

**Comptroller's Directive No. 1-09**  
**Attachment 20**  
**Internal Service Funds – Conversion to Government-wide Statement of Activities**

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**Purpose**

**GASBS No. 34** states that internal activity and balances should be eliminated from the Government-wide Statement of Activities. This elimination should remove the “doubling-up” effect of reporting the original disbursement activity in the paying funds and in the internal service fund. The following spreadsheets have been developed to eliminate the internal activity. They are as follows:

- Summary of Revenue by State Agency – Internal Activity (Part 1)
- Summary of Revenue by External Party – (Part 2)
- Schedule to Eliminate the Effect of Internal Service Fund Activity for the Government-wide Statement of Activities (Part 3)
- Control Sheet (Part 4)
- Certification
- Revision Control Log

**Note:** Part 3 follows exercise #4 on pages 224 – 231 in the 1<sup>st</sup> Implementation Guide for **GASBS No. 34**. It would be helpful to review this exercise before completing Parts 1 to 3. This attachment is similar to the prior year’s Attachment 19.

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**Due date**

**August 20, 2009**

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**Certification**

The **Certification** tab requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. **By typing a name, the individual is certifying that all tabs of this attachment have been reviewed; the information is both complete and accurate; the preparer and reviewer were not the same individual for any tab; and that you have read and understand the instructions for the attachment.**

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**Applicable agencies**

This attachment is applicable to the following agencies and their internal service funds. *Each agency will need to complete a separate attachment for each internal service fund.*

<i>Agency</i>	<i>Fund</i>
Department of General Services	Fleet Management Property Management - Real Estate Services, Maintenance & Repair General Services - Virginia Distribution Center, Consolidated Laboratory, Graphic Communications, Federal Surplus Property, State Surplus Property, Engineering Services
Department of Human Resource Management	Workers Compensation Health Insurance Fund
Department of the Treasury	Risk Management
Virginia Correctional Enterprises	All
Virginia Information Technologies Agency	Aggregate all internal service funds

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**Submission requirements**

Contact DOA if the agency has any problems with the files.

**After downloading the file, rename the spreadsheet file using the agency number followed by the internal service acronym followed by Att20.** For example, the Department of General Service's (agency 194) Fleet Management fund, should rename its Attachment 20.xls file as DGS-Fleet Management-Att20.xls.

**Submit the Excel spreadsheet electronically to [finrept-agyatt@doa.virginia.gov](mailto:finrept-agyatt@doa.virginia.gov).**

**Copy APA via e-mail to [APAFinRept@apa.virginia.gov](mailto:APAFinRept@apa.virginia.gov).**

**Do not submit paper copies of the Excel attachment.**

For your convenience, the contact information in all but the first tab in each attachment / template has been unlocked and shaded yellow. The contact information continues to be auto filled with the information from the first tab but the cells remain unlocked to allow for more than one preparer to complete the attachment.

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**Attachment revisions**

If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the **Revision Control Log** tab in the attachment excel file.**

Enter the revision date, applicable excel file tab name, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

Include "**REVISED – date**" in the **subject line** of the submission e-mail as well as in the **file name**. Resubmit the revised attachment; and ensure that the **Revision Control Log** tab has been completed.

**Each time a revision is submitted the **Certification** tab should be updated with new signatures and dates.**

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**Overview**

A Government-wide Statement of Activities MUST be presented in the Commonwealth's CAFR. Internal service fund agencies are not required to prepare a Statement of Activities. Therefore, the Financial Reporting Unit must obtain information to convert the Statement of Revenues, Expenses, and Changes in Fund Net Assets to the Government-wide Statement of Activities format. Internal activity must be eliminated. This elimination should remove the "doubling-up" effect of reporting the original disbursement activity in the paying funds and in the internal service fund. In summary, this conversion requires the following:

- Only external and non-program activity must be reported as revenues and expenses or transfers on the Government-wide Statement of Activities.
- The residual amount of Change in Net Assets after excluding the external and non-program activity must be allocated back to the government-wide functions. The percentages for the allocation will be based on the amount of internal revenue by State agency divided by total internal revenue. Each state agency will be assigned a function based on the nature of the agency or the agency's enterprise funds. Below is a listing of the government-wide functions:

**Governmental:**

- General Government
- Education
- Transportation
- Resources and Economic Development
- Individual and Family Services
- Administration of Justice

**Business-type:**

- State Lottery (Agency 172)
- Virginia College Savings Plan (Agency 174 – Virginia Prepaid Education Program only)
- Unemployment Insurance (Agency 182, Fund 0700)
- Alcoholic Beverage Control (Agency 999)
- Local Choice (Agency 149, Fund 0520)
- Other (other enterprise funds not listed)

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### External activity

Some examples of external parties include localities, corporations, and other non-state organizations. The following State agencies / institutions are considered an external party because they are either a discrete component unit, related organization, or State agency with primarily fiduciary funds.

