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Accounting for A County

Beyond The City Limits

By Wilma Loichinger

A county, or a parish as it is called in Louisiana, is a division of a state created for political, judicial and administrative purposes. Residents of a large city scarcely realize that there is a county government. There may be designations of the health department or library system as being ABC County institutions but most counties in urban areas are so dominated by the city they encompass that county government and city government seem almost synonymous.

When the population thins, so does municipal government. Sarasota County in Florida is a case in point and illustrates the primacy of county government in an area of low or moderate population density. Sarasota County has about 200,000 inhabitants and includes the three incorporated cities of Sarasota, Venice, and North Port, and the town of Longboat Key. The rest of the county is unincorporated and that area includes about 63 percent of the population. County government is very evident there since well over half the population is governed and serviced by the Board of County Commissioners.

Twenty-five years ago when Sarasota County was almost completely rural the bulk of the population lived in very small towns with a sparse population scattered over the remainder of the county, mainly on farms and ranches. At that time the county government furnished minimum service: maintenance of

the few rural roads, a small sheriff's department, tax collection, county courts, and not much more.

Shortly thereafter there was a population movement from the northern to the southern states. This was not a small trickle of people but a veritable deluge that increased the population of Sarasota County by 62 percent in the last decade, with a 20 percent increase in the last five years. It is estimated that by 1990 the county will have increased by another 50 percent, or more, which will be better than doubling the population in a twenty-year period.

However, as population from the north moved down to the area to take advantage of the salubrious climate they did not, in most cases, settle in the towns but bought their home sites along the Gulf and bays and the many lakes or among the lovely green areas. This was a population that was not satisfied with a few gravel roads and wide open spaces. They needed and demanded the same services they had in the cities and towns they came from. They wanted good paved roads, street lights, water and sewage service, proper protective services, zoning to assure protection of the value of their property, health and welfare services, parks and recreation, and good libraries—all the amenities that make the good life.

So the county government grew in size and complexity to furnish those services. It developed an ever-grow-

ing transportation department that builds and maintains a large web of paved roads and bridges and a complicated system of traffic control. It also created an environmental services department that controls water and air pollution, rids the County of noxious insects and aquatic weeds in the waterways and even removes unwanted alligators from the populous areas. It developed a health department and a social services department to care for the health and welfare needs of the expanding population and a parks and recreation department and a library complex to serve their cultural and entertainment needs. An agricultural and home economics department furnishes information on how to plant and grow things in a semi-tropical climate, which varies widely from the seasonality of the north. It also furnishes waste disposal and water utility service.

Through creation of special districts, some areas have street lighting, ambulance and life saving services, fire service, and any special service that that section of the county desires and for which it is willing to pay a special fee.

To control it all in a logical manner, a planning department was created to establish long-range plans for optimum development of the area and to handle daily problems of requests for rezoning and special exceptions to zoning laws. With growth there must be control, not only through planning and strong zoning laws but control of all phases of the construction of housing and commercial facilities and development of subdivisions, condominium complexes and mobile home parks. Therefore a building and zoning department was created to review all plats and building plans to insure code compliance, issue building permits, and conduct numerous inspections to determine that the final product is in agreement with the plans.

To service all these departments a range of central service departments were created such as personnel, purchasing, property control, printing, telephone, maintenance, data processing, motor pool, etc. All these divisions come under the administration and control of the Board of County Commissioners.

In addition, Sarasota County

Populations have shifted north to south, city to unincorporated area.

government includes a group of elected officials who report to the state, rather than the Board of County Commissioners, including: the Tax Collector who collects all county taxes as well as the city and state taxes; the Supervisor of Elections who conducts all elections: county, state and federal; the Sheriff who furnishes protection of life and property in the unincorporated area; the Property Appraiser who determines the proper valuation of all real and personal property for tax purposes; and the Clerk of Courts who services the county and state courts located in Sarasota County and is charged with the fiscal control of the County. All this adds up to a budget that exceeded \$63 million for fiscal year 1980-81.

Moving out into the county

Sarasota County is not unique in this growth. It is true all throughout the southeastern and western states. It is even true in practically every county in the country. The northern counties may not have had the influx of residents from other states but there has been a steady movement of population from the cities to the suburbs, and unincorporated areas. Residents want more room, open spaces and sunshine, but they still expect the equivalent of city services and county governments have grown in complexity to furnish those services as needed.

