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## HOUSE BILL NO. 2590

Offered January 22, 2009

A *BILL to amend and reenact § 2.2-803 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 2.2-803.2, relating to financial accounting and reporting systems of the Commonwealth and its political subdivisions.*

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Referred to Committee on General Laws

**Be it enacted by the General Assembly of Virginia:**

**1. That § 2.2-803 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 2.2-803.2 as follows:**

§ 2.2-803. Financial accounting and control.

A. Unified financial accounting and control shall be established through the departments and agencies of the Commonwealth, in the manner prescribed in this chapter.

The Comptroller shall prescribe what accounts shall be kept by each state agency in addition to the system of general accounting maintained in the Comptroller's office. In prescribing what accounts shall be kept by each state agency, the Comptroller shall take care that there shall be no unnecessary duplication, *except as may be required by § 2.2-803.2.*

B. The Comptroller shall direct the development of a modern, effective and uniform system of bookkeeping and accounting *compliant with § 2.2-803.2*, to include (i) an efficient system of checks and balances between the officers at the seat of the government entrusted with the collection and receipt, custody and disbursement of the revenues of the Commonwealth; and (ii) a system of accounting, applicable to all state officers, departments, boards, commissions, agencies, and penal, educational and eleemosynary institutions maintained in whole or in part by the Commonwealth, which shall be suitable to their respective needs, considering their relation to each other and their relation to subordinate officers and officials. All systems so developed shall require the approval and certification of the Auditor of Public Accounts that they are adequate for purposes of audit and financial control *and compliant with § 2.2-803.2.*

As to the collection of debts owed, the system of bookkeeping and accounting shall permit any state agency to refrain from collecting any amount owed to it if the administrative cost of collection likely would exceed the amount owed. The Comptroller shall develop other policies and procedures to reduce the costs of collecting debts owed to state agencies.

As to the operation of merchandising activities, or other centralized support services provided by one state agency to other state agencies for which charges are made, the system of accounting shall be designed to reflect all charges properly allocable so that the net profit or loss therefrom shall be reflected. In the furtherance of this objective the Joint Legislative Audit and Review Commission may direct the Comptroller to establish under such terms and conditions as they may determine internal service fund accounts on his books and record therein the receipts and expenditures of these several functions. The Comptroller shall provide the agencies responsible for the operations of these functions with working capital advances with which to finance the operations pursuant to appropriations made by law. The Joint Legislative Audit and Review Commission may direct the Comptroller to transfer excess fund balances to the general fund or to remove from his books internal service fund accounts that are no longer considered appropriate and record the necessary transfer of funds.

Unit prices of services rendered by internal service funds shall be fixed so that all costs properly allocable to providing the service shall be fully recoverable.

C. The Comptroller shall maintain a full explanation of all systems of accounting devised and adopted in furtherance of this section, but no copyright system shall be adopted that shall entail additional cost upon the Commonwealth by reason of such copyright. The systems of accounting shall be communicated by the Comptroller to the officials affected thereby, and he shall as soon as possible instruct the officials as to the systems of accounting.

D. Should any of the state offices, departments, boards, commissions, agencies, or institutions refuse or neglect to adopt the systems of accounting developed by the Comptroller, then upon suit of the Attorney General a writ of mandamus will lie to the Supreme Court to compel the adoption. It shall be the duty of the Attorney General to promptly institute such suit in any such case.

§ 2.2-803.2. *Alternative method of financial accounting and reporting.*

A. *As used in this section:*

"Member" means a person to whom a state system provides, or has promised to provide, other

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59 postemployment benefits, including (i) a retiree, annuitant, or employee or (ii) a spouse, surviving  
60 spouse, or other dependent.

61 "Other postemployment benefits" means employee benefit programs for which coverage or eligibility  
62 extends to retired employees. The term shall not include pension benefits.

63 "Pay-as-you-go" means benefit plan financing generally made at or about the same time and in or  
64 about the same amount as benefit payments and expenditures become due.

65 "State system" means (i) the Virginia Retirement System, (ii) Optional Retirement Plans, and (iii) the  
66 Virginia Supplemental Retirement Plan.

67 "Substantive plan" means a plan providing other postemployment benefits approved by the governing  
68 body of the plan provider according to the laws and Constitution of Virginia.

