BUDGETING, ACCOUNTING and REPORTING SYSTEM (BARS)

Cities, Counties and Special Purpose Districts (Cash Basis)

Click for update Cover Letter, 2012 Major Changes, Online Reporting, Training Schedule and Charts of Accounts

WASHINGTON
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RESOURCES

For technical assistance, BARS manual orders, training dates, and other information access www.sao.wa.gov, choose *Client Support* tab and *Financial Accounting and Reporting* option or call (360) 725-5592.

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Chapter 1. Reporting Requirements

The Washington State Auditor's Office prescribes the accounting and reporting of local governments in the State of Washington, under RCW 43.09.200. This prescription is performed using Budgetary, Accounting, and Reporting System (BARS) manuals and financial reporting packages. Table 1 in this chapter shows the financial reporting options and the reference source available to prepare financial statements for all local governments types.

The BARS manuals utilize a standardized chart of accounts to report financial activities of an entity to the Washington State Auditor's Office (SAO). It also prescribes the financial reporting. The method and complexity of the accounting and financial statement reporting is determined by the entity. The revenue and expenditure/expense chart of accounts and procedures contained in BARS manuals must be used in reporting. The uniform system of accounts is best applied consistently throughout the budgeting, accounting and reporting cycles. However, it is permissible to use a different system of coding for accounting, so long as equivalent detail is maintained for reporting purposes.

Reporting packages have been developed for some proprietary-type special purpose districts. These packages are designed to help them meet their financial reporting requirements. School districts are required to use the Accounting Manual for Public Schools in the State of Washington prescribed by the State Auditor's Office in conjunction with the Superintendent of Public Instructions.

Some entities do not have their own entity specific BARS manuals or reporting packages. In these cases they can use either the GAAP or cash basis BARS manuals, depending upon their choice.

Counties and cities have two accounting and reporting options:

GAAP – Local governments in this category must use the chart of accounts for budgeting and reporting in conformity with generally accepted accounting principles (GAAP).

Cash basis – Local governments in this category may follow single-entry accounting, and cash basis reporting procedures which do not conform to GAAP. Library, fire protection and conservation districts should follow their own entity specific BARS manual. Cash basis PUDs and transits should follow the cash basis manual with an exception for revenue/expense charts of accounts. They should refer to the GAAP PUDs and Transits manuals for the appropriate revenue/expense coding.

Proprietary districts and utilities are categorized into two groups as follow:

GAAP – These entities should prepare financial statements in conformity with generally accepted accounting principles (GAAP). The prescription in the GAAP BARS manual satisfies this requirement. Port districts and all transits have to follow their own GAAP BARS manual.

Cash basis – Entities in this category should follow single-entry accounting and cash basis reporting procedures which do not reflect financial condition and results of operations in conformance with GAAP. These entities should use the Cash BARS manual. Port districts have their own Cash BARS manual.

Reporting Options

The table below contains reporting options in compliance with standards set by GAAP or other comprehensive basis of accounting and reporting (cash basis) prescribed by the SAO.

The preparation of Comprehensive Annual Financial Report (CAFR) is optional (Note 2).

TABLE 1

FINANCIAL REPORTING OPTIONS BY ENTITY TYPE

Local Government	**Reporting Options**	**Reference** (Note 1)
Counties	GAAP or Cash basis	GAAP BARS Manual Cash basis BARS Manual
Cities	GAAP or Cash basis	GAAP BARS Manual Cash basis BARS Manual
School Districts:		
With Student Population of 1,000 or more	F-196	Schools Accounting Manual
With Student Population of 1,000 or less	Cash basis	Schools Accounting Manual
Public Utility Districts	GAAP or Cash basis	PUD Reporting Package Cash basis BARS Manual
Water/Sewer Districts	GAAP or Cash basis	Water/Sewer Reporting Package Cash basis BARS Manual
Ports	GAAP or Cash basis	GAAP BARS Manual for Ports Cash basis BARS Manual for Ports
Public Facility Districts	GAAP or Cash basis	GAAP BARS Manual Cash basis BARS Manual
Public Development Authorities	GAAP or Cash basis	GAAP BARS Manual Cash basis BARS Manual
Conservation Districts	Cash basis	BARS Manual for Conservation Districts
Hospital Districts	GAAP (Note 4)	Hospital District Manual and Hospital Districts Reporting Package
Housing Authorities	GAAP	Housing Authority Reporting Package
Risk Pools	GAAP	Risk Pool Reporting Package
Transits	GAAP	BARS Manual for Transits
Fire Protection Districts	Cash basis	BARS Manual for Fire Districts

Local Government	Reporting Options	Reference (Note 1)
Library Districts	Cash basis	BARS Manual for Library Districts
Other Special Purpose Districts – Proprietary (Note 3)	GAAP or Cash basis	GAAP BARS Manual Cash basis BARS Manual
Other Special Purpose District – Governmental (Note 3)	GAAP or Cash basis	GAAP BARS Manual Cash basis BARS Manual
Miscellaneous Entities (e.g., Area on Aging Agency, Associations, Councils of Governments, etc.)	GAAP or Cash basis	GAAP BARS Manual Cash basis BARS Manual

Note 1

BARS manuals and reporting packages are available online on the SAO website at: www.sao.wa.gov, choose *Client Support* tab and *Financial Accounting and Reporting* option.

Note 2

Governments have an option to participate in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. To participate in this program, a government must prepare a comprehensive annual financial report (CAFR). These reports have to provide additional information which is not required in preparation of basic GAAP financial statements. For additional information on preparation of a CAFR see GAAP BARS Manual, Part 4, Chapter 10.

Note 3

Governments should use proprietary fund accounting and reporting if the predominant revenue source comes from fees and charges for selling goods or performing services. If taxes or grants are the predominant source of revenue, governmental fund accounting and reporting should be used.

Note 4

Hospital districts should report on the GAAP basis. However, the Department of Health Accounting and Reporting Manual allows small districts to use the cash basis. When reporting on the cash basis, the hospital district should follow the Cash basis BARS Manual.

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Overview of Changes
(2005 Update)

Vol	Part	Ch	Page	Description	Remove	Insert
			Cover		Cover	Cover
1	1	0	1-2	Revised: the part number was changed from "1" to "0"	1-2	1-4
				Insert first PURPLE TAB (Chapter 1); **insert** Chapter 1: *Reporting Requirements* **Insert** second PURPLE TAB (Chapter 2); **insert** Chapter 2: *Overview of Changes*		
1	1	1	1	Clarified requirements; added last paragraph	1-2	1-2
1	1	3	2-3	Updated table of contents	1-12	1-12
1	1	3	4	Updated account 311.10		
1	1	3	5	Added account 313.15		
1	1	3	6	Added account 313.73		
1	1	3	7-8	Moved accounts		
1	1	3	10	Reclassified accounts 317.70 and 317.90 to 368; revised/added accounts to 318		
1	1	3	11	Clarified titles in 319s		
1	1	3	16-17	Updated accounts 332.10.60, .12.10, .15.21, .15.23, .15.24, .15.60, .21.00, .81.10 regarding their reporting on schedule 16	15-18	15-18
1	1	3	21	Corrected RCW citations in accounts 336.00.87 and 336.00.88	21-22	21-22
1	1	3	26	Updated account 338.19	25-26	25-26
1	1	3	33	Revised account 342.10	33-34	33-34
1	1	3	48	Updated account 356.90	47-48	47-48
1	1	3	52	Revised account 361.50	51-52	51-52
1	1	3	56	Revised account 368	55-58	55-58
1	1	3	58	Revised account 379		
1	1	3	63	Added account 362	63-64	63-64
1	1	4	1,3	Revised table of contents	1-60	1-62
1	1	4	4	Revised RCW citations in account 511.70		
1	1	4	5	Added account 512.80; the remainder of this chapter changed page numbers (other changes than page numbers are listed below)		
1	1	4	7	Revised account 515.20		
1	1	4	44	Changed *Other* to *Capital* in 594-595		
1	1	4	46	Revised title and description of account 598		
1	1	4	47	Changed the title of object 40		
1	1	4	48	Revised last category in object 80		
1	1	4	52	Changed the title of object 40; added example to subobject 41		
1	1	4	57	Updated subobject 89		
1	1	4	59	Updated category 38; added category 97		
1	3	1	1	Added RCW citations in 100 fund category	1-2	1-2
1	3	3	11	Corrected first line	11-12	11-12
1	3	4	2	Moved bullet 4 to 1	1-2	1-2

Overview of Changes
(2005 Update)

1	3	6	2	Corrected 4th bullet	1-4	1-4
1	3	6	3	Added last paragraph		
1	3	6	7	Added caution 9	7-8	7-8
1	3	12	11-15	Updated RCW citations; corrected typographical errors	11-16	11-16
1	3	12	32	Corrected misspelling	31-32	31-32
1	4	1	1	Updated table of contents	1-2	1-2
1	4	1	5-6	Revised reporting requirements; revised electronic reporting;	5-8	5-8
1	4	1	7	Updated matrix for schedule 20		
1	4	1	13	Updated matrix for schedule 20	13-14	13-14
1	4	2	2	Revised matrix	1-6	1-6
1	4	2	3	Revised reporting requirements		
1	4	2	6	Revised reporting requirements		
1	4	3	2	Revised matrix	1-12	1-12
1	4	3	3-7	Revised schedule 04: removed requirements for subtotals; added column for budget data		
1	4	3	8-11	Revised schedule 05: removed requirements for subtotals; added column for budget data		
1	4	4	1	Updated table of contents	1-2	1-2
1	4	4	2	Updated matrix		
1	4	4	9-16	Revised schedule 09: added I.D. numbers for arbitrage rebate tax and revolving loans; added two columns to the schedule for BARS code and fund number related to receipts of long-term debt proceeds, updated dates in examples	9-22	9-22
1	4	4	17	Clarified 7th paragraph		
1	4	4	19	Clarified bullet 1		
1	4	4	20	Modified line 1 in schedule		
1	4	4	22	Modified line 1 in schedule		
1	4	4	35-40	Revised schedule 16 (federal part): clarified some reporting rules and added new columns; the remainder of this chapter changed page numbers (other changes than page numbers are listed below)	35-50	35-54
1	4	4	47	Corrected heading		
1	4	4	49	Corrected heading		
1	4	4	51	Added new schedule 20		
1	4	5	3, 5	Added word *significant* to the title of the first note	3-6	3-6
1	4	6		Insert new RED TAB (Chapter 6); insert Chapter 6: *Classified Utility Reporting*		
1	A	3	1-8	Updated RCW Index	1-8	1-8

Overview of Changes
(2006 Update)

Part	Ch.	Page	Description	Remove	Insert
0	0	3	Updated phone numbers	3-4	3-4
0	1	3	Revised second paragraph in note 1 and added sentence in note 2	3-4	3-4
0	1	4	Added note 6		
1	1	6	Changed title of account 350	5-6	5-6
1	3	10	Revised title of account 319.16	1-12	1-12
1	3	1	Revised title of account 350		
1	3	2	Revised title of account 316		
1	3	3	Revised title of account 350		
1	3	4	Revised definitions of accounts 311.10 and 312.10		
1	3	5	Corrected account code in the note to account 313; added account 313.14; revised account 313.20		
1	3	6	Corrected typographical error		
1	3	7	Revised title of account 316		
1	3	9	Added definition to account 317.31		
1	3	10	Moved accounts from previous page		
1	3	11	Revised title of 319.12		
1	3	21	Removed account 336.00.88; added accounts 336.00.97 and 336.00.98; revised accounts 336.00.87	21-22	21-22
1	3	22	Revised accounts 336.01.01 and 336.01.05; added account 336.01.29; revised account 336.02.35		
1	3	29	Revised accounts 341.21, 341.22 and 341.23	29-64	29-64
1	3	30	Revised accounts 341.26 and 341.36; added account 341.27		
			Since several accounts have been added, some of the accounts needed to be moved from bottom of one page to the top of the following one. The overview of changes for the remainder of this chapter lists additional changes.		
1	3	35	Corrected references in note to account 343.10; added account 343.85		
1	3	38	Revised title and description of account 345.10		
1	3	44	Corrected accounts 349.63		
1	3	45	Revised title and description of account 350		
1	3	56	Removed account 369.73		
1	3	59	Added account 386.88; revised account 386.89		
1	3	60	Revised accounts 386.91, 386.92, 386.94 and 386.97		
1	3	63	Revised definition of account 391		
1	4	11	Removed account 518.60; changed title of account 518.80	11-12	11-12
1	4	25	Added account 538.50	25-26	25-26
1	4	49	Corrected subcategory in object 30 and 60	49-50	49-50
2	3	2	Revised step 6	1-2	1-2
2	3	10-11	Revised Section 2	9-12	9-12
3	1	1	Added *REET Electronic Technology* in 100 funds	1-4	1-4
3	1	3	Added RCW references in proprietary funds		
3	12	21-22	Revised Interpretation 10	21-22	21-22

Overview of Changes
(2006 Update)

4	1	1	Revised table of contents	1-2	1-2
4	1	5	Revised reporting matrix	5-8	5-8
4	1	6	Revised electronic filing instructions and phone number		
4	1	7	Revised reporting requirements for fiduciary funds		
4	1	12	Revised reporting matrix	11-12	11-12
4	2	2	Revised reporting requirements for fiduciary funds	1-2	1-2
4	4	1	Revised table of contents	1-4	1-4
4	4	2	Revised reporting requirements for fiduciary funds		
4	4	3	Added third paragraph		
4	4	8	Corrected heading of the schedule	7-10	7-10
4	4	9	Revised second paragraph		
4	4	30	Corrected typographical error	29-30	29-30
4	4	33-34	Removed schedule 13 and 14	33-40	33-40
4	4	35	Added second paragraph		
4	4	36	Added paragraph regarding Homeland Security CFDA numbers		
4	4	37-39	Moved text from one page to the next		
4	4	53	Revised RCW citation	53-54	53-54
4	5	14-15	Revised reporting of investments	13-16	13-16
4	5	24	Added last bullet	23-24	23-24
4	6	13	Revised reporting of restricted assets	13-16	13-16
4	6	15	Revised reporting of restricted assets		
4	6	16	Revised reporting of restricted assets		
A	3	1-7	Revised RCW Index	1-8	1-8

Overview of Changes
(2007 Update)

