include all grants specifically designated for a capital project. Although the local government may account for capital project grant money in the General Fund or in a specific grant fund, such grants should be reported on this form as direct sources of funds.
7. Debt proceeds for Capital Projects should be reported on Line 3.00 in the column for the applicable function: Education; Streets, Bridges, and Roads; or Other General Government. If the Debt proceeds are received for school construction, it should be reported with the Education function regardless of whether it is reported in the local government or School Board's Financial Report.

8. Interest income on funds held for capital projects should be reported on Line 4.00 of this form, even if accounted for in the General Fund or a Special Revenue Fund.
9. Transfers from General Government to Capital Projects (Line 6.00) should include actual transfers made to capital projects funds as well as an amount equal to capital project expenditures made directly from the General Fund or other funds. Recommended adjusting entries have been outlined under the heading, "Annual Financial Report and Transmittal Differences", of this section.

Application of Capital Project Funds

10. If a local government makes capital outlay expenditures, not related to the initial furnishing of a new building, from capital project funds, the expenditures should be reported as transfers to general government on Line 11.10. Capital outlay expenditures are recorded on Form 100.
11. Expenditures made to acquire a capital facility as a result of an annexation agreement should be reflected as "Payment for Value of Public Improvements", Line 12.10.

Annual Financial Report and Transmittal Differences

The source of financing and whether general government capital project activity is recorded in a Capital Projects Fund in the Annual Financial Report will influence reporting on Form 300 and Transmittal Reconciliation Form 050. Three possible conditions (or a combination thereof) exist. The conditions and recommended reporting are as follows:

A. *DEBT PROCEEDS OR A STATE OR FEDERAL GRANT AND RELATED CAPITAL EXPENDITURES ARE RECORDED DIRECTLY IN A CAPITAL PROJECTS FUND IN THE ANNUAL FINANCIAL REPORT.*

Revenues and expenditures should be reported directly in Capital Projects on both Form 300 and Form 050. No further adjustment is necessary.

B. *DEBT PROCEEDS OR A STATE OR FEDERAL GRANT FOR A CAPITAL PROJECT AND RELATED CAPITAL EXPENDITURES ARE RECORDED IN THE GENERAL FUND OR THE SPECIAL REVENUE FUND IN THE ANNUAL FINANCIAL REPORT.*

Revenues and expenditures should be reported as direct sources of funds and capital project expenditures on Form 300. The revenues and

expenditures should be reclassified from General Government O&M to General Government Capital Projects on Form 050

C. GENERAL GOVERNMENT REVENUES RECORDED IN THE GENERAL FUND OR IN A SPECIAL REVENUE FUND IN THE ANNUAL FINANCIAL REPORT ARE USED TO FINANCE CAPITAL PROJECTS. RELATED CAPITAL EXPENDITURES ARE ALSO REPORTED IN THE GENERAL FUND OR IN A SPECIAL REVENUE FUND.

The expenditures should be reported on Form 300. A transfer from General Government O&M to General Government Capital Project should also be reported on Form 300. A transfer is appropriate because the capital project is financed by general government revenue which was not collected specifically for this capital project. On Form 050, the expenditure should be reclassified from General Government to Capital Projects. An adjustment should be made to show a transfer from General Government and a transfer to Capital Projects.

Joint Activity Capital Projects

Local governments participating in joint activities with capital projects must add the effects of Form 310 to the activity reported on Form 300. Instructions for adding allocated non-local revenues and capital expenditures are in Section 4.9. Adjustments to amounts reported by the participating government for contributions to these joint activities may be needed as well.

Capital projects may involve expenditures made over a number of years. Also there may be timing differences between contributions made by local governments and the expenditure for capital projects. Since the allocated expenditures computed on Form 310 include amounts contributed by the participating local governments, contributions should not be reported as expenditures by the contributing government. Instead the expenditure is reported in the year the expenditure is allocated.

Local governments making capital contributions from the general or special revenue funds should reflect a transfer from General Government on Line 6.00 and on Form 700, but should not report expenditures on Line 10.00 for the contribution itself. The expenditure is recognized in the period(s) reported on Form 310.

A local government making capital contributions from a capital projects fund to a joint activity should report sources of funds on Lines 1.00 through 9.00, but should not report expenditures on Line 10.00 for the contribution to the joint activity. Again, the expenditure is recognized in the period(s) reported on Form 310.

Reconciliation to Other Forms

The following totals are reconciled automatically through the Verification Report process.

1. Transfers from General Government, Line 6.00, MUST agree to the amount reported on Form 700, Line 6.10.
2. Total Sources for Capital Funds, Line 9.00 MUST agree to the total reported on Form 050 - Revenue for General Government Capital Projects.
3. Transfers to General Government, Line 11.10 MUST agree to the amount reported on Form 700, Line 3.10.
4. Transfers to Debt Service, Line 11.20 MUST agree to the amount reported on Form 400, Line 2.20.
5. Total Application of Capital Projects Funds reported on Line 13.00 MUST agree to the total reported on Form 050 - Expenditures for General Government Capital Projects.

4.9 Form 310 - Joint Activity/Element Capital Projects Form

The Joint Activity/Element Capital Projects Form, Form 310, should be completed when a joint activity has acquired, constructed or made capital improvements to land or permanent facilities. The objective of this form is to identify the total federal, state, local and private sources of funds available for capital projects of the joint activity and to allocate those sources and related expenditures to each participating government.

Section 4.4 provides a general discussion of joint activities, participating governments and fiscal agents, and should be reviewed in connection with the instructions in this section.

Form 310 should be completed by the fiscal agent for the joint activity. The completed form should be distributed to each of the participating governments. Participating governments should coordinate with the fiscal agent to ensure the completion of the form for inclusion in the locality's transmittal forms.

Instructions - Fiscal Agent

1. Form 310 should include only those sources and uses of funds for capital projects. Sources and uses of funds for joint activity operating expenses should be reported on Form 110, discussed in Section 4.4 of this Chapter.

2. In most cases, the allocation of sources and uses of funds for joint activity capital projects is based on the proportion of contributions computed at Form 110, Part A. However, if the members of the joint activity mutually agree, different allocation percentages can be used to achieve a more accurate distribution of non-local sources of funds for joint activity capital projects. When the percentage of participation in capital projects differs from the allocation percentages for operating expenditures computed on Form 110, an explanation of the basis for allocating capital project expenditures should be provided.

Part A: Participating Localities

3. List each participating government in the space provided at Lines 1.00 through 1.19. In the Capital Contributions column, enter the amount of contributions made by each participating government during the current year.
4. Enter the participation percentage for each government in the percentage column. Normally this percentage will agree to the percentages computed on Form 110, Part A, or be established in the agreement establishing the joint activity. Current year contributions entered in Item #3, above, may or may not be proportionate to the percentages entered in this column. Differences may exist in the timing of contributions by participating governments over a multi-year project.

Part B: Sources and Uses of Capital Funds for Joint Activity/Element

5. Carry Contribution Percentages from Part A, for each participating government to the column headings in Part B.
6. Enter total sources of funds from state and federal grants, debt proceeds, and interest earnings on capital funds on lines 2.10 through 2.40. For each participating government, calculate the allocated sources of funds by multiplying the Contribution percentage by the totals entered on Lines 2.10 through 2.40.
7. Enter total expenditures for capital projects by the joint activity on Line 3.10. For each participating government, calculate the allocated expenditures for capital projects by multiplying the contribution percentage by the total entered on Line 3.10.
8. The Preparer should put their Name and Telephone number on the completed Form 310 and send a copy to each participating locality.

Instruction - Participating Governments

1. After receiving the completed Form 310 from the fiscal agent, each participating government must add allocated sources and uses to its transmittal forms. Allocated sources and uses should be added to Form 300 as follows:

| Source or Use: | Computed at <u>Form 310</u> | Add to <u>Form 300</u> |
|-------------------|--------------------------------|---------------------------|
| State grants | Line 2.10 | Line 1.00 |
| Federal grants | Line 2.20 | Line 2.00 |
| Debt proceeds | Line 2.30 | Line 3.00 |
| Interest revenue | Line 2.40 | Line 4.00 |
| Expenditures | Line 3.10 | Line 10.00 |

2. In addition, allocated sources and uses must be reflected as an adjustment to Form 050 (Capital Projects Column) for Joint Activities Capital Projects, as follows:

| Source or Use: | Computed at <u>Form 310</u> | Adjust <u>Form 050</u> |
|-------------------|--------------------------------|---------------------------|
| Total Sources | Line 2.99 | Revenues (page 1) |
| Expenditures | Line 3.10 | Expenditures (page 2) |

4.10 Form 400 - Debt Service for General Government

Form 400 reports the retirement of principal and interest on general government debt. Form 400 includes all general government debt activity (including refundings), whether or not accounted for in a debt service fund. All enterprise debt service should be reported on Form 600, Enterprise Activity Form. Data from this form is compiled at Exhibit E of the Comparative Report. The Comparative Report exhibits are discussed at Chapter 5 of this Manual.

Instructions - General

1. Sources and applications of funds for debt service are classified into three categories: Education; Streets, Roads and Bridges; and Other General Government. Debt Service expenditures for the Education function should be reported as Education regardless of whether they are reported by the local government or the School Board. Debt Service related to Enterprise activities are reported on Form 600 and are not included on this form.

Sources of Funds

2. Direct Sources of Funds consist primarily of debt proceeds from refunding of bonds, Line 1.10, and interest income on investments, Line 1.20. Special Assessments for debt service should be listed on Line 1.30.

3. General tax revenue earmarked for debt service should be reported as a transfer from General Government, Line 2.10. The tax revenue is reported as general government revenue on Form 200, and as a transfer from General Government to Debt Service on Form 400 and Form 700.
4. "Payments from Other Local Governments and Authorities," Line 3.00, should include payments specifically for debt service costs. Include only payments for debt service that another local government has agreed to pay. Do not include direct user charges or general contributions from other localities. Payments for debt redemption received from another local government as a result of annexation should NOT be included here. These principal and interest payments should be reported on lines 5.13 and 5.23, respectively.