This shift in population is seen in the U.S. Department of Commerce Bureau of Census reports. In the "County and City Data Book 1977"¹, of the 915 cities in the USA with population over 25,000 as of 1975, almost 44 percent showed an actual reduction in total population compared to 1970. The City of New York alone shows a 413,950 reduction. This reduction was not only in the northern cities but in California:

Oakland had a reduction of around 31,000, Garden Grove around 3,000; and in the south: Charlestown, S.C. lost over 9,000, Augusta, Georgia lost over 5,000. During this same period the country as a whole had a population increase of 9,725,137, a 4.8 percent increase. Therefore, the population increase has been mainly to the unincorporated areas of the country.

In the "Florida Statistical Abstract 79"² which shows the population growth between 1970 and 1978, there was an increase in the population of the State of Florida of 2,174,977 or 32 percent over the 1970 total. However, the greatest growth was in the unincorporated areas where population increased 45 percent with the incorporated areas increasing only 24 percent. Sarasota County showed an increase of 62 percent in the unincorporated area for that period with only a 39 percent increase in the incorporated areas.

Overlapping taxes

The complexity of county services required by the shift of residents to the unincorporated areas answered the needs of the population but it also resulted in legal problems. The residents of the incorporated areas in more and more areas of the country are crying "dual taxation" and bringing their complaints to the courts. Residents of the cities pay county taxes as well as city taxes and suits have been filed citing certain services which the city resident feels are being dually charged for by both the city and the county, although these services come only from the city. Services such as road construction and maintenance, planning, building and zoning, sheriff's department and even parks and recreation are questioned since cities furnish many of these services to the residents. Some of the suits have been settled in various manners and others are still pending in the higher courts. Those settled have resulted in refunds of portions of the county taxes to the cities or creation of special districts for specific services. In other cases the county legal staff has presented evidence to show the benefits to city residents of some or all of the county services questioned. This problem will grow in all parts of the country as more and more people begin to take a long

hard look at what they are paying for, and what they feel they are receiving for a dollar that is continually shrinking.

Rebellion by the taxpayers has also resulted in the much-publicized "Proposition 13" vote of the California residents that is spreading similar limitations throughout the country. Voters may not be able to do much about the spending of the Federal government but they certainly can limit the local taxing powers, and in California they did. Tax limitation is taking several forms and being enacted in various manners in a number of states.

The Florida State Legislature decided in 1979 to enact its own tax limitations for the taxpayer in the form of House Bill 4-D, the "Truth in Millage" or TRIM bill. This is a complex 99-page document that addresses a vast number of local government operations related to the Property Appraiser's office, the Tax Collector, the School District, the Property Appraisal Adjustment Board, budgets, assessments, and homestead exemptions. Its main goal is to allow the taxpayer to be better informed about tax assessments, the setting of millage rates and their relation to local government and school district budgets. It also includes a clause which specifies "The taxing authority may not increase by more than 8% above the rolled back rate unless approved by the affirmative vote of at least a majority plus one, or 2/3 of the full membership of the governing board of the taxing authority." To determine the taxing limit for a specific county, the 8 percent is applied to the dollars of tax recovery for the previous year. Total dollars are divided by the appraised value of the property as of that date to develop the allowable millage. This millage cannot be exceeded except by approval of the required majority of the governing board of the district. Not many governing bodies are willing to go on record as approving a rate in excess of that limitation.

Prior to this bill, local governments developed their annual expense budgets and then determined the sources of revenue including ad valorem taxes. The millage finally approved by the board would be sufficient to cover the expense budget, taking care not to increase

the millage rate in excess. However, now the millage rate, in essence, has been fixed for them so the expense budget must be adjusted accordingly. At a time of rising costs and the large influx of new residents, the development of budgets for the 1980-81 fiscal year has not been easy for the various local governments in Florida.

To alleviate the problem of funding, the local governments have increased their development of schedules of fees for special services. This was started some years ago to curb the rise in ad valorem taxes but, with the "dual taxation" suits and the limitation of ad valorem millage rates, the development of new fees and upward adjustment in the previous rates charged for services increased exponentially.