Vol.	Part	Chap.	Page	Description	Remove	Insert
1	0	0	1	Updated table of contents	1-4	1-4
1	0	0	3	Revised phone number		
1	0	1	1	Revised BARS categories	1-2	1-2
1	0	2	5-6	Added *2007 Overview of Changes*	5-6	5-6
1	1	3	4	Updated account 311.10	3-6	3-6
1	1	3	5	Added account 313.13		
1	1	3	9	Removed account 317.11; revised account 317.31	9-10	9-10
1	1	3	20	Revised citations in accounts 335.02.32 and 335.02.33	19-26	19-26
1	1	3	21	Removed account 336.00.81; updated account 336.00.89		
1	1	3	22	Added accounts 336.01.11 and 336.01.28; moved accounts to next page		
1	1	3	23	Added account 336.04.29 and 336.04.62; moved some accounts from/to previous/next page		
1	1	3	24	Moved accounts from previous page		
1	1	3	26	Revised citation in account 338.19		
1	1	3	48	Added account 352.40	47-50	47-50
1	1	3	49	Updated account 356.40		
1	1	3	57	Revised account 369.20	57-58	57-58
1	1	3	61	Revised citation in account 386.94	61-64	61-64
1	1	3	64	Corrected references in account 391; updated account 391.90		
1	1	4	6	Corrected misspelling	5-8	5-8
1	1	4	8	Updated accounts 515 and 515.20		
1	1	4	12	Updated account 519.70	11-12	11-12
1	1	4	45	Updated account 594	45-48	45-48
1	1	4	47	Moved account 598 to correct category		
1	1	4	52	Revised subobject 20	51-52	51-52
1	1	4	56	Revised subobjects 51 and 52	55-58	55-58
1	1	4	57	Revised subobject 64		
1	2	1	6	Revised bullet 4	5-8	5-8
1	2	1	7	Revised bullet 10		
1	2	3	3	Updated bullet 14	3-4	3-4
1	3	1	1	Added *County Tax Refund Fund* to category 100; removed *arterial highways*; removed footnote	1-2	1-2
1	3	1	2	Removed *arterial highways*		
1	3	3	9	Revised first paragraph	9-12	9-12
1	3	3	11	Revised first paragraph; added last paragraph		
1	3	5	4	Added guidelines for accounting for federal grants during open period	3-4	3-4
1	3	6	2	Removed fourth bullet	1-4	1-4
1	3	6	3	Removed *NOTE*		
1	3	12	1	Revised table of contents	1-2	1-2
1	3	12	21	Updated last line	21-22	21-22
1	3	12	31	Removed interpretation	31-38	31-42

1	3	12	32-37	Changed page and interpretation numbers		
1	3	12	38	Added Interpretation 21, *Accounting for Federal Grants Received During Open Period*		
1	3	12	39	Added Interpretation 22, *Transfer of Interest Income to General Fund*		
1	4	1	1	Revised table of contents	1-2	1-2
1	4	1	5	Revised footnote; revised matrix	5-8	5-8
1	4	1	7	Updated column (B); removed schedule 08; added reporting requirements for unclassified proprietary special purpose districts		
1	4	1	12	Removed schedule 08	11-12	11-12
1	4	2	2	Updated column (B); removed schedule 08; added reporting requirements for unclassified proprietary special purpose districts	1-6	1-6
1	4	2	3	Revised first paragraph		
1	4	2	4-5	Revised title of 350		
1	4	2	6	Revised first paragraph; added last paragraph		
1	4	3	2	Updated column (B); removed schedule 08; added reporting requirements for unclassified proprietary special purpose districts	1-2	1-2
1	4	4	1	Revised table of contents	1-2	1-2
1	4	4	2	Updated column (B); removed schedule 08; added reporting requirements for unclassified proprietary special purpose districts		
1	4	4	7-8	Removed schedule 08; replaced with empty page	7-10	7-10
1	4	4	10	Added 263.96		
1	4	4	17	Corrected typographical error	17-18	17-18
1	4	4	33-34	Corrected typographical error	33-46	33-46
1	4	4	35	Revised third paragraph; second and sixth bullet		
1	4	4	36	Added *USDA Interim Financing*; moved some text to next page		
1	4	4	37	Moved text from previous page; added *Matching/Cost Sharing*		
1	4	4	38	Revised instructions to column 6; moved text from/to previous/next page		
1	4	4	39	Added definition of *subrecipient* and *vendor*; added last tip; moved text from/to previous/next page		
1	4	4	40-46	Moved text from/to previous/next page		
1	4	4	41	Added *Notes 7* and *8*		
1	4	4	52	Revised heading; corrected misspelling	51-54	51-54
1	4	4	53	Removed last paragraph; revised reporting date		
1	4	4	54	Revised schedule 20		
1	4	5	7	Added lines 38-39	7-8	7-8
1	4	6	15-16	Revised reporting of capital assets	15-16	15-16
1	4	6	28	Updated references in line 16	27-28	27-28
1	4	6	53,55	Updated pension note	53-56	53-56
1	4	7	1-2	Added new chapter	1-2	1-2
1	A	1	11	Removed references to *capital maintenance*	11-14	11-14
1	A	1	13	Removed references to *capital maintenance*		
1	A	3	1-8	Revised RCW Index	1-8	1-8

Overview of Changes
(2008 Update)

Vol.	Part	Ch.	Page		Remove	Insert
				Revised cover	Cover	Cover
1	0	0	1	Revised *Table of Contents*	1-2	1-2
1	0	1	1-4	Revised reporting requirements	1-4	1-4
1	0	2	7-8	Added *Overview of Changes*		7-10
1	1	1	1	Revised reporting requirements	1-2	1-2
1	1	3	3	Updated listing	3-4	3-4
1	1	3	4	Added *Reserved* and *Unreserved Net Cash and Investments*		
1	1	3	10	Revised account 318.90	9-10	9-10
1	1	3	14	Added *Caution;* removed references to loans in 330 and 331	13-14	13-14
1	1	3	19	Added AOC to the listing; changed name of the Interagency Committee for Outdoor Recreation	19-24	19-24
1	1	3	20	Revised accounts 335.02.32 and 335.02.23		
1	1	3	22	Removed account 336.04.21		
1	1	3	23	Revised title of account 336.04.23; removed accounts 336.04.22 and 336.04.24		
1	1	3	24	Corrected title of account 336.06.51		
1	1	3	30	Revised accounts 341.26 and 341.27	29-34	29-34
1	1	3	31	Removed account 341.50 (new account for this revenue source is 341.75)		
1	1	3	32	Revised account 341.70; revised references in 341.94; moved some accounts to next page		
1	1	3	33	Moved some accounts from previous page		
1	1	3	34	Added account 342.38		
1	1	3	39	Revised references to accounts 341.50 and 341.70	39-44	39-44
1	1	3	42	Revised references to account 341.75		
1	1	3	43	Revised references to account 341.71		
1	1	3	47	Revised account 351.50	47-48	47-48
1	1	3	54	Removed account 363 (replaced with account 372 and 398)	53-60	53-60
1	1	3	55	Revised account 365.80		
1	1	3	58	Changed title of account 370; added accounts 372 and 373; revised references to account 341.71		
1	1	3	60	Revised accounts 386.83 and 386.89		
1	1	3	64	Revised accounts 395.20 and 395.30	63-64	63-66
1	1	3	65	Added account 398		
1	1	4	4	Revised account 508	3-4	3-4
1	1	4	16	Revised reference in account 523.60	15-16	15-16
1	3	1	1	Revised references to *Category 2*	1-2	1-2
1	3	1	7-24	Revised internal control requirements	7-24	7-10
1	3	5	1	Revised references to *Category 2*	1-2	1-2
1	3	6	6	Corrected typographical error	5-6	5-6
1	3	12	1	Updated table of contents	1-2	1-2
1	3	12	21	Revised fifth and sixth paragraph	21-22	21-22
1	3	12	22	Updated matrix		

1	3	12	26-30	Moved reports to Part 4, Chapter 4 (there is no change in reporting requirements); updated interpretation 22; changed page numbers for the remaining interpretations	25-42	25-38
1	4	1	1	Revised *Table of Contents*	1-8	1-8
1	4	1	3	Revised references to *Category 1* and *Category 2*		
1	4	1	5	Updated matrix; moved text to next page		
1	4	1	6	Moved text from previous page		
1	4	1	7	Added *Schedule 21* to listing; revised last row in matrix		
1	4	1	12	Added *Statements C-1* and *C-2* to listing	11-14	11-14
1	4	1	13	Added *Schedule 21* to listing		
1	4	2	2	Added *Schedule 21* to listing; revised last row in matrix	1-6	1-6
1	4	2	4	Revised titles of *Total Revenues and Other Financing Sources* and *Total Expenditures and Other Financing Uses*		
1	4	2	5	Revised titles of *Total Revenues and Other Financing Sources* and *Total Expenditures and Other Financing Uses*		
1	4	3	2	Added *Schedule 21* to listing; revised last row in matrix	1-2	1-2
1	4	4	1	Added *Schedule 21* to listing	1-2	1-2
1	4	4	2	Added *Schedule 21* to listing; revised last row of matrix		
1	4	4	35	Added *Caution*; revised fourth paragraph; added second bullet; revised second and sixth bullets	35-44	35-44
1	4	4	36	Added *Loan Advances*, *Reimbursement Basis* and *Indirect Costs*; added coding requirements for program income		
1	4	4	37	Changed title of section *Homeland Security Property*; added coding requirements for revolving loans		
1	4	4	40	Revised first, second, fifth and sixth bullets		
1	4	4	42	Revised Note 5		
1	4	4	44	Revised first paragraph		
1	4	4	53	Revised second paragraph	53-54	53-60
1	4	4	55	Added *Schedule 21* (this is not a new requirement; the reports were moved from Part 3, Chapter 12)		
1	4	5	1	Revised references to *Category 2*	1-2	1-2
1	4	5	5	Revised lines 3-5	5-8	5-8
1	4	5	6	Added additional disclosures for counties (line 35)		
1	4	5	7	Added new paragraph (line 35)		
1	4	5	14	Revised instructions to line 6	13-14	13-14
1	4	6		Revised tab [1/]	Tab	Tab
1	4	6	1	Revised first paragraph; removed references to *classified*	1-4	1-4
1	4	6	2	Revised references to *classified* utilities		
1	4	6	4	Revised references to *Category 1*		

Overview of Changes
(2008 Update)

1	4	6	9	Revised references to *Category 2*	9-10	9-10
1	4	6	13	Revised references to *Category 2*	13-14	13-14
1	4	6	28	Revised references to *Category 1*	27-28	27-28
1	4	6	35	Revised Note 3b	35-36	35-36
1	4	6	50-51	Added disclosure requirements for pledged revenues	49-56	49-56
1	4	6	53-55	Updated pension note		
1	4	6	60	Revised references to *Category 1*; added instructions to pollution remediation note; changed notes numbers	59-64	59-64
1	4	6	61	Added pollution remediation note		
1	4	6	62-63	Added note 20		
1	4	7		Revised tab [1]	Tab	Tab
1	4	7	1	Added matrix; moved following pages; revised references to *Unclassified* and chapter's title	1-2	1-4
1	4	7	2	Changed page number		
1	4	8		Added new tab and chapter [1]		Tab 1-4
1	A	1	7	Removed term *Classified*	7-8	7-8
1	A	1	28	Removed term *Recoverable Expenditure*	27-28	27-28
1	A	1	33	Removed term *Unclassified*	33-34	33-34
1	A	3	1-8	Updated RCW Index	1-8	1-8

[1] If you are on the electronic distribution list, the tabs will be automatically mailed to you.

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Overview of Changes
(2009 Update)

Vol.	Part	Ch.	Page		Remove	Insert
1	0	2	11-12	Added *Overview of Changes*		11-12
1	1	3	4	Revised definition of account 308	3-6	3-6
1	1	3	5	Added account 313.12		
1	1	3	11	Revised account 319.80	11-14	11-14
1	1	3	14	Revised description of account 331		
1	1	3	17	Added account 332.93.10	17-18	17-18
1	1	3	18	Revised description of account 333		
1	1	3	21	Added account 336.00.99	21-22	21-22
1	1	3	26	Revised description of account 338	25-26	25-26
1	1	3	31	Updated account 341.45	31-34	31-34
1	1	3	34	Updated accounts 342.10, 342.20, 342.50 and 342.60		
1	1	3	53	Revised account 361.50; added accounts 361.52 and 362.56	53-54	53-54
1	1	3	57	Updated account 368.50	57-60	57-60
1	1	3	60	Updated account 386.84		
1	1	3	63	Added bullet to account 389	63-64	63-64
1	1	4	3	Updated title of account 598	3-4	3-4
1	1	4	4	Revised definition of account 508		
1	1	4	43	Revised account 584	43-44	43-44
1	1	4	44	Added bullet to account 589		
1	1	4	47	Updated account 598	47-48	47-48
1	1	4	56	Revised last sentence in first paragraph	55-56	55-56
1	2	3	7	Updated example	7-8	7-8
1	3	1	1	Added *Basis of Accounting*; added second paragraph to *Types of Funds*; moved some text to next page	1-10	1-10
1	3	1	2	Moved text from previous page		
1	3	1	3	Added paragraph to *Enterprise Funds*		
1	3	1	4-5	Corrected bullet numbers		
1	3	1	7-10	Updated *Internal Control* Section		
1	3	2	3	Revised bullet b	3-4	3-4
1	3	4	2	Revised entire Section B	1-2	1-2
1	3	6	8	Added definition of *Surplus*; removed matrix	7-8	7-8
1	3	12	1	Updated matrix	1-2	1-2
1	3	12	8	Updated Interpretation 6	7-8	7-8
1	3	12	26	Added last paragraph	25-26	25-26
1	3	12	32	Removed Interpretation 19	31-32	31-32
1	3	12	35	Corrected title and first paragraph	35-36	35-36
1	4	1	5	Revised reporting requirements; added footnote; moved text to next page	5-8	5-8
1	4	1	6	Moved text from previous page		
1	4	1	7	Revised reporting requirements for trust and agency funds; added footnotes		
1	4	1	13	Updated matrix	13-14	13-14

1	4	2	2	Revised reporting requirements for trust and agency funds; added footnotes	1-8	1-8
1	4	2	3	Added new paragraph		
1	4	2	4	Revised example		
1	4	2	5	Added *reserved/unreserved* categories		
1	4	2	6	Revised first paragraph		
1	4	2	7	Revised example		
1	4	3	2	Revised reporting requirements for trust and agency funds; added footnotes	1-2	1-2
1	4	4	1	Updated table of contents	1-2	1-2
1	4	4	2	Revised reporting requirements for trust and agency funds; added footnotes		
1	4	4	36-37	Revised instructions	35-38	35-38
1	4	4	55	Updated Schedule 21	55-60	55-78
1	4	4	65	Added Schedule 22		
1	4	5	3	Added Note 1m	3-4	3-4
1	4	5	10	Added instructions for line 25	9-14	9-14
1	4	5	11	Added Note 1m		
1	4	5	14	Added instructions for line 9		
1	4	5	21	Revised line 4	21-24	21-24
1	4	5	24	Expanded description of possible disclosures		
1	4	6	9	Replaced term *classified* with *GAAP*	9-22	9-22
1	4	6	12	Removed term *classified*		
1	4	6	13	Replaced term *classified* with *GAAP*		
1	4	6	16	Corrected typographical errors		
1	4	6	18-19	Corrected typographical errors		
1	4	6	21	Replaced term *classified* with *GAAP*		
1	4	6	27	Replaced term *classified* with *GAAP*	27-28	27-28
1	4	6	34	Updated note requirements; moved text to page 36	33-36	33-36
1	4	6	36	Moved text from page 34		
1	4	6	52	Revised first paragraph	51-64	51-66
1	4	6	53-55	Updated pension note		
1	4	6	56-64	Changed page numbers		
1	4	7	1	Revised reporting requirements for trust and agency funds; added footnotes	1-2	1-2
1	4	7	2	Updated last sentence; added Schedules 21 and 22 to listing		
1	4	8	1	Revised reporting requirements for trust and agency funds; added footnotes	1-4	1-4
1	4	8	2	Updated first paragraph and last sentence; added Schedules 21 and 22 to listing		
1	4	8	3	Revised statement		
1	A	1	4	Removed definition of *Bond Fund*	3-4	3-4
1	A	1	28	Removed definition of *Reimbursable Expenditure*	27-28	27-28
1	A	2	1-8	Updated RCW Index	1-8	1-8

Overview of Changes
(2010 Update)