Application of Debt Service Funds

5. The applications of debt service funds only include payments for redemption of general government debt, interest costs and payments to other local governments or authorities (non-enterprise) for a portion of their debt service costs.
6. Capital lease debt redemption is reported on Form 400, lines 5.12 and 5.22. Do not include operating lease payments; these are reported as operation and maintenance expenditures on Form 100.
7. Payments received from another locality for assumed debt (usually as a result of annexation) should be shown on lines 5.13 and 5.23 as a reduction of direct payments.
8. Payments to another local government as a result of annexation proceedings should be reported on Line 6.30, for loss of net tax revenue, or Line 6.40, for assumed debt.
9. "Payments to Other Local Governments and Authorities," (Line 6.99), include payments specifically designated to help pay general government debt service costs of another local government. Payments to other local governments or authorities for enterprise activity debt should be reported on Form 610.

Annual Financial Report and Transmittal Differences

Some local governments do not have a separate Debt Service Fund. These localities record debt service payments, including capital leases, in the General Fund or Special Revenue Fund. This is acceptable for Annual Financial Reporting; however, for comparative reporting the expenditures must be reclassified. The source of funding and whether general government debt service activity is recorded in the Debt Service

Fund in the Annual Financial Report will influence reporting on the Form 400 and the Transmittal Reconciliation Form 050. Three possible conditions (or combinations thereof) exist. The conditions and recommended reporting are as follows:

A. *SOURCES AND USES OF FUNDS DESIGNATED SPECIFICALLY FOR DEBT SERVICE ARE RECORDED DIRECTLY IN A DEBT SERVICE FUND IN THE ANNUAL FINANCIAL REPORT.*

Revenues and expenditures should be reported directly in Debt Service on both Form 400 and Form 050. No further adjustment is necessary.

B. *SOURCES AND USES OF FUNDS DESIGNATED SPECIFICALLY FOR DEBT SERVICE ARE RECORDED IN THE GENERAL FUND OR THE SPECIAL REVENUE FUND IN THE ANNUAL FINANCIAL REPORT.*

Revenues and expenditures should be reported as debt service on Form 400. The revenues and expenditures should be reclassified from General Government O&M to General Government Debt Service on the Form 050.

C. *GENERAL GOVERNMENT REVENUE RECORDED IN THE GENERAL FUND OR IN A SPECIAL REVENUE FUND IN THE ANNUAL FINANCIAL REPORT ARE USED TO FINANCE DEBT SERVICE. RELATED EXPENDITURES ARE ALSO REPORTED IN THE GENERAL FUND OR A SPECIAL REVENUE FUND.*

The debt service expenditures should be reported on Form 400. A transfer from General Government O&M to General Government Debt Service should also be reported on the Form 400 and Form 700. A transfer is appropriate because the debt service payment is financed by general government revenue which was not collected specifically for debt service. On Form 050, the expenditure can be reclassified from General Government to Debt Service. An adjustment should be made to show a transfer from General Government and a transfer to Debt Service.

Reconciliation to Other Forms

The following totals are reconciled automatically through the Verification Report process.

1. Total Sources of Debt Service Funds, Line 4.00, MUST agree to the total reported on Form 050 - Revenue, Debt Service.

2. Total Application of Debt Service Funds, Line 9.00, MUST agree to the total reported on Form 050 - Expenditures, Debt Service.
3. Transfers from General Government (Line 2.10) MUST agree to Form 700, Line 6.20.
4. Transfers from Capital Projects (Line 2.20) MUST agree to Form 300, Line 11.20.
5. Transfers to General Government (Line 7.00) MUST agree to Form 700, Line 3.20.

4.11 Form 600 - Enterprise Activity Provider Form

The Enterprise Activity Provider Form, Form 600, collects data on each enterprise activity that a local government operates. If a locality contributes to an enterprise activity operated by another local government or authority (not included in the reporting locality's Annual Financial Report), the Enterprise Activity Contributor Form, Form 610, is completed to report these contributions. Instructions for Form 610 are found in Section 4.12 of this chapter.

Summary information from Form 600 is compiled at Exhibit F of the Comparative Report. The Comparative Report exhibits are discussed in Chapter 5 of this Manual.

Identifying Enterprise Activities

For comparative reporting, the Auditor of Public Accounts has identified thirteen activities that MUST be reported as enterprise activities on Form 600. This form must be completed for each listed activity operated by a local government regardless of whether the activity is accounted for in enterprise fund, a separate fund (not using enterprise accounting) or within the general fund. The thirteen enterprise activities are listed below:

1. Water & Sewer
2. Water
3. Sewer
4. Transportation (including parking lot/garage & expressway)
5. Airports
6. Electricity
7. Nursing Homes
8. Coliseums (including arenas, auditoriums, and stadiums)
9. Steam Plants
10. Gas

11. Harbors
12. Hospitals
13. Communications services provided to users for telephone, internet, cable television, and fiber optics.

This form should be completed for all enterprise activities operated by the local government, or included in the local government's reporting entity for Annual Financial Reporting. Activities not identified as enterprise activities above should be treated as general government for comparative reporting.

Annual Financial Reporting and Transmittal Reporting

The method of reporting enterprise activities in the Annual Financial Report will influence reporting on Form 600. Three possible conditions or combinations thereof exist. The conditions and comparative reporting requirements are as follows:

A. *THE LOCALITY OPERATES AN ENTERPRISE ACTIVITY FROM THE LIST ABOVE AND REPORTS IT AS AN ENTERPRISE FUND IN THE ANNUAL FINANCIAL REPORT.*

Enterprise revenues and expenses should be reported directly as an enterprise activity on both Form 600 and Form 050. No further adjustment is necessary.

B. *THE LOCALITY OPERATES AN ENTERPRISE ACTIVITY FROM THE LIST ABOVE AND REPORTS IT IN GENERAL FUND OR SPECIAL REVENUE FUND IN THE ANNUAL FINANCIAL REPORT.*

Enterprise revenues and expenses MUST be reclassified for comparative reporting on Form 600 rather than as General Government on Forms 100, 200, and 700. In addition capital projects and debt service related to the activity typically associated with a cash flow for capital and related financing activity section will not be reported on any of the forms, including Forms 300 and 400. These reclassifications should be reported on Form 050 as a reconciliation to the financial statements.

C. *THE LOCALITY OPERATES AN ACTIVITY OTHER THAN THOSE LISTED ABOVE AND REPORTS IT AS ENTERPRISE FUNDS IN THE ANNUAL FINANCIAL REPORT.*

Revenues and expenses for enterprise funds that are not among the thirteen activities identified for Comparative Reporting MUST be reported in the transmittals as General Government. Adjustments must be made to reclassify operating expenses to Form 100, local revenues (primarily charges for services) to Form 200, capital projects to Form 300, and debt service to Form 400. DO NOT REPORT THESE ACTIVITIES ON FORM 600.

Instructions - General

1. Form 600 has been designed with one column for each activity identified as an enterprise activity for the Comparative Report. Complete the appropriate column of Form 600 for each activity operated by the local government, or included in the local government's Annual Financial Report as a component unit.
2. Identify whether each enterprise was reported in the locality's Annual Financial Report as an Enterprise Fund, a separate fund, or within the General Fund. Report reclassifications on Form 050, if applicable.

Operating Revenues and Expenses

3. Revenue from local service charges, Line 1.10, includes revenue from user charges for services provided within the reporting jurisdiction. This includes services to general government and other enterprise activities of the government.
4. Non-local service charges include charges for services provided outside the jurisdiction of the local government and are reported on Line 1.20. If the activity does not provide services outside the local jurisdiction, Line 1.20 should be left blank.
5. Transfers from the general government to the enterprise activity, except charges for services to the general government, are reported on Line 1.31.
6. Transfers from the enterprise activity to the general government, except payments in-lieu of taxes, are reported on Line 1.32. Payments in-lieu of taxes to the general government should be included as other expenses on Line 2.30.
7. Contributions from other local governments to support the operations of the enterprise activity(ies) are reported on Line 1.40. Contributions to subsidize interest expenses should be included in this amount. Capital project or debt principal subsidies, and other capital contributions should be excluded.

Reconciliation to Other Forms

The following totals are reconciled automatically through the Verification Report process.

8. Transfers from the general government to the enterprise activities, Line 1.31 (Total), MUST agree to the amount reported on Form 700, Line 6.31.1.
9. Transfers from the enterprise activity fund to the general government, Line 1.32 (Total), MUST agree to the amount reported on Form 700, Line 3.30.

10. Operating Revenue from Direct Charges and Contributions, Line 1.99 (Total), MUST agree to Total Enterprise Activity - Revenue reported on Form 050 (page 1).
11. Total expenses, Line 2.99 (Total), MUST agree to Total Enterprise Activity - Expenditures reported on Form 050 (page 2).

4.12 Form 610 - Enterprise Activity Contributor Form

The Enterprise Activity Contributor Form, Form 610, reports contributions made by a local government to enterprise authorities, boards, and commissions (other than those included on Form 600) or to another local government for support of operating expenses, capital contributions, and debt retirement. The payments should be for services that provide general benefit to the citizens of the contributing locality.

This form does not include payments for direct user charges (for example, payments for a water bill payable to another locality). Direct user charges are a general government expenditure and should be included on Form 100. Summary information from this form is compiled at Exhibit F of the Comparative Report. The Comparative Report exhibits are discussed in Chapter 5 of this Manual.

Identifying Enterprise Activities

The Auditor of Public Accounts has identified thirteen activities defined as enterprise activities for comparative reporting. See Section 4.11 on Form 600 for a list of the thirteen enterprise activities. All other activities are treated as General Government activities for comparative reporting.

Instructions - General

1. Form 610 has been designed with one column for each activity identified as an enterprise activity for the Comparative Report. Complete the appropriate column of Form 610 for each activity contributed to by the local government.

Reconciliation to Other Forms

The following totals are reconciled automatically through the Verification Report process.

2. Total contributions to other local governments and authorities for operating expenses, Line 1.99 (Total) MUST agree to the amount reported on Form 700, Line 6.31.2.
3. Total contributions to other local governments and authorities for capital and debt service, Line 2.99 (Total) MUST agree to the amount reported on Form 700, Line 6.32.

