



**Washington State Auditor  
Brian Sonntag**

DATE: January 26, 2009  
TO: Local Governments  
SUBJECT: BARS Manuals and Reporting Package Updates

The Budgeting, Accounting and Reporting System (BARS) Manuals and Reporting Packages have been updated for the 2008 fiscal year. For your convenience, the updated information is available on our Web site at:

<http://www.sao.wa.gov/LocalGovernment/BARS/Index.htm> (BARS Manuals) and  
<http://www.sao.wa.gov/LocalGovernment/BARS/ReportingPackages/Index.htm> (Reporting Packages). If you do not have electronic access to this information, please contact us at (360) 725-5599.

State law (RCW 43.09.230) requires all local governments in Washington to file their annual report with our Office within 150 days after the close of the fiscal year. Please refer to your specific manual or reporting package for a detailed list of requirements.

There were some major changes to the reporting requirements last year that may affect your government. Please review the attached for more information regarding these changes and refer to the *Overview of Changes* in BARS Manual updates for detailed information.

Included in each update is the BARS Manual User Survey. Please take a moment to complete the survey and return it to us by mail or fax. Training on the Budgeting, Accounting and Reporting System as well as other topics is available. You can access the class information on the Washington Finance Officers Association Web site at [www.wfoa.org](http://www.wfoa.org).

Also, please remember to report new entities created through interlocal agreements or other arrangements. You may use any format of reporting as long as the required information is provided. A sample form is available on our Web site at:  
<http://www.sao.wa.gov/LocalGovernment/NewlyCreatedEntities.pdf>

If you have not already subscribed to our Subscription Services, please take a moment to sign up. This free service provides subscribers with e-mail notifications the instant certain information is released or posted to our Web site. Information includes correspondence such as this letter and other information that would typically be mailed to you in hard-copy format. Another example would be mid-year BARS code additions. We are excited about this new service and hope you will subscribe. Go to our home page at [www.sao.wa.gov](http://www.sao.wa.gov) and click on the Subscription Services button.

If you have any questions, please contact Alexandra Johnson at (360) 725-5596.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR



## 2008 Major Changes

### New Schedules

This change affects **FIRE DISTRICTS, LIBRARY DISTRICTS, CONSERVATION DISTRICTS, PORT DISTRICTS, TRANSIT DISTRICTS, PUBLIC UTILITY DISTRICTS, WATER/SEWER/IRRIGATION/RECLAMATION DISTRICTS, PUBLIC ENTITY RISK POOLS, HOSPITAL DISTRICTS and HOUSING AUTHORITIES**. Schedule 21, Risk Management, was added. If this Schedule is applicable to your current risk management situation, please include it in your annual report.

This change affects **LOCAL GOVERNMENTS** with annual revenues usually less than \$200,000. Schedule 22, Annual Audit Assessment, was added. Governments with annual revenues usually less than \$200,000 may qualify for an Annual Audit Assessment in place of an on-site audit. If your government qualifies, please complete Schedule 22 and return with your 2008 Annual Financial Report. This information was previously requested in a separate mailing but has been added here to streamline the process and give governments more time to complete the reports. If you are unsure if you qualify, please contact us at (360) 725-5599.

## Other Reminders

### **CASH BARS Manual Users**

Please refer to Part 3, Chapter 1, *Accounting Principles and General Procedures* for fund classification and fund reporting. The requirements listed there are not new and the update clarifies the fund **reporting** requirements. The correct format will be expected to be used by local governments in their 2009 financial statements.

### **GAAP Public Utility Districts**

Utilities performing telecommunication services are required to disclose this information in a separate note to their financial statements. Please refer to Note 12 in the PUD Reporting Package for specific requirements.

### **GAAP Public Entity Risk Pools**

Under Chapter 48.62 RCW, copies of your Annual Report must be filed with the State Risk Manager and each participating member of your pool.

### **CASH Fire Districts**

For your convenience, we have included Part 4 in Word format on our Web site at: [http://www.sao.wa.gov/LocalGovernment/BARS/2008BARS/FD\\_BARS\\_Schedules.xls](http://www.sao.wa.gov/LocalGovernment/BARS/2008BARS/FD_BARS_Schedules.xls).

**All Manual Users** Updates to our mailing list can be made by contacting us at (360) 725-5599.



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# BARS MANUAL

## 2009 User Survey

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As a *Budgeting, Accounting and Reporting Systems* (BARS) manual user, we want to know what is important to you and how we can better serve your needs. Please take a few moments to complete this survey. Then, either fold/mail or fax it to us.

1. Does the BARS manual meet your needs?

Yes  No  No Opinion

2. How can we improve the BARS manual?

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3. Do you feel you have sufficient opportunity to provide ideas for revising the BARS manual (e.g., suggestion forms, etc.)?

Yes  No  No Opinion

4. How can we increase your opportunities to provide input?

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5. Do the BARS training classes meet your needs?

Yes  No  No Opinion

6. How can we improve our BARS training classes (e.g., content)?

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Name/Title

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Organization

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Address:

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City/State/Zip

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Telephone/E-mail

**State Auditor's Office**  
**Local Government Support Team**  
**Phone: (360) 725-5596**  
**Fax: (360) 586-6571**

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STATE AUDITOR'S OFFICE  
LOCAL GOVERNMENT SUPPORT TEAM  
PO BOX 40031  
OLYMPIA WA 98504-0031

**Library Districts  
Overview of Changes  
(2009 Update)**

<b>Part</b>	<b>Ch.</b>	<b>Page</b>		<b>Remove</b>	<b>Insert</b>
			Updated table of contents		
1	2	4	Revised definition of 331	3-8	3-8
1	2	5	Added account 332.93.10; revised definition of 333		
1	2	7	Revised definition of 338		
2	1	1-4	Updated <i>Internal Control</i> Section	1-4	1-4
2	9	1-2	Added Chapter 9, <i>Risk Management</i>		1-2
3	0	1	Updated table of contents	1-2	1-2
3	1	1	Added Schedules to listing	1-4	1-4
3	1	3	Updated listing		
3	2	23-24	Updated instructions	23-24	23-24
3	2	35	Added Schedule 21		35-44
3	2	45	Added Schedule 22		45-58

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<b>PART THREE</b>	<b>REPORTING</b>	<b>RED TAB</b>
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**Account Definitions**

**308.00 BEGINNING NET CASH AND INVESTMENTS or BEGINNING FUND BALANCE**

*This account is defined as the amount of cash and investments at the beginning of the year, or the fund balance at the beginning of the year for districts reporting following generally accepted accounting principles (GAAP). These amounts should equal *Ending Net Cash and Investments* or *Ending Fund Balance* from the prior year.*

- 308.10 RESERVED
- 308.80 UNRESERVED

**(310) TAXES (Summary Account)**

**(311) GENERAL PROPERTY TAXES (Summary Account)**

- 311.10 REAL AND PERSONAL PROPERTY TAXES  
(RCW 84.56.230)
- 311.30 SALE OF TAX TITLE PROPERTY
- 311.60 DEFERRED PROPERTY TAXES  
(RCW 84.38.120)

**(312) TIMBER HARVEST TAXES (Summary Account)**

- 312.10 FOREST EXCISE TAX  
County-levied tax on timber harvested from privately and publicly owned land. See 335.02.33 for timber sales from the state forest land (RCW 84.33, .051, .081.)

**(317) EXCISE TAXES (Summary Account)**

- 317.20 LEASEHOLD EXCISE TAX  
Taxes on property owned by state or local governments and leased to private parties. (RCW 82.29A.090)

**(319) PENALTIES AND INTEREST ON DELINQUENT PROPERTY TAXES (Summary Account)**

- 319.11 Penalties On Delinquent Property Taxes  
(RCW 84.56.020(1)(2), 84.33.120(8) and 84.33.140(4))
- 319.12 Penalty For Failure To List Personal Property  
(RCW 84.40.130)
- 319.15 Other Penalties On Delinquent Property Taxes
- 319.16 Interest On Delinquent Property Taxes  
(RCW 84.56.020)
- 319.19 Other Interest On Delinquent Property Taxes

**(330) INTERGOVERNMENTAL REVENUES (Summary Account)**

Grants, entitlements, shared revenues and payments for goods and services provided by one government to another. Private grants are recorded in account 367 and intergovernmental loans are recorded in 391.80.