Vol.	Part	Ch.	Page		Remove	Insert
1	0	0	1	Updated table of contents: changed title of part 3, chapter 6, removed chapters 10 and 11; changed the chapter 12 to 10; combined chapters 3 and 4 in part 4; removed chapter 6, renumbered chapters 7 and 8	1-4	1-4
1	0	0	3	Updated website address		
1	0	1	3	Updated website address	3-4	3-4
1	0	2		Added *Overview of Changes*		13-16
1	1	3	1	Removed term *net* from account 308	1-6	1-6
1	1	3	2	Removed term *net* from account 308; added account 339		
1	1	3	3	Removed term *net* from account 388		
1	1	3	4	Removed term *net* from account 308; updated references in 311.20		
1	1	3	5	Updated accounts 313.14 and 313.15		
1	1	3	9	Updated account 317.35	9-10	9-10
1	1	3	17	Added accounts 332.21.10 and 332.21.20; moved accounts	17-66	17-68
1	1	3	18-66	Changed page numbers; additional changes on specific pages are listed below		
1	1	3	19	Changed DCTED to Department of Commerce		
1	1	3	22	Added account 336.02.31		
1	1	3	23	Changed DCTED to Department of Commerce in account 336.04.29; updated references in 336.06.10 and 336.06.20		
1	1	3	24	Updated references in 336.06.94 and 336.06.95		
1	1	3	26	Updated account 338.19		
1	1	3	29	Added account 339; moved the accounts to following pages		
1	1	3	29	Updated references in 341.21		
1	1	3	30	Updated account 341.34		
1	1	3	31	Updated references in accounts 341.36 and 341.45; removed inactive account 341.50		
1	1	3	32	Revised account 341.75		
1	1	3	44	Updated references in account 349.11		
1	1	3	51	Updated account 357.50		
1	1	3	54	Removed inactive account 363		
1	1	3	60	Added example in account 386; added account 386.87; revised account 386.88		
1	1	3	61	Revised accounts 386.91 and 386.92; removed references to PSEA in account 386.95; revised citations in account 386.97		
1	1	3	63	Removed term *net* from account 388; revised account 388.80		
1	1	4	1-2	Removed term *net* from account 508	1-4	1-4
1	1	4	4	Removed term *net* from account 508; updated references in accounts 511.70 and .80		
1	1	4	14	Updated references in account 521.21	13-14	13-14
1	1	4	27	Updated references in account 541.62	27-28	27-28
1	1	4	28	Updated references in account 542.62		

1	1	4	40	Updated references in account 573.70	39-40	39-40
1	1	4	44	Removed term *net* from account 588 and 588.80; revised account 588.80	43-46	43-46
1	1	4	46	Updated references in account 595.62		
1	2	1	7	Removed term *net* from first paragraph	7-8	7-8
1	2	1	8	Removed term *net* from bullet 5		
1	2	2	1	Removed term *net* from subtitle and last paragraph	1-4	1-4
1	2	2	2-3	Removed term *net* from matrix		
1	2	2	9	Removed term *net* from matrix	9-10	9-10
1	3	0	1	Updated table of contents	1-2	1-2
1	3	1	7-10	Revised Section B	7-10	7-10
1	3	3	1	Revised second paragraph	1-4	1-4
1	3	3	2	Moved text from next page		
1	3	3	3	Moved text to previous page; revised bullet d		
1	3	3	4	Moved text to previous page		
1	3	3	9	Revised language of certification	9-10	9-10
1	3	4	1	Revised first and third paragraph	1-2	1-2
1	3	5	1-4	Added paragraph regarding ARRA; moved text	1-4	1-4
1	3	6	1	Revised chapter title	1-8	1-8
1	3	6	4-5	Revised comments regarding PDPC		
1	3	6	8	Revised chapter title		
1	3	6	11	Revised chapter title	11-12	11-12
				Remove white tabs chapters 7, 10, 11 and 12 including all pages within the chapters. Insert white tab chapter 7. Information for this chapter will be released at a later date. Insert white tab chapter 10 and insert new pages 1-3-10 pages 1 to 30. Changes within these chapters include:		
1	3	12	1-38	Revised number and chapter title	1-38	1-30
1	3	12	1	Updated table of content		
1	3	12	7	Removed term *net* from second paragraph		
1	3	12	11-19	Updated election cost allocation		
1	3	12	21	Revised sixth paragraph		
1	3	12	26	Removed Interpretation 13, *Risk Management* (the reporting requirements added to Schedule 21 instructions)		
1	3	12	27	Added website address		
1	4	1	1	Updated table of contents	1-2	1-2
1	4	1	5-6	Updated reports' titles; removed references to chapter 6; updated reporting filing requirements	5-16	5-18
1	4	1	7	Revised reporting requirements for C-4 and C-5; revised comment in Schedule 22		
1	4	1	12-13	Removed checklist		
1	4	1	14	Added instructions for certification/cover page		
1	4	1	15	Revised certification/cover page		
1	4	1		Added *Annual Report Disclosure Form*		
1	4	2	1	Updated table of content	1-8	1-8
1	4	2	2	Revised matrix		
1	4	2	3-5	Revised statement C-4; removed budgetary columns; added total column for all funds; removed term *net* from paragraphs a and b; adjusted amounts in example; revised references		

1	4	2	6-8	Revised statement C-5: removed budgetary columns; added total column for all funds; removed term *net* from paragraphs a, b and d; removed paragraph c; revised references		
				Remove red tabs chapters 3, 4, 5, 6, 7 and 8 including all pages within the chapters. Insert new red tabs chapters 3, 4, 5 and 6 and insert new pages: 1-4-3 pages 1 to 80 1-4-4 pages 1 to 26 1-4-5 pages 1 to 6 1-4-6 pages 1 to 6. Changes within these chapters include:		
1	4	3	1	Revised table of contents to incorporate chapter 4	1-12	1-80
1	4	3	2	Revised matrix		
1	4	3	3-10	Revised Schedules 4 and 5		
1	4	4	1-78	Changed chapter number	1-78	
1	4	4	1	Moved the table of contents to page 1 of new chapter 3		
1	4	4	2	Removed matrix		
1	4	4	3-78	Changed page numbers		
1	4	4	7-8	Removed blank pages		
1	4	4	33-34	Removed blank pages		
1	4	4	35-46	Updated Schedule 16		
1	4	4	53	Updated Schedule 20		
1	4	4	55	Updated Schedule 21		
1	4	4	65-78	Updated Schedule 22		
1	4	5	1-26	Changed chapter number	1-26	1-26
1	4	5	3	Updated table off content		
1	4	5	8-9	Revised budgetary disclosure; removed term *net* from paragraph d; moved notes e-g and instructions to next page		
1	4	5	10-11	Moved notes and instructions from previous page		
1	4	5	14-15	Revised note and notes to preparer		
1	4	5	20-21	Revised note and notes to preparer		
1	4	6	1-66	Removed entire chapter 6	1-66	
1	4	7	1-4	Changed chapter number	1-4	1-6
1	4	7	1	Updated matrix		
1	4	7	2	Removed term *net* from bullet 9; revised references in last chapter		
1	4	7	3	Removed term *net* from statement		
1	4	7	4	Added notes to financial statement		
1	4	8	1-6	Changed chapter number	1-6	1-6
1	4	8	1	Updated matrix		
1	4	8	2	Removed term *net* from instructions		
1	4	8	3	Removed term *net* from statement; removed *budget* column		
1	A	1	9	Removed definition of *day labor*	9-10	9-10
1	A	1	10	Revised description of *depository*		
1	A	2	1-8	Revised RCW Index	1-8	1-10

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Overview of Changes
(2011 Update)

Part	Ch.	Page (2010 version)		Remove	Insert
		Cover	Moved *Resources* from page 3 to back of cover page	Cover	Cover
0	0	1	Updated table of contents	1-2	1-2
0	0	3	Moved *Resources* to back of cover page		
0	1	3	Revised Notes 1 and 2	3-4	3-4
0	2		Added *Overview of Changes*		17-20
1	1	3	Added paragraph under funds' numbers	3-6	3-6
1	1	5	Removed footnote from subobject in expenditures		
1	3	1-68	Removed summary accounts; reformatted listing	1-68	1-68
1	3	1	Revised title of account 308		
1	3	2	Revised title of accounts 308 and 332		
1	3	4	Revised title and description of account 308		
1	3	5	Revised account 313.15		
1	3	6	Revised accounts 313.71 and 313.73		
1	3	10	Revised references in accounts 317.41, .42; added account 317.45		
1	3	14	Revised second paragraph; added fifth paragraph in account 331		
1	3	16	Revised title of account 332		
1	3	18	Added account 332.21.30		
1	3	23	Revised account 336.02.35		
1	3	30	Corrected error in last graph		
1	3	50	Updated account 353.10		
1	3	59	Corrected account 369.40		
1	3	62	Corrected references in account 386.82		
1	3	63	Updated account 386.89		
1	3	64	Updated account 386.99		
1	3	65	Removed sixth bullet		
1	3	66	Revised last sentence in account 391		
1	4	1-60	Removed summary accounts; reformatted listing; removed references to subobjects	1-60	1-60
1	4	1	Revised title of account 508 and listing		
1	4	2	Revised title of account 508		
1	4	3	Revised listing; revised title of account 598		
1	4	4	Revised title and description of account 508		
1	4	5	Corrected second paragraph in account 512.80		
1	4	47	Added account 596; revised title of account 598		
1	4	49-60	Reformatted listing of objects; moved footnote to top of pages		
3	0	1	Updated table of contents	1-2	1-2
3	1	1-4	Updated *basis of accounting*; revised funds types; revised and moved *number of funds* to next page	1-6	1-6
3	1	5	Moved *number of funds* from previous page		
3	3	8	Revised *Petty Cash;* revised title	7-10	7-10
3	3	10	Added references to interpretation 23		
3	4	2	Added second paragraph in bullet 1	1-2	1-2

3	5	2	Added references to bullet 6	1-2	1-2
3	5	6	Revised last paragraph	5-6	5-6
3	10	1	Updated table of contents	1-6	1-6
3	10	3	Updated last paragraph		
3	10	4	Added footnote		
3	10	6	Revised third and last paragraphs		
3	10	17	Added footnote; revised references in account 341.27	17-18	17-18
3	10	24	Revised cellular phone guidance	23-26	23-26
3	10	26	Revised first paragraph and second column heading		
3	10		Added interpretation 23, *Original Supporting Documentation*	31-32	31-32
4	1	1	Updated table of contents	1-18	1-12
4	1	3	Removed chapter heading		
4	1	4	Removed regulatory charts of account; changed page numbers for reminder of this chapter		
4	1	5	Split reporting matrix in two		
4	1	6	Revised *Caution*; moved text from next page		
4	1	7	Moved text to previous page		
4	1	9	Updated matrix		
4	1	10-13	Removed MCAG listing (updated listing is available on SAO website)		
4	1	14	Revised second paragraph		
4	1	17	Revised title of Schedule 09 and reporting requirements for Schedule 17		
4	2	2	Updated matrix	1-8	1-8
4	2	3	Revised bullet a		
4	2	4-5	Revised templates; added footnote		
4	2	7-8	Revised templates; added footnote		
4	3	1	Updated table of contents	1-4	1-4
4	3	2	Updated matrix		
4	3	3	Added paragraph in *Column 1*		
4	3	7	Added paragraph in *Column 1*	7-80	7-70
4	3	10	Moved Schedule 07 forward		
4	3	13-20	Revised Schedule 09;changed page numbers for reminder of chapter		
4	3	23	Revised paragraph regarding assessed property value		
4	3	40	Revised listing of federal agencies		
4	3	42-43	Revised Schedule 16 and notes		
4	3	48	Revised reporting requirements for cities		
4	3	50	Removed reporting requirements for counties		
4	3	56-66	Revised Schedule 21		
4	3	57-80	Revised Schedule 22		
4	4	5	Revised fund definitions	5-10	5-10
4	4	8	Added guidelines for line 12; added instructions for line 23		
4	4	9	Revised note		
4	4	10	Revised instructions for line 39		
4	4	24, 26	Added examples for OPEB/pollution remediation disclosure	23-26	23-26
4	5	1	Updated matrix	1-2	1-2
4	6	1	Updated matrix	1-2	1-2
4	6	2	Corrected misspelling		

A	1	2	Added definition of *assigned resources*	1-2	1-2
A	1	6	Revised definition of *capital project fund*	5-10	5-10
A	1	7	Added definition of *committed resources*		
A	1	9	Revised definition of *debt service fund*		
A	1	15	Revised definition of *general fund*	15-16	15-16
A	1	26	Revised definition of *purchase method*	25-32	25-32
A	1	28-29	Moved part of definition for reimbursements from page 29 to 28; added definition of *restricted resources*		
A	1	31	Revised definitions of *special revenue fund*		
A	2	1-10	Removed RCW Index (this manual is in searchable PDF file on SAO website)	1-10	

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Overview of Changes
(2012 Update)

Part	Ch.	Page (2011 version)		Remove	Insert
		Back of cover page	Revised web address and phone number	Cover page	Cover page
0	0	1	Updated table of contents	1-2	1-2
0	1	1	Revised *Cash Basis* paragraph	1-4	1-4
0	1	3	Revised Note 1		
0	2		Added *Overview of Changes* for 2012 update		21-22
1	1	1	Incorporated change implemented in July	1-4	1-4
1	1	3	Revised fiduciary funds numbers		
1	3	14	Revised next to last paragraph	13-20	13-20
1	3	15	Revised federal grants coding		
1	3	18	Revised account 332.21.20; incorporated account 332.21.30 into account 332.21.20		
1	3	19	Corrected typographical error		
1	3	20	Updated agency name		
1	3	23	Revised account 336.01.03	23-24	23-24
1	3	30	Revised federal grants coding	29-30	29-30
1	4	28	Corrected error	27-28	27-28
1	4	52	Corrected second paragraph	51-52	51-52
2	3	3	Updated footnote	3-10	3-10
2	3	4	Corrected typographical error		
2	3	5-9	Updated example		
3	0	1	Updated table of contents	1-2	1-2
3	1	4	Revised fiduciary funds numbers	3-4	3-4
3	1	8	Revised last two bullets	7-8	7-8
3	2	2	Revised bullet 1 b	1-2	1-2
3	4	1	Revised procedures for interfund loans	1-2	1-4
3	4	3	Added new section, *Interfund Utility Surplus Transfers*		
3	4	4	Added new section, *Interfund Reimbursements*		
3	6	4	Corrected web address	3-4	3-4
3	6	8	Moved *surplus transfers* to new section	7-8	7-8
3	7		Added new section, *Capital Assets Management*		1-6
3	8	1	Revised accounting for special assessments	1-2	1-2
3	10	1	Updated table of contents	1-2	1-2
3	10	11	Revised first paragraph in section A	11-12	11-12
3	10	18	Revised *solid waste closure and postclosure accounting* section	17-18	17-18
3	10	24	Added guidance for credit card use	23-24	23-24
3	10	28	Replace interpretation 22 with updated version (new version was sent in February 2010 and now is incorporated into manual); changed page numbers on remaining pages	27-32	27-34
3	10	31	Revised first paragraph		
3	10	30-34	Added new section, *Overhead Cost Allocation*		
4	1	1	Updated table of contents	1-8	1-8
4	1	3	Removed page 3		
4	1	4-6	Revised reporting requirements; revised filing instructions;		

			updated schedule titles; moved pages forward		
4	1	7	Revised matrix with reporting requirements		
4	1	8	Updated web addresses and phone number		
4	1	11	Revised titles of schedules; revised footnote 4	11-12	11-12
4	2	2	Revised matrix with reporting requirements	1-8	1-8
4	2	3	Revised first paragraph and references to Schedules 04 and 05		
4	2	6	Revised first paragraph and references to Schedules 04 and 05; removed last paragraph		
4	2	7	Revised example		
4	3	1	Updated table of contents	1-70	1-60
4	3	2	Revised matrix with reporting requirements		
4	3	3-10	Combined Schedules 04 and 05; revised standard record layout; added filing instructions; changed page numbers for the rest of this chapter		
4	3	11-14	Expanded Schedule 07 to include all forms of reimbursements		
4	3	15-18	Revised Schedule 09 to include short-term debt and liabilities		
4	3	25-30	Revised Schedule 11		
4	3	31-34	Removed Schedule 12		
4	3	35-44	Revised reporting requirements for loans on Schedule 16; adding filing instructions		
4	3	56	Clarified bullet 1 iv and v in Schedule 21		
4	3	59-70	Revised Schedule 22		
4	4	10	Revised third paragraph	9-14	9-14
4	4	12	Revised second paragraph		
4	4	14	Revised second and third paragraphs		
4	4	21	Updated title of Schedule 09	21-22	21-22
4	5	1	Revised matrix with reporting requirements	1-2	1-2
4	5	5	Updated Note 4	5-6	5-6
4	6	1-6	Removed entire chapter	1-6	
A	1	17	Revised *interfund transactions*	17-18	17-18
A	1	26	Revised *proprietary funds*	25-26	25-26

DESIGN AND PRESCRIPTION

The chart of accounts and procedures contained in this manual are the minimum reporting requirements that must be used by all cash basis counties and cities and other local governmental units as prescribed by the State Auditor's Office (RCW 43.09.200).