4.13 Form 050 - Financial Statement/Transmittal Reconciliation Form

For comparative reporting, financial data must be summarized in specified reporting categories in accordance with the uniform system of accounts as described in this manual. Because each locality, while encouraged, is not required to use the same principles and practices for its budgeting and accounting, differences may exist between amounts reported in a locality's annual financial statements and the Comparative Report.

The Financial Statement/Transmittal Form Reconciliation, Form 050, is a summary reconciliation between a locality's annual financial statements and its comparative report transmittal forms. Through this reconciliation, the locality:

1. identifies differences between its financial statements and the Comparative Report (accounting principles, classifications and reporting entity differences); and,
2. documents the tie-in between the two reports.

Two reconciliations are prepared: one for revenues, transfers and other additions; and one for expenditures, transfers and other deductions. These reconciliations are prepared for each of the four major types of activities: General Government Operations and Maintenance (O&M), General Government Capital Projects, General Government Debt Service, and Enterprise Activities.

This Section provides instructions for preparing the reconciliations. References have been made to instructions in other sections of this Chapter where practical. Normally, the preparer will find it easier to prepare this reconciliation concurrent with the completion of the other transmittal forms, posting accounting differences and reclassifications as they are encountered and incorporated into the other forms. Form 050 should also be used as a final check to ensure that once completed, the transmittal forms are in balance with each other and the financial statements.

The reconciliation is divided into two parts. The upper portion shows reclassification of individual funds as reported in the audited financial statements into comparative reporting categories. The lower portion shows the effects of joint activity/element adjustments and accounting principle differences.

Instructions

The procedures below describe the preparation of the reconciliation. These procedures should be followed for revenues (page 1) and expenditures (page 2).

1. Enter total revenues (expenditures) reported in the Annual Financial Report for each fund type in the "Per Financial Statements" column of Form 050. Enter other financing sources and uses on the lines provided. **Do not include transfers.** Interfund transfers are already linked to various transfers from other forms and will be entered electronically. Include ALL funds reported in the Annual Financial Report, including those presented as discrete component units. It may be helpful to list each fund separately in this step.

2. Spread totals to the appropriate comparative report classifications in the columns to the right. It is important to note that the financial statement classifications and comparative report classifications may differ. Common differences include:
 - a. Capital project or debt service expenditures may be made from the General or Special Revenue Fund in the Annual Financial Report. These expenditures should be listed in the Capital Project or Debt Service column for comparative reporting. Refer to instructions for General Government Capital Projects (Form 300) and General Government Debt Service (Form 400) in separate sections of this Chapter for additional guidance in classifying these expenditures.

 - b. Some activities treated as enterprise funds for financial reporting may be considered General Government activities for comparative reporting. The reverse may also be true. Refer to Enterprise Activities (Form 600, Section 4.11) for additional guidance in classifying activities.

 - c. Certain activities or funds reported in the local government's Annual Financial Report may be excluded from comparative reporting. These consist primarily of activities or funds of a fiduciary nature, such as cemetery trusts, funds held as an agent for others, and pension trust funds. These funds should be entered in the "Not Applicable" column.

Adjustments

Joint Activities/Elements

3. Post the effect of each joint activity's allocated revenues (expenditures) from Form 110 (O&M); Form 120 (O&M); and from Form 310 (capital projects) in the appropriate column. The amounts posted should be taken from those forms as follows:

| <u>FORM</u> | <u>Revenues</u> | <u>Expenditures</u> |
|-------------|-----------------|---------------------|
| 110 | Line 2.99 | Line 4.99 |
| 120 | Line 2.99 | Line 4.99 |
| 310 | Line 2.99 | Line 3.10 |

Additional instructions for the preparation and use of these forms are included at Section 4.4 (Form 110), Section 4.5 (Form 120); and Section 4.9 (Form 310).

Accounting Differences

4. Post adjustments to eliminate transfers between the primary government (Locality) and the discretely presented component units (School Board and others). GASB requires governments to report transfers of resources between the local government and their component units as revenues and expenditures in the financial statements. On Form 050, an adjustment is needed to remove the effect of this transfer on the revenue and expenditure totals.
5. Post adjustments for reclassification of recovered costs. Recovered costs are normally classified as a revenue source in the financial statements, but are considered a reduction of General Government expenditures for comparative reporting. The adjustment posted in this step should reduce revenues and expenditures by the amount of recovered costs.
6. Post the adjustment for tax relief programs for the elderly and handicapped, if applicable. Tax revenues under such programs are normally reported net of adjustments and abatements in the financial statements. For comparative reporting these revenues should be reported at the gross levy value, with an "expenditure" reflected for the amount of the relief.

Reconciliation to Other Forms

The following totals are reconciled automatically through the Verification Report process.

Revenues (Page 1)

1. Total General Government Operations and Maintenance MUST agree to the Total General Government Funds Available reported on Form 700, Line 4.00.
2. Total General Government Capital Projects MUST agree to the Total Sources of Capital Funds reported on Form 300, Line 9.00.
3. Total General Government Debt Service MUST agree to the Total Sources of Debt Service Funds reported on Form 400, Line 4.00.
4. Total Enterprise Activity MUST agree to Operating Revenue from Direct Charges and Contributions reported on Form 600, Line 1.99.

Expenditures (Page 2)

5. Total General Government Expenditures MUST agree to Total General Government Expenditures, Transfers and Contributions reported on Form 700, Line 7.00.
6. Total General Government Capital Projects MUST agree to Total Application of Capital Project Funds on Form 300, Line 13.00.
7. Total General Government Debt Service MUST agree to Total Application of Debt Service Funds reported on Form 400, Line 9.00.
8. Total Enterprise Activity MUST agree to Total Expenses reported on form 600, Line 2.99.

4.14 **Review and Verification Forms**

The transmittal file includes several forms that include tools for detecting possible misclassifications and ensuring the forms are in balance. The **Self Review, Analytical Review, Edit Check, and Verification forms** are sheets within the workbook. These sheets compare certain data between the transmittal forms, analyze data relationships, flag classifications of locality specific information, and highlight significant variances in line items between years. These additional forms are described below.

Local Review Worksheet

This form includes information specific to the locality. The Auditor of Public Accounts accumulates locality specific information from various sources, including: annual locality survey; Tax Rate data published by the Weldon Cooper Center for Public Service; the State Compensation Board; and prior year's transmittal forms. The form provides reminder flags to the transmittal preparer for the classification or reporting of certain items that are specific to the locality. They include the following:

- Joint Activities
- Locality Assessed Taxes
- Allocation of the Sheriff's activities
- Proper treatment of recovered costs
- Other expected classifications of data based on local survey responses

You should verify your reporting for the items flagged and provide an explanation for items where you determine that no changes are necessary.

Analytical Review

The Analytical Review Form compares the current year and prior year amounts, calculates the dollar and percentage variances, and highlights significant variances with three asterisks(***). You must include explanations for all highlighted variances

prior to submitting the forms. You may enter your explanations directly on the Analysis form or on a separate note sheet. Explanations should clarify the reason for the change beyond just the obvious increase or decrease from the prior year.

If the analytical review provides information on misclassifications or errors in the reported amounts, corrections should be made on the applicable form prior to submission.

The Agreed-Upon procedures for the transmittal forms require auditors to review the forms for significant differences with the prior year forms. The Analysis report provides an automated means for performing this comparison.

Edit Checks

The Edit Checks form provides a test for proper classification for certain reported items. The Edit Check sheet analyzes certain data relationships and notes any errors. For example when expenditures are reported for the constitutional officers, the reimbursement from the state for shared expenses should be reported on the same line. If a shared expense is not reported, the Edit Checks Form will show an error for that particular edit check.

You should resolve all errors on the Edits report before submitting it to the Auditor of Public Accounts. If you have an error message, go to the form and line numbers indicated an attempt to resolve the difference. The Edits report will produce a message indicating "THE EDIT CHECK REPORT IS COMPLETE" when all exceptions are resolved. If errors are noted which you believe are not actual errors, write a note to the right of the edit check on the form before submitting.

The Agreed-Upon procedures for the transmittal forms require auditors to review the Edit Report to ensure all errors are resolved or explained.

Verification

The Verify form ensures all forms are in balance by comparing certain data between forms and computing differences. **You must resolve all errors on the Verify report before submitting it to the Auditor of Public Accounts.** If you have an error message, go to the form and line numbers indicated and resolve the difference. The Verify report will produce a message indicating "THE VERIFICATION IS COMPLETE" when all transmittal forms are properly balanced.

The Agreed-Upon procedures for the transmittal forms require auditors to review the Verify Report to ensure the transmittal forms are in balance.

4.15 The Auditor's Review

For the Comparative Report, financial data must be summarized in accordance with the uniform chart of accounts described in Chapter 3 of this manual. To help assure accuracy and reliability, each set of transmittal forms must be accompanied by a signed Auditor's Report on Applying Agreed-Upon Procedures. This report gives assurance that the transmittal forms have been prepared in conformance with the Auditor of Public Accounts' requirements for reporting comparative financial data in all material respects. This section describes the required review procedures and provides a sample report that will be submitted with the completed forms.

The auditor will have one of two roles:

1. Review transmittal forms and supporting work papers prepared by the locality;
- or**
2. Prepare transmittal forms and supporting work papers for the locality.

Regardless of their role, during the audit, the auditor must document the procedures required by this section and provide a report on these procedures to accompany the transmittal forms submitted to this office.

Agreed Upon Procedures

The following procedures are required for the review of the transmittal forms by the auditor. Documentation of these procedures should exist in the form of review programs, working papers, reconciliations, and management representations or confirmations. Each of the agreed upon procedures reported on by the auditor are discussed below.

- A) We reviewed the requirements for the completion of the forms as set forth in the Uniform Financial Reporting Manual (the Manual), and identified differences between the County/City/Town's accounting policies and the requirements of the Manual. We found that the forms comply with the requirements of the Manual.

This procedure requires the auditor to gain an understanding of the comparative reporting requirements of this Manual and the differences between those requirements and the local government's accounting policies for general purpose financial reporting. Implicit in the requirement is the expectation that where differences exist, the auditor will review the transmittal forms to determine that the requirements of this Manual have been followed in preparing the forms.