**(331) DIRECT FEDERAL GRANTS (Summary Account)**

Cash or other assets furnished by the federal government under contractual arrangements that provide aid or reimburse the district for costs incurred.

Federal aid is typically provided in the form of grants, loans, loan subsidies, and non-cash assistance such as supplies, equipment, real property, and commodities.

Direct federal grants are distinguished from indirect grants by the fact that direct grants are received from a federal department or agency without passing through an intermediary state or local government of other nonfederal agency. All direct federal grants should be coded using this account number

Program income – Some recipients of grants may earn program income while conducting grant-related activities. Program income revenues should be recorded under the same code of the grant generating this income.

Unless otherwise specified in a grant agreement or regulations, interest earned on a cash advance or idle grant funds is not considered program income – this interest should be coded under the BARS account 361. Federal loans are recorded in account 391.80.

Payments received for a performing a vendor/contractor service for another government are recorded under BARS 338.

Caution: If your government expends \$500,000 or more in federal awards in a year, you must contact the State Auditor’ Office and arrange for a “single audit” under OMB Circular A-133. Further, you must submit your single audit reporting package to the federal government within 9 months after the end of your fiscal year. All governments that need a single audit must prepare financial statements even if they are not otherwise required to under the BARS manual. However, if your total federal expenditures for the year are limited to one federal program, you may qualify for a “program specific” audit and may be able to substitute Schedule 16 as your financial statements – consult with your regional audit team if you believe you qualify for a program specific audit.

Coding Instructions

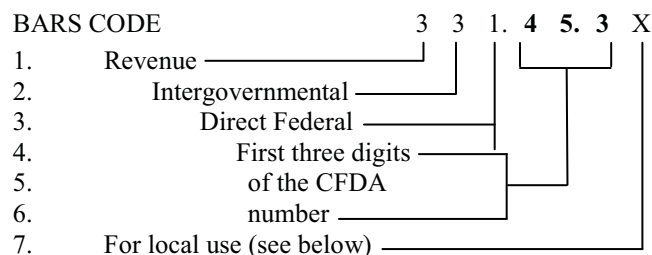
The following coding procedures apply to federal grant moneys. They apply whether such arrangements are called *awards, grants, block grants, subsidies, programs, cost reimbursements, contracts, or agreements*. The coding does not apply to entitlements, shared revenues, on intergovernmental service revenues (see revenue accounts 332, 335, and 338)).

All codes for federal grants are abbreviated versions of the numbers assigned by the federal government itself in the Catalog of Federal Domestic Assistance (CFDA).

Most agreements with federal agencies include references to the funding program in the first few paragraphs of the agreement. The exact title of the funding program is what you need to find the catalog number.

Grants from federal agencies will be coded using the first three digits of the program’s CFDA number.

Example: District receives a direct federal grant. The title of the grant is National Leadership Grants awarded by the Institute of Museum and Library Services. The CFDA number is 45.312. The BARS code for this grant is 331.45.3X



If more than one grant with the same CFDA number is received, use the seventh digit (shown by “X”) to distinguish them. You may also use the seventh digit to distinguish different program years of the same grant.

**(332) FEDERAL ENTITLEMENTS, IMPACT PAYMENTS, AND IN-LIEU TAXES (Summary Account)**

332.15.23 Payment In-Lieu Of Taxes

U.S. Department of Interior, Bureau of Land Management. Payments are made to each unit of local government in which federally owned entitlement land is located. Funding limitations may require prorata payments. Funds received are subject to post-audit review of data submitted by the state. (Title 31, USC, Section 6902, P.L. 97-258) This program has been assigned CFDA 15.226; however, do not report these payments on the Schedule of Expenditures of Federal Awards (Schedule 16) because they are not subject to an audit under the OMB Circular A-133.

332.15.60 Payment In-Lieu Of Taxes

U.S. Department of Interior, U.S. Fish and Wildlife Service. Funds are paid to the county and are further distributed by it on a proportional basis to those units of local government which have wildlife refuge lands and waters administered by the Secretary of the Interior. Payments are made to those local governments that have incurred a loss or reduction of real property tax revenue due to the existence of the wildlife refuge lands. (Refuge Revenue Sharing Act, as amended Title 16, USC, Section 715s) Do not report these payments on the Schedule of Expenditures of Federal Awards (Schedule 16).

332.81.10 Payment In-Lieu Of Taxes

U.S. Department of Energy. Funds are paid to Benton County and are further distributed by it on a proportional basis to those units of local government included in a settlement agreement with the Department of Energy. Do not report these payments on the Schedule of Expenditures of Federal Awards (Schedule 16).

332.93.10 Medicare Retiree Drug Subsidy (RDS)

U.S. Department of Health and Human Services – Center for Medicare and Medicaid Services

Payments made to participating governments to subsidize the cost of prescription drug benefits for retirees under the Medicare program (not Medicaid). As the date of this BARS publication, these payments are not considered a federal award subject to OMB Circular A-133. Do not report these payments on the Schedule of Expenditures of Federal Awards (Schedule 16).

**(333) INDIRECT FEDERAL GRANTS (Summary Account)**

Indirect federal grants are distinguished from direct grants by the fact that they are passed through one or more intermediary governments or nonfederal agencies (including Indian tribes) before reaching the district.

Federal aid is typically provided in the form of grants, loans, loan subsidies, and non-cash assistance such as supplies, equipment, real property, and commodities.

Program income – Some recipients of grants may earn program income while conducting grant-related activities. Program income revenues should be recorded under the same code of the grant generating this income.

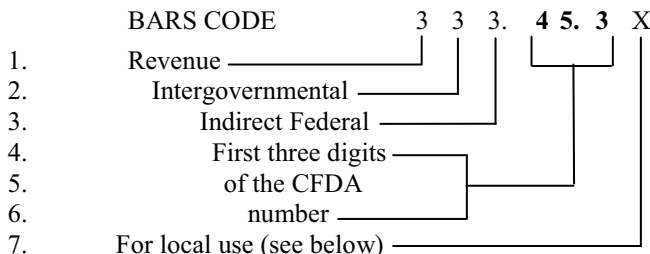
Unless otherwise specified in a grant agreement or regulations, interest earned on a cash advance or idle grant funds is not considered program income – this interest should be coded under BARS 361.

**See direct federal grants (331) for coding instructions. Make sure to use 333 instead of 331 if the federal grant is indirect.**

Federal loans are recorded in account 391.80.

Payments received for a performing a vendor/contractor service for another government are recorded under BARS 338.

Example: District receives a federal grant indirectly through a state agency. The title of the grant is State Library Program awarded by the Institute of Museum and Library Services and received by the district through the State Library. The CFDA number is 45.310. The BARS code for this grant is 333.45.3X.



If more than one grant with the same CFDA number is received, use the seventh digit (shown by “X”) to distinguish them. You may also use the seventh digit to distinguish different program years of the same grant.



**(335) STATE SHARED REVENUES (Summary Account)**

Money that represents the local government's portion of revenue levied and collected by the state.

335.00.91 PUD Privilege Tax

State distribution of excise taxes collected from public utility districts which operate facilities for generating, distributing or selling electrical energy. The distribution to local governments is based on gross revenues from sales within each county and on the locations of generating facilities. (RCW 54.28.020 and .090) County treasurer collections from the state are distributed per RCW 54.28.090.

335.02.32 DNR Other Trust 2

Counties' share of proceeds from leases and sales of products, other than timber from state forest lands managed by the Department of Natural Resources. The county should prorate and distribute the money to other funds in the same manner as general taxes are paid and distributed that year. (RCW 79.64.110)

335.02.33 DNR Timber Trust 2

Counties' share of proceeds from sale of timber from state forest lands managed by the Department of Natural Resources. The county should prorate and distribute the money to other funds in the same manner as general taxes are paid and distributed that year. (RCW 79.64.110)

**(337) INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES (Summary Account)**

Cash or other assets furnished by one local government to the district, other than for services rendered or goods provided. Note that a receipt for the other government's share of a joint cost should either be treated as a reimbursement or accounted for in 338. Use 367 for grants from private sources.