The uniform system of accounts is best applied consistently throughout the budgeting, accounting, and reporting cycles. However, it is permissible to use a different system of numbers for internal accounting, so long as equivalent detail is maintained for reporting purposes. The prescribed chart of accounts must be used for detail reporting of revenues and expenditures.

> Cash basis –**Local governments using cash basis should follow single-entry accounting and cash basis reporting procedures which do not reflect financial condition and results of operations in conformity with GAAP**. Single-entry accounting, as permitted in this manual, requires full compliance with all legal requirements.

DESIGN AND PRESCRIPTION

Account Code Structure

In the BARS structure a sixteen (16) digit code accommodates the various transactions. Of these 16 digits, 7 digits are fully reserved for the Account Number, which means that if you decide to use unassigned portions of this field for local purposes, you should be aware that additional account coding may be prescribed in the future which will supplant your local applications.

In addition to this seven digit Account Number, the Organizational Number includes a field of three digits for fund code, three digits for the program code, and three digits for the department code, for a total code structure of 16 digits. THE PARTICULAR CODES IN THE FUND, LOCAL OPTION FIELDS GENERALLY ARE ASSIGNED LOCALLY.

The account structure is designed to provide for complete identification of each transaction. The same Account Number is used for budgetary estimates and for actual resources or outlays.

❶	❷	❸	❹ ❺	❻	❼
P L L	L L L	L L L	P P P	P P	P P
Fund field	Local Option field	Local Option field	Prime and BASUB field	Element and Subelement field	Object and Subobject field

_____/ Organizational Number

_____/ Account Number

P = Specific coding is prescribed in the BARS manual.
L = The fields are established in the BARS manual, but specific numbers are assigned by each local government.

The first part of the account code is the ORGANIZATIONAL NUMBER indicating:

	Digits
Fund	xxx
Local Option	xxx
Local Option	xxx

The second part of the account code is the ACCOUNT NUMBER, consisting of:

		Digits		
Prime Digit	x			
Basic and Subaccount (BASUB)		xx		
Element/Subelement			xx	
Object/Subobject				xx

DESIGN AND PRESCRIPTION

The account code structure has the following components:

❶ **FUND CODE** - used to identify funds created and maintained for a particular purpose and having transactions subject to legal or administrative restrictions. (See Part 3, Chapter 1 for additional information.)

General (Current Expense) Fund	000-099
Special Revenue Funds	100-199
Debt Service Funds	200-299
Capital Projects Funds	300-399
Permanent Funds	700-799
Enterprise Funds	400-499
Internal Service Funds	500-599
Investment Trust Funds	601-609
Pension (and Other Employee Benefit) Trust Funds	610-619
Private-Purpose Trust Funds	620-629
Agency Funds	630-699

Since counties account for special purpose districts in their accounting systems as agency funds, they often provide the districts with reports showing assigned fund codes 631-699. These codes refer to the fund from the county perspective. A district has to "reassign" the county code to the code appropriate to the fund type it is reporting (e.g., if the district's general fund is coded in the county records as 663, the district in its annual report has to code this fund as 001).

❷ **LOCAL OPTION CODE** - The numbers are determined by each entity. If used, they must have three digits, so "1" should be "001". The code may be used to identify a group of interdependent, closely related activities contributing to a common objective or a group of allied objectives.

❸ **LOCAL OPTION CODE** - The numbers are also determined locally. If used, they must have three digits; i.e., department "1" or "23" should be "001" or "023". The code may be used to identify distinct departments of the government. Also may be used in grant accounting to sequence grants from a single source.

❹ **PRIME DIGIT** - the first figure in the seven digit Account Number, assigned as follows:

1 (One) denotes an asset account. *(Not applicable to cash basis entities.)*

2 (Two) denotes a liability or fund balance account. It also denotes budgetary and nominal control accounts. *(Not applicable to cash basis entities.)*

3 (Three) denotes a revenue, nonrevenue, or other financing source detail (subsidiary) account.

4 Reserved.

5 (Five) denotes expenditure, nonexpenditure, or other financing use detail (subsidiary) account.

6 (Six) denotes an expense account in a proprietary fund, the prime digit six substituting for an entire expenditure BASUB/element. Used when the 5XX account code does not provide enough room for the needed detail. *(Not applicable to cash basis entities.)*

7 (Seven), 8 (Eight) and 9 (Nine) are not being used as prime digits currently.

❺ **BASIC/SUB (BASUB) CODES**

Revenue - The numbers assigned to identify the source (origin or originating category) from which revenues are obtained.

Expenditure/Expense - The numbers assigned to identify different categories of operations from which expenditures/expenses are incurred.

❻ **ELEMENT/SUBELEMENT CODES**

Revenue - The numbers assigned to further identify specific types of revenues within a particular Basic/Sub category.

Expenditure/Expense - The numbers assigned to further identify specific types of activities related to the particular Basic/Sub category.

❼ **OBJECT/SUBOBJECT CODES**

Revenue - Generally, the numbers have not been defined, and are available for the additional coding by the entity. However, as the BARS Manual is updated, it may be necessary to define these codes.

Expenditure/Expense - The numbers assigned to identify expenditures/expenses according to the character and the type of items purchased or services obtained.

DESIGN AND PRESCRIPTION

MINIMUM LEVELS FOR REPORTING EXPENDITURES AND REVENUES

The following chart summarizes the amount of detail required:

Item Description	Example	EXPENDITURES[1]
Fund	001	X
Local Option	000	Optional
Local Option	000	Optional
Prime Digit	500	X
Basic Account	510	X
Subaccount	514	X
Element	514.20	X
Subelement	514.23	Optional[2]
Object	514.23.21	X
Subobject	514.23.21	Optional

Item Description	Example	REVENUES[1]
Fund	001	X
Local Option	000	Optional
Local Option	000	Optional
Prime Digit	300	X
Basic Account	330	X
Subaccount	334	X
Element	334.03	X
Subelement	334.03	Optional[2]
Object	334.03.1	Optional[2]
Subobject	334.03.11	Optional[2]

[1] For requirements in coding nonrevenues and nonexpenditures see Part 1, Chapter 3 and Chapter 4.

[2] Except when specifically prescribed in the BARS Manual.

Revenue Account Numbering - EXAMPLE

Account codes are derived from the chart of accounts by selecting a series of numbers which describe a transaction. For example, assume that the police chief receives revenue from services at privately sponsored athletic events. The following steps show the procedure used to classify this information:

Step 1: Select a basic account which describes the source of the revenue. (See Part 1, Chapter 3, RESOURCES):

310.00	TAXES
320.00	LICENSES AND PERMITS
330.00.00	INTERGOVERNMENTAL REVENUES
340.00	CHARGES FOR GOODS AND SERVICES
350.00	FINES AND PENALTIES
360.00	MISCELLANEOUS REVENUES
380.00	NONREVENUES
390.00	OTHER FINANCING SOURCES

Step 2: From the subaccounts shown under the basic account select the one which describes the type of charge.

340.00	CHARGES FOR GOODS AND SERVICES
341.00	GENERAL GOVERNMENT
342.00	PUBLIC SAFETY
343.00	UTILITIES AND ENVIRONMENT
344.00	TRANSPORTATION
345.00	ECONOMIC ENVIRONMENT
346.00	MENTAL AND PHYSICAL HEALTH
347.00	CULTURE AND RECREATION
348.00	INTERNAL SERVICE FUND SALES AND SERVICES
349.00	INTERFUND/INTERDEPARTMENTAL - SALES AND SERVICES

Revenue Account Numbering (cont.)

Step 3: From the elements shown under the subaccount, 342.00 selected in Step 2, select the revenue element which describes the service rendered.

342.10	LAW ENFORCEMENT SERVICES
342.20	FIRE PROTECTION SERVICES
342.30	CHARGES FOR DETENTION AND CORRECTION SERVICES
342.40	PROTECTIVE INSPECTION FEES
342.50	EMERGENCY SERVICE FEES
342.60	AMBULANCE AND EMERGENCY AID FEES
342.70	JUVENILE SERVICES
342.80	COMMUNICATION SERVICES
342.90	OTHER

Expenditure Account Numbering - EXAMPLE

A similar procedure is used to classify expenditures. For example, assume that the information to be classified is the supplies for Police Department administrators. The following steps show the procedures used to locate the proper account number.

Step 1: Select the basic account under which the activities of the Police Department would normally fall. (See Part 1, Chapter 4, EXPENDITURES/USES)

510.00	GENERAL GOVERNMENT SERVICES
520.00	PUBLIC SAFETY
530.00	UTILITIES AND ENVIRONMENT
540.00	TRANSPORTATION
550.00	ECONOMIC ENVIRONMENT
560.00	MENTAL AND PHYSICAL HEALTH
570.00	CULTURE AND RECREATION
580.00	NONEXPENDITURES
591-593	DEBT SERVICE
594-595	OTHER EXPENDITURES
597-599	OTHER FINANCING USES

Step 2: Select a subaccount which describes the function of the Police Department.

520.00	PUBLIC SAFETY
521.00	LAW ENFORCEMENT
522.00	FIRE CONTROL
523.00	DETENTION AND/OR CORRECTION
524.00	PROTECTIVE INSPECTIONS
525.00	EMERGENCY SERVICES
526.00	AMBULANCE, RESCUE AND EMERGENCY AID
527.00	JUVENILE SERVICES
528.00	COMMUNICATIONS, ALARMS AND DISPATCH

Expenditure Account Numbering (cont.)

Step 3: Select the element which identifies the function being performed.

521.00	LAW ENFORCEMENT, Those activities normally related to police services and the support of police services.
521.10	ADMINISTRATION
521.20	POLICE OPERATIONS
521.21	INVESTIGATION
521.22	PATROL
521.23	SPECIAL UNITS
521.24	LABORATORY
521.25	ENFORCEMENT OF GAMBLING ACT
521.30	CRIME PREVENTION
521.40	TRAINING
521.50	FACILITIES
521.70	TRAFFIC POLICING
521.90	OTHER SERVICES
521.91	PROPERTY ROOM
521.92	PROTECTION SERVICES

Step 4: Select an object which describes the purpose of the expenditure. (See Part 1, Chapter 4, *Classification of Expenditures by Object*.)

30	SUPPLIES
31	Office and Operating Supplies
32	Fuel Consumed
33	Power, Water, Gas Purchased for Resale
34	Supplies Purchased for Inventory or Resale
35	Small Tools and Minor Equipment

UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

Use of the general ledger accounts in Cash Basis entities is **OPTIONAL**. Please contact the State Auditor's Office, Local Government Support Team, for a copy of this chapter.

300 RESOURCE ACCOUNTS

ALL accounts are prescribed unless the local government does not have that type of revenue.

The 300 series of accounts categorize all resources by type and source.

Most of the prescribed subsidiary revenue and nonrevenue codes are limited to five (5) positions; however, a total of seven (7) positions are reserved for BARS information, i.e. - 300.00.00.

BASIC ACCOUNTS

308 BEGINNING CASH AND INVESTMENTS

310 TAXES
320 LICENSES AND PERMITS
330 INTERGOVERNMENTAL REVENUES
340 CHARGES FOR GOODS AND SERVICES
350 FINES AND PENALTIES
360 MISCELLANEOUS REVENUES
370 CAPITAL CONTRIBUTIONS (PROPRIETARY FUNDS ONLY)
380 NONREVENUES
390 OTHER FINANCING SOURCES

308 BEGINNING CASH AND INVESTMENTS

310 TAXES

- **311 GENERAL PROPERTY TAX**
- **312 TIMBER HARVEST TAXES**
- **313 RETAIL SALES AND USE TAXES**
- **314 INTERFUND TAXES**
- **316 BUSINESS AND OCCUPATION TAXES**
- **317 EXCISE TAXES**
- **318 OTHER TAXES**
- **319 PENALTIES AND INTEREST ON DELINQUENT TAXES**

320 LICENSES AND PERMITS

- **321 BUSINESS LICENSES AND PERMITS**
- **322 NON-BUSINESS LICENSES AND PERMITS**
- **329 INTERFUND LICENSES AND PERMITS**

330 INTERGOVERNMENTAL REVENUES

- **331 DIRECT FEDERAL GRANTS**
- **332 FEDERAL ENTITLEMENTS, IMPACT PAYMENTS, BOND INTEREST SUBSIDIES, AND IN-LIEU TAXES**
- **333 INDIRECT FEDERAL GRANTS**
- **334 STATE GRANTS**
- **335 STATE SHARED REVENUES**
- **336 STATE ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES**
- **337 INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS, AND IN-LIEU TAXES**
- **338 INTERGOVERNMENTAL SERVICE REVENUES**
- **339 ARRA GRANTS**

340 CHARGES FOR GOODS AND SERVICES

- **341 GENERAL GOVERNMENT**
- **342 PUBLIC SAFETY**
- **343 PHYSICAL ENVIRONMENT**
- **344 TRANSPORTATION**
- **345 ECONOMIC ENVIRONMENT**
- **346 MENTAL AND PHYSICAL HEALTH**
- **347 CULTURE AND RECREATION**
- **348 INTERNAL SERVICE FUND SALES AND SERVICES**
- **349 INTERFUND/INTERDEPARTMENTAL - SALES AND SERVICES**

350 FINES AND PENALTIES

- **351 SUPERIOR COURT - FELONY/MISDEMEANOR PENALTIES**
- **352 CIVIL PENALTIES**
- **353 CIVIL INFRACTION PENALTIES**
- **354 CIVIL PARKING INFRACTION PENALTIES**
- **355 CRIMINAL TRAFFIC MISDEMEANOR FINES**
- **356 CRIMINAL NON-TRAFFIC FINES**
- **357 CRIMINAL COSTS**
- **359 NON-COURT FINES, FORFEITURES AND PENALTIES**

360 MISCELLANEOUS REVENUES

- **361 INTEREST AND OTHER EARNINGS**
- **362 RENTS, LEASES, AND CONCESSIONS**
- **365 INTERNAL SERVICE FUND MISCELLANEOUS REVENUES**
- **366 INTERFUND/INTERDEPARTMENTAL - MISCELLANEOUS REVENUES**
- **367 CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES**
- **368 SPECIAL ASSESSMENTS**
- **369 OTHER**

370 PROPRIETARY FUNDS REVENUES

- **372 INSURANCE RECOVERIES**
- **373 GAINS (LOSSES)**
- **374 CAPITAL CONTRIBUTIONS - FEDERAL/STATE/LOCAL**
- **379 CAPITAL CONTRIBUTIONS**

380 NONREVENUES

- **381 INTERFUND LOAN RECEIPTS**
- **382 PROCEEDS OF LONG-TERM DEBT - PROPRIETARY FUNDS ONLY**
- **384 PROCEEDS FROM SALES OF INVESTMENTS**
- **386 AGENCY TYPE DEPOSITS**
- **388 OTHER INCREASES IN CASH AND INVESTMENTS**
- **389 OTHER NONREVENUES**

390 OTHER FINANCING SOURCES

- **391 PROCEEDS OF LONG-TERM DEBT - GOVERNMENTAL FUNDS ONLY**
- **392 PREMIUM ON BONDS SOLD**
- **393 PROCEEDS OF REFUNDING LONG-TERM DEBT**
- **395 DISPOSITION OF CAPITAL ASSETS**
- **397 TRANSFERS-IN**
- **398 INSURANCE RECOVERIES**

BEGINNING CASH AND INVESTMENTS

The amounts of cash and investments available at the beginning of the year. The distinction between reserved and unreserved fund balances is required.

