

# Department of Finance

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LOB #16

## **ACCOUNTING AND FINANCIAL REPORTING**

### **Purpose**

LOB #16, Accounting and Financial Reporting, ensures that the County has appropriate accounting processes in place throughout the departments, accounting records are accurate, and entries are timely and proper. The LOB also ensures that consistent and reliable financial information is produced as mandated by state statutes and in line with acceptable government accounting practices. This LOB interprets and implements new accounting pronouncements from the Governmental Accounting Standards Board (GASB) that result in substantive information for County leadership, residents, other government agencies and financial/investor institutions. Through this program's work of incorporating strict adherence to Generally Accepted Accounting Principles (GAAP) as defined by GASB, the Auditor of Public Accounts (APA), along with federal agency mandates (e.g., Single Audit), the County has maintained an unblemished record of receiving unmodified "clean" opinions from the County's independent auditors.

### **Description**

Through this LOB, Finance maintains the financial accounts used throughout the County. A team of public finance accountants assists County agencies with required financial reporting and provide technical guidance on governmental accounting standards and financial training. This program supports the individual financial needs of agencies while applying uniform standards to ensure the financial data is comparable from year to year, agency to agency, and jurisdiction to jurisdiction. Staff accountants support and monitor over 165 funds and agency accounts as well as account for \$4 billion in capital assets.

In compliance with state law and to meet the needs of taxpayers, investors, and elected officials, the County produces the Comprehensive Annual Financial Report (CAFR), the APA required Audit Procedures and Transmittal Form, the Integrated Sewer System (ISS) CAFR, and the financial statements for the Economic Development Authority (EDA). Additional and separate annual financial reports are also developed for the following entities: Fairfax County Rehabilitation and Housing Authority (FCHRA), Fairfax County Park Authority (FCPA), Retirement Administration Agency (RAA), Fairfax County Public Schools (FCPS), and the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC).

Through this program, coordination of the annual independent audit is executed. The conduct of the audit is managed through the Audit Steering Committee, comprising managers from the County and its component units.

### **Benefits**

The Department of Finance has been highly successful in meeting the mandates and financial requirements associated with this program. The County's financial reports continue to receive wide acceptance from rating agencies. Additionally, annual audits of the County's financial reports have consistently received unmodified "clean" opinions from its independent auditors. Subjected to peer review and for the 38th consecutive year, the County earned a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the US and Canada (GFOA). These achievements highlight the strong commitment Finance has to the County's vision element of Exercising Corporate Stewardship, the County's *Ten Principles of Sound Financial Management*, and the County's "triple A" bond rating.

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## **Mandates**

The LOB is fully mandated by Virginia Code § 15.2-2510 Comparative report of local government revenues and expenditures, Virginia Code § 15.2-2511 Audit of local government records, etc.; Auditor of Public Accounts, Virginia Code § 2.2-615 to 619 Implementation of Federal Mandates Act, by PL 104-156 Single Audit Act Amendments of 1996, and by the Code of Federal Regulation, Title 2, Part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), Subparts A-F.

## **Trends and Challenges**

Financial accountants within the Department of Finance oversee decentralized accounting functions spread across the County's agencies and authorities. To ensure uniformity of financial management and reporting, a variety of internal control measures are designed, applied, and tested to assure the integrity of data and the protection of County assets.

While consistency and comparability of information from year to year remain vital in financial reporting, there has been an accelerated demand for greater accountability, disclosure and ease of interpretation of financial records. As the County has grown in size and complexity, so too have governmental accounting and audit requirements. GASB is recognized by governments as the official source of generally accepted accounting principles for state and local governments. GASB sets the accounting and financial standards through the issuance of pronouncements referred to as Statements of Governmental Accounting Standards. In the last three years alone (2012-2015), GASB issued 12 new statements, with many having significant impact on the County's financial reporting requirements. In addition, recent changes in federal grant reporting guidance issued by the federal government have also contributed to the increased scope and complexity of the County's annual audit.

These requirements present an ongoing challenge for the Department of Finance to keep accounting staff fully trained in their profession and ensure the decentralized activities of the County's departments and component units stay in compliance with these complex and changing requirements.

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## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #16: Accounting and Financial Reporting</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$868,493	\$929,557	\$854,362
Operating Expenses	2,682,384	2,955,744	3,592,277
Work Performed for Others	(489,732)	(724,480)	(751,697)
<b>Total Expenditures</b>	<b>\$3,061,145</b>	<b>\$3,160,821</b>	<b>\$3,694,942</b>
General Fund Revenue	\$0	\$0	\$0
<b>Net Cost/(Savings) to General Fund</b>	<b>\$3,061,145</b>	<b>\$3,160,821</b>	<b>\$3,694,942</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	11 / 11	11 / 11	11 / 11
<b>Total Positions</b>	<b>11 / 11</b>	<b>11 / 11</b>	<b>11 / 11</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Unmodified audit opinion	Yes	Yes	Yes	Yes	Yes
Percent of mandated requirements satisfied for all audited financial reports issued by the Department of Finance	100%	100%	100%	100%	100%

The metrics for the Accounting and Financial Reporting LOB indicate that the Department of Finance is diligent in the financial analysis of the County and consistently exceeds the minimum requirements of standard accounting principles to prepare annual financial reports that evidence the spirit of transparency and full disclosure.