An understanding of the requirements for completing forms can be obtained from a review of Chapter 4, which discusses each of the forms in detail, and includes a

discussion of the differences between the requirements for comparative reporting and Annual Financial Reporting.

The auditor should also review the classifications of funds, revenues and expenditures contained in Chapter 3, Uniform System of Accounts. Local governments using a chart of accounts other than the one presented in Chapter 3, are required to have a crosswalk between the two. This crosswalk should be used to identify differences between comparative and external financial reporting.

- B) We reconciled the information contained on Form 050 to the *County/City/Town's* Annual Financial Report and reviewed the reconciling items for compliance with the requirements of the Manual. We found no exceptions as a result of this comparison.

Form 050, Financial Statement/Transmittal Reconciliation Form, and the understanding gained in procedure (A), above, provide the focus for this procedure. Form 050 summarizes differences between the financial statements and the transmittal forms and should be reviewed carefully by the auditor. Reconciling items reported on Form 050 should be reviewed for compliance with the requirements of this manual.

In performing this procedure, the auditor should be particularly concerned with the appropriate classification of funds and activities (for example, classification of enterprise vs. general government activities, or O&M capital outlays vs. Capital Projects Activities), and the inclusion of joint activities and elements (regional libraries, jails, community service boards, etc.). Also, the allocations of certain revenues and expenditures among activities (for instance, allocation of revenues and expenditures for internal services and the Sheriff), and the classification of categorical state and federal revenues and charges for services by related expenditure function should be reviewed.

- C) We reviewed comments made by the Auditor of Public Accounts during the desk review of the *County/City/Town's* forms submitted in the prior year, and tested the current year forms for incorporation of these comments. We found that all prior year comments were properly resolved.

Each year, transmittal forms submitted to the Auditor of Public Accounts are subject to review prior to the compilation of the Comparative Report. Findings resulting from this review are communicated to the local government and their auditor. These comments most often relate to the appropriate classification of funds, revenues or expenditures or to the inclusion of joint elements or activities. These findings are also included in the subsequent year's transmittal file. The auditor should review these findings in the

subsequent year to determine whether appropriate adjustments have been made to the current year's transmittal forms.

- D) We reviewed the Verify Report and found that all cross-references between forms were proper. We also reviewed the Edit Report and found that all errors had been properly resolved or explained to the APA.

This procedure requires the auditor to review the verification report and ensure no errors are reported. Also, the auditor is required to review the Edit Report and ensure that errors are either resolved explained.

- E) We compared the current and prior year forms and investigated significant differences or changes. We found that none of the differences or changes resulted from improper classifications or omissions from the forms.

This procedure requires the auditor to review the completed forms for consistency with the prior year transmittal forms. This review should include the following:

1. Compare the current and prior year Form 050 for consistency of reconciling items in the "Adjustments" section. The auditor should investigate unusual or unexplained differences.
2. Scan other forms for significant or unexplained differences or changes from the prior year. Such changes may indicate improper classifications or omissions from the forms.
3. Examine the Analytical Review Form for unreasonable differences or explanations.

As Needed:

- F) We reviewed joint activity Forms (*Forms 110 and/or 310*) prepared by other local governments, authorities or auditors for reasonableness. We found no exceptions as a result of this procedure.

--or--

We prepared the joint activity Form (*Form 110 and/or 310*) for [SPECIFY NAME OF JOINT ACTIVITY] from the activity's audited financial statements. Those financial statements were audited by other auditors whose report has been furnished to us. We found that the form we prepared complies with the requirements set forth in the Uniform

Financial Reporting Manual; however, we make no representations about the accuracy of the financial information on that form.

Local governments serving as fiscal agents should send completed Form 110, 120, and 310 to each participating government so the activity can be included in the transmittal forms. In activities where the entity acts as its own fiscal agent, the participating localities may have to prepare the Joint Activity Form from the entity's audited financial statements. This additional agreed-upon procedure limits the auditor's responsibility in instances where he must prepare the Joint Activity Form using reports of other auditors.

**Sample Auditor’s Report on the
Application of Agreed-Upon Procedures**

Governing Body

Auditor of Public Accounts

Independent Auditor’s Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Auditor of Public Accounts and the *NAME OF LOCALITY*, solely to assist you in evaluating management’s assertion about whether the accompanying Comparative Report Transmittal Forms comply with the requirements of the Uniform Financial Reporting Manual for the year ended June 30, *year*, included in its representation letter dated [*date*]. The *NAME OF LOCALITY* is responsible for the Comparative Report Transmittal Forms. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties of the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

- A. We reviewed the requirements for the completion of the forms as set forth in the Uniform Financial Reporting Manual (the Manual), and identified differences between the County/City/Town’s accounting policies and the requirements of the Manual. We found that the forms comply with the requirements of the Manual.
- B. We reconciled the information contained on Form 050 to the County/City/Town’s Annual Financial Report and reviewed reconciling items for compliance with the requirements of the Manual. We found no exceptions as a result of this comparison.
- C. We reviewed comments made by the Auditor of Public Accounts during the desk review of the County/City/Town’s forms submitted in the prior year, and tested the current year forms for incorporation of these comments. We found that all prior year comments were properly resolved.
- D. We reviewed the Verify Report and found that all cross-references between forms were proper. We also reviewed the Edit Report and found that all errors had been properly resolved or explained to the APA.
- E. We compared the current and prior year forms and investigated significant differences or changes. We found that none of the differences or changes resulted from improper classifications or omissions from the forms.

As Needed

- F. We reviewed joint activity forms (Forms 110 and 310) prepared by other local governments, authorities or auditors for reasonableness. We found no exceptions as a result of this procedure.

-- or --

We prepared the joint activity form (Form 110 or 310) for [SPECIFY NAME OF JOINT ACTIVITY] from the activity’s audited financial statements. Those financial statements were audited by other auditors whose report has been furnished to us. We found that

the form we prepared complies with the requirements set forth in the Uniform Financial Reporting Manual; however, we make no representations about the accuracy of the financial information on that form.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Auditor of Public Accounts and the *NAME OF LOCALITY*, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Signature

Date

NOTE 1: This sample report assumes that either the auditor identified no matters during the review of the transmittal forms that caused him/her to believe that the forms should be adjusted, or that all such adjustments have been made. In instances where the auditor believes, based on the review that the forms should be adjusted to conform to the requirements of the UFRM, and such adjustments have not been made to the forms submitted, the auditor should include his findings after the related audit procedure.

NOTE 2: Generally the government responsible for maintaining the accounting records for the joint operation is responsible for preparing the Form 110 and mailing it to all participating governments. As a result, Procedure F only applies when you are auditing a locality that does not keep the accounting records for the joint activity.

UNIFORM FINANCIAL REPORTING MANUAL
CHAPTER 5
Comparative Report

5.1 Introduction

The *Comparative Report of Local Government Revenues and Expenditures* presents uniform financial data on counties, cities and towns in Virginia in an understandable and useful manner. The definition of "understandable and useful" is to some degree a function of the users of the information. This report is directed primarily at three groups of users: the public, governing bodies, and research groups. Information in the report provides data that will assist decision makers in their analysis of local government operations. The report cannot answer all questions that might be raised in an analytical process. However, by broadening the understanding of local government revenues and expenditures, both collectively and individually, it directs attention to areas deserving further analysis and review.

The *Comparative Report* focuses on revenues and expenditures for general government operations. A key attribute of this report is the identification of total expenditures for various general government functions and activities made for the benefit of the locality's citizens. In addition, the report identifies direct federal, state and local revenues which support the functions and activities.

While there are similarities between data in the *Comparative Report* and the audited annual financial statements of Virginia local governments, there are four characteristics that cause differences:

1. The data in the *Comparative Report* is classified under a uniform system of accounts. These rules are in accordance with uniform interpretations of generally accepted accounting principles (GAAP). The actual accounting in an individual government, however, may follow different interpretations.
2. The exhibits in the *Comparative Report* reflect the revenues and expenditures that are for the benefit of the citizens in the reporting locality. Where joint operations between local governments exist or services are provided by one local government for another governmental entity, adjustments are made to identify revenues and expenditures benefiting each locality. Notation is made on the exhibits when these adjustments are not possible.
3. Four local government reporting classifications have been established: GENERAL GOVERNMENT, CAPITAL PROJECTS, DEBT SERVICE and ENTERPRISE ACTIVITIES. In actuality, a local government may have a number of funds for legal and managerial purposes. Because the funds established by the local government must be combined, consolidated or

reclassified to report on the four local government classifications listed above, the presentation in the *Comparative Report* may not readily relate to that in the local government's fund structure. As a general rule, Trust and Agency Funds in a local government are not included in this report.

4. In several instances, the *Comparative Report* includes data on expenditures made by the Commonwealth for the direct benefit of a local government. These "Payments on Behalf" do not flow through the local government's accounts. In the exhibits, this data is segregated from revenues and expenditures accounted for at the local level. Supplementing the locally provided data with this state-generated information presents a more complete picture of the revenues and expenditures relative to a particular activity.

The *Comparative Report* includes the summary level exhibits only. These exhibits are presented to limit the size of the report and provide only the information required by a majority of users. The more detailed supporting data on expenditures and enterprises is available through the Auditor of Public Accounts. The exhibits included in the published *Comparative Report* are:

| | |
|--|--------------------------|
| General Government | Exhibit A |
| Local Revenues | Exhibit B |
| Inter-Governmental Revenues | Exhibit B-1 |
| Local Revenue - Other Local Taxes | Exhibit B-2 |
| Summary of Maintenance and Operations Expenditures | Exhibit C |
| Function Expenditures by Activity | Exhibits C-1 through C-8 |
| Capital Projects for General Government | Exhibit D |
| Debt Service for General Government | Exhibit E |
| Summary of Enterprise Activities | Exhibit F |
| Demographic and Tax Data | Exhibit G |

The Auditor of Public Accounts prepares the printed Comparative Report as soon as the locality's transmittal data is reviewed and finalized. Due to various circumstances, some localities are unable to finalize their financial data in sufficient time to meet the reporting deadline and are not included in the printed Comparative Report. The Auditor of Public Accounts also prepares an electronic version of the Report that is available on their website at

http://www.apa.virginia.gov/APA_Reports/LG_ComparativeReports.aspx. The electronic Comparative Report is amended when any local governments previously excluded submit their transmittal data for the given year.