One of the newest fees being discussed and established is an "impact fee." The local governments are recognizing that the increase in population from other states and even foreign countries is resulting in the need to expand the present service facilities to accommodate the new residents. Rather than increasing the tax burden on their present residents, the governments are developing a one time impact fee on new housing to cover these expansion costs. Fees are also being developed for almost any service that can be identified specifically as benefiting an individual rather than the population as a whole. This is responsible management and, in most cases, gives the residents a choice as to how much or how little of the services of the government they wish to pay for.

Accounting and Budgeting for a County

The accounting and budgeting for county government of course falls within the non-business, government accounting, section of accounting methods. The above discourse has pointed out the variety of services provided, and the problems and the restrictions that affect county operations as well as its accounting system. In addition there is the rapid growth factor in county government that in many cases has made obsolescent the old methods and systems of accounting used in many counties. Growth has been comparable to the change from a country store to a multimillion dollar super-

market complex in a relatively few years. In some cases the accounting methods have not been updated rapidly enough to keep pace.

There are restrictions on accounting methods that have been imposed by local and state laws in past years, that do not permit a smooth update of accounting methods to the optimum as described in the publication of the National Committee on Governmental Accounting titled "Governmental Accounting, Auditing, and Financial Reporting" (GAFR) and the update of same in Statements 1 and 2.

The County is required by law to maintain a number of special funds and in addition has created some of its own, particularly for self supporting departments such as the Utilities Department and Building and Planning. Each fund maintains its own general ledger accounts including separate bank accounts, which are usually savings accounts with larger amounts invested in certificates of deposit or a state investment fund. The accounting transactions for these special funds are in the general stream of accounting operations. However, all special fund revenues must be directly deposited into that fund's bank account and weekly cash transfers are made from the special fund bank account to a clearing account to write vendor or payroll checks. The law prohibits commingling of these funds.

Florida State Statutes regarding county budgets are very specific in the methods to be used in the preparation and adoption of the budget even as to the advertising of the budget and the holding of public hearings. The statute specifies that the expense budget as finally adopted becomes a fixed budget and cannot be increased even though the collection of revenues exceeds the amount specified in the income budget, except for "grants, donations, gifts or reimbursement for damages." Therefore, the preparation of the income and expense budget is very critical since it is practically cast in concrete once it is adopted.

All sources of revenue must be carefully estimated. If the estimate is too low, the additional funds collected cannot be used to increase the expense budget to cover increased need for services.

An "impact fee" is assessed on newcomers, and spares established residents.

Conversely, if the revenue budget is in excess of actual collections and the matching expense budget is spent, the county could end in an overdraft position.

In order to pick up all sources of funding, items such as "Cash Balance Forward" and "Reserve for Contingencies" become part of the income and expense budget. The "Cash Balance Forward" in the income budget permits budgeting for the use of those funds in the expense budget. In some cases "Cash Balance Forward" also shows in the expense budget to indicate reserving that amount for use in future years. A "Reserve for Contingencies" is the only method available to permit increases in various department budgets, within a specific fund restriction, to accommodate unforeseen requirements for increased services during the fiscal year. Transfers are made from the "Reserve for Contingencies" to specific department budget accounts as needed during the year.

As mentioned before, the elected officials of the county, including the Tax Collector, Property Appraiser, Supervisor of Elections, Clerk of Court, and Sheriff, do not report to the Board of County Commissioners but to an appropriate state agency. The budget for the operation of their departments is part of the county budget but is required to have only minimum detail per state law. It usually includes only salaries, supplies and other expense, and equipment. The official draws 1/12 of that budget monthly and maintains his own accounting function. Therefore the county detail records do not reflect any of the detail expenditures for those departments.

The departments may use some of the central services furnished by the county such as payroll, purchasing, and central stores, but the detail of those operations goes to the elected

officials' records, not the county records. Fixed asset control and detail must be updated through notices from those departments. The departments furnish annual financial reports to the state departments with copies to the county so some detail can be obtained through that method, but it is an awkward situation.