Do not confuse interlocal grants with grants received from another local government but originating from the federal or state government. These grants should be coded as 333 or 334.

Interlocal revenues should be coded as to source, with the local government assigning codes .07.00 through .09.99 in the fourth and subsequent digits of the account number.

**(338) INTERGOVERNMENTAL SERVICE REVENUES (Summary Account)**

This account is used to record the revenue derived by one government for performing a service that is the statutory responsibility of another government.

Also use this account to code federal funds received while performing services in a vendor capacity such as a fee for service arrangements. These payments are not reported on the Schedule 16.

338.72 Library Services

Record the revenue derived from library services rendered for another government as well as any charges for interlibrary loans.

**(340) CHARGES FOR GOODS AND SERVICES (Summary Account)**

Fees and charges for goods and services rendered. State or local sales tax collected on those items should be posted to account 386 and remitted to an appropriate state agency or municipality.

**(341) GENERAL GOVERNMENT (Summary Account)**

341.60 WORD PROCESSING, PRINTING AND DUPLICATION SERVICES

(341.70) SALES OF MERCHANDISE (Summary Account)

Include sales to other governments or private parties from central stores. Also include concession sales and vending machine proceeds.

341.71 Sales of Taxable Merchandise

Sales tax collected on these items should be posted to account 386.

341.75 Sales of Nontaxable Merchandise

**(347) CULTURE AND RECREATION (Summary Account)**

347.20 LIBRARY USE FEES

Include non-resident borrower's fees and film rentals. Use 341.60 for photocopies, 359.70 for fines, and 362 for rentals of equipment and facilities.

347.90 OTHER CULTURE AND RECREATION FEES AND CHARGES

Include periodical subscriptions and related royalties.

**(350) FINES AND PENALTIES (Summary Account)**

**(359) NON-COURT FINES, FORFEITURES, AND PENALTIES (Summary Account)**

359.70 LIBRARY FINES

Late returns; forfeited temporary deposits.

**Part 2.        Accounting**  
**Chapter 1.    Internal Control**

**Purpose and Definition of Internal Controls**

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – effected by those charged with governance, management and other personnel [collectively referred to as “management” throughout the rest of this section] – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management is responsible for the government’s performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management.

COSO and professional auditing standards define five interrelated components of effective internal control, as follows:

1. Control environment – The tone set by management that influences the control consciousness of staff. Control environment includes communication of integrity and ethical values, commitment to ensure that staff are competent, management’s philosophy and operating style, extent of participation by the governing board in scrutinizing activities and holding management accountable, and human resource practices (hiring, organization, development, evaluation, promotion and remedial action).
2. Risk assessment – Management's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be addressed or controlled. Risk assessment includes identification of internal and external risks to the achievement of objectives, such as new contracts or grants, changing regulations and accounting standards, new technology, new personnel, new or discontinued activities and programs, new or discontinued organizational policies and procedures, obsolescence of facilities, and so on. Risk assessment also includes evaluation of risks and determining how to best address them.
3. Information and communication – Systems to support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. This encompasses the organization’s methods of capturing and sharing information as well as its software, including its accounting information systems.
4. Control activities – Specific policies or procedures that directly address risks related to the achievement of objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities such as approvals, reviews, reconciliations, segregation of duties, performance measurement, tracking events or assets, etc.
5. Monitoring – Management’s review of the operation of internal controls over time. Monitoring is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs during the course of operations when management observes controls and can discern whether they were effective. Separate evaluations occur when management reviews and assesses a particular control to determine if it has been effective.

Internal control should be viewed as an integral or inherent part of the policies, systems and procedures management uses to operate and oversee the organization. This is not to say effective control will never require additional or incremental effort. Rather, controls exist to provide reasonable assurance about the achievement of objectives and so should be integrated into all the organization's fundamental business processes. Controls are normally most effective when built into the government's infrastructure rather than being treated as supplemental or separate processes. In the same way, implementation and monitoring of internal controls should not be viewed as a singular event, but rather a continuous or iterative process.

Since internal control is as fundamental as the objectives the controls relate to, the need for effective control is applicable to all organizations, regardless of size. While small entities may implement internal controls differently than larger ones, effective internal control is still both necessary and possible.

### **Determining what specific controls to implement**

It is a management decision as to what specific controls to implement and how such controls are designed and operated.

There are many ways to attain effective internal control. Governments and their control needs vary considerably by statutory purpose, regulations, activities and programs, size, organizational structure, contractual and program structures, technology and information systems, expertise of staff and the policies of the governing body. In addition, there are often many different methods or combinations of methods that would result in effective internal control for any given situation. Thus, while all entities should have effective internal control, the specific controls in place may look very different from one government to another.

When choosing among different methods of achieving effective control, management often considers the costs of different control options. Often, certain methods of attaining effective control are less costly or require less staff time or may more positively affect other objectives than other methods of control. Options may be limited by organizational or program policy or structure, the expertise of staff, software limitations and other decisions made by management. If such factors limit the options for effective control to only those that management believes are infeasible or not cost effective, management should consider how it might change the limiting factors rather than ignore the need for effective controls.

The Washington State Auditor's Office does not require specific controls to be implemented by entities. The State Auditor only requires that whatever controls entities choose to implement be adequate to provide reasonable assurance regarding compliance and financial reporting risks. The burden of demonstrating the adequacy of internal controls rests on management, since management is responsible both for the achievement of objectives and the determination of the design and operation of controls.

### **Controls over Compliance**

This objective refers to compliance with laws, regulations, contracts, grant agreements and government policies, including the requirement to safeguard public resources against misappropriation and misuse.

In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of requirements – Controls should ensure that requirements are identified and that employees whose actions may affect compliance are aware of applicable requirements. When statutory, regulatory or contractual provisions are unclear, the government should seek clarification through legal counsel, research or communication with regulatory agencies or contracting parties.
- Compliance – Controls should prevent non-compliance or detect non-compliance in a timely enough fashion for the government to rectify the situation. Such controls vary greatly, depending on the nature of the compliance requirement.
- Safeguarding of public resources – Controls should prevent misappropriation or misuse of public resources or detect misappropriation or misuse in a timely fashion and assign responsibility to individuals charged with custody of assets. Such controls should cover all receipts and receivables, expenditures and commitments, provisions of goods or services and the safekeeping of all public assets at risk of misappropriate or misuse..

Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over compliance by management.

### **Controls over Financial Reporting**

This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor’s Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
  - Only valid transactions are recorded and reported.
  - All transactions occurred during the period are recorded and reported.
  - Transactions are recorded and reported at properly valued and calculated amounts.
  - Recorded and reported transactions accurately reflect legal rights and obligations.
  - Transactions are recorded and reported in the account and fund to which they apply.
- Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules in accordance with the stated basis of accounting.

Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

### **Limitations of Internal Control**

No matter how well designed and operated, internal controls cannot provide absolute assurance that the government will achieve its objectives due to inherent limitations. These limitations include the following:

- Judgment – If controls depend on human judgment, the effectiveness of controls may be limited by the experience and qualifications, time available, information available, motivations, and pressures on the person applying the control. Moreover, differences in these factors over time and in different people applying the control may result in inconsistencies in the operation of the control. *This limitation, when applicable, can be mitigated through a good control environment, clear policies or instructions, redundant controls, supporting controls such as check figures or exception reports and adequate monitoring of controls.*
- Breakdowns – Breakdowns could occur due to changes, failure or obsolescence of data, technology, assumptions, procedures, programming or other dependencies that controls may rely upon for effective functioning. *This limitation, when applicable, can be mitigated by thorough risk assessment, redundant controls and adequate monitoring of controls.*
- Collusion – Many controls assume that employees (or certain employees) will not collude. When individuals act together, they may be able to overcome controls. This is typically only a risk when employees have a motivation to overcome controls, such as misappropriation or misuse of public resources. *This limitation, when applicable, can be mitigated by a good control environment, redundant controls and adequate monitoring of controls.*

- Control override - Personnel with responsibility to resolve issues identified by controls may decide to ignore or override prescribed policies or procedures. *This limitation, when applicable, can be mitigated by a good control environment and adequate monitoring of controls.*
- Mistakes – Although internal controls may be designed in such a way as to reduce the likelihood of mistakes, is it always possible that a mistake may be made. *This limitation can be mitigated by a good control environment, redundant controls, automated controls, supporting controls such as check-figures or exception reports, and adequate monitoring of controls.*
- Unforeseen circumstances – Controls may operate incorrectly when faced with unforeseen situations or permutations. *This limitation can be mitigated by thorough risk assessment and adequate monitoring of controls.*
- Uncontrollable factors – Achievement of operational performance objectives (efficiency and effectiveness) may depend on factors outside of the government’s control, such as regulation, resource limitations, unpredictable environmental factors, decisions the government can influence but not determine, etc. *This limitation can be mitigated by thorough risk assessment.*

In recognizing limitations of internal control, managers should not expect controls to frequently fail. Rather, managers should be aware that controls do not result in absolute assurance. Effective internal controls are expected to consistently and reliably achieve objectives, year after year. However, even effective controls will have a remote possibility of failure. For operational performance objectives, the possibility of failure despite effective controls increases with the number and primacy of uncontrollable factors.

Ultimately, providing reasonable assurance of achieving compliance and financial reporting objectives is within the government’s control and depends primarily on how well controls are designed and operated. Achievement of operational performance objectives also depends in large part on effective internal controls. By implementing effective controls a government can have reasonable assurance that it is all it can to meet these objectives.

**Part 2.        Accounting**  
**Chapter 9.    Risk Management**

This chapter establishes the accounting and financial reporting requirements for risk management activities of local governments.

Report To State Auditor's Office By Local Governments Which Provide Claims Servicing or Insurance Coverage to Others.

This one-time report should be submitted to the State Auditor's Office for financial reports covering accounting periods which end on December 31, 1991 or after. A revised report should also be submitted to the State Auditor's Office whenever new relationships are established and whenever existing relationships are revised or terminated. Negative reports are required. A copy of any such report should be maintained on file at the entity for subsequent review and inspection by the state auditor. Please refer to Example 1 in Part 3, Chapter 2 (Schedule 21).

Report to State Auditor's Office By Local Governments Which Individually Assume or Self-Insure Property or Liability Risks.

Chapter 48.62 RCW establishes a reporting requirement for all local governmental entities which individually assume or individually self-insure property or liability risks. This one-time report should be submitted to the State Auditor's Office for financial reports covering accounting periods which end on December 31, 1991 or after. A revised report should also be submitted to the state auditor whenever there is a change in the class of risk the entity assumes or self-insures. The information which must be included in this report is indicated on the attached report forms. A copy of any such report should be maintained on file at the entity for subsequent review and inspection by the state auditor.

This report does not include the self-insurance of unemployment compensation (Chapter 50.44 RCW) or industrial insurance (Chapter 51.14 RCW).

Members of public entity risk pools are not required to report risk transferred to the pool but are required to report all other retained risk(s).

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EFF DATE  
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SUPERSEDES  
None

LIBRARY DISTRICTS

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<u>EFF DATE</u>	<u>SUPERSEDES</u>
03/22/01	None

LIBRARY DISTRICTS

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**Part 3. Reporting**  
**Chapter 1. Reporting Requirements**

BARS REPORTING REQUIREMENTS

*Pursuant to RCW 43.09.230, Annual Reports are to be certified and filed with the State Auditor's Office (SAO) within 150 days after the close of each fiscal year.*

Mail your completed annual report to the following:

State Auditor's Office  
 Local Government Support Team  
 PO Box 40031  
 Olympia, WA 98504-0031

The library districts should prepare and submit the following statements and schedules.

STATEMENT AND SCHEDULES	Districts with total revenues of \$2 million or <b>more</b>	Districts with total revenues of <b>less</b> than \$2 million <sup>1/</sup>
Resources and Uses Arising from Cash Transactions	X	
Notes to Financial Statements	X	
04 Detail of Revenues and Other Sources	X	X
05 Detail of Expenditures and Other Uses	X	X
09* Long-Term Debt	X	X
10 Limitation of Indebtedness	X	X
16* Financial Assistance	X	X
19 Labor Relations Consultant(s)	X	X
21 Risk Management	X	X
22 Annual Audit Assessment <sup>2/</sup>		See footnote 2

- \* These schedules (if applicable) will be included by the auditor in the audit report.
- X Required to be prepared and submitted to the SAO.

Districts following double entry accounting and generally accepted accounting principles (GAAP) should prepare financial statements listed in the GAAP BARS Manual.

FILING INSTRUCTIONS

In most cases, the SAO's Office has designed forms to use in preparing the required statements and schedules. The use of these particular forms is not required; however, the kinds and amounts of information requested by the forms are prescribed.

Electronic reporting is encouraged when filing annual reports. Statements and schedules may be submitted on diskette, CD, DVD, zip disk, via e-mail or if a zipped file, via the SAO's internet share site (<http://pub.sao.wa.gov>).

<sup>1/</sup> Although the SAO will not require you to prepare the district's financial statements, you may need them if you consider issuing bonds, or will apply for federal assistance. The district must prepare financial statements if \$500,000 or more was expended in federal funding and a federal single (Circular A-133) audit is required.

<sup>2/</sup> Library Districts with total revenues usually less than \$200,000 are also required to submit Annual Audit Assessment.

File Layout: Schedules 04 and 05 should be formatted to include on each line MCAG number (4 digits as Text), Fund number (3 digits as Text), BARS account number (7 digits as Text), Description – optional (30 characters) and actual amounts (use a minus sign for Revenue debits and Expenditures credits). The remainder of the schedules should be formatted as described in the following chapters.

Acceptable Formats: Text file (ASCII Fixed Field or Delimited – Comma or Tab)  
Excel 2.1 or higher  
Other software should ‘save as’ or ‘export’ to a preferred format

Acceptable Media: 3.5 diskette, Zip disk (no cartridges or tapes)

E-mail files and/or questions can be sent to [walzd@sao.wa.gov](mailto:walzd@sao.wa.gov) or call Duane Walz at (360) 725-5594.

### MCAG NUMBERS

The following pages contain all Library District MCAG identification numbers. Record your number in the upper left-hand corner of the various reports.

### CERTIFICATION/COVER SHEET

Finally, prepare the cover sheet, sign and date the certification before submitting your report.

**MCAG INDEX**

<u>MCAG</u>	<u>LIBRARY DISTRICT</u>
1633	Asotin County Library District
2878	Columbia County Rural Library District
2747	Cowlitz County Partial Library District
1143	Darrington Rural Partial County Library District
1637	Fort Vancouver Regional Library District
0309	Jefferson County Rural Library District
1639	King County Library System
1640	Kitsap Regional Library District
0454	LaConner Regional Library District
0484	Lopez Island Library District
1638	Mid-Columbia Library District
1634	North Central Regional Library District
1636	North Olympic Library System
0611	Orcas Island Library District
2785	Othello Rural Library District
0330	Pend Oreille County Library District
1641	Pierce County Library System
2773	Ritzville Rural Library District
0485	San Juan Island Library District
1642	Sno-Isle Regional Library District
1643	Spokane County Library District
1179	Stevens County Rural Library District
1644	Timberland Regional Library District
2922	Upper Skagit Library District
1645	Walla Walla County Rural Library District
1646	Whatcom County Rural Library District
1647	Whitman County Library District
1648	Yakima Valley Regional Library District
2938	Yale Valley Library District

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LIBRARY DISTRICTS

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3    1    4

- Receipt of federal property (e.g., Homeland Security equipment) and surplus property;
- Receipt or use of program income (refer to program income guidance below);
- Receipt of non-cash assistance such as food commodities, vaccines and supplies;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

### **Valuation of Federal Loans**

According to federal regulations, the amount reported for federal loans is based on the amount of loan proceeds received (rather than the amount expended). Use the following guidelines to calculate the value of *federal awards expended* under loan programs:

- (1) Amount of new loans received during the fiscal year, plus
- (2) Balance of loans from previous years for which the federal government imposes *continuing compliance requirements*, plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

**Loan Advances:** Some loans are made in advance of any project-related expenditures. Because the federal government is at risk for these loans, the regulations ask that the amount of total proceeds received be reported on the SEFA even if you have not spent all the funding.