Additionally upon request, the Auditor of Public Accounts will provide a compact disk with the final local government transmittal files. This detail allows users to further analyze the local governments' fiscal activities.

The remainder of this chapter discusses information provided in each exhibit of the *Comparative Report*. Also provided are illustrative examples of the "Notes to the Comparative Report."

5.2 **Exhibit A - General Government**

Exhibit A presents a summary overview of the operations of general government. It shows the amount, amount per capita, and percent of total general government revenues from each of the following sources: local, state, federal and non-revenue sources. The exhibit identifies the uses of general government revenues during the reporting period for maintenance and operations, transfers to general government, capital projects and debt service activities, and transfers and contributions to enterprise activities for capital project and/or operational support. Detail reports on capital projects, debt service, and enterprise activities are reflected on Exhibits D, E, and F, respectively.

Below are explanations for columns specific to Exhibit A. These notes are included in the Report in Note 2 - Definitions of Key Terms.

Local Revenue - Total revenue received by general government from local sources. Local revenue is reported in detail by major and some minor sources on Exhibit B.

Revenue from the Commonwealth - Total revenue received by general government from the Commonwealth. This does not include federal funds originally received by the Commonwealth which are reported as federal "pass-thru", nor does it include revenue specifically designated by the Commonwealth for capital projects, which is reported on Exhibit D. Revenue from the Commonwealth is detailed by major sources on Exhibit B-1.

Revenue from the Federal Government - Total revenue received by general government from federal sources. This revenue has been classified as federal "pass thru" (revenue of federal origin received from the Commonwealth) and Direct Federal Aid (revenue received directly from the federal government). Revenue from the federal government is detailed by major sources on Exhibit B-1.

Percent of Revenue - The percentage of the revenue type to total revenue.

Total Revenue - Total revenue received by the local government except revenue received specifically designated for capital projects, debt service, and enterprise activities, which is reported on Exhibits D, E, and F, respectively.

Non-Revenue Receipts - Collections that are not anticipated for support of normal operations, including funds received from the sale of land and buildings and insurance recoveries. These receipts tend to be non-recurring in nature.

Transfers from Other Funds - Transfers from capital projects, debt service, or enterprise activities to general governments.

Maintenance and Operation Expenditures - Summary total of expenditures for the operation of general government. These expenditures are detailed by function (for example, Public Safety) on Exhibit C and by activity (for example, Law Enforcement and Traffic Control) on Exhibits C-1 through C-8.

Per Capita - This amount is calculated by dividing the applicable amount for each locality by the population for that locality. Per capita amounts are presented to enhance analysis of the report by providing an indication of the cost of providing services per resident. The county per capita amounts use their total population that includes towns. Counties provide certain services for the towns within their boundaries and some towns provide services separate from their county. This report does not separately identify the per capita amounts for those applicable services.

In addition, the report includes an average per capita for all counties, cities, and towns, respectively. The total per capita represents the division of the total amount of all cities, counties, and towns by the total populations for all cities, counties, and towns, respectively. For certain activities, in which the majority of towns have no expenditures, average per capita has been computed using total population of only those towns with expenditures in the activity. Such averages are highlighted (*) in the exhibit.

Percent of Average - Refers to the percent of average per capita. The individual per capita amount for a city, county or town is divided by the average per capita of all cities, counties, or towns, respectively.

Transfers and Contributions - Payments made by general government to support or subsidize capital projects, debt service, or enterprise activities. Enterprise activity transfers and contributions may include transfers to enterprise funds, contributions to authorities, and contributions to the enterprise activities of other local governments.

5.3 **Exhibit B - Local Revenue**

Exhibit B provides detail by major source of general government revenues from local sources. Major sources are identified as General Property Taxes; Other Local Taxes; Permits, Privilege Fees and Regulatory Licenses; Fines and Forfeitures; Charges for Services; Revenues from Use of Money and Property; and Miscellaneous. Per capita data and percentage of total local revenue is presented for each major source.

Below are explanations for columns specific to Exhibit B. These notes are included in the Report in Note 2 - Definitions of Key Terms.

General Property Taxes:

Real Property - Includes revenue from current and delinquent real property and land redemptions.

Public Service Corporations - Includes current and delinquent real and personal property taxes on public service corporations.

Personal Property - Includes current and delinquent taxes on personal property and mobile homes. It does not include the Commonwealth's reimbursement to local governments for personal property tax relief. The Commonwealth's reimbursement is reported as Inter-Governmental Revenue, Non-categorical Aid on Exhibit B-1.

Machinery and Tools - Current and delinquent taxes on machinery and tools.

Merchants' Capital - Current and delinquent taxes on merchants' capital.

Penalties and Interest - Penalties and interest collected on all property taxes.

Other Local Taxes - Includes the total for the taxes detailed in Exhibit B-2.

Permits, Privilege Fees and Regulatory Licenses - Includes revenues from animal licenses; bicycle licenses; and building, electrical, and other similar permits.

Fines and Forfeitures - Includes revenue received by the local government from court fines and forfeitures and parking fines.

Charges for Services – Includes fees charged for various government operations. Examples include charges for Sanitation and Waste Removal - Waste Collection and Disposal Charges and charges for Parks and Recreation - Recreation fees. Charges for Services are structured so they can be reflected on Exhibits C-1 through C-8 of this report on the same line as the expenditure activity which generated the revenue. For example, recreation fees are reported with expenditures for Parks and Recreation.

Revenue from Use of Money and Property:

Interest - Interest on investments received by general government. It does not include interest credited to capital projects, debt service, and enterprise funds, which is reported on Exhibits D, E, and F, respectively.

Use of Property - Income from general property rentals, concession rentals and commissions.

Miscellaneous - Includes payments in lieu of taxes from enterprise activities and other localities and authorities, annexation payments for loss of net tax revenue, gifts, and donations from private sources. Miscellaneous revenue also includes income from the sale of property if the type of sale is of a recurring nature.

Percent - The percentage of the revenue type to total local revenues.

5.4 EXHIBIT B-1 - INTER-GOVERNMENTAL REVENUE

Exhibit B-1 provides details of the major sources of funds received by a locality from the state and federal governments. The state sources of funds are separately reported as payments in lieu of taxes, non-categorical state aid, shared expenses (categorical) and categorical state aid. Federal "pass-thru" money is reported under revenue from the federal government. The federal sources of funds are separately reported as payments in lieu of taxes, non-categorical federal aid, and categorical federal aid. Expenditures made on behalf of local governments by the Commonwealth are presented in memorandum form for additional analysis.

Below are explanations for columns specific to Exhibit B-1. These notes are included in the Report in Note 2 - Definitions of Key Terms.

Payments in Lieu of Taxes - Revenue received from the state or federal government in lieu of property taxes for services such as police and fire protection.

Non-categorical Aid - Revenue received by the local government from the state or federal government that may be spent at the local government's discretion. Non-categorical aid from the state includes communication sales and use taxes, motor vehicle carriers' taxes, mobile home titling taxes, personal property tax reimbursement, tax on deeds (grantor tax), state law enforcement assistance to the localities with police departments, and the recovery of indirect costs. Non-categorical aid from the federal government includes Community Development Block Grants and indirect costs recoveries.

Categorical Aid - Revenue received from the state or federal government designated for specific use by the local government. Examples of state categorical aid are Basic School Aid funds and the state's share of public assistance payments. An example of federal categorical aid is impacted area aid grants that are to be used for Education.

Shared Expenses (Categorical) - Revenue received from the state for its share of expenditures in activities that are considered to be a state/local responsibility. Sources include the state's share of Commonwealth's Attorney, Sheriff, Commissioner of the Revenue, Treasurer, Medical Examiner, and Registrar/Electoral Board expenditures.

Expenditures Made on Behalf of the Local Government - Represent funds spent directly by the state that do not flow through the local government's accounting records. Examples include payments for Temporary Assistance to Needy Families and State Maintenance of Local Highways.

5.5 **EXHIBIT B-2 - LOCAL REVENUE**

Exhibit B-2 details the local taxes other than general property taxes. Other local taxes include the following:

Local Sales and Use Taxes - Includes revenue received from local sales taxes. All counties and cities assess an optional one percent local tax in addition to state sales tax.

Consumer Utility Taxes - Includes taxes on telephone, gas, water, and electric services. Utility companies add this tax to their bills, and remit the tax to the local government when received.

Business License Taxes - Includes license taxes on businesses, professions, and occupations. Local governments that do not levy a merchants' capital tax may impose a local license tax on businesses, occupations and professions operating within their jurisdiction.

Franchise License Taxes - Includes license taxes collected from public service corporations. Unlike the consumer utility tax which is paid by individuals, this tax is paid by utility and cable television companies based on a percentage of their gross receipts.

Motor Vehicle License Taxes - Includes license taxes paid on motor vehicles, including automobiles, motorcycles, trucks, trailers, and semi-trailers.

Bank Stock Taxes - Includes local revenues derived from bank stock taxes. Banks pay a tax based on their net capital.

Recordation and Will Taxes - Includes local revenues collected by the Clerk of the Circuit Court for the recording of deeds, deeds of trust, mortgages, leases, and contracts. Also includes the local tax on the probate of wills and grants of administration. The state tax on deeds, one-half of which is shared with localities, is reported as Non-Categorical State Aid on Exhibit B-1.

Tobacco Taxes - Includes taxes on the sale or use of cigarettes. Retailers add a flat fee onto the price of each pack of cigarettes before they are sold.

Admission Taxes - Includes taxes assessed on events that charge admissions, such as sporting events, museums, zoos, amusement parks, etc.

Hotel and Motel Room Taxes - Includes taxes paid on hotel and motel rooms, boarding houses, travel campgrounds, and other facilities that provide lodging for less than thirty days. Also referred to as the Transient Occupancy Tax.

Restaurant Food Taxes - Includes taxes levied on food and beverages offered for human consumption. Also referred to as Meal Taxes or Prepared Food Taxes.