The departments of the elected officials are also autonomous in their determination of the accounting methods to be used for their records so it is almost impossible to standardize the accounting methods for the whole county. However, this may change in Florida as the state Bureau of Local Government Finance has taken a particular interest in the development of uniform accounting by the various local governments.

In December 1977 a "Uniform Accounting System for the Units of Local Government" was issued by that Bureau which included a complete chart of accounts. This system has not been mandated for the elected officials' departments but it no doubt will move in that direction in the near future.

The Uniform Accounting System was implemented by the local governments as of October 1, 1978, for budget year 1978-79. It includes the statement "The governmental accounting principles which are included in the Uniform Accounting System were adopted from the two most authoritative works in governmental accounting. The National Committee on Governmental Accounting's *Governmental Accounting, Auditing and Financial Reporting*, commonly referred to as the "blue book," and the American Institute of Certified Public Accountants' *Audits of State and Local Governmental Units*, known as the "audit guide," form the basis of the theory and principles of the Uniform Accounting System."

The system includes a very comprehensive description of accounting methods and carefully delineates the classification of balance sheet, revenue and expenditure accounts. It also requires an identification of revenue and expenditures by a county for the unincorporated and incorporated areas in the county. Included in the coding system is a two digit number that identifies the func-

tion of the revenue or expenditure such as: General Government Services, Public Safety, or Physical Environment. On the basis of this code, financial reports are prepared by the county for the state which furnish a standard method of comparing county operations throughout the state.

The Uniform Accounting System has furnished the counties, large and small, with guidelines needed to update their accounting systems to meet the needs of the growing population. Used in conjunction with the "blue book" and "audit guide" a very comprehensive system of accounting can be developed to properly account for all their operations.

As the county operations have grown in volume and complexity, the old ledger book and quill pen method of accounting is no longer sufficient and even the smallest counties are going to some form of computer service. Those already using some computer services have found need to update their programs and are developing sophisticated methods of budgeting and accounting including encumbrance of purchases and payroll.

Accounting for Fixed Assets

Many counties have been remiss in the accounting for fixed assets. Since purchase of land, buildings, furniture and equipment depended merely in the appropriation of funds, detailed accounting for those assets was not maintained. Only those assets held by Enterprise Funds, such as utilities which required depreciation charges, were maintained and those were often in total rather than specific items. The State of Florida is now requiring specific identification of all fixed assets and proper costing of those assets.

Development of a fixed asset system is a very time consuming task. Such a system is being developed for Sarasota County. Here the furniture and equipment items have been identified in detail for a number of years and updated throughout the year as items are received or removed. However, the general ledger asset account, rather than controlling the detail, is itself updated by the net amount of items added to the detail. Still this furnishes the detail needed for this part of the system and requires only up-

dating of the computer system and the addition of the classification code required by the state. The new system will also require control of detail by the general ledger control account and the subsidiary ledger control by departments holding the assets.

Development of the land and building assets is a different situation. Identification of these assets requires a survey of the files of many departments of the county such as the Engineering Department, Planning Department, Property Appraiser, Building Maintenance and Clerk of Courts deed files. Each has bits and pieces of land and buildings the county may or may not own. Seldom is the cost of the item indicated and, in the case of land, the legal description seldom includes the intended use of the land such as a park, airport, or right-of-way for a road or drainage. Only gradually is a list of land parcels and buildings developed and then, to finalize the ownership and the cost, a detailed survey must be made of the deeds of county owned assets. Since Sarasota County was established in 1921, this involves 60 years of paper.

Some parcels of land were donated to the county and these will have to be cost based on the value of the land as of the date of the gift. Some land was dedicated to the county, usually park land as subdivisions were developed. The legal department of the county will have to decide if these parcels are county property to be included in the fixed asset system. Further complication is the fact that buildings have been built by the county on those dedicated parcels.

The identification of buildings owned by the county and costing of same is also complicated. The county has, over the years, acquired the maintenance of many buildings throughout the county, but not all are county owned. Some are actually owned by one of the cities but maintained by the county. Up to now that was really not important and no one seems quite such who owns various buildings. Ownership has to be specifically determined. A bigger problem is the costing of buildings built some years ago by the county for which no detail cost records have been retained. The state permits an appraisal as to cost of the building at

time of construction so the Property Appraiser's office will be requested to develop those costs. All that has to be determined is the date when the building was built.