- Higher Education Institutions (various agency codes)
- Institute for Advanced Learning and Research (agency #885)
- Innovative Technology Authority (agency #934)
- New College Institute (agency #938)
- Roanoke Higher Education Authority (agency #935)
- Southern Virginia Higher Education Center (agency #937)
- Southwest Virginia Higher Education Center (agency #948)
- Virginia College Building Authority (agency #941)
- Small Business Financing Authority (agency #325 - funds 0243, 0900, 0901, 0921, 0930, 0957)
- Virginia Commission for the Arts (agency #148)
- Tobacco Indemnification and Community Revitalization Commission (agency #851)
- Virginia College Savings Plan (Virginia Education Savings Trust and College America)
- Virginia Economic Development Partnership (agency #310)
- Virginia National Defense Industrial Authority (agency #311)
- Virginia Land Conservation Foundation (agency #199 - fund 0918)
- Virginia Port Authority (agency #407)
- Virginia Retirement System (agency #158 - all funds)
- Virginia Tobacco Settlement Foundation (agency #852)
- Virginia Tourism Authority (agency #320)
- Department of Forestry (agency #411 – fund 0909)
- Line of Duty OPEB (agency #162 – fund 0742)
- Virginia Sesquicentennial of the American Civil War Commission (agency # 859)

### Internal activity

Internal parties are most State agencies **except** for Higher Education institutions, other discrete component units, related organizations, and agencies with primarily fiduciary funds.

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### Internal Service Funds – Conversion to Government-wide Statement of Activities

**Spreadsheet instructions for internal activity (part 1)**

In order to identify the internal activity that must be eliminated from the CAFR, follow these instructions.

**Note:** This spreadsheet has listed the State agencies that are considered internal parties and their functions. This spreadsheet is sorted in agency # order.

<i>Step</i>	<i>Action</i>
-	Record the contact information, including the fund's (or agency's) vendor ID. A separate spreadsheet <b>must</b> be prepared for each internal service fund specifically identified on Instructions – Page 1.
1	Record the amount of revenue that has been reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets template that was received and / or will be received (Due from Other State Agencies) from each internal party.  <b>Note:</b> Some agencies are completely business-type agencies. Other agencies have one or more funds that are business-type. Agencies that have governmental and business-type activity are listed on the spreadsheet twice. One line item is to report revenue received from the governmental funds of the agency. The second line item is to report revenue received from the business-type funds of the agency.
2	The percentages on the worksheet are automatically calculated by a formula (internal activity revenue by agency / total internal activity revenue). After all amounts have been keyed in, the total of the percentage column should equal 100%.
3	Record the amount that is included in Step 1 that is also included in the Due from Other State Agencies amount reported on the Statement of Net Assets template from each internal party.

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**Spreadsheet instructions for internal activity (part 1), continued**

Calculation of Percentages by Function:

After all information has been entered for Part 1, this information needs to be copied to another spreadsheet to sort and subtotal by function. Below are suggestions for calculating this information. This new spreadsheet does not have to be sent to DOA. Retain for the Auditor of Public Accounts to review.

-	<p>Copy the rows of information as follows:</p> <ul style="list-style-type: none"> <li>• Highlight the header row and rows of information.</li> <li>• Use the edit / copy / paste special / values menu item to copy the information to a new spreadsheet.</li> </ul> <p><b>Note:</b> The paste special / values menu item allows the cells to be copied as values rather than formulas.</p> <ul style="list-style-type: none"> <li>• Use the data / sort menu item to sort the spreadsheet by the function column.</li> <li>• Use the data / subtotal menu item to get subtotals for the revenue column and percentage column. The subtotals should be for the following functions:</li> </ul> <p><b>Governmental:</b>  General Government  Education  Transportation  Resources and Economic Development  Individual and Family Services  Administration of Justice</p> <p><b>Business-type:</b>  State Lottery  Virginia College Savings Plan  Unemployment Insurance  Alcoholic Beverage Control  Local Choice  Other</p> <p><b>Note:</b> These percentages will be used in Part 3, Step 6 (see Instructions – Page 10). Maintain this documentation for the Auditor of Public Accounts to review.</p>
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Spreadsheet instructions for external activity (part 2)

In order to identify the external activity that must be recorded in the Government-wide Statement of Activities, follow these instructions.