Coal Taxes - Includes coal, oil and gas severance taxes. Also includes license taxes assessed on businesses that remove coal, oil and gas that are paid into a special fund for the improvement of certain public roads and those paid to the Coalfield Economic Development Authority.

Other Local Taxes - Includes various other local taxes authorized by the Code of Virginia, including Fuel Taxes.

5.6 EXHIBIT C - SUMMARY OF MAINTENANCE AND OPERATION EXPENDITURES - BY FUNCTION

Exhibit C displays the portion of general government operational costs that are expended to provide services in each of the following functions:

- General Government Administration
- Judicial Administration
- Public Safety
- Public Works
- Health and Welfare
- Education
- Parks, Recreation, and Cultural
- Community Development
- Nondepartmental

Per capita and percent of average per capita data are presented for each of the above functions.

Below are explanations for columns specific to Exhibit C. These notes are included in the Report in Note 2 - Definitions of Key Terms.

Function - A group of related activities aimed at accomplishing a major service or regulatory program for which a locality is responsible. Examples of functions are Judicial Administration, Public Safety, and Health and Welfare. There are eight functions and the expenditures of the activities within each function are detailed on Exhibits C-1 through C-8.

Nondepartmental - Expenditures made by general government that are not specifically related to a particular function. Examples include costs incurred in annexation proceedings, donations to towns not designated for a specific purpose, and settlements made in tort claims settled out of court.

Percent of Average - Refers to the percent of a locality's per capita expenditures to the average per capita for all cities, counties, or towns as applicable. This calculation is more fully described under the heading of "Exhibit A" of these notes.

5.7 **EXHIBIT C-1 THROUGH C-8- FUNCTION EXPENDITURES BY ACTIVITY**

Separate exhibits are presented for each function reflected on Exhibit C, except for the nondepartmental function. The left side of each exhibit lists total expenditures for each activity within the general government function. Similar to Exhibit C, per capita and percent of average per capita are presented for each activity. The right side of each exhibit provides information on sources of revenue that relate directly to the function expenditures.

The report headings in these Exhibits disclose each activity for the functions being reported on Exhibit C. For example, within the General Government Administration function, legislative and general and financial administrative activities are detailed in Exhibit C-1. There are eight Exhibits, one for each function reflected on Exhibit C.

Separately shown within certain activities are the expenditures of the elements (departments) of local government for additional analytical purposes. These amounts are included in total activity expenditures. For example, within the activity General and Financial Administration, the elements Treasurer, Commissioner of the Revenue, Data Processing, Automotive Motor Pool, Central Purchasing/Central Stores, and Print Shop are highlighted.

Below are explanations for columns specific to Exhibits C-1 through C-8. These notes are included in the Report in Note 2 - Definitions of Key Terms.

Sources of Funds for Expenditures - Sources of funds for expenditures are not intended to equal total expenditures. Sources may exceed or be less than expenditures. The percent of expenditures is the percentage of each source to total expenditures of the function.

Commonwealth Categorical Aid - The amount of state aid or shared expenses received specifically for the function.

Federal Categorical Aid - The amount of federal categorical aid received specifically for the function. Federal "pass-thru" aid that the state distributes to the local government is reported separately from direct federal aid that the locality receives directly from the federal government.

Local Charges for Services - The amount of user charges for services provided by the function. These charges may be part of required local matching for state and federal grant programs.

Expenditures Made on Behalf of the Local Government - The amount of state expenditures made on behalf of the reporting local government for the function. State expenditures on behalf of local governments are included on Exhibits C-4, C-5 and C-6 as follows:

- C-4 Expenditures by the state Department of Transportation for maintenance of streets, roads and bridges
- C-5 Expenditures by the state Department of Health for the operation of the local health departments and by the state Department of Social Services from state and federal funds for assistance to needy families and for fuel assistance
- C-6 Expenditures by the state Department of Education for the education of children in mental health institutions

5.8 **EXHIBIT D - CAPITAL PROJECTS FOR GENERAL GOVERNMENT**

Exhibit D provides a summary of the sources of funds and expenditures for all capital projects except those for enterprise type activities. Sources of funds can be separated into three main categories - direct sources, transfers from general government, and funds from other local governments. Direct sources include state/federal grants, sale of property, debt proceeds, and interest income. For reporting purposes, none of these sources flow through any other activity in the local government before being recorded in a capital project activity. Funds received from other local governments represent the other government's share of expenditures for the capital projects of the reported government.

Expenditures are segregated into three main categories: specific types of applications, transfers to other funds, and payments to other governments. Education; streets, roads and bridges; and other general government capital projects are the specific types of applications displayed. If the reported locality receives funds from another locality, the applications reflect expenditures that benefit both localities. If the reported locality contributes to another locality for a capital project, such contributions are reflected on this exhibit as "Payments to Other Governments." Expenditures made by the Commonwealth on behalf of a local government are shown as a memo item. Those capital project expenditures do not flow through the reported locality's accounts.

Below are the "Notes to the Comparative Report" that are specific to Exhibit D. The notes below are presented in the Report in Note 2 - Definitions of Key Terms.

Source of Funds:

State and Federal Grants - State and federal grants that have been received specifically for use on general government capital projects except those capital projects related to enterprise activities. These amounts include state and federal categorical grants only. Non-categorical state and federal grants, if any, are included in Transfers from General Government.

Debt Proceeds - Proceeds received from the sale of bonds or other debt intended to finance capital projects.

Interest Income - Revenue from the investment of funds currently held for use on capital projects.

Sale of Property - Funds received from the sale of property and equipment that is recorded directly in the capital projects funds.

Transfers from General Government - General government transfers to capital projects funds.

Payments From Other Governments - Payments from other local governments or authorities for their portion of a locality's capital projects.

Other Sources - Any other source of funds not readily identified in the categories described above.

Application of Funds:

Education - The expenditure of funds for the construction of schools and other education related projects.

Streets, Roads, and Bridges - The expenditure of funds for the construction of streets, roads, and bridges.

Other General Government - The expenditure of funds for the construction of other general government facilities.

Transfers to Other Funds - Funds transferred to the general government or debt service fund, usually when the capital project is completed.

Payments to Other Governments - Funds provided to other local governments or authorities for a portion of their capital projects.

Expenditures Made on Behalf of Local Government - The amount of state expenditures made on behalf of the reporting local government for this function. These expenditures are funded by both state and federal sources. The state/federal funding rates of expenditures by the Department of Transportation for the construction of highways, streets, roads and bridges is approximately XX% state and YY% federal. Information is not available to allocate the funding source between federal and state by locality. Additional expenditures of \$X,XXX,XXX are identified as allocated to Highway Department Districts and are not identified by locality. This data was obtained from the Virginia Department of Transportation and is unaudited. [NOTE: See actual Comparative Report for specific funding rates and expenditure amount for a specific year.]

5.9 **EXHIBIT E - DEBT SERVICE FOR GENERAL GOVERNMENT**

Exhibit E provides the sources and applications of funds for debt service payments, except enterprise activities. Sources of funds for debt service payments include direct sources, transfers from other funds, and funds received from other local governments for their portion of such payments. Direct sources include investment interest income

and debt proceeds from a refunding bond issue. Direct sources are not shown as revenue on any other exhibits.

Applications of funds are shown for redemption of debt principal, debt interest costs, and payments to other local governments for a portion of their debt costs. Applications of funds are detailed as to the purpose for which the related debt proceeds were incurred. If the reported locality received funds from other localities for debt service, redemption of debt and debt interest costs reflect expenditures that benefit both localities.

Below are the "Notes to the Comparative Report" that are specific to Exhibit E. The notes below are presented in the Report in Note 2 - Definitions of Key Terms.

Source of Funds: Direct Sources - Funds such as investment interest income and proceeds from the issuance of refunding bonds designated to retire debt and pay debt service costs. These sources are not transferred from any other fund of the local government.

Transfers from Other Funds - Funds transferred from general government and capital project funds for debt service costs. School fund transfers are included as transfers from general government.

From Other Local Governments - Contributions from other local governments or authorities for their portion of debt service.

Application of Funds:

Redemption of Debt - Funds expended to retire outstanding debt principal of the local government, except debt incurred for enterprise activities. The redemption of debt relating to education and streets, roads, and bridges is separately reported because it is usually a major portion of local government debt costs.

Debt Interest Costs - Funds expended for interest payments on debt incurred by the general government. Does not include debt interest costs for enterprise activity debt.

Payments to Other Local Governments - Payments to other local governments or authorities for a portion of their debt service costs.

5.10 **EXHIBIT F - SUMMARY OF ENTERPRISE ACTIVITIES**

Exhibit F summarizes local government support of enterprise activities. The exhibit shows both the level of local government support for enterprise activities not operated

by the locality (i.e., enterprise activities operated by authorities and other local governments) and the revenues, expenses and sources and application of funds for enterprise activities operated by the locality. The following activities are reported separately from General Government and are defined as Enterprise Activities for comparative reporting:

1. Water & Sewer
2. Water
3. Sewer
4. Transportation (including parking lot/garage & expressway)
5. Airports
6. Electricity
7. Nursing Homes
8. Coliseums (including arenas, auditoriums, stadiums, and golf course)
9. Steam Plants
10. Gas
11. Harbors
12. Hospitals
13. Communications services provided to users for telephone, internet, cable television, and fiber optics.

These activities are reported as enterprise because they are intended to be largely self-supporting. They are not all provided by or used in each locality. Inclusion of these types of activities in General Government would distort the comparative reporting.

These exhibits present the extent to which these "enterprise" activities are supported by user charges as compared with being subsidized by general government revenues. Sources and applications of funds for enterprise capital projects and debt service are presented as memo items on these exhibits.

For separate authorities that are not operated by the locality, only the contributions to the authorities are displayed on this exhibit. The operating revenues and state and federal grants received by authorities are not included although they may significantly benefit a locality.

Below are the "Notes to the Comparative Report" that are specific to Exhibit F. The notes below are presented in the Report in Note 2 - Definitions of Key Terms.