308.10 RESERVED
The amounts of cash and investments not available for spending at the beginning of the year due to the restrictions imposed on them by external parties (e.g., grantors, creditors, etc.) and/or due to internal commitments. Internally *committed* resources are resources with limitations imposed by the highest level of government (board of commissioners, city council, board of directors, board of supervisors, etc.) through a formal action (ordinance, resolution) that require a similar formal action on the same level to remove them. Limitations resulting from intended use (informal action) by either legislators or managers are not sufficient to classify the resources as reserved. These resources should be reported as *unreserved*.

308.80 UNRESERVED
The amounts of cash and investments without any limitations on their use and resources with informal limitations placed on them by either legislators or managers.

310 TAXES

GENERAL PROPERTY TAX

Ad valorem taxes levied on an assessed valuation of real and personal property. Include compensating tax and property taxes on land with statutory values, such as forest land, reforestation land, open space land, etc. (RCW 84.33.120, RCW 84.33.140, RCW 84.33.145)

Account 311.00 should not include: (1) non-tax revenue; or (2) taxes levied by the municipality upon subjects or bases other than general property. This account should include taxes levied by a county and diverted to a city because of annexation.

311.10 REAL AND PERSONAL PROPERTY TAX
(RCW 84.56.230, RCW 35.13.270). Additional earmarked levies of real and personal property tax should be coded using the subelement (5th) digit. (E.g., Emergency Medical Services (RCW 84.52.069), Veterans' Assistance Fund (RCW 73.08.080), Community Services (RCW 71.20.110), Criminal Justice (RCW 84.52.135), Conservation Futures (RCW 84.34.230), etc.)

311.20 DIVERTED COUNTY ROAD PROPERTY TAX
(RCW 36.33.220, RCW 36.82.040). For details see Part 3, Chapter 10, Interpretation 3.

311.30 SALE OF TAX TITLE PROPERTY (RCW 36.35.110)

311.60 DEFERRED PROPERTY TAX (RCW 84.38.120)

TIMBER HARVEST TAXES

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, RCW 84.33.081).

RETAIL SALES AND USE TAXES

Taxes imposed upon the sale or consumption of goods and/or services generally, with few or limited exemptions. Include sales taxes levied by the governmental unit even though collected and distributed by the state after deduction of a handling fee. The net amount received should be reflected in the account. (Chapter 82.14 RCW)

Account 313 should not include any interest earnings. Use account 361.40.

313.10 Local Retail Sales and Use Tax
(RCW 82.14.060)

313.12 Annexation Area Sales and Use Tax
(RCW 82.14.415) Tax imposed by selected cities to be used solely to provide, maintain, and operate municipal services for the annexation area.

313.13 Benefit Zones Sales and Use Tax
(RCW 82.14.465) Sales and use tax imposed to finance public improvements.

313.14 Chemical Dependency/Mental Health Services Tax
(RCW 82.14.460) Sales and use tax (1/10 of one percent) imposed for the purpose of providing new or expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs. A portion of tax revenue may be used to supplant existing programs.

313.15 Special Purpose Tax
(RCW 82.14.450) Sales and use tax imposed for a special purpose. (The ballot measure must indicate the purpose.)

One third of these tax proceeds should be used solely for criminal justice purposes, fire protection purposes, or both. Code the criminal justice portion of this tax to 313.73. If all 3/10 of one percent is designated for criminal justice purposes, code the entire amount to 313.73.

Due to technical limitations the *Remittance Advice* from the State Treasurer's Office cannot accommodate two BARS codes for one distribution. (The *Remittance Advice* lists only code 313.73.) It is a local government's responsibility to code the "non-criminal justice" part of a distribution to 313.15, *Special Purpose Tax*.

313.16 Emergency Communication Tax
(RCW 82.14.420) To be used solely for financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of emergency communication systems and facilities.

313.17 Zoo, Aquarium and Wildlife Facilities Sales and Use Tax
(RCW 82.14.400) To be used solely for financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, re-equipping, or improvement of zoo, aquarium and wildlife preservation and a display facilities that are currently accredited by the American Zoo and Aquarium Association. Also, you can be used for parks as defined in RCW 82.14.400.

313.18 Rural County Sales and Use Tax
(RCW 82.14.370) The money collected should only be used for financing public facilities in rural counties. "Public Facilities" and "Rural Counties" are defined by RCW 82.14.370(3)(5).

313.19 Public Facilities Sales and Use Tax
(RCW 82.14.390) The sales and use tax imposed by the public facility district. The money collected should only be used for financing a regional center as defined by RCW 35.57.020.

LOCAL RETAIL SALES AND USE TAX-TRANSPORTATION
Tax restricted for public transportation system and/or high capacity transportation.

313.21 Public Transportation Systems
(RCW 82.14.045)

313.30 HOTEL/MOTEL TAX
(Chapter 67.28 RCW) Funds distributed are to be used solely for the purpose of paying all or any part of the cost of tourism promotion and acquisition or operation of tourism – related facilities (RCW 67.28.1815).

313.50 HOTEL/MOTEL TAX - CONVENTION/TRADE CENTER
(RCW 67.40.100) Can be imposed only by the city incorporated before 1982 with a population over 60,000 located in a county with a population over one million (other than Seattle).

313.60 NATURAL GAS USE TAX
(RCW 82.14.230)

LOCAL RETAIL SALES AND USE TAX - PUBLIC SAFETY

313.71 Criminal Justice
Funds distributed are to be used exclusively for criminal justice purposes. (RCW 82.14.340)

313.72 Juvenile Criminal Justice
Funds are to be used exclusively for financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of juvenile detention facilities and jails. (RCW 82.14.350)

313.73 Public Safety
Sales and use tax authorized by RCW 82.14.450. Code here only the portion of the tax designated for criminal justice purposes. The remaining portion code to 313.15. If all of the tax is designated for criminal justice purposes, code here the entire amount.

Due to technical limitations the *Remittance Advice* from the State Treasurer's Office cannot accommodate two BARS codes for one distribution. (The *Remittance Advice* lists only code 313.73.) It is a local government's responsibility to code the *non-criminal justice* part of a distribution to 313.15, *Special Purpose Tax*.

INTERFUND TAXES
Taxes assessed against one fund for the benefit of another fund of the same government.

BUSINESS AND OCCUPATION TAXES ON MUNICIPALITY'S OWN UTILITIES
Levied on the gross revenues or other activity of utility.

314.51 Electric

314.52 Water

314.53 Gas

314.54 Sewage

314.55 Garbage/Solid Waste

314.56 Cable

314.58 Storm Drainage

314.59 Other

BUSINESS AND OCCUPATION TAXES
Taxes levied on business activities or designated types of business firms. Business taxes imposed on utilities and enterprises should also be included.

Account 316 should not include any intergovernmental or interfund charges in lieu of taxes. Use accounts 314, 337 or 338.

316.10 BUSINESS AND OCCUPATION TAXES
A revenue tax that derives from municipal authority to license businesses, usually based on gross revenue. (The license fee itself is recorded in account 321.) (RCW 35.21.710 and RCW 82.04.220)

316.20 ADMISSIONS TAX
A consumer tax based on entrance to theaters, parks, sports arenas, etc. Also include similar taxes on season tickets, cover charges, rentals of recreational facilities and equipment, and the like. (RCW 35.21.280 and RCW 36.38.010)

316.30 PARKING TAX
A tax imposed upon all persons engaged in a commercial parking business within the boundaries of an incorporated city or unincorporated county. (RCW 82.80.030)

BUSINESS AND OCCUPATION TAXES ON PRIVATELY OWNED UTILITIES
(RCW 35.21.870)
Although commonly referred to as B&O tax, this is actually a gross receipts tax.

316.41 Electric

316.42 Water

316.43 Gas

316.44 Sewage

316.45 Garbage/Solid Waste

316.46 Cable

316.47 Telephone

316.48 Steam

316.49 Other

BUSINESS AND OCCUPATION TAXES ON UTILITIES OF OTHER GOVERNMENTS

316.51 Electric
Excise tax locally levied. If state shared, use 335.00.91.

316.52 Water

316.53 Gas

316.54 Sewage

316.55 Garbage/Solid Waste

316.56 Cable

316.57 Railroad

316.58 Storm Drainage

316.59 Other

TAXES BILLED TO CUSTOMERS OF GOVERNMENT'S OWN UTILITIES
This account is restricted to include only those taxes directly passed on to the consumer. Such taxes must be shown on utility bills to customers. These taxes are not revenues to the utility, only to the general fund. See account 314 for business and occupation taxes levied on the revenues (or other activity basis) of a government's own utility.

316.71 Electric

316.72 Water

316.73 Gas

316.74 Sewage

316.75 Garbage/Solid Waste

316.76 Cable

316.77 Telephone

316.78 Storm Drainage

316.79 Other

EXCISE TAXES
Taxes levied on the sale, production or consumption of certain commodities. Also, taxes levied for certain privileges.

LOCAL MOTOR VEHICLE FUEL TAX

317.12 High Capacity Transportation (HCT)
A tax imposed on employers based on number of FTEs (RCW 81.104.150) and on all motor vehicles (RCW 81.104.160(1)) solely for the purpose of providing high capacity transportation service.

317.13 High Occupancy Vehicle (HOV) Systems
A tax imposed on employers (RCW 81.100.030) and on all motor vehicles for HOV lane development, mitigation of environmental impacts of HOV development, support of employer programs to reduce single occupant commuting, and commuter rail programs (RCW 81.100.060).

317.14 Border Area Jurisdictions
A tax imposed on the sale of motor vehicle fuel and special fuel. Proceeds should be used for the purposes of border area jurisdiction street maintenance and construction. (RCW 82.47.020 and RCW 82.47.030)

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

REAL ESTATE EXCISE TAX (REET)

317.31 County Treasurer's Collection Fee
The five dollar fee paid on transactions that do not require payment of tax should be posted to in the general (current expense) fund. Also include the one percent of the REET tax designated to defray costs of collection (RCW 82.46.030).

317.34 REET 1 – First Quarter Percent
Excise tax imposed on the sale of real property and dedicated to local capital projects identified in RCW 82.46.010(2)(6). Proceeds should be placed in the capital improvement funds. (RCW 82.45.180(2), RCW 82.46.030(2))

317.35 REET 2 – Second Quarter Percent
An additional excise tax on sale of real property. Proceeds should be used solely for financing capital projects specified in the capital facilities plan. Also, the proceeds can be used (subject to restrictions specified in the statute) for municipality owned heavy short line railroad. (RCW 82.46.035)

317.36 REET – ONE HALF PERCENT
An additional tax on sale of real property imposed in-lieu of sales and use tax authorized in RCW 82.14.030(2). (RCW 82.46.010(3))

317.37 CONSERVATION AREAS
An additional excise tax on sale of real property imposed by counties and used exclusively for the acquisition and maintenance of conservation areas. (RCW 82.46.070)

HOUSEHOLD TAXES
Excise tax levied and collected from residents and used to support selected government's operations.

317.41 Enhanced 911 – Switched Access Lines
(RCW 82.14B.030(1))

317.42 Enhanced 911 – Radio Access Lines
(RCW 82.14B.030(2))

317.43 Municipal Public Transportation System
(RCW 35.95.040)

317.44 Ambulance Services
(RCW 35.21.768)

317.45 Enhanced 911 – Interconnected Voice Over Internet Protocol Service Lines
(RCW 82.14B.030(3))

317.49 Other

GAMBLING EXCISE TAXES
(RCW 09.46.110, RCW 09.46.113 and RCW 09.46.270)

317.51 Punch Boards and Pull Tabs

317.52 Bingo and Raffles

317.53 Amusement Games

317.54 Card Games

OTHER TAXES
Taxes not otherwise included in accounts 311 through 317.

318.10 TOURISM PROMOTION CHARGES
A charge imposed on furnishing of lodgings by lodging business and designated to be used for tourism promotion (RCW 35.101.010 - RCW 35.101.130).

318.90 OTHER TAXES

PENALTIES AND INTEREST ON DELINQUENT TAX
Penalties for the payment of tax after due date, and the interest charged on delinquent tax from the due date to the date of actual payment. Penalties and interest on capital assessment should be coded 361.51 and 361.55.

PENALTIES AND INTEREST ON DELINQUENT REAL AND PERSONAL PROPERTY TAX

319.11 Penalties on Delinquent Property Tax
(RCW 84.56.020 (1)(2), RCW 84.33.120(8), RCW 84.33.140(4))

319.12 Penalty for Failure to List Personal Property
(RCW 84.40.130)

319.15 Other Penalties on Delinquent Property Tax

319.16 Interest on Delinquent Property Tax
(RCW 84.56.020)

319.19 Other Interest on Delinquent Property Tax

319.30 PENALTIES AND INTEREST ON DELINQUENT RETAIL SALES AND USE TAXES

319.60 PENALTIES AND INTEREST ON DELINQUENT BUSINESS TAXES

319.80 PENALTIES AND INTEREST ON OTHER DELINQUENT TAXES
(For penalties and interest on delinquent operating assessments (e.g., irrigation assessment - RCW 87.03.270, etc. use account 361.50).

320 LICENSES AND PERMITS

Charges for the issuance of licenses and permits. Not a charge for inspections. (See 342.40)

Licenses are required by municipalities for selected trades, occupations and other activities for regulatory purposes. These businesses and activities are selected because of health, safety, or security hazards which might arise in the absence of regulation. Licenses may be accompanied by inspections of the premises by city, county, or state departments. Inspection may be repeated upon renewal of the license. License fees are usually designed to cover the cost of administration, inspection and continuing services in connection with regulation. If inspection charges are assessed separately, they should be coded 342.40.

Permits are issued to aid regulation of new business activities. Some represent public control over private activity while other permits regulate private use of public property. Issuance of permits protects the property from dangerous or unauthorized use.

BUSINESS LICENSES AND PERMITS
Proceeds from the issuance of licenses and permits to businesses and occupations which must be licensed before doing business within a governmental unit. Not a charge for inspections. (See account 342.40.)