Once this system is completed the land and buildings can be plotted on a map so they can be identified for decisions as to need for additional acquisitions, availability for trade for more favorable plots, or decisions as to acceptance of donation of land which may be favorable to the county or which may be only an additional cost of maintenance. Part of the system will also include the identification and mapping of easements and rights-of-way for roads and drainage controlled by the county for use by the Engineering Department. With the development of new roads, bridges and drainage areas as new land is opened up, such data is vital.

Recent Federal Laws Affecting Counties

With the tightening of the financial structure of the entire country as inflation soars, Congress has been debating the reduction or removal of a number of federally supported programs that vitally affect the operation of local governments. Programs such as the Department of Labor Comprehensive Employment and Training Act (CETA) and the Department of Justice Law Enforcement Assistance Administration (LEAA) program for training and support of law enforcement programs may be greatly reduced or could be phased out. Many counties depend on these programs for obtaining personnel and equipment at a much reduced cost.

The program that the Congress was considering discontinuing or greatly reducing, which would have the greatest impact on the operations of many counties in the country, was the General Revenue Sharing program. The continuation of this program was proposed in a different format by each House of the Congress and the debate was long and vociferous prior to the October recess with no final disposition being made. The act has to be approved by this Congress in the lame duck session if it is to continue.

Some counties are very dependent on that source of funding: as much as 20 percent to 50 percent of their operations including police, fire pro-

tection, public works maintenance and human resources such as public welfare, senior citizens' assistance and aid to the handicapped depend on those revenues. Withdrawal of the funds would push the county taxes to a rate that the population could not support, which could mean the complete collapse of the county government. Sarasota County, however, has traditionally made an effort to never become dependent on federal funding for support of its basic programs. Federal Revenue Sharing funds are used only for capital projects that can be delayed if funding is not available.

There was concerted effort to obtain approval of the Federal Revenue Sharing program by county officials throughout the country through an organization known as the National Association of Counties. It was very effective and the program was approved by Congress on December 12, giving a three year extension to the local government portion of the program at the same funding level as the previous program.

With the change in administration in January 1981 there has been an accelerated push to reduce the federal budget and a number of federal programs may be removed or greatly reduced. Among these is the CETA program that seems destined to be completely phased out. Many of these budget reductions will have



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a definite impact on the funding for services rendered by the various counties. Thus can the fortunes of local government change as laws, local, state or federal, pass or fail.

County government is a very vital thing and the Board of County Commissioners sometimes feels like the circus juggler trying to keep all the balls in the air at once. The following is a list, not exhaustive, of the various items that are pending in Sarasota County to give some idea of the complications that are faced daily.

- Solid Waste Management — need of additional land fill areas
- Phosphate Mining — possible pollution of Myakka River — County drinking water source
- Management and protection of wetlands and coastlines
- Increase in crime control and control of drug traffic
- Expansion of the transit system
- Pending decision in dual taxation suit
- Increased need of health and welfare services
- Construction of lead-in roads for completion of I-75 in Florida
- Acquisition of The Oaks, one of the last of the unspoiled sections on the coast
- Control of expansion of population in the Florida Keys — an environmentally delicate area

Accounting for a county concerns itself with many problems beyond the mere physical survival of county residents. Conservation of the land itself assumes new importance in a modern society, as does the quality of life for the inhabitants. Unassisted by metropolitan revenues, (but also uninvolved with urban complications) the county in a quasi-rural area faces enormous responsibilities. Its accounting program must serve it well as an aid in making sound decisions.

¹**U.S. Bureau of the Census:** *County and City Data Book 1977 (A Statistical Abstract Supplement)* U.S. Government Printing Office, Washington, DC 20402, 1978 — Table A-4 Population in 1975 and 1970 to 25,000 inhabitants or more in 1975 Population Rank Order.

²Bureau of Economic and Business Research, College of Business Administration, University of Florida: *Florida Statistical Abstract 79.* The University Presses of Florida, Gainesville 1979 — Table 1.31 Population: Census, April 1970, and Estimates, July 1978, for the States, Counties, and Municipalities of Florida.