Payments to Enterprise Type Activities - Local government contributions to an enterprise activity organized and operated as an authority and not managed by the locality. Payments are usually from the general fund. Payments to support general operating and interest expenses are reported separately from contributions specified for enterprise activity capital projects.

Payments to Other Local Governments for Enterprise Activities - Local government contributions to enterprise activities operated by other local governments. Payments to support general operating and interest expenses are reported separately from payments and contributions specified for enterprise activity capital projects.

Revenues from Direct Charges and Contributions - Revenues received for enterprise activities operated by the local government.

User Charges - Direct charges to users for services provided by local government enterprise activities. This includes direct charges to users in other localities for services they received.

Net Transfers (To) From General Government Funds - The net balance of transfers (To) and From the general government for enterprise activities operated by the local government. This does not include capital contributions by the local government.

Contributions/Payments in Support of Operating Expenditures - Revenues received from other governments to support the services provided by the locality's enterprise activities (not through direct charges or bills.) These amounts are separated by other local government contributions, direct contributions from the Commonwealth and contributions from the federal government (including federal "pass-thru" dollars.) This does not include contributions for capital projects or capital outlays.

Miscellaneous Revenue - Other revenue received by enterprise activities.

Funds Available for Operations - The total funds available to the locally operated enterprise activities including all direct charges for services, general government subsidies and operating contributions/payments from other governments.

Local Government Enterprise Expenses:

General Operating Expenses - Total direct operating expenses required to provide enterprise activity services. General operating expenses exclude capital asset depreciation, debt interest costs and payments in lieu of taxes. They include the cost of goods sold or services rendered, cost of materials and supplies and all administrative costs.

Depreciation - The portion of the cost of all enterprise activity capital assets charged as depreciation expense in the reported fiscal year.

Debt Interest Expenses - The total interest expense incurred on outstanding debt for enterprise activities, including interest on capital leases.

5.11 **EXHIBIT G - DEMOGRAPHIC AND TAX DATA**

Exhibit G provides additional demographic and tax data obtained from various state and federal reporting entities. The additional variables are presented to assist users in performing analyses of the local government revenues and expenditures. Some of the data presented is for years other than the currently reported fiscal year. The difference in reporting periods is due to the availability and application of the data to the providers.

A brief definition and source reference for each data element are included below. Users should not base conclusions solely on this report's data. Fiscal measures for local governments can vary for many reasons including efficiency of operations, scope and quality of programs, and demographics of populations served.

Source and Definition of Data Elements:

Populations for the cities and counties are from the U.S. Census Bureau population estimates. Town populations represent the latest U.S. Census. Town population estimates are not available.

Land Area presented in square miles is from the U.S. Census Bureau.

Population density is population divided by land area.

Unemployment rates are the annual averages on a calendar year basis. The data is from the Virginia Employment Commission (VEC). The rate is based on the portion of the civilian labor force that is unemployed. VEC uses the U.S. Bureau of Labor Statistics' (BLS) methodology for calculating the rate. Per BLS, the civilian labor force includes all persons in the civilian noninstitutional population classified as either employed or unemployed.

Average Daily Membership (ADM) in Public Schools for the current school year are obtained from the State Superintendent of Public Instruction's annual report. They include K-12, special education, and post-graduate membership, but they exclude pre-kindergarten and pupils in local programs such as vocational and alternative education centers. For purposes of ADM, Bedford City is included as part of Bedford County. Emporia City is included as part of Greenville county. Fairfax City is included as part of Fairfax County. James City County is included as part of Williamsburg City.

Revenue capacity per capita rank scores are from the Commission on Local Government's Report on the *Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Counties and Cities*, for the most recently reported fiscal year. The Commission determines the revenue capacity scores for each locality based on

the Representative Tax System methodology. The Commission's report includes actual revenue capacity scores and additional information.

Composite fiscal stress rank scores are from the Commission on Local Government's *Report on the Comparative Revenue Capacity, Revenue Effort, and Fiscal stress of Virginia's Counties and Cities*, for the most recently reported fiscal year. The Commission determines a fiscal stress index score for each locality. The fiscal stress index scores are ranked from lowest to highest fiscal stress.

Real estate tax rates are obtained from the Department of Taxation. The nominal tax rates levied are per \$100 of assessed real estate value. Other tax rates that may assist in governmental comparisons are available from the Weldon Cooper Center for Public Service.

Real estate taxable valuations for the same tax year as the rates are obtained from the Department of Taxation's latest Annual Report.

UNIFORM FINANCIAL REPORTING MANUAL
CHAPTER 6
Public Employee Retirement Systems

6.1 Introduction

The Code of Virginia, Section 51.1-1003, requires each public employee retirement system (PERS) to publish an annual report that contains financial statements prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB). This section also requires the Auditor of Public Accounts to incorporate these standards into the *Uniform Financial Reporting Manual*. This Chapter contains these standards.

6.2 GASB Statements

Current accounting and reporting standards are contained in GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*; and GASB Statement 50, *Pension Disclosures*. The specific requirements of these Standards are discussed below.

GASB Statement 25

Highlights for Defined Benefit Plans:

Scope of Statement:

This statement is applicable to defined benefit plans of state and local governmental entities. It applies to pension trust funds included in the reports of plan sponsors or employers, as well as to stand-alone financial reports of pension plans or the public employee retirement systems that administer them. It does not address financial reporting for employers, such as those covered by the Virginia Retirement System. Financial reporting requirements for employers are addressed separately in GASB Statement 27.

Objectives of Statement:

The objectives of the statement are to assist plan members, public officials and other readers in assessing: (1) the stewardship of plan resources and the ongoing ability of the plan to pay pension benefits when due, (2) the effect of plan operations and pension benefit commitments on the need for contributions by plan members, employers, and other contributors, and (3) compliance with finance-related statutory, regulatory, and contractual requirements.

Basis of Accounting: Accrual

Required Financial Statements and Schedules:

- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Notes to the Financial Statements
- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to the Required Schedules

Valuation of Investments:

Fair market value at the reporting date

Measurement of Accrued Benefits:

Accrued benefits are computed using one of the following methods: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate actuarial cost. These methods are described in Paragraph 45, Section B of GASB Statement 25.

Highlights for Defined Contribution Plans:

Scope of Statement:

This statement also establishes financial reporting standards for the notes to the financial statements of defined contribution plans of state and local governmental entities. It applies when the financial statements of a defined contribution plan are presented in a stand-alone plan financial report, or solely in the financial report of an employer.

Required Note Disclosures:

- Plan Description
- Summary of Significant Accounting Policies
- Concentrations of investments

GASB Statement 27

This Section provides guidance for preparing the GASB 27 note disclosure included in the Annual Financial Reports of local governments that participate in the Virginia Retirement System (VRS). These instructions have been developed based on suggestions of the VRS.

Highlights for Employer Reporting:

The instructions are presented within the context of the note disclosures where possible. The following notations have been used:

- (1) For dates presented in the note and required supplemental schedule, ~~2014~~ represents the current year.

Deleted: June 2013

- (2) Information in *italics* represents instructions to the preparer, and is not a part of the disclosure presented in the note.
- (3) Numbers presented in the note that are used in calculations are denoted as **(a)**, **(b)**, etc.

GASB 27 requires the calculation of an Annual Required Contribution (ARC) under GASB 25. If the County/City/Town's actual contribution is different from this ARC, the County/City/Town is required to set up a Net Pension Obligation (NPO) and determine an Annual Pension Cost that reflects the overage or the shortfall in contribution compared to the ARC.

If the County/City/Town elected full pre-funding of the automatic cost-of-living adjustment (COLA) during the fiscal year ended June 30, 1998, the contribution to the VRS is equal to the ARC established by GASB Statement 27, and the Annual Pension Cost for the fiscal year is equal to your required and actual contribution. However, if the County/City/Town elected to phase-in funding of the COLA during the 1998 **and subsequent fiscal years**, it is possible the County/City/Town has contributed less than the difference. For FY ~~2013 and FY 2014~~, localities and school divisions with non-professional employees were able to elect ~~an alternate~~ rate equal to 70% of their VRS Board-certified rate or ~~the FY 2012~~ rate, whichever was higher. Most employers did not elect to pay the ~~alternate~~ rate. Employers that did elect the ~~alternate~~ rate contributed less than the ARC, and it will be necessary to set up a Net Pension Obligation (NPO) for the difference. The Annual Pension Cost for the fiscal year will reflect this shortfall in contributions. If an NPO exists it must be disclosed in the financial statements and the notes to the financial statements in accordance with paragraph 21 (A) of GASB 27. (As this is not required for all localities, an example disclosure is not included here.)

Deleted: 2012
 Deleted: to pay a
 Deleted: 2011
 Deleted: reduced
 Deleted: reduced

GASB Statement 50

This Standard establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. It amends Statement 25, paragraphs 27, 32, 36, 37, 40, and 41 and footnote 24, and it supersedes footnotes 17 and 18 of that Statement. It also amends paragraphs 20-22 and footnotes 10 and 17 of Statement 27.

6.3 Soft Dollar Transactions

Section 51.1-1000, Code of Virginia requires public retirement systems to prepare, and make available to the public upon request, a document disclosing material "soft dollar" transactions in which the fund managers have engaged. Soft dollar transactions are defined by the Code as "arrangements not negotiated at arm's length or dealings between the retirement systems' fund managers and persons providing

services to the systems for non-cash considerations.” For example, a broker may furnish hardware, software, research reports, or consulting services to a fund manager in return for a certain amount of investment volume with that broker. Material transactions are defined as transactions more than \$10,000 where it could be asserted that a conflict of interest or an appearance of impropriety was a factor in making the determination of which provider of services would be contracted.

Soft dollar transaction disclosures may be included in the local government’s annual report, or, alternatively, published in a separate disclosure document. There is no prescribed method for reporting these transactions. The following columnar format is offered as one recommendation for this disclosure:

| <u>Vendor Name</u> | <u>Description of Goods or Services</u> | <u>Dollar Value of Goods or Services</u> |
|--------------------|---|--|
|--------------------|---|--|

Deleted: June 2013

Sample Disclosure for Governments that participate in VRS

COUNTY/CITY/TOWN
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

Deleted: 2013

NOTE # Pension Plan

Deleted: Defined Benefit

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan

Deleted: Defined Benefit

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Deleted: Benefits vest after five years of service credit.