321.10 ALCOHOLIC BEVERAGES

321.20 HEALTH

321.30 POLICE AND PROTECTIVE
Include permits for selling fireworks.

321.50 PUBLIC UTILITIES

321.60 PROFESSIONAL AND OCCUPATIONAL
(E.g., antique dealers, auctioneers, taxicab driver permits, and taxicab operation licenses.)

321.70 AMUSEMENTS
(E.g., amusement devices, billiard and card tables, carnivals and circuses, and dance and dance hall licenses.)

321.80 PENALTIES ON BUSINESS LICENSES

321.90 OTHER BUSINESS LICENSES AND PERMITS
Include general business licenses and permits not includable in any other specific account number, such as vending machine licenses.

321.91 Franchise Fees
Charges levied on private utilities for the right to use public property.

Note: Exceptions for cities and towns in RCW 35.21.860.

NON-BUSINESS LICENSES AND PERMITS
Levied according to benefits presumably conferred by the license or permit.

322.10 BUILDINGS, STRUCTURES AND EQUIPMENT
Not a charge for inspections. (See accounts 342.40, 345.83)
Examples:
Building Permits: Commercial, Residential,
Plumbing Permits,
Electrical Permits,
Septic Tank Permits, etc.

322.20 MARRIAGE LICENSES

322.30 ANIMAL LICENSES

322.40 STREET AND CURB PERMITS
Not a charge for inspections. (See accounts 342.40, 345.83)
Examples:
Overload Permits (RCW 46.44.096),
Temporary Street and/or Sidewalk Closures,
Taxi and Other Zone Permits, etc.

322.80 PENALTIES ON NON-BUSINESS LICENSES

322.90 OTHER NON-BUSINESS LICENSES AND PERMITS
(E.g., gun permits, etc.)

329.00 INTERFUND LICENSES AND PERMITS
Licenses, permits, fees assessed against one fund for the benefit of another fund of the same government.

330 INTERGOVERNMENTAL REVENUE

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

331 DIRECT FEDERAL GRANTS

Cash or other assets furnished by the federal government to local governments under contractual arrangements that provide aid to the local government. 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 such as a state agency or a local government. 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.

Direct federal grants for capital purposes in proprietary funds should be coded 374.

For coding ARRA grants use 339.

Federal loans are recorded in account 382.80 or 391.80.

Payments received for a performing a vendor/contractor service for another government are recorded under the BARS account 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 nine 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, or 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).

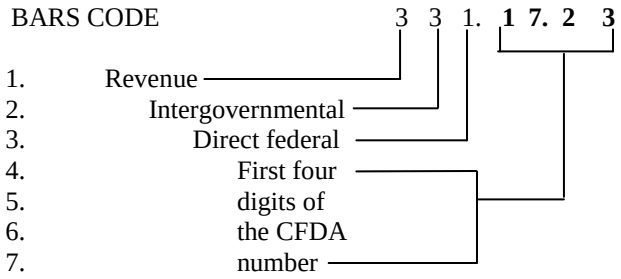
Most agreements with federal agencies include references to the funding program in the first few paragraphs of the agreement. The exact title of the funding program is what you need to find the catalog number.

RESOURCE ACCOUNTS

Account Definitions

Grants from all federal agencies should be coded using the first four digits of the number assigned that program in the Catalog of Federal Domestic Assistance (CFDA).

Example: A government receives a direct federal grant. The title of the grant is Senior Community Service Employment Program. The CFDA number is 17.235. The BARS code for this grant is 331.17.23.



332 FEDERAL ENTITLEMENTS, IMPACT PAYMENTS, BOND INTEREST SUBSIDIES, AND IN-LIEU TAXES

Resources furnished by the federal government to local governments based on a distribution formula. Entitlements are distributed per capita or based on some eligibility requirements. Typically, there are few or no restrictions on how federal entitlements may be spent.

Federal aid for secondary highways (FAS), federal aid - municipal (FAM), etc., are accounted for in 333.20.2X.

332.10.60 Payment In-Lieu of Tax
U.S. Department of Agriculture, Forest Services

Payments distributed under Public Law 99-663 for the Columbia River Gorge National Scenic Area. Do not report these payments on the Schedule of Expenditures of Federal Awards (Schedule 16).

332.10.68 Title I – School and Roads
Counties share of receipts from federal forest received under the *25 Percent* or *Full Payment* option (Title 16, USC, Section 500). Payments are to be used for benefit of public schools and public roads in the county in which the national forest is situated. The money should be reported on the Schedule of Expenditures of Federal Awards (Schedule 16) as CFDA 10.665, *Schools and Roads – Grants to States*.

332.10.69 Title II – Special Projects On Federal Land
If the county's share of receipts from federal forest (Title 16, USC, Section 500) received under the "Full Payment" option exceeds $100,000, the remaining balance (80-85 percent of the payment has to be spent on public schools and roads – see Title I above) can be used on special projects on federal lands. The money should be reported on the Schedule of Expenditures of Federal Awards (Schedule 16) as CFDA 10.665, *Schools and Roads – Grants to States.*

332.10.70 Title III – County Projects
If the county's share of receipts from federal forest (Title 16, USC, Section 500) received under the *Full Payment* option exceeds $100,000, the remaining balance (80-85 percent of the payment has to be spent on public schools and roads – see Title I above) can be used on county projects like: search, rescue and emergency services, community service work camps, easements purchases, forest related educational opportunities, fire prevention and county planning, and community forestry. The money should be reported on the Schedule of Expenditures of Federal Awards (Schedule 16) as CFDA 10.665, *Schools and Roads – Grants to States.*

332.12.00 Military Forest Yield
Counties' share of forest receipts from military installations remitted by the state treasurer (Title 10, USC, Section 2665). These moneys are to be spent on public roads and public schools. These funds meet the definition of federal financial assistance described in Section 105 of OMB Circular A-133 and should be reported on the Schedule of Expenditures of Federal Awards (Schedule 16).

332.12.10 Federal Flood Control Leases

Counties' share of the receipts from leases of federal lands acquired for flood control, navigation, and related purposes. These moneys are remitted by the state treasurer and may be used for any expenditure of county government. Alternatively, these receipts may be passed on to flood control districts or diking and drainage districts. (Title 33, USC, Section 701c-3, RCW 36.34.220) This program has been assigned CFDA 12.112; 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.

332.15.21 Taylor Grazing Leases

Counties' share of the receipts from grazing leases on federal lands outside grazing districts, remitted by the state treasurer, usually in October. (Title 43, USC, Section 315i, RCW 79.28.040) This program has been assigned CFDA 15.227; 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.

332.15.23 Payment In-Lieu of Tax

U.S. Department of the 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.

332.15.24 Acquired Settlement Lands

U.S. Department of the Interior, Bureau of Reclamation

Counties share of the aggregate fund derived by the U.S. from the leasing of acquired settlement lands (Columbia Basin Project Act). Do not report these payments on the Schedule of Expenditures of Federal Awards (Schedule 16).

332.15.60 Payment In-Lieu of Tax

U.S. Department of the 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 which 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).

332.21.00 Equitable Sharing of Federally Forfeited Property

U.S. Department of Justice
U.S. Department of Treasury

Payments made to local law enforcement agencies that directly participated in investigation or prosecution that resulted in a federal forfeiture of property. Do not report these payments on the Schedule of Expenditures of Federal Awards (Schedule 16).

332.21.10 COBRA Payroll Tax Credit
Payments related to COBRA health benefits for eligible former employees whose 35 percent contribution is considered a full payment and the employer is entitled to credit for the remaining 65 percent of coverage. These payments are not considered grants and are not subject to Schedule 16 requirements.

332.21.20 ARRA Bonds Interest Subsidy Payment
U.S. Department of Treasury, Internal Revenue Service

Use this account for a direct federal subsidy payment for a portion of the borrowing cost related to Build America, Clean Renewable Energy, Qualified Energy Conservation, Recovery Zone Economic Development, and other ARRA bonds. These payments are not considered a federal award subject to OMB Circular A-133 and should not be reported 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 of 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

Indirect federal grants are distinguished from direct grants by the fact that they are passed through one or more intermediary governments or nonfederal agencies before reaching the local government.

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 the BARS account 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 382.80 or 391.80.

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

Note that federal aid for secondary highways (FAS), federal aid - municipal (FAM), etc., are accounted for in 333.20.2X.

334 STATE GRANTS

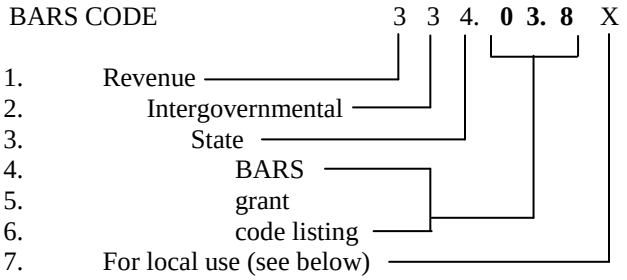
Cash or other assets furnished by the state government to local governments directly or indirectly, through another local government, under contractual arrangements that provide aid to the local government. Code state grants by the state agency which provides the grant, using the element, subelement and object (unit) fields. Do not confuse state grants with grants received from the state but originating with the federal government; when the state is acting as an agent of the federal government, the grants should be classified as indirect federal grants, account 333. Be careful to segregate federal indirect moneys from state matching grants, which may be paid on the same state remittance.

Coding Instructions

The following coding procedures apply to all state grant moneys. They apply whether such arrangements are called *awards*, *grants*, *block grants*, *subsidies*, *programs*, *cost reimbursements*, *contracts*, or *agreements*.

Grants from all state agencies will be coded using the three digit code listed on the following page.

Example: An entity receives a state grant from the Transportation Improvement Board (03.8X). The BARS code for the grant is 334.03.8X.



If more than one grant is received from the same agency, 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.

STATE AGENCIES

00.1X	Legislature and its Committees
00.2X	Office of the Governor
00.3X	Secretary of State
00.4X	Office of Financial Management
00.5X	Department of Personnel
00.6X	Department of Retirement Systems
00.7X	Department of Enterprise Services
00.8X	Department of Licensing
00.9X	Department of Revenue
01.0X	Office of Attorney General
01.1X	Criminal Justice Training Commission
01.2X	Other Judicial Agencies (e.g., Administrative Office of the Courts, etc.)
01.3X	State Patrol
01.4X	Gambling Commission
01.5X	Department of Corrections
01.7X	Other Corrections Agencies
01.8X	Military Department
01.9X	Lottery Commission
02.1X	Department of Agriculture
02.2X	Agricultural Commissions
02.3X	Department of Natural Resources
02.4X	Department of Parks and Recreation
02.5X	Department of Fish and Wildlife
02.7X	Recreation and Conservation Funding Board
02.8X	Utilities and Transportation Commission
03.1X	Department of Ecology
03.2X	Other Environmental Agencies
03.3X	Conservation Commission
03.5X	Traffic Safety Commission
03.6X	Department of Transportation
03.7X	County Road Administration Board
03.8X	Transportation Improvement Board
03.9X	Other Transportation Agencies
04.2X	Department of Commerce
04.3X	Human Rights Commission
04.5X	Department of Veterans Affairs
04.6X	Department of Social and Health Services
04.7X	Department of Employment Security
04.8X	Minority Commissions and Councils
04.9X	Department of Health
05.1X	Superintendent of Public Instruction
05.2X	Work Force Training and Education Coordinating Board
05.3X	Higher Education Coordinating Board
05.4X	Universities and Four-Year Colleges
05.5X	Community and Technical Colleges
05.6X	Other Educational Agencies
05.7X	State Library
05.8X	Arts Commission
06.9X	Other Agencies
07.0X – 09.99	Reserved for interlocal grantors (e.g., cities, counties, districts, etc.)

335 STATE SHARED REVENUES

335.00.84 Capron Refunds (Island and San Juan Counties)
State distribution of motor vehicle license and fuel taxes paid by residents of these two counties. Distribution is based on fees paid by county residents, then allocated to cities and towns on the basis of assessed valuation. These moneys must be deposited into a road or street fund. (RCW 46.68.080)

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 RCW 54.28.050) Local taxes on PUD operations belong in account 316.50. 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. A county with population of less than sixteen thousand must first apply the proceeds to reduction of any indebtedness existing in the general (current expense) fund during the year of a payment. (RCW 79.64.110)

335.02.33 DNR Timber Trust 2
Counties' share of proceeds from sales 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. A county with population of less than sixteen thousand must first apply the proceeds to reduction of any indebtedness existing in the general (current expense) fund during the year of a payment. (RCW 79.64.110)

336 STATE ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES

336.00.84 Vessel Registration Fees
Money allocated to counties with eligible boating safety programs approved by the State Parks and Recreation Commission. Distribution based on the number of registered vessels by county of moorage. Counties can also further allocate this money to other jurisdictions with approved boating safety programs. In such cases, the county should decrease this account by amounts distributed to these jurisdictions. (RCW 88.02.040, RCW 88.02.045)

336.00.87 Motor Vehicle Fuel Tax – City Streets
State-distributed taxes on motor vehicle fuels, restricted for city street purposes. Distribution is based on population. (RCW 46.68.070, RCW 46.68.110(4), RCW 47.24.040 and Chapter 35.76 RCW)

336.00.89 Motor Vehicle Fuel Tax – County Road
State-distributed taxes on motor vehicle and special fuels, to be used for county road purposes. Distribution is based on population in unincorporated areas, on the miles of county roads reported by the county engineer to the Dept. of Transportation, and on the amounts of road taxes and certain other taxes. (Chapter 36.82 RCW, RCW 46.68.070, RCW 46.68.090, RCW 46.68.120, RCW 46.68.122 and RCW 46.68.124) If this money is further distributed through an interlocal agreement to other local government, such distribution should be coded 598.44.52 by counties and 337.XX.XX by receiving entities.

336.00.90 Motor Vehicle Fuel Tax – Highway Purposes
State distribution of county-imposed additional taxes on motor vehicle and special fuels. This local option transportation revenue is to be used for the construction, maintenance and operation of city streets, county roads, and state highways; operation of ferries; and related activities. Distribution is based on the relative per capita population. (RCW 82.80.010 and RCW 82.80.080)

336.00.92 Motor Vehicle Fuel Tax – County Ferries
State distributed taxes on motor vehicle and special fuels. Reimbursement of deficits incurred by Pierce, Skagit, and Whatcom counties in the operating and maintenance of ferry systems owned by the counties. (RCW 47.56.725)

336.00.93 Motor Vehicle License Fees
State distribution of additional motor vehicle license fee to counties which do not cover their costs of providing motor vehicle licensing services. (RCW 46.68.220)

336.00.97 REET Electronic Technology
A state distribution from the REET electronic technology account to be placed in a special REET electronic technology fund held by the county treasurer to be used exclusively for development, implementation, and maintenance of an electronic processing and reporting system for the real estate excise tax affidavits (RCW 82.45.180(3)).

336.00.98 City-County Assistance
A state distribution from city-county assistance account for purposes of state reimbursement for the cost of new programs and increases in service levels under RCW 43.135.060. (RCW 43.08.290)

336.00.99 Streamlined Sales Tax Mitigation Payment
A state distribution from the Department of Revenue of mitigation payments related to the Streamlined Sales Tax Agreement (RCW 82.14.490, RCW 82.14.500).

336.01.01 Court Cost Reimbursement – Witness Fees
A payment from the Administrative Office of the Courts (AOC) for witness fees according to RCW 10.46.230.

336.01.03 Court Cost Reimbursement – Mental Health
A payment from the Department of Social and Health Services (DSHS) for providing appointed counsel services pursuant to RCW 71.05.110 and RCW 71.05.320. Also, use for reimbursement through the RSN for the direct costs in providing judicial services for civil commitment cases under Chapter 71.05 and 71.34 RCW (RCW 71.05.730).