**Reimbursement Basis:** Some loans are funded on a reimbursement basis. That is, the borrower expends its own funds and then makes a request to the lender for loan proceeds. In this situation, the amount of proceeds received will typically match the amount expended each year. If the timing is such that you submit a request for loan funding at year end, but do not technically receive the proceeds until the following year, we recommend reporting the loan amount in the year requested.

You are considered to have a *continuing compliance requirement* if the grantor imposed a requirement on your loan in any one of the following 14 areas during the year:

- |   |   |
|---|---|
| 1. Activities Allowed or Unallowed        | 8. Period of Availability of Federal Funds              |
| 2. Allowable Costs / Cost Principles      | 9. Procurement and Suspension and Debarment             |
| 3. Cash Management                        | 10. Program Income                                      |
| 4. Davis-Bacon Act                        | 11. Real Property Acquisition and Relocation Assistance |
| 5. Eligibility                            | 12. Reporting   |
| 6. Equipment and Real Property Management | 13. Subrecipient Monitoring                             |
| 7. Matching, Level of Effort, Earmarking  | 14. Grant-Specific Special Tests and Provisions         |

**NOTE: If the laws, regulations, and the provisions of contracts or grant agreements pertaining to your loan impose no continuing compliance requirements other than to repay the loan, the loan does not have to be reported on the SEFA.**

### **USDA Interim Financing**

CFDA 10.760 WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES  
 CFDA 10.766 COMMUNITY FACILITIES LOANS AND GRANTS

After the USDA has made a commitment on a loan, the borrower may obtain interim financing from commercial sources (e.g., a bank loan) during the construction period. Expenditures from these commercial loans which will be repaid from a USDA loan should be considered Federal awards expended, included in determining Type A programs, and reported in the Schedule of Expenditures of Federal Awards.

### **Indirect Costs**

Include in the SEFA any indirect costs that are claimed for reimbursement using an indirect cost rate or cost allocation plan. Revenues received from indirect cost recoveries should be coded as federal revenue (BARS 331 or 333 as appropriate).

### **Program Income**

Many grantees earn program income while administering federal programs or projects. The receipt of program income should be reflected on the SEFA depending on the method used when accounting for program income. **Some federal agencies differ on the treatment of program income on the SEFA. Therefore, it is recommended that you consult with the grantor about how it prefers the income to be reported.**

Deductive Method – This method requires the grantee to use the income as an offset against expenditures before requesting additional grant funding. For SEFA presentation, report the total grant expenditures net of program income. It is recommended that a footnote be added to disclose the amount of income that was applied toward grant costs.

Additive Method – For this method, grantees are permitted to use the income for program/project purposes in addition to the original grant award. The general rule is that expenditures from this income should be reported on the SEFA in addition to expenditures made from the original grant.

NOTE: The BARS revenue code for program income should be the same as the code of the grant generating this income.

Unless otherwise specified in your grant agreement, interest earned on cash advances or idle grant funds is not considered program income. Interest earnings are recorded in the BARS account 361.

### **Revolving Loans**

If your entity administers a revolving loan program where federal funds are lent to third parties, repaid, and then lent to again to other parties, the repayment of principal and interest is considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purposes of SEFA presentation, report the amount of loans you made during the year. This includes all loans that are funded by the original grant and program income.

**However, be sure to check the terms of your grant award** because some federal grantors have different rules for presenting revolving loans on the SEFA. For example, CFDA 11.307 (Department of Commerce, Economic Assistance Revolving Loans) requires grantees to report the balance of loans outstanding at year-end, instead of the amounts lent.

There are no BARS codes specifically assigned to program revenues (neither repayment of principal nor interest) generated by a revolving loan. The repayments of principal should be coded the same as the initial grant used for the loan and interest should be coded 361.40.

### **Homeland Security Equipment and Supplies**

Many entities receive equipment and supplies that are funded by the Department of Homeland Security. Typically, this property is awarded by the State of Washington Military Department and then distributed to various counties and then further distributed to cities, towns, and special-purpose districts. If your entity has received Homeland Security equipment or supplies, this is considered a non-cash award that must be reported on the SEFA. The amount to be reported is the fair market value (or other amount designated by the grantor) on the date it is received by your entity.

### **Homeland Security CFDA Numbers**

In 2003, many awards from the U.S. Department of Justice (agency 16) and FEMA (agency 83) moved to the Department of Homeland Security (agency 97), which resulted in a change of CFDA numbers within many programs. When completing the Schedule of Expenditures of Federal Awards, recipients should record their expenditures using the CFDA number(s) shown on the notice of award for the period in which the funds were awarded. Also, a footnote to the SEFA explaining any changes in the CFDA is recommended.

### **Other Non-cash Assistance**

Food Stamps, food commodities, vaccines, donated property (including surplus), and other non-cash assistance should be valued at fair market value at the time of receipt or the assessed value provided by the federal agency. The notes to the schedule of expenditures of federal awards should disclose the nature of the amounts reported.

### **Matching / Cost Sharing**

The amount contributed by your entity in the form of matching funds or in-kind match should not be reported on the SEFA -- only the federal expenditures related to the program/project are to be reported.

SCHEDULE 21 – RISK MANAGEMENT

Please refer to Part 2, Chapter 9, *Risk Management Principles* for requirements for these reports. After the initial report, the focus is on changes taking place during the report period. Public entity risk pool members are not required to report those risks transferred to the pool. Simple presence of a deductible from a purchased insurance policy does not constitute self-insurance or assumption of risk. Negative reports are required. Amounts included in the table under Question 8 should represent only the amounts related to the program.

Examples 1 and 2 apply to all programs with formal program to finance risks. Use Example 1 for property and liability; use Example 2 for health and welfare program(s).

Example 3 applies to entities which decided to assume risk without formal risk financing and management program.

Initial report should include copies of documents listed below and subsequent reports should include these documents only if amended during the year. Report should include the following:

- Resolution establishing the program
- Interlocal agreement, when applicable
- Articles of incorporation, if applicable
- Program by-laws, if adopted
- Insurance coverage documents (excess insurance, reinsurance, etc.)
- List of participants (member entities) including identification of the predominant participant if any
- Full description of program structure and financing including participant’s retention level, program retention level, and excess insurance limits and attachment point
- Copy of State Risk Manager approval notification
- Actuarial analysis of program liabilities, when applicable
- List of contractors and service providers and description of services provided, when applicable

Send report to: State Auditor’s Office  
Local Government Support Team  
PO Box 40031  
Olympia, WA 98504-0031

**Example 1**

LOCAL GOVERNMENT RISK FINANCING  
Property and Liability

\_\_\_\_\_  
(Entity Name)

Program

Manager: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

Fiscal Period: \_\_\_\_\_

Phone: \_\_\_\_\_

Plan Period: \_\_\_\_\_

Organization Legal Name: \_\_\_\_\_

Date Established: \_\_\_\_\_

Check all that apply:

Joint Property and Liability

Individual Property and Liability

Property

Number of participants in the joint Property program \_\_\_\_\_

Liability

Number of participants in the joint Liability program \_\_\_\_\_

1. Of the items checked above, explain significant changes from the prior report, if any.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Did the entity obtain an independent actuarial analysis of program's liabilities for the reporting period? When was the most recent actuarial analysis performed? How are liabilities determined?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Describe the type of claims managed by the entity and whether claims audits are periodically performed. If claims servicing is contracted, describe the services provided by the contractor.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Does the entity provide insurance coverage or claims services to other entities or organizations not included in the list of participants? If yes, describe the type of insurance and describe claims services provided to others.

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5. If program is not reporting as a stand-alone risk pool, describe whether the general fund or internal service fund is used for accounting and reporting.

