

## Comptroller's Directive No. 1-15

### 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 (Appendix 7-3) in the Comprehensive Implementation Guide issued by GASB in 2013. It is recommended that each agency obtain a copy of this Guide (available at <https://gars.gasb.org/>) for better understanding of this attachment.

This attachment is similar to the prior year’s Attachment 20.

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### Questions

For questions or to request detailed training from an analyst, please contact: [AttachmentAnalyst@doa.virginia.gov](mailto:AttachmentAnalyst@doa.virginia.gov).

Please reference the attachment number in the subject line of the e-mail.

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### Due date

**August 13, 2015**

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### Data entry

Only cells highlighted in yellow allow for data entry. Error messages in cells are intended to alert preparers that established parameters are not being followed. **Failure to correct Errors or provide answers to all required questions prior to submission will prohibit acceptance of the attachment. Selected cells requiring a response will be populated with an “Answer Required” message until a response is entered.**

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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 preparer is certifying that all of the questions have been completed and are accurate; the reviewer is certifying that the attachment has been reviewed and is complete and accurate; the preparer and reviewer were not the same individual for any tab; and the preparer and reviewer have read and understood the instructions for the attachment. If agency staffing does not allow for a different preparer and reviewer, please contact DOA.**

#### 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 Accounts	Payroll Service Bureau Enterprise Applications
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 Services' (agency 194) Fleet Management fund, should rename its Attachment 20.xlsx file as DGS-Fleet Management-Att20.xlsx.\*

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

Please include **Agency Number** and **Attachment Number** in the **subject line** of the submission e-mail.

**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.

**\*Note: The attachment is in the Excel 2007 version (.xlsx). If the agency has an earlier version of Excel, the file can be saved in the earlier version (.xls). If the agency has an earlier version of Excel and has problems opening the file, DOA can provide the attachment saved in an earlier version of Excel (.xls).**

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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 Position 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 Position 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

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**Overview,**  
continued

**Business-type:**

- Virginia Lottery (Agency 172)
- Virginia College Savings Plan (Agency 174 – Virginia Prepaid Education Program only)
- Unemployment Insurance (Agency 182 – Funds 0700 and 0793)
- Alcoholic Beverage Control (Agency 999)
- Behavioral Health Local Funds (Agency 720 – Canteen and Local Activity Fund)
- Consolidated Laboratory (Agency 194 – Funds 0501 and 0502)
- Department of Environmental Quality – Title V (Agency 440 – Fund 0510)
- eVA Procurement (Agency 194 – Fund 0505)
- Local Choice (Agency 149 – Fund 0520)
- Risk Management (Agency 152 – Funds 0745, 0746, and 0747)
- Route 460 Funding Corporation of Virginia (Agency 501)
- Science Museum of Virginia (Agency 146 – Gift Shop)
- Virginia Industries for the Blind (Agency 702 – Funds 05XX)
- Virginia Museum of Fine Arts (Agency 238 – Gift Shop and Food Service – Fund 0500)
- Wireless E-911 Service Board (Agency 136 – Fund 0928)

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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)
- Innovation & Entrepreneurship Investment 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 #350 – Funds 0243, 0715, 0900, 0901, 0921, 0930, 0943, 0957)
- Virginia Commission for the Arts (agency #148 – Fund 0910)
- Tobacco Indemnification and Community Revitalization Commission (agency #851)
- Virginia College Savings Plan (agency #174 – Virginia Education Savings Trust and College)
- Virginia Economic Development Partnership (agency #310)
- Virginia Land Conservation Foundation (agency #199 – Fund 0918)
- Virginia Port Authority (agency #407)
- Virginia Retirement System (agency #158 – all funds)
- Virginia Foundation for Healthy Youth (agency #852)
- Virginia Tourism Authority (agency #320)
- Department of Forestry (agency #411 – Fund 0909)
- Line of Duty OPEB (agencies #158 and #162 – Fund 0742)

### 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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**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 Position 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 Position 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 or DOA to review, if requested.

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

-	<p><b>Business-type:</b>  Virginia Lottery  Virginia College Savings Plan  Unemployment Insurance  Alcoholic Beverage Control  Behavioral Health Local Funds  Consolidated Laboratory  Department of Environmental Quality – Title V  eVA Procurement  Local Choice  Risk Management  Route 460 Funding Corporation of Virginia  Science Museum of Virginia  Virginia Industries for the Blind  Virginia Museum of Fine Arts  Wireless E-911 Service Board</p> <p><b>Note:</b> These percentages will be used in Part 3, Step 6 (see Instructions – Page 13). Maintain this documentation for the Auditor of Public Accounts or DOA to review, if requested.</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 91, record the name of other external parties that are not considered State agencies.  <b>Note:</b> HIF should report Retiree premiums here excluding <b>pre-medicare retiree premiums which 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 Position 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 12).

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**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 Position to the Government-wide Statement of Activities, follow these instructions. Also, the Comprehensive Implementation Guide issued by GASB in 2013, exercise #4 (Appendix 7-3), 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>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	Record the total “Change in Net Position” from the Statement of Revenues, Expenses, and Changes in Fund Net Position template.
2	Record activity that corresponds to nonoperating 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 Position”) and <b>disbursement items are shown as a positive amount</b> (add back to the “Change in Net Position”).
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 and should equal Operating Income (Loss) on the template.
4	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 Position”) and expenses are shown as a positive line item (add back to the “Change in Net Position”).  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 percentage amount. For example, if total external sales are \$99,000 and the markup percentage 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 or DOA to review, if requested.

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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 8. 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 Position in Step 1 should equal the Change in Net Position on the Statement of Revenues, Expenses, and Changes in Fund Net Position.</li> <li>• The total allocation amounts in the governmental activities plus the business-type activities columns should equal the change in net position 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).

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