69 B. This section applies to the Commonwealth and to each political subdivision of the Commonwealth.  
70 To the extent an entity is reported on the financial statement of the Commonwealth or a political  
71 subdivision as a component unit, the statutory accounting principles and reporting standards in this  
72 section apply to that entity.

73 C. The system of accounting for and reporting the financial activities of the Commonwealth and its  
74 political subdivisions (i) shall be consistent with state financial laws, (ii) may not misrepresent the  
75 nature, scope, or duration of the financial activities of the Commonwealth or political subdivision, and  
76 (iii) may follow the statutory standards in this section when other accounting bases conflict with state  
77 law.

78 D. In the Commonwealth, a statutory modified accrual basis qualifies as another comprehensive  
79 basis of accounting that recognizes revenue when it is measurable and available to finance current  
80 expenditures and recognizes expenditures when they are normally expected to be liquidated with current  
81 financial resources regardless of when they mature. The Commonwealth and its political subdivisions  
82 may account for and report selected types of financial activities on a statutory modified accrual basis  
83 for government-wide and fund-level internal and external financial statement reporting.

84 E. Compliance with the statutory accounting principles of this section by the Commonwealth or a  
85 political subdivision satisfies any other law that requires accounting and reporting according to  
86 generally accepted accounting principles, including, but not limited to, §§ 2.2-802, 2.2-803, 2.2-813,  
87 2.2-1512, 15.2-2509, and 30-137.

88 F. A state system shall fully disclose to its members that the system is not obligated to provide  
89 benefits beyond existing statutory, constitutional, or other legal requirements. This includes requirements  
90 that limit the duration for which benefits are legally obligated, such as Article X, Section 7 of the  
91 Constitution of Virginia, which limits appropriations to two and one-half years or less. A state system  
92 shall inform its members about the extent of the system's commitments regarding other postemployment  
93 benefits, including whether the other postemployment benefits are limited by funding obligations or  
94 whether the funding obligations extend through the life of the member. A state system shall disclose on  
95 the entity's website the information required by this subsection.

96 G. The Commonwealth or a political subdivision of the Commonwealth shall disclose in its notes to  
97 the financial statement in a manner consistent with this section (i) other postemployment benefits that it  
98 provides in its substantive plan, including the covered employee groups, eligibility requirements, and the  
99 amount, described in an appropriate manner, of obligations that it and the member contribute; (ii) the  
100 statutory, contractual, or other authority under which other postemployment benefits are provided under  
101 subdivision (i); (iii) the accounting, financing, and funding policies that it follows; (iv) the amount of  
102 other postemployment benefits expenditures that it recognizes during the period, net of member  
103 contributions; (v) the number of members currently eligible to receive other postemployment benefits;  
104 (vi) any significant matters that affect the comparability of the disclosures required by this section with  
105 those for the previous period; and (vii) any additional information that it believes will assist in  
106 explaining the nature and cost of its commitment to provide other postemployment benefits.

107 H. The Commonwealth or a political subdivision of the Commonwealth may disclose, for  
108 informational and planning purposes only and in a manner consistent with this section, the expense and  
109 liability that would exist if other postemployment benefits had been guaranteed to members. The  
110 Commonwealth or a political subdivision may make this supplemental disclosure in its other  
111 supplemental statistical information to the financial statement by disclosing (i) its actuarial methods and  
112 assumptions or other estimation methodology; (ii) its net other postemployment benefits obligation; (iii)  
113 its funding status and funding progress; (iv) that the supplemental disclosure is for informational  
114 purposes only and is not an obligation or other promise to provide benefits beyond that approved by its  
115 governing body; and (v) any additional information that it believes will help explain the nature and cost  
116 of a potential commitment to provide other postemployment benefits.

117 I. The Comptroller shall maintain a website to provide guidance to the state and its political  
118 subdivisions in implementing the requirements and goals of this section. The website shall include  
119 information that makes the website a resource tool for the state and its political subdivisions to  
120 consistently manage other postemployment benefits to conform to statutory, constitutional, and other

121 legal requirements.

122 *J. The Comptroller shall issue reporting requirements for state retirement systems, including state*  
123 *systems, to provide guidance on how to comply with accounting principles in a manner consistent with*  
124 *this section. The Comptroller shall provide advice to a political subdivision of the Commonwealth that*  
125 *requests advice on how to apply accounting principles in a manner consistent with this section.*

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