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6. Does the total reported program related designated fund balance equal to or exceed all program's liabilities? If not, attach and describe formal adopted plan to maintain minimum required fund balance.

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7. If program revenues were not sufficient to pay for program expenses during the reporting period, attach and describe formal adopted plans to ensure program is able to continue its operations and meet its obligations.

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8. This question is applicable to all programs not reporting as stand alone pools. Complete the following as it relates to the program:

	Ending Balance
Program assets:	
Cash, equivalents, and investments	
Member receivables	
Insurance recoverable	
Other receivables	
Other current assets	
Capital assets net of acc. depr.	
Other noncurrent assets restricted or designated for program use	
Total program assets	

Program liabilities:	
Unpaid claims and claims adjustment expenses (including IBNR)	
Unallocated claims adjustment expenses	
Accounts payable	
Other current liabilities	
Noncurrent liabilities	
Total program liabilities	
Program equity	

	Ending Balance
Program income	
Member contributions	
Member contributions penalties, interest, etc.	
Collection of member deductibles and other	
Employer contributions	
Interest and dividend income	
Insurance related recoveries, reimbursements, etc.	
Other contributions	
Total program income	
Program expenses	
Claims paid	
Insurance premiums paid	
Excess insurance premiums paid	
Reinsurance premiums paid	
Claims adjustment paid	
Brokerage fee paid	
Legal expenses	
Contracted claims services	
Other contracted services	
Other expenses	
Total program expenses	

**Example 2**

**LOCAL GOVERNMENT RISK FINANCING**  
Health and Welfare (medical, vision, dental, prescription, other)

\_\_\_\_\_  
(Entity Name)

Program Manager: \_\_\_\_\_ Date: \_\_\_\_\_  
Address: \_\_\_\_\_ Fiscal Period: \_\_\_\_\_  
Phone: \_\_\_\_\_ Plan Period: \_\_\_\_\_

Organization Legal Name: \_\_\_\_\_  
Date Established: \_\_\_\_\_

Check all that apply:

- |   |  |
|---|--|
| <input type="checkbox"/> Joint Health and Welfare | <input type="checkbox"/> Individual Health and Welfare |
| <input type="checkbox"/> Medical                  | Number of participants in the Medical program _____    |
| <input type="checkbox"/> Vision                   | Number of participants in the Vision program _____     |
| <input type="checkbox"/> Dental                   | Number of participants in the Dental program _____     |
| <input type="checkbox"/> Prescription             | Number of participants in the Rx program _____         |

9. Of the items checked above, explain significant changes from the prior report, if any.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Did the entity obtain an independent actuarial analysis of program's liabilities for the reporting period? When was the most recent actuarial analysis performed? How are liabilities determined?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. Describe the type of claims managed by the entity and whether claims audits are periodically performed. If claims servicing is contracted, describe the services provided by the contractor.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. Does the entity provide insurance coverage or claims services to other entities or organizations not included in the list of participants? If yes, describe the type of insurance and describe claims services provided to others.

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13. If program is not reporting as a stand-alone risk pool, describe whether the general fund or internal service fund is used for accounting and reporting.

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14. Does the total reported program related designated fund balance equal to or exceed all program's liabilities? If not, attach and describe formal adopted plan to maintain minimum required fund balance.

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15. If program revenues were not sufficient to pay for program expenses during the reporting period, attach and describe formal adopted plans to ensure program is able to continue its operations and meet its obligations.

---



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16. This question is applicable to all programs not reporting as stand alone pools. Complete the following as it relates to the program:

	Medical	Vision	Dental	Rx
Program assets:				
Cash, equivalents, and investments				
Member receivables				
Insurance recoverable				
Other receivables				
Other current assets				
Capital assets net of accum. depr.				
Other noncurrent assets restricted or designated for program use				
Total program assets				

Program liabilities:				
Unpaid claims and claims adjustment expenses (including IBNR)				
Unallocated claims adjustment expenses				
Accounts payable				
Other current liabilities				
Noncurrent liabilities				
Total program liabilities				
Program equity				

	Medical	Vision	Dental	RX
Program income				
Member contributions				
Member contributions penalties, interest, etc.				
Collection of member deductibles and other				
Employer contributions				
Interest and dividend income				
Insurance related recoveries, reimbursements, etc.				
Other contributions				
Total program income				
Program expenses				
Claims paid				
Insurance premiums paid				
Excess insurance premiums paid				
Reinsurance premiums paid				
Claims adjustment paid				
Brokerage fee paid				
Legal expenses				
Contracted claims services				
Other contracted services				
Other expenses				
Total program expenses				
Net program income (loss)				

Use the following general instructions when preparing this report for local governmental entities which individually assume risk (operate on pay-as-you-go basis).

- a. Indicate the date of the report being filed. For the initial report, include the appropriate fiscal period covered. For subsequent report indicating a change to the risks being assumed indicate the effective date of the change being reported.
- b. Report all known risks which have been assumed by the entity. If there is some doubt about whether or not to include a risk on this report, we recommend you disclose the information rather than omit it.
- c. Describe risk the governing body of the entity has decided to assume as well as the appropriate dollar level involved. Also, indicate the effective date that the entity began assuming the responsibility for each "class of risk." Report this information by the following categories:
  - (1) Self retention or deductible provision for purchased commercial insurance policies.
  - (2) Self retention or deductible provision for participation in joint self-insurance program.
  - (3) All other known assumed risks.
- d. If there is some doubt about the appropriate category of risk to be used, we recommend you disclose the information rather than omit it.
- e. Include a description of the claims processing. Indicate if claims are administered by the entity's staff or whether the entity uses the services of a third party administrator. If so, include name, telephone number, and address of firm as detail description of services provided by the contractor.

**Example 3**

LOCAL GOVERNMENT RISK-ASSUMPTION  
WITHOUT FORMAL RISK FINANCING PLAN

\_\_\_\_\_  
(Entity Name)

Program \_\_\_\_\_  
Manager: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone: \_\_\_\_\_

Date: \_\_\_\_\_  
Fiscal Period: \_\_\_\_\_

Property/Liability Risk Assumed

Effective Date	Description of Risk	Amount (i.e. attachment point, etc.)	Change from prior year?

Health/Welfare Risk Assumed

Effective Date	Description of Risk	Number of participants	Change from prior year?

## SCHEDULE 22 – ANNUAL AUDIT ASSESSMENT

This schedule only needs to be completed for entities with annual revenues that are usually less than \$200,000. For purposes of this threshold, annual revenues include grants, tax collections, and other local receipts, but not bond proceeds or other non-revenues. If annual revenues are usually less than \$200,000 but exceed the threshold in one year due to a one-time revenue source, the schedule should still be completed, as the SAO may continue to perform an audit assessment in lieu of an on-site audit.

If you are unsure whether or not your entity needs to complete this schedule, contact the State Auditor's Office (SAO) at (360) 725-5599 or by email at [tagmanl@sao.wa.gov](mailto:tagmanl@sao.wa.gov).

### INSTRUCTIONS FOR PREPARER

The following are detailed instructions for completing each question of the assessment.

- All questions must be answered and all required attachments must be included for the schedule to be considered complete.
- Attachments may be printed or included in electronic format. For example, copies of minutes may be saved to a CD and included with the assessment.
- If you wish to provide further detail on any of the questions, feel free to write-in explanations or attach a memo with the additional detail.
- If you have further questions on the assessment, please contact the SAO at (360) 725-5599 or by email at [tagmanl@sao.wa.gov](mailto:tagmanl@sao.wa.gov).

- Question 1      Enter the official name of the government. If the government operates under a "DBA" this should also be listed. For example: "Thurston County Fire Protection District No. 5 doing business as Black Lake Fire Department."
- Question 2      Enter the legal business address of the government.
- Question 3      Enter the official website of the government. If the government does not have a website, then enter "none."
- Question 4      Enter the name and position of the person that the State Auditor's Office should contact with any questions regarding the entity's annual report or the audit assessment survey responses. Normally, this is the person responsible for filling out the audit assessment schedule.
- Question 5      Enter the phone number where the SAO can reach this contact person during regular business hours to discuss the audit assessment and other audit related matters. More than one phone number can be entered, if needed.
- Question 6      Enter the email address where the SAO can communicate with the contact person regarding the audit assessment and other audit-related matters. If there is no email address for this person, then enter "none."
- Question 7      Enter the total revenue of the entity for the year. Revenue is defined as an increase in financial resources (e.g. taxes, grants, assessments, etc.) except for debt proceeds and transfers.