**Note:** This spreadsheet has listed the State agencies that are considered external because they are either a discrete component unit, related organization, or a State agency with primarily fiduciary funds. This spreadsheet is sorted by Agency # under each change in function.

<i>Step</i>	<i>Action</i>
-	For your convenience, the yellow boxes have been auto filled with the contact information from the <b>Part 1-Internal</b> tab (part 1). However, the yellow boxes remain unlocked to allow for more than one preparer to complete the attachment.
1	Beginning at row 92, record the name of other external parties that are not considered State agencies.  <b>Note:</b> HIF should report <b>non-early</b> Retiree premiums here. <b>Early retiree premiums must be reported in the OPEB fund.</b>  <b>Note:</b> Revenues from localities can be combined into one amount.
2	Record the amount of revenue that has been reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets that was received and / or to be received (receivable) from each external party.
3	This cell is a formula that calculates the total amount of external revenue by function and total external activity revenue. This amount will also be recorded in Part 3, Step 4 (see Instructions – Page 9).

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## Internal Service Funds – Conversion to Government-wide Statement of Activities

**Spreadsheet instructions for conversion to government-wide statement of activities (part 3)**

In order to convert the Statement of Revenues, Expenses, and Changes in Fund Net Assets to the Government-wide Statement of Activities, follow these instructions. Also, the 1<sup>st</sup> Implementation Guide for **GASBS No. 34**, exercise 4 on pages 224-231 gives an example for completing this spreadsheet.

<i>Step</i>	<i>Action</i>
-	For your convenience, the yellow boxes have been auto filled with the contact information from the <b>Part1-Internal</b> tab (part 1). However, the yellow boxes remain unlocked to allow for more than one preparer to complete the attachment.
1	Record the total “Change in Net Assets” from the Statement of Revenues, Expenses, and Changes in Fund Net Assets template.
2	Record activity that corresponds to non-operating line items. This activity will be excluded from the amount to be allocated to the program line items in step 6. Therefore, <b>revenue items are shown as a negative amount</b> (subtract from the “Change in Net Assets”) and <b>disbursement items are shown as a positive amount</b> (add back to the “Change in Net Assets”).
3	This cell subtotals the amounts from steps 1 and 2. It is a formula. This subtotal represents the amount that must be assigned to functions.
4	<p>Record expenses from external activity by function. The external revenue amounts are linked from Part 2. External activity includes revenue from external parties and the related expenses. This activity will be excluded from the amount to be allocated to the program line items in step 6. Therefore, revenue is shown as a negative (subtract from the “Change in Net Assets”) and expenses are shown as a positive line item (add back to the “Change in Net Assets”).</p> <p>The external activity revenue amount is determined in Part 2. <b>The expenses related to these revenues must be determined.</b> One way to calculate expenses is to take the external activity revenue amount less the markup % amount. For example, if total external sales are \$99,000 and the markup % is 10%, then the expenses would be \$90,000. Each agency must document how these expenses are determined and maintain that documentation for the Auditor of Public Accounts to review.</p>

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**Spreadsheet instructions for conversion to government-wide statement of activities (part 3),**  
continued

<i>Step</i>	<i>Action</i>
5	This cell is a formula and subtotals the amounts from steps 3 and 4. This subtotal represents the amount that must be allocated among the Commonwealth's programs.
6	Enter the allocation percentages as determined in Part 1 on Instructions – Page 7. The spreadsheet has a formula to calculate the amount to allocate to each of the functions.
7	Step 7 automatically populates the amounts placed into steps 2 and 4. For step 7 though, revenues are shown as positive amounts and expenses are shown as negative amounts.
8	Step 8 automatically populates the amounts allocated to the functions from step 6.
9	<p>Answer yes or no to the three questions at the bottom of this spreadsheet.</p> <ul style="list-style-type: none"> <li>• The Change in Net Assets in Step 1 should equal the Change in Net Assets on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.</li> <li>• The total allocation amounts in the governmental activities plus the business-type activities columns should equal the change in net assets recorded in step 1.</li> <li>• The total of the percentages in step 6 should equal 100%.</li> </ul> <p>If these amounts do not agree, investigate differences and revise the spreadsheet as deemed necessary to bring the amounts into agreement.</p>

**Spreadsheet instructions for control sheet (part 4)**

Complete Control Sheet (Part 4). This worksheet is self-explanatory.

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