336.01.05 Court Cost Reimbursement – Jury Management
A payment from the Administrative Office of the Courts (AOC) for the jury management activities pursuant to RCW 2.36.052.

336.01.06 Court Cost Reimbursement – Sexual Predators
A payment from the Department of Social and Health Services (DSHS) for sexual predators' civil commitment costs pursuant to WAC 388-885-020 and 025.

336.01.11 County – Substance Abuse Reduction Program
State distribution of funds from the Criminal Justice Training Commission for the purpose of substance abuse reduction (Section 104, Chapter 339, Laws of 2006).

336.01.20 Court Cost Reimbursement – County Clerks LFO Collections
State distribution to county clerks for the collection of legal financial obligations. The distribution is based on the formula determined by the Washington Association of County Officials.

336.01.28 Counties – Public Defense Services
Distribution from the Office of Public Defense to the counties for the public defense services. (RCW 10.101.010 - .070) (Distribution to cities should be coded as a state grant – 334.01.2X (RCW 10.101.080)).

336.01.29 Judicial Salary Contribution-State
A payment from the Administrative Office of the Courts (AOC) to the counties and cities for the district and municipal courts judges' salaries pursuant to RCW 43.08.250.

336.02.11 Fair Fund
The Department of Agriculture distribution from the fair fund. The distribution is based on reports furnished by county fairs to the Department of Agriculture. (RCW 15.76.115, RCW 67.16.105(4))

336.02.31 DNR PILT NAP/NRCA
The Department of Natural Resources distribution of a payment in lieu of real property tax on land dedicated as natural area preserves and natural resources conservation areas plus an additional amount of weed control assessment. (RCW 79.70.130, RCW.79.71.130)

336.02.35 Harbor Leases
State distribution of income from leases of state-owned tidelands or harbor areas. The entire amount distributed to local governments must be used only for water related improvements. (RCW 79.115.150)

336.02.51 Payment In-Lieu of Taxes – Games Lands
The Department of Fish and Wildlife payments to counties in lieu of real property taxes on the game lands. (RCW 77.12.203)

336.04.11 Centennial Document Preservation
State treasurer's distribution of revenue from the surcharge on documents recorded by the county auditor. The money should be placed in Auditor's Operation and Maintenance Fund and used solely for ongoing preservation of historical documents of all county offices and departments. (RCW 36.22.170)

336.04.23 Public Health Assistance
State distributed financial assistance for the purpose of public health.

336.04.29 Prosecutors' Victim/Witness Units
State distribution from the Department of Commerce to support a Victim/Witness Advocate. This position will provide system-based advocacy and services to victims/witness of crime, whose offender's case is being pursued by the County Prosecutor's Office. Services provided by this position can include, but are not limited to, information and support to victims/witness going through the criminal justice system, advocacy of behalf of the victim/witness, assistance obtaining protection orders or other court documents. Notification of hearings and other relevant events, assistance with accessing Crime Victims Compensation benefits, assistance with restitution, and referral to other services in the community. (Section 126, Chapter 372, Laws of 2006)

336.04.61 Court Cost Reimbursement – Institutional Impact Payments
The DSHS and DOC reimbursements for criminal justice costs incurred directly as a result of crimes committed by offenders residing in institutions under their jurisdictions. (RCW 72.72.030)

336.04.62 Cost Reimbursement – Reinvesting in Youth Program
Distribution from the DSHS, Juvenile Rehabilitation Administration to local governments for the implementation of the reinvesting in youth program established in RCW 13.40.462 and RCW 13.40.464 (RCW 13.40.466).

336.06.10 Criminal Justice – Counties
State-distributed resources. The money is allocated based on population, crime rate and annual number of criminal cases filed in the county superior court. The entire distribution must be expended for criminal justice purposes and should not be used to replace or supplant existing funding. (RCW 82.14.310) For details see Part 3, Chapter 10, Interpretation 12.

336.06.20 Criminal Justice – Cities – High Crime
State-distributed resources. The money is allocated to cities with a high rate of crime. The distribution should be spent exclusively for criminal justice purposes and should not be used to replace or supplant existing funding. (RCW 82.14.320) For details see Part 3, Chapter 10, Interpretation 12.

336.06.21 Criminal Justice – Violent Crimes/Population
State-distributed money to be used for criminal justice purposes only. Include distribution to cities with high violent crime rate (RCW 82.14.330(1)(a)) and distribution based on population (RCW 82.14.330(1)(b)).

336.06.25 Criminal Justice – Contracted Services
State-distributed money on per capita basis to be used for criminal justice purposes only. To be eligible for this distribution, a city has to contract with another government for a majority of its law enforcement services. (RCW 82.14.330(2)(a))

336.06.26 Criminal Justice – Special Programs
State-distributed money on per-capita basis for criminal justice. The money should be used only for: 1) innovative law enforcement strategies; 2) programs to help at-risk children or child abuse victim response programs; and 3) programs designed to reduce the level of domestic violence or to provide counseling for domestic violence victims. (RCW 82.14.330(2)(b))

Note: Prior to year 2003, the money was divided into three separate distributions and reported in accounts 336.06.22 (innovative law enforcement strategies); 336.06.23 (at-risk children and child abuse victims); and 336.06.24 (domestic violence).

336.06.31 Adult Court Cost – Juvenile Offenders
The money should be used solely for county adult court cost associated with implementation of revised Juvenile Justice Act.

336.06.32 Juvenile Rehabilitations – Impacted Counties
The money should be used to provide funding for county impacts associated with implementation of the Chapter 338, Laws of 1997 (juvenile code revision).

336.06.51 DUI and Other Criminal Justice Assistance
State distributed revenue to counties and cities for the cost of implementation of the DUI and other criminal justice statutes.

336.06.52 Extraordinary Criminal Justice Cost
State distribution to counties for the extraordinary criminal justice cost related to the aggravated murder cases.

336.06.91 Fire Insurance Premium Tax
State-distributed taxes on fire insurance premiums. Distribution is based on the local government's report to the state treasurer of the number of paid firemen. The entire amount received by a local government must be deposited in a firemen's pension fund. (RCW 41.16.050)

336.06.92 Autopsy Cost
(RCW 68.50.104)

336.06.94 Liquor/Beer Excise Tax
State-distributed taxes on liquor sold at state liquor stores and agencies and on other retail sales of wine. Distribution is based on population, except that local governments that prohibit the sale of liquor within their jurisdictions do not share in the distribution. Two percent of the total amount must be spent on substance abuse treatment program(s). See Part 3, Chapter 10, Interpretation 4. Also include distribution from the tax imposed on all beer. (RCW 82.08.150 thru RCW 82.08.170, Chapter 66.08 RCW, RCW 66.08.195, RCW 66.08.200, RCW 66.08.210, RCW 66.24.290, RCW 70.96A.085, RCW 70.96A.087)

336.06.95 Liquor Control Board Profits
State distribution of license and permit fees, penalties, forfeitures, and other income received by the Liquor Control Board. Distribution is based on population, except that local governments that prohibit the sale of liquor within their jurisdictions do not share in the distribution. Two percent of the total amount must be spent on substance abuse treatment program(s). See Part 3, Chapter 10, Interpretation 4. (RCW 66.08.170, RCW 66.08.210, RCW 70.96A.085, RCW 70.96A.087)

337 INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES

Cash or other assets furnished by one unit of local government to another unit of local government, 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 (see the Glossary for explanation) 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 grants, entitlements, etc., are generally allowed to be made only by home rule counties and charter cities. However, RCW 35.21.420, RCW 35.21.422 and RCW 54.28.110 permit certain impact payments by public utility departments and districts and RCW 35.21.730 permits such distributions of private funds (distributions of federal funds should be recorded in 333). In addition, various statutes allow cooperative undertakings in areas such as urban renewal, public housing, parks, and utilities that may involve interlocal grants and similar payments.

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

This account is used to record the revenue derived by one unit of government for performing a service that is the statutory responsibility of another unit of government. Shared costs of providing services are included within these accounts. These accounts will appear on the books of the governmental unit that actually performs the work. The payment may be based on actual costs or a fixed fee. An amount recorded as 338-type revenue by the performing government should result in a subobject 51 expenditure by the paying government.

The specific accounts prescribed below are comprised of the Basub account 338 plus the expenditure Basub of the service that is being paid for. This account is not to be used for:

- Revenues of internal service funds or for services rendered by the government that are not governmental in nature (see the definition of a subobject 51), such as central stores, data processing, insurance and trust contributions, photocopies, sales of fuel or road materials, utility charges, equipment repair charges, engineering charges, equipment and property rentals.

- Revenues derived from services that are the statutory responsibility of the government receiving the revenue, such as election costs, recording fees, treasurer's investment fees, licenses, building permits, and court fees and charges.

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

338.11 Legislative Committees and Advisory Bodies

338.12 Court Costs

338.13 Executive Boards and Committees

338.15 Legal Services

338.16 Personnel Services

338.19 Other General Government Services

338.21 Law Enforcement Services
(Include sex offender registration fees received from the Washington State Patrol, RCW 43.43.540)

338.22 Fire Control Services

338.23 Detention and/or Correction

338.24 Protective Inspections
(Use 320 series for sales of intergovernmental licenses and permits)

338.25 Emergency Services

338.26 Ambulance, Rescue and Emergency Aid Services

338.27 Juvenile Services

338.28 Communications, Alarms and Dispatch Services
(Use 342.80 for intergovernmental charges for central phone systems)

338.31 Environmental and Conservation Services
(E.g., weed control, pollution control, etc.)

338.36 Cemeteries

338.39 Animal Control and Pest/Nuisance Control Services
(Use 340 series for intergovernmental utility services)

338.42 Road and Street Maintenance Services
(Use 344 and 362 for intergovernmental sales of fuel and road materials, repair charges and rentals.)

338.46 Airports, Ports and Terminal Facilities

338.47 Transit Systems and Railroads
(Include intergovernmental payments for shared costs of van pools and transportation of the elderly or disabled. Use 344 for intergovernmental fares, 362 for intergovernmental parking fees.)

338.51 Welfare Services

338.52 Employment Opportunity and Development Services

338.53 Veterans Services

338.54 Child Care Services

338.55 Aging Services

338.56 Services for Disabled

338.57 Community Services

338.58 Planning and Community Development Services

338.59 Housing and Community Services

338.61 Hospitals and Convalescent Centers

338.62 Public Health

338.63 Coroner Services

338.64 Mental Health Services

338.66 Substance Abuse Services

338.68 Developmental Disabilities Services

338.69 Other Health Services

338.71 Educational Programs
(Use 347.80 for tuition fees.)

338.72 Library Services

338.73 Spectator and Community Events

338.74 Recreation Programs

338.75 Cultural and Recreational Facilities

338.76 Park Facilities

338.79 Other Culture and Recreation Services
(Note that intergovernmental payments for admissions, tuitions, use fees, rents and leases should be coded 347 or 362.)

338.95 Road and Street Construction Services

339 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS

Use this account to record ARRA grants. Include here all operating and capital related grants. Continue to use account codes 331 and 333 for federal revenues that are not part of the Recovery Act.

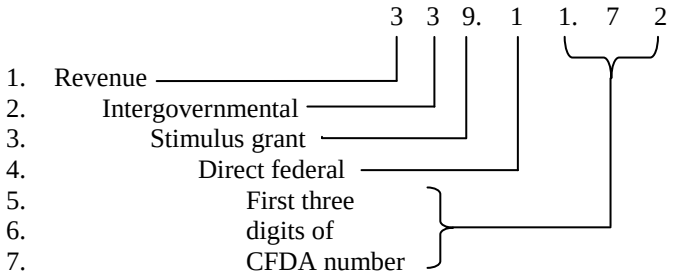
Grants from all federal agencies:

339.**1**X.XX for direct stimulus grants, and
339.**2**X.XX for indirect stimulus grants.

Grant revenues from all federal agencies should be coded using the first three digits of program's Catalog of Federal Domestic Assistance (CFDA) number.

Example: A government receives a direct federal stimulus grant. The CFDA number is 17.235 (Senior Community Service Employment Program). Therefore, the BARS code for this grant is 339.11.72.

BARS CODE



The same grant, if received indirectly, should be coded 339.21.72.

340 CHARGES FOR GOODS AND SERVICES

Fees and charges for goods and professional or other services rendered.

GENERAL GOVERNMENT

Charges for services rendered by public officials. Use this category ONLY for services not included in any other specific function or activity of the unit of government. (See accounts 342 through 349 and 361 through 366.) If the charges are made to another government, see the definition of account 338 to determine whether to use 338 or 341. The amount of these charges is determined by law, custom or by an estimate of the worth of the service to the recipient. There is no necessary relationship between the charge and the cost of the service.

FILING AND RECORDING SERVICES

All court filings shown in account 341.20 are shared with the state, except for the special superior court filing fees accounted for in 341.24 and 341.25. For district and municipal courts, only the local government's 68 percent should be recorded in this account. For superior courts, only the local government's 54 percent should be recorded in this account (RCW 36.18.025). Note that in municipal and district courts 1.75 percent of the local portion must be remitted to or spent on county crime victim and witness programs. This portion should be recorded by cities in 386 when received and 586 when transferred to the county. Only counties should use 341.98 when they receive the money and 515.70 when they make payment to victims and witnesses. The filings shown in 341.22 and 341.26 (in district but not municipal courts) and 341.23 (in superior courts) are subject to a law library allocation, while the other filings are not. Do not include *costs* that are assessed or awarded incident to a judgment. In civil, probate, and domestic cases, the collection of costs awarded is a trust transaction (account 386); for crimes and infractions, collection of costs assessed is recorded as a penalty (see account 357 for further explanation). The *filing fees* paid by a city to a district court for processing municipal court cases should be coded 338.12, while the fees collected for and remitted by the district court to the municipality should be accounted for as a trust transaction by the county.

341.21 Auditors' Filings and Recordings
(RCW 36.18.010, RCW 36.22.178, RCW 36.22.179) For details, see Part 3, Chapter 10, Interpretation 10.

341.22 District/Municipal Court Civil Filings
(RCW 3.62.060, RCW 35.20.030) District courts should allocate from the local portion the sum of seven dollars for each filing for the support of the law library. (RCW 27.24.070)

341.23 Superior Courts Civil, Probate and Domestic Relations Filings
(RCW 36.18.014, RCW 36.18.020(a)(b)(c)(d)(f)(g)(h)) Courts should allocate from the local portion a sum of seventeen dollars (maximum to twenty dollars or thirty dollars for counties with multiple law library sites) for each filing for the support of the law library. (RCW 27.24.070)

341.24 Dispute Resolution Surcharge
(RCW 07.75.035) A county legislative authority may charge up to $10 on civil filing fees and up to $15 on small claims actions. The surcharge must be remitted to county treasurer to be used solely for dispute resolution centers.

341.25 Water Rights and Torrens Act Filings
These filings in superior courts are separated because they are not shared with the state. (RCW 90.03.190, RCW 65.12.780)

341.26 Recording Surcharge – Affordable Housing
A charge for recorded documents to be used by the county and its cities and towns for eligible housing activities that serve to very low-income households with incomes at or below 50 percent of the area median income (RCW 36.22.178).