Question 8 Enter the full name of each member of the governing body and then list any paid positions (full or part-time employment) held by the official and any business owned or operated by the official or a spouse during the period of the audit. This information is needed to evaluate conflict of interest statutes.

For example:

Name of Official	Occupation	Businesses Owned or Operated by Official or Spouse
Joan Smith	retired	none
Manny Jones	general contractor – self employed	Manny & Sons Construction Stoneybrook Developments, LLC

Question 9 Enter the name and position title of all other entity employees, including both paid and volunteer staff in full or part time positions.

Question 10 Attach copies of the official minutes and all resolutions and/or ordinances for all meetings of the governing body held during the fiscal year. If minutes were not taken or are otherwise not available, the meeting dates and circumstances should be described.

As stated above, attachments may be photocopies or electronic documents saved on a CD.

If minutes and resolutions/ordinances are available on the entity’s website, no attachments are needed; just mark the second box.

Question 11 This question is an opportunity for the governing body to request a review of any particular area or practice or to clarify any questions that you or the governing body might have regarding safeguarding of public resources, compliance with applicable laws or the audit process.

Of course, such questions may be submitted at any time on the HelpDesk available on the SAO website at: [www.sao.wa.gov/applications/Helpdesk/LocalGovHelpDeskDisclaimer.aspx](http://www.sao.wa.gov/applications/Helpdesk/LocalGovHelpDeskDisclaimer.aspx).

Question 12 List any software used to perform accounting functions and what the software is used for. Accounting functions are processes that involve money, such as billing, receipting, writing checks or tracking revenues and expenditures.

Some entities will use *Quicken* or a similar program for accounting purposes or to track revenues and expenditures and possibly write checks or reconcile bank statements. Other entities rely entirely on the County and County reports.

Question 13 Mark whether or not the governing body regularly receives any financial information and, if so, briefly describe what information is received.

For example:

At each meeting: detailed list of warrants for approval and the County treasurer’s report.

Near the end of the year: budget-to-actual report to plan next budget.

Question 14 Enter a description and the ending balance for each County fund and/or bank account. For money held by the County, the balance should be the total cash and investments shown for each fund in the year end County Treasurer report. For money in bank accounts, the balance should match the bank account statement for the last month of the fiscal year.

“Description of Account” should indicate the purpose and location of the account. For example:

Description of Account	Fiscal Year End Balance
County Fund 6654: Fire #7 Expense	\$64,940
County Fund 6655: Fire #7 EMS	\$7,663
County Fund 6657: Fire #7 2006 LTGO Bond	\$13,658
Bank of America Imprest Fund	\$546

Question 15 Mark whether or not accounts are reconciled on a monthly basis to the entity’s records of receipts and authorized expenditures. If so, note the person who is responsible for performing these reconciliations.

If reconciliations are not done monthly, note when they are performed, if ever (i.e. annually or occasionally).

Question 16 Describe any major changes that occurred for the entity during the fiscal year. Changes may include new or discontinued programs, new grants or contracts, significant construction or other projects, major increases or decreases in activity, etc.

Question 17 RCW 43.09.185 requires state agencies and local governments to immediately report to the State Auditor's Office known or suspected loss of public funds or assets or other illegal activity. This question is an opportunity to do so if there has been a known or suspected loss of public funds and this notification has not already occurred.

If known or suspected losses occur, entities are asked to notify us immediately. Notifications can be made by contacting any of our local offices or by contacting the SAO at [forsberj@sao.wa.gov](mailto:forsberj@sao.wa.gov) or (360) 480-1103.

Question 18 Describe any pending or threatened lawsuits the entity is involved in, either as a plaintiff or defendant. The description should include parties involved, the reason for the suit and the dollar amount involved.

Question 19 Mark whether the County prints and issues the entity’s warrants to pay employees and vendors or whether the entity makes payments themselves. If the County prints and issues the warrants, note whether the County or the entity retains the original invoices and other supporting documentation for the expenditures.

Question 20 Mark whether or not all payments are being approved by the governing body before they are being made. If there are any types of payments not being approved prior to issuance, these should be described.

For example:

NO; or not all, as explained below:

Credit card and utility payments are made before board approval to avoid late fees.

Board approves these payments at their next meeting.

Question 21 Attach a detailed report or print out of all expenditures for the year. The attachment should list every expenditure made during the fiscal year and include the following minimum information:

- Warrant/check number
- Payee
- Date paid (i.e. warrant date)
- Amount paid

If the County Treasurer is used, a warrant register or expenditure listing can normally be obtained from the County showing this information. As stated above, attachments may be photocopies or electronic documents saved on a CD.

Question 22 Mark whether cell phones are provided to employees or volunteers. This includes all situations where the entity pays for employees to have cell phones – either buying phones to assign to employees or reimbursing employees for use of personal cell phones.

If cell phones or devices are provided, note the total amount expended, including costs of procuring devices and costs of calls made or reimbursed. Also attach any policies related to cell phones.

See Cash Basis BARS Manual, Part 3, Chapter 12, Interpretation 17 for detailed guidance on cell phones.

Question 23 Mark whether any expenditures were made for travel costs during the fiscal year. Travel includes meals, transportation, mileage reimbursements, lodging and any other related items.

See Cash Basis BARS Manual, Part 3, Chapter 3, Section B for detailed guidance on travel expenditures.

Question 24 List all major construction projects or purchases of materials, equipment or supplies occurring during the year (those over the entity’s bid thresholds). For each of these project or purchases, note the total amount expended and briefly describe the procurement process.

For example:

<b>Describe Purchase or Project</b>	<b>Total Amount of Purchase or Project</b>	<b>Describe Procurement Process</b> (e.g. use of formal sealed bids, written or phone quotes, use of small works roster, etc.)
Construction of back parking lot for Greenway fire station	\$13,540	Three written quotes from local contractors on our small works roster
Purchase of fire engine	\$183,354	Advertised and conducted formal sealed bid

If unsure about your entity’s bid thresholds, you can check the Municipal Research and Services Center of Washington (MRSC) website at [www.mrsc.org/Subjects/PubWorks/pb/pbintro.aspx](http://www.mrsc.org/Subjects/PubWorks/pb/pbintro.aspx).

Question 25 List all credit or purchase cards and accounts, along with the total amount charged or purchased via the account during the year. This list should include all types of credit cards and any accounts with local merchants, even if paid off each month.

Question 26 List all petty cash funds and funds used to make change. For each fund, note the custodian, authorized balance and – for petty cash funds only – the total expenditures made during the year through the fund. The custodian is the person responsible for the funds, who writes checks or makes change. The authorized balance is the amount of money the governing body authorizes for the petty cash or change fund.

See Cash Basis BARS Manual, Part 3, Chapter 3, Section C for detailed guidance on petty cash funds.

Question 27 List and describe any revenues received directly by the entity. Many small entities do not bill or receipt any revenues directly and instead only receive taxes or state funds through the County Treasurer. However, other entities receive some or all of their revenues directly and then deposit these with the County or in a bank account. Only these types of directly received revenues need be described.

Directly-receipted revenues should be briefly described and associated questions answered. For example:

Description of Revenue	Please answer the following questions regarding this revenue
Water hook-up fee	<p>How much revenue was received during the fiscal year: <u>\$4,000</u></p> <p>Are receipts or statements given for revenue received? <u>no</u></p> <p>How often are receipts deposited? <u>weekly</u></p> <p>Are receipts reconciled to deposits by someone who does not handle cash? <u>deposits reconciled by the board chair on a monthly basis</u></p>
Water charges	<p>How much revenue was received during the fiscal year: <u>\$46,217</u></p> <p>Are receipts or statements given for revenue received? <u>yes, monthly statements</u></p> <p>How often are receipts deposited? <u>weekly</u></p> <p>Are receipts reconciled to deposits by someone who does not handle cash? <u>yes, by the board chair on a monthly basis</u></p>

If there are not enough lines on the schedule, the information could be listed in an attachment. As stated above, attachments may be photocopies or electronic documents saved on a CD.