Deleted: is paying into the

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

Deleted: VRS

Deleted: two defined

Deleted: and

Deleted: :

| <u>VRS PLAN 1</u> | <u>VRS PLAN 2</u> | <u>HYBRID RETIREMENT PLAN</u> |
|---|---|---|
| <p><u>About VRS Plan 1</u> VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p><u>About VRS Plan 2</u> VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p><u>About the Hybrid Retirement Plan</u> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> |

Deleted: <#>Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.¶
 Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.¶
 Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.¶
 ¶

| | | |
|--|---|--|
| | | <ul style="list-style-type: none"> • <u>The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</u> • <u>The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</u> • <u>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</u> |
| <p><u>Eligible Members</u> <u>Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</u></p> <p><u>Hybrid Opt-In Election</u> <u>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</u></p> <p><u>The Hybrid Retirement Plan’s effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</u></p> <p><u>If eligible deferred members returned to work during the election window, they were also</u></p> | <p><u>Eligible Members</u> <u>Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</u></p> <p><u>Hybrid Opt-In Election</u> <u>VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</u></p> <p><u>The Hybrid Retirement Plan’s effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</u></p> <p><u>If eligible deferred members returned to work during the election window, they were also</u></p> | <p><u>Eligible Members</u> <u>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</u></p> <ul style="list-style-type: none"> • <u>State employees*</u> • <u>School division employees</u> • <u>Political subdivision employees*</u> • <u>Judges appointed or elected to an original term on or after January 1, 2014.</u> • <u>Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014</u> <p>-</p> <p><u>*Non-Eligible Members</u> <u>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</u></p> |

| | | |
|--|---|--|
| <p><u>eligible to opt into the Hybrid Retirement Plan.</u></p> <p><u>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</u></p> | <p><u>eligible to opt into the Hybrid Retirement Plan.</u></p> <p><u>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</u></p> | <ul style="list-style-type: none"> • <u>Members of the State Police Officers' Retirement System (SPORS)</u> • <u>Members of the Virginia Law Officers' Retirement System (VaLORS)</u> • <u>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</u> <p><u>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</u></p> |
| <p><u>Retirement Contributions</u> <u>Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</u></p> | <p><u>Retirement Contributions</u> <u>Same as VRS Plan 1.</u></p> | <p><u>Retirement Contributions</u> <u>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</u></p> |
| <p><u>Creditable Service</u></p> | <p><u>Creditable Service</u></p> | <p><u>Creditable Service</u> <u>Defined Benefit Component:</u></p> |

| | | |
|--|--|--|
| <p><u>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</u></p> | <p><u>Same as VRS Plan 1.</u></p> | <p><u>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</u></p> <p><u>Defined Contributions Component:</u> <u>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</u></p> |
| <p><u>Vesting</u> <u>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</u></p> | <p><u>Vesting</u> <u>Same as VRS Plan 1.</u></p> | <p><u>Vesting</u> <u>Defined Benefit Component:</u> <u>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</u></p> |

| | | |
|--|---|---|
| <p><u>Members are always 100% vested in the contributions that they make.</u></p> | | <p><u>Defined Contributions Component:</u> <u>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</u></p> <p><u>Members are always 100% vested in the contributions that they make.</u></p> <p><u>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</u></p> <ul style="list-style-type: none"> <u>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</u> <u>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</u> <u>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</u> <p><u>Distribution is not required by law until age 70½.</u></p> |
| <p><u>Calculating the Benefit</u> <u>The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</u></p> <p><u>An early retirement reduction factor is applied to the Basic</u></p> | <p><u>Calculating the Benefit</u> <u>See definition under VRS Plan 1.</u></p> | <p><u>Calculating the Benefit</u> <u>Defined Benefit Component:</u> <u>See definition under VRS Plan 1</u></p> <p><u>Defined Contribution Component:</u> <u>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</u></p> |

| | | |
|--|--|---|
| <p><u>Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</u></p> | | |
| <p><u>Average Final Compensation</u> <u>A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</u></p> | <p><u>Average Final Compensation</u> <u>A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</u></p> | <p><u>Average Final Compensation</u> <u>Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</u></p> |
| <p><u>Service Retirement Multiplier</u> <u>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</u></p> | <p><u>Service Retirement Multiplier</u> <u>Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</u></p> | <p><u>Service Retirement Multiplier</u> <u>The retirement multiplier is 1.0%.</u> <u>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</u></p> |
| <p><u>Normal Retirement Age</u> <u>Age 65.</u></p> | <p><u>Normal Retirement Age</u> <u>Normal Social Security retirement age.</u></p> | <p><u>Normal Retirement Age Defined Benefit Component:</u> <u>Same as VRS Plan 2.</u> <u>Defined Contribution Component:</u> <u>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</u></p> |
| <p><u>Earliest Unreduced Retirement Eligibility</u></p> | <p><u>Earliest Unreduced Retirement Eligibility</u></p> | <p><u>Earliest Unreduced Retirement Eligibility Defined Benefit Component:</u></p> |

| | | |
|---|--|---|
| <p><u>Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</u></p> <p><u>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</u></p> | <p><u>Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</u></p> <p><u>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</u></p> | <p><u>Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</u></p> <p><u>Defined Contribution Component:</u> <u>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</u></p> |
| <p><u>Earliest Reduced Retirement Eligibility</u> <u>Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</u></p> | <p><u>Earliest Reduced Retirement Eligibility</u> <u>Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</u></p> | <p><u>Earliest Unreduced Retirement Eligibility</u> <u>Defined Benefit Component:</u> <u>Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</u></p> <p><u>Defined Contribution Component:</u> <u>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</u></p> |
| <p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> <u>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</u></p> <p><u>Eligibility:</u> <u>For members who retire with an unreduced benefit or with a</u></p> | <p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> <u>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</u></p> <p><u>Eligibility:</u> <u>Same as VRS Plan 1</u></p> | <p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> <u>Defined Benefit Component:</u> <u>Same as VRS Plan 2.</u></p> <p><u>Defined Contribution Component:</u> <u>Not applicable.</u></p> <p><u>Eligibility:</u> <u>Same as VRS Plan 1 and VRS Plan 2.</u></p> |

| | | |
|---|---|---|
| <p><u>reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</u></p> <p><u>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</u></p> <p><u>Exceptions to COLA Effective Dates:</u> <u>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</u></p> <ul style="list-style-type: none"> <u>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</u> <u>• The member retires on disability.</u> <u>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</u> <u>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</u> <u>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</u> | <p><u>Exceptions to COLA Effective Dates:</u> <u>Same as VRS Plan 1</u></p> | <p><u>Exceptions to COLA Effective Dates:</u> <u>Same as VRS Plan 1 and VRS Plan 2.</u></p> |
| <p><u>Disability Coverage</u></p> | <p><u>Disability Coverage</u></p> | <p><u>Disability Coverage</u></p> |

| | | |
|---|---|--|
| <p><u>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</u></p> <p><u>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</u></p> <p><u>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</u></p> | <p><u>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</u></p> <p><u>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</u></p> <p><u>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</u></p> | <p><u>Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</u></p> <p><u>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</u></p> <p><u>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</u></p> |
| <p><u>Purchase of Prior Service</u> <u>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</u></p> | <p><u>Purchase of Prior Service</u> <u>Same as VRS Plan 1.</u></p> | <p><u>Purchase of Prior Service</u> <u>Defined Benefit Component:</u> <u>Same as VRS Plan 1.</u></p> <p><u>Defined Contribution Component:</u> <u>Not applicable.</u></p> |

Deleted: June 2013

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS web site at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Deleted: system

Deleted: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>

Deleted: obtained

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County/City/Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County/City/Town's contribution rate for the fiscal year ended 2014 was XX.XX% of annual covered payroll. *[Public School Divisions (professional employees) must disclose their current contribution rate (for FY 2014 – 11.66%) and the required contributions to the teacher cost-sharing pool in dollars and the percentage of that amount contributed for the current year and each of the two preceding years.]*

Deleted: 2013

Deleted: 2013

C. Annual Pension Cost

For fiscal year 2014, County/City/Town's annual pension cost of \$XXX,XXX **[was] [was not]** equal to the County/City/Town's required and actual contributions. *[Include actual contribution amount if it differs from the annual pension cost.]*

Deleted: 2013

Three-Year Trend Information for County/City/Town

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------|----------------------------------|--------------------------------------|-------------------------------|
| June 30, <u>2012</u> | \$XXX,XXX | XX.X% | \$XXX,XXX |
| June 30, <u>2013</u> | XXX,XXX | XX.X% | XXX,XXX |
| June 30, <u>2014</u> | XXX,XXX | XX.X% | XXX,XXX |

Deleted: 2011

Deleted: 2012

Deleted: 2013

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of

Deleted: 2013

Deleted: June 2013

administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County/City/Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. County/City/Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years. *[Only include this last statement if the County/City/Town has an unfunded actuarial accrued liability.]*

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was XXX.XX% funded. The actuarial accrued liability for benefits was \$XXX,XXX, and the actuarial value of assets was \$XXX,XXX, resulting in an unfunded actuarial accrued liability (UAAL) of \$XXX,XXX. The covered payroll (annual payroll of active employees covered by the plan) was \$XXX,XXX, and ratio of the UAAL to the covered payroll was XX.XX%.

Deleted: 2012

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County/City/Town

| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
|--------------------------|---------------------------|-----------------------------------|---|--------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
| June 30, 2011 | \$XX,XXX | \$XX,XXX | \$XX,XXX | XX.XX% | \$XX,XXX | XX.XX% |

Deleted: 2010

Deleted: June 2013

June 30,
~~2012~~ \$XX,XXX \$XX,XXX \$XX,XXX XX.XX% \$XX,XXX XX.XX%

Deleted: 2011

June 30,
~~2013~~ \$XX,XXX \$XX,XXX \$XX,XXX XX.XX% \$XX,XXX XX.XX%

Deleted: 2012

[This information should also be presented as required supplementary information (schedule of funding progress) unless information for all three valuations is disclosed in the notes.]

Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