See Cash Basis BARS Manual, Part 3, Chapter 2, Section C for detailed guidance on cash receipting.

Question 28 As applicable, attach official rate and fee schedules in place during the fiscal year for any revenues billed or received directly.

Question 29 If any revenues are billed and there are any amounts outstanding (unpaid) at the end of the year, attach a report or schedule that lists the receivables. The report (commonly known as an “aging report”) should include the following minimum information:

- Account name
- Amount due
- Number of days since the amount was billed. If this information is not available, include the date of the original billing.

Question 30 List any amounts sent to a collections agency or written-off during the year. Write-offs represent money that the entity has either forgiven/canceled or has given up on the possibility of collecting.

Representations These refer to the information provided in the survey and attachments. The representations should be signed by the person completing it and by the chair of the governing body or lead elected official.

Representations do not alter or add to the fundamental responsibilities of employees or officials. Rather, they acknowledge and attest to management’s existing responsibilities for reporting, compliance and safeguarding of public resources. We understand that representations made are not a guarantee, but rather constitute a good faith statement to the best of your knowledge and belief. Although the State Auditor’s Office has provided the assessment, the representations are yours. If you are not sure about the meaning of a particular representation or feel that you cannot make a representation, please contact your Audit Manager (see the SAO website for the listing) to discuss it.

**ANNUAL AUDIT ASSESSMENT SCHEDULE  
For The Year Ended December 31, \_\_\_\_\_**

**Local Government Information**

1. Government Name: \_\_\_\_\_
2. Official Mailing Address: \_\_\_\_\_
3. Official Website (if any): \_\_\_\_\_
4. Contact Name and Position: \_\_\_\_\_
5. Contact Phone: \_\_\_\_\_
6. Contact Email: \_\_\_\_\_
7. Total Annual Revenues: \$ \_\_\_\_\_

8. List current elected or appointed officials, their occupations and any businesses owned or operated by officials or their spouses below or in an attachment.

Name of Official	Occupation	Businesses Owned or Operated by Official or Spouse

9. List all staff (volunteer and/or paid) below or in an attachment.

Name	Title

10. Attach or reference all meeting minutes, resolutions and ordinances of the governing body for the period:

Minutes for all meetings held during the period, along with all resolutions and/or ordinances passed during the period **are attached (either hard-copy or electronic format)**.

Minutes for all meetings held during the period, along with all resolutions and/or ordinances passed during the period **are available on our website**.

Note any minutes, resolutions or ordinances that were not documented, lost or are otherwise not available:

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11. Are there areas of concern or questions that you or the governing body wish to discuss with us?

YES, as follows:

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NO

### Operations and Finances

12. Does the entity use any software programs to account for billing, receipting, payroll, warrants or transactions?

YES, software used is described below:

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NO, the entity relies on the County to perform all accounting functions.

13. Is the governing body regularly provided with any financial information for review (e.g. County Treasurer reports, bank reconciliations, budget versus actual reports, warrant listings, etc.)?

YES, as described below:

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NO

14. Provide a list of all cash and investment accounts (e.g. treasurer accounts, savings, investment, certificates of deposit, etc.) as of fiscal year end, even if those accounts are held with the County Treasurer.

Description of Account	Fiscal Year End Balance

15. Are all the above accounts reconciled on a monthly basis to accounting records?

YES, accounts are reconciled by: \_\_\_\_\_.

NO; or not all accounts/not as frequent as explained below:

\_\_\_\_\_  
 \_\_\_\_\_

16. Have there been any major changes to operations during the fiscal year? For example, has the entity started or discontinued any programs, entered into any significant new agreements or experienced any significant increases or decreases in activity?

YES, as described below:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

NO

17. Has there been any known or suspected thefts or other illegal activity not already reported to the State Auditor's Office as required by RCW 43.09.185?

YES, as follows:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

NO

18. Is the entity involved in any lawsuits?

YES, as follows:

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NO

### Expenditures

19. Does the County Auditor issue the entity's warrants? If so, who retains the original supporting documentation for expenditures?

YES, the County issues the entity's warrants.

- Original supporting documentation is retained by the **entity**.
- Original supporting documentation is retained by the **County**.

NO, the entity issues its own checks/warrants.

20. Does the governing body approve all expenditures before they are made?

YES

NO; or not all, as explained below:

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21. Attach a detailed list of all expenditures made during the year. This can be a copy of the check register, warrant register from the County, or other listing that includes fund (if more than one), warrant/check number, issue date, payee and amount. If this list does not equal the total expenditures reported on the statements, the difference should be explained and itemized below or in an attachment.

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22. Are cell phones or other similar devices provided to any employees or volunteers? If so, attach a copy of the cell phone policy and list below how much was spent on these phones and phone calls during the period.

YES, the amount spent on cell phones and phone calls during the period was: \$ \_\_\_\_\_.

- Official policies regarding cell phones or cell phone use are attached.
- There are no written policies regarding cell phones or cell phone use.

NO cell phones or similar devices are provided to employees or volunteers.

23. Were any expenditures made during the year for travel costs? If so, attach a copy of the travel policy and list below how much was spent on travel during the period.

YES, the amount spent on travel during the period was: \$ \_\_\_\_\_.

Official policies regarding travel are attached.

There are no written policies regarding travel.

NO travel expenditures were made or reimbursed during the period.

24. List all major purchases or projects occurring during the fiscal year below or in an attachment:

Describe Purchase or Project	Total Amount of Purchase or Project	Describe Procurement Process (e.g. use of formal sealed bids, written or phone quotes, use of small works roster, etc.)

25. List all entity credit cards or charge accounts and total amount charged during the fiscal year below or in an attachment:

Type and Description of Credit Card or Charge Accounts	Total Amount Charged During Period

26. List all petty cash and change funds – as well as the custodian, authorized balance and total amount processed through the each account during the year – below or in an attachment:

Use/Purpose of Fund	Name of Custodian	Authorized Balance	Total Amount Processed During Fiscal Year

**Revenues**

27. Are any revenues billed or received **directly by the entity**, rather than through the County? If so, describe these below or in an attachment:

YES, as detailed below or in an attachment:

Description of Revenue	Please answer the following questions regarding this revenue
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____

NO, the County bills and receives all the entity's revenues.

28. Attach the rate and fee schedule(s) in effect during the fiscal year for all revenues billed or received by the entity.

29. For any billed revenues, attach a report showing all outstanding receivables as of fiscal year end. The report should list the account name, amount due and the number of days since the amount was billed.

30. List all accounts sent to collections or written off during the fiscal year below or in an attachment:

Account Name and/or Number	Dollar Amount Sent to Collection	Dollar Amount Written Off

**Representations**

I do hereby certify under penalty of perjury that the following representations are true and accurate, to the best of my knowledge and belief, having made all appropriate inquiries in order to provide such representation:

- Information given above and in attachments in response to survey questions is complete, true and accurate.
- Accompanying financial statements and schedules are complete, true, accurate and in conformity with the *Budgeting, Accounting and Reporting System Manual*.
- We acknowledge and understand that management and the governing body are responsible for the design and implementation of programs and controls to safeguard public resources and ensure compliance with applicable laws and regulations, including controls to prevent and detect fraud.
- We acknowledge and understand that management and the governing body are responsible for complying with applicable state and local laws and regulations.
- The entity has complied with contract provisions and all applicable state laws, with the following exceptions:

\_\_\_\_\_

\_\_\_\_\_

Person Preparing the Schedule: \_\_\_\_\_ Date \_\_\_\_\_

Board Chair, Commission Chair, or Mayor \_\_\_\_\_ Date \_\_\_\_\_

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<u>EFF DATE</u>	<u>SUPERSEDES</u>
01/01/09	None

LIBRARY DISTRICTS

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