341.27 Recording Surcharge – Local Homeless Housing
A surcharge for recorded documents to be used by the county and its cities for homeless housing programs. Counties can further allocate some of these resources cities. In such cases, the county should decrease this account by amounts distributed to these jurisdictions.
(RCW 36.22.179, RCW 43.185C.109)

341.28 District/Municipal Other Court Filings
(E.g., transcripts, abstracts, and small claims.)

341.29 Superior Court Other Filings
(E.g., transcripts, abstracts, wills without probate, petitions for modification and tax warrants.) (RCW 36.18.012, RCW 36.18.016(2)) These filings are not subject to a law library allocation.

RECORDS SERVICES
Charges for processing requests for records. Charges to other departments of the same government should be coded 349.

341.32 District/Municipal Court Records Services
Include fees for executing writs and furnishing certifications. These fees are shared with the state. Note that only the local portion should be recorded in this account and that 1.75 percent of the local portion must be remitted to or spent on county crime victim and witness programs.

341.33 District/Municipal Court – Administrative Fees
Include name change fees (RCW 04.24.130), warrant preparation and deferred prosecution program fees (RCW 10.01.160). These fees are retained 100 percent locally. Also include local portion ($5) of crime lab analysis. The state portion ($95) is recorded in 386.96.

341.34 Superior Court Record Services
Include fees for executing writs of attachment and bond approvals, certificates of qualification, letters testamentary, statutory certifying and copy fees, fees for research (records search), fees for preparation of clerk's papers on appeals or change of venue, civil jury demands, fees for the collection of unpaid LFOs, etc. (RCW 36.18.016). Unlike similar fees in courts of limited jurisdiction, fees for these services in superior courts are not shared with the state.

341.35 Other Statutory Certifying and Copy Fees
See Chapter 36.18 RCW for fee schedules of the county auditor, sheriff and treasurer. Use 341.60 for copy fees established by local ordinance or resolution.

341.36 Auditors' Historical Document Preservation and Modernization Surcharge
A surcharge of five dollars for every document recorded by the county. One dollar of the surcharge should be deposited in the county general (current expense) fund to be used at the discretion of the county commissioners to promote historical preservation or historical programs. Fifty percent of the remaining surcharge should be deposited in the Auditor's Operation and Maintenance Fund for ongoing preservation of historical documents of all county offices and departments. The remaining fifty percent should be remitted to the state treasurer. (RCW 36.22.170.) For details see Part 3, Chapter 10, Interpretation 10.

341.37 Superior Court – Administrative Fees
Include warrant preparation fees (RCW 10.01.160). Also include local portion of crime lab analysis ($5). The state portion ($95) is recorded in 386.96. The cost of bank services relating to the provisions of credit cards may be recouped for court services (RCW 36.29.190).

341.38 Records Search by County Auditors
See Chapter 36.18 RCW for fee schedules of the county auditor.

FINANCIAL SERVICES

341.41 Assessors' Fees
(E.g., open space processing (RCW 84.34.030)). Use 341.60 for photocopies.

341.42 Treasurers' Fees
Fees and charges for handling, administering, collecting, disbursing, and accounting for taxes or assessments collected for the county, state, or others (e.g., charges for establishing assessments rolls – RCW 36.29.180, processing fees for collecting forest fire protection assessment – RCW 76.04.610). Also include recovering costs associated with foreclosure, distraint and sale of property for delinquent taxes (RCW 84.56.020). Treasurer's investment fees are accounted for in 361.19. Penalties for delinquent irrigation assessments (RCW 87.03.270) and capital assessments should be coded 319.80 and 361.51, respectively.

341.43 Budgeting and Accounting Services
(E.g., collection fees, etc.) Include intergovernmental revenues.

341.44 Audit and Consulting Services

341.45 Election Services
Charges to other governments for their prorata share of election costs. For details see Part 3, Chapter 10, Interpretation 8. Also include registration fees paid by cities and towns (RCW 29A.80.150).

341.47 Risk Management Services

341.48 Motor Vehicle License Fees
Revenue from the state for providing vehicle licensing services (e.g., license tabs, tonnage, etc.) (RCW 46.01.140).

WORD PROCESSING, PRINTING AND DUPLICATION SERVICES

341.62 Municipal/District Court
Include district and municipal fees for photocopies and fees for forms sold, except where the fee is set by state statute. (See 341.34 and 341.35) In district and municipal courts, 32 percent of these charges are distributed to the state; include only the local 68 percent here. Note that 1.75 percent of the court's local portion must be remitted to or spent on county crime victim and witness programs.

341.65 Superior Court – Word Processing and Transcription Fees
Superior court services are not subject to the split to the state. Also include fees for photocopies and forms sold. These fees are retained 100 percent.

341.69 Other Word Processing, Printing and Duplication Services

SALES OF MERCHANDISE
Include sales to other governments or private parties from central stores. (Use 348.70 or 349 for interfund sales.) Also include concession sales (including sales to inmates), vending machine proceeds, and sales of prepared meals. See 344 for sales of fuel, vehicle parts, and road materials.

341.71 Sales of Taxable Merchandise
Sales tax collected on these items should be posted to account 386.

341.75 Sales of Nontaxable Merchandise

341.80 DATA PROCESSING SERVICES
Use 348.80 or 349 for interfund services.

341.90 OTHER GENERAL GOVERNMENT SERVICES

341.91 Election Candidate Filing Fees

341.92 Property Management Services
Include relocation services. Use 348.92 or 349 for interfund services.

341.93 Custodial/Janitorial/Building Security
Use 349.18 for interfund services.

341.94 Purchasing Services
Do not include the price of items purchased (these should be coded either as reimbursements, i.e., posted to the expenditure account, or as a sale of merchandise - 341.71).

341.95 Legal Services
Include public defender fees collected under contracts, unless assessed on judgment of a guilty defendant (see account 357). Use 349 for interfund legal services.

341.96 Personnel Services
Use 349.16 for interfund services.

341.97 Employee Benefit Program Services
Do not include trust contributions or premium payments (accounted for in 365, 366 or 369). Use 348.97 or 349.17 for interfund services.

341.98 County Crime Victim and Witness Programs
A local share of penalty assessment of the forfeiture of bail to be used for support of comprehensive victim and witness program (RCW 07.68.035(4)). Cities (municipal courts) collecting these moneys should use BARS code 386.XX when receiving theirs and 586.XX when remitting them to the counties. Counties use 341.98.01 for the payment from district and municipal courts and 341.98.02 for the payment from superior courts. (See account 515.70 for expenditures.)

341.99 Passport and Naturalization Fees
The fees are retained 100 percent locally.

PUBLIC SAFETY
Current services rendered by departments performing public safety functions and activities. Revenue from private sources only. Intergovernmental revenue should be coded 338.2X.

342.10 LAW ENFORCEMENT SERVICES
Include fees charged by police and sheriff departments for crowd control and special patrol services. Also include sheriff's fees for conducting a sale, making seizures and serving papers, including the related mileage and making a return. Sheriff's fees for copies should be accounted for at 341.35 or 341.60. For sheriff's fees recovered in a criminal judgment, use account 357. Charges to other governments for providing their law enforcement are accounted for in 338.21. Recovery of emergency response cost from persons convicted for DUI should be coded here or in 342.20, 342.50 or 342.60 depending on type of service provided. (RCW 38.52.430) Also include 20 percent of the fee imposed on adult felons for collecting of a biological sample for the state DNA database (RCW 43.43.7541).

342.20 FIRE PROTECTION SERVICES
Include service charges on personal property and improvements to real property. (Chapter 52.18 RCW) Also include (if appropriate) recovery of emergency response cost from persons convicted for DUI (see 342.10 for more information).

CHARGES FOR DETENTION AND CORRECTION SERVICES

342.33 Adult Probation Services
Include monthly assessments per RCW 10.64.120; also include presentencing evaluation fees and DUI evaluation fees. These revenues are not shared with the state. Juvenile probation and diversion service charges are accounted for at 342.70.

342.36 Housing and Monitoring of Prisoners
For example, charges collected in work release programs, alternative sentence programs, electronic monitoring (RCW 26.50.060, RCW 26.50.110), or costs recovered from offenders for incarceration (RCW 09.94A.120, RCW 09.94A.145, RCW 10.01.160(2)). Use 338.23 for intergovernmental service charges. See 342.70 for juvenile detention.

342.37 Booking Fees
(RCW 70.48.390) Fees for photograph and fingerprints, adult or juvenile.

342.38 Pre-Conviction Supervision Costs
Include pre-trial supervision costs for superior courts and courts of limited jurisdiction (RCW 10.01.160).

342.40 PROTECTIVE INSPECTION FEES
Fees for inspection services (not a fee for a license or a permit). (See account 320)

342.50 EMERGENCY SERVICE FEES
Fees for assistance in preparation for, response to, and recovery from disaster. Also include (if appropriate) recovery of emergency response cost from persons convicted for DUI (see 342.10 for more information).

342.60 AMBULANCE AND EMERGENCY AID FEES
Fees for transportation and emergency medical aid to sick and injured. Also include (if appropriate) recovery of emergency response cost from persons convicted for DUI (see 342.10 for more information).

342.70 JUVENILE SERVICES
Include diversion fines as well as fees for juvenile counseling, continuing diversion services, detention, probation and work release. (RCW 13.16.085, RCW 13.40.080(2)(d), RCW 13.40.220) Public defender fees collected under contracts are accounted for at 341.95, unless assessed on judgment of a guilty defendant (see account 357). Recovery of damages to facilities during detention should be coded to 395.20. Restitution for damages to private property is a trust transaction; if BARS coding is used, receipts should be posted to account 386. All fines and fees collected for juvenile diversions stay with county to supplement juvenile services. (RCW 13.40.080(14)) Include non-refundable bail fee (RCW 13.40.056).

342.80 COMMUNICATION SERVICES
Include intergovernmental charges for central phone systems.

342.90 OTHER

UTILITIES AND ENVIRONMENT
Include operating portion (i.e., cost of connection of utility hook-up fees). The amount exceeding operating portion should be recorded in account 379.

NATURAL RESOURCE CONSERVATION AND CONTROL
Operating assessments are coded in account 368.50.

343.11 Conservation Services

343.12 Irrigation Services

343.13 Flood Control Services

343.16 Weed Control Services
Code permits to 320 series and fines to 350 series.

343.17 Pollution Control Services
Include the recovery of clean-up costs. Code permits to 320 series, fines to 350 series; intergovernmental payments for shared costs to 338.31.

343.18 Energy Conservation Services

343.19 Other Environmental Services

343.20 ENGINEERING SERVICES

343.30 SALES OF ELECTRICITY AND NATURAL GAS

343.40 WATER SALES

343.50 SEWER SERVICES

343.60 CEMETERY SERVICES
Lots, liners, markers, vases, mausoleum space, sexton services, opening and closing charges, miscellaneous cemetery revenues.

343.70 GARBAGE/SOLID WASTE SERVICES
(E.g., include garbage collection service fees; dumping and sanitary fill charges; charges for container service, transfer stations, and refuse stations; and salvage fees.)

OTHER UTILITIES

343.81 Combined Water/Sewer/Garbage
Use this account only if the individual sources of revenue are not separable.

343.83 Storm Drainage

343.84 Cable

343.85 Reclaimed Water

343.89 Miscellaneous
(E.g., revenue related to street lights, etc.)

OTHER FEES AND CHARGES FOR SERVICE RELATED TO PHYSICAL ENVIRONMENT

343.92 Nuisance/Pest Control Fees
Use 350 series for fines.

343.93 Animal Control and Shelter
Use 350 series for fines.

343.95 Abatement Charges
Demolition and removal of hazards.

TRANSPORTATION

Transportation functions and activities applicable to roads and streets and other transportation facilities and systems. Use 348-349 for interfund charges.

344.10 ROAD/STREET MAINTENANCE AND REPAIR CHARGES

344.20 SALES OF ROAD MATERIALS
(E.g., rock, gravel, sand and asphalt, etc.)

344.30 REPAIR CHARGES
Revenues of mechanical shops, except parts.

344.40 SALES OF PARTS
Use for items issued to repair or maintain vehicles and heavy equipment.

344.50 FUEL SALES

344.60 AIRPORT, PORT AND TERMINAL TARIFFS AND SERVICE FEES
Use 362 for facility and equipment rentals and leases.

344.70 TRANSIT AND RAILROAD TARIFFS AND FARES
Include private vanpool charges, streetcar and monorail fares and disabled/aging transportation fees. Use 362 for parking fees.

344.90 OTHER TRANSPORTATION FEES AND CHARGES
(E.g., ferry tolls, etc.)

ECONOMIC ENVIRONMENT
Current services rendered by departments performing general economic or welfare functions and activities. (E.g., commission on sale of food stamps.)

345.10 Domestic Relationships and Family Court Services
The charges are set by local ordinance or resolution, often at an hourly rate, for providing counseling and evaluation in domestic relations. Also include an additional assessment for the courthouse facilitator program (use 345.10.02 for imposed user fees and 345.10.01 for the surcharge). (RCW 26.12.240) Use 345.10.04 for the local portion of the domestic violence prevention surcharge (RCW 36.18.016(2)(b)).

345.13 Family Conciliation Fees
Use 342.70 for fees charged for family reconciliation (juvenile) services under RCW 13.32A.040.

345.15 Adoption Home Studies

345.40 CHILD CARE SERVICES

345.50 AGING SERVICES
Include adult day service fees. Use 341.71 for revenues from lunch programs, "Meals on Wheels", and other food services; use 344.70 for senior transportation charges.

345.70 INFORMATION SERVICES
Fees for services such as presentations and consultations. Intergovernmental shared costs are coded 338.57. Use 341.75 for sales of maps and publications.

PLANNING AND DEVELOPMENT SERVICES
Include fees associated with growth and development. Note that licenses and permits are coded in the 320 series. Intergovernmental shared costs are coded 338.58. Use 341.75 for sales of maps and publications.

345.81 Zoning and Subdivision
(E.g., developer fees and moneys collected from voluntary agreements allowing a payment in-lieu of a dedication of land or to mitigate a direct impact that has been identified as a consequence of a proposed development, subdivision, or plat.) Use 345.84 for moneys used for local off-site transportation improvements authorized by Chapter 39.92 RCW. (RCW 82.02.020)

345.83 Plan Checking
Include fees for inspecting and reviewing plans. (RCW 82.02.020)

345.84 Local Transportation Act (LTA) Impact Fees
(Not GMA Impact Fees - see account 345.85) Include developer fees and moneys for off-site transportation improvements not yet constructed and for those jointly funded improvements constructed since the commencement of a transportation improvement program (RCW 39.92.040). Note: Contributions from private sources are accounted for in 367.12.

345.85 Impact Fees
Include fees and moneys collected on development activity to be used as part of the financing for public facilities such as: (a) public streets and roads; (b) publicly owned parks, open space, and recreation facilities; (c) school facilities (unless the collecting government operates the school system, these fees should be recorded in an agency fund); and (d) fire protection facilities in jurisdictions that are not part of a fire district in compliance with Growth Management Act (RCW 36.70A.040). (RCW 82.02.050-.090) Note: Contributions from private sources should be accounted for in 367.12.

345.86 SEPA Related Mitigation Fees
(Chapter 43.21C RCW). Note: Contributions from private sources are accounted for in 367.17.

345.89 Other Planning and Development
Include fees for preparing environmental review documents and other mitigation payments.

345.90 HOUSING SERVICES
Include charges for minor home repairs, weatherization services, etc. Note that licenses and permits are coded in the 320 series. Use 342.40 for building inspection fees and use 362.60 for rent income.

MENTAL AND PHYSICAL HEALTH

346.10 HOSPITAL, ASSISTED LIVING AND CONVALESCENT CENTER
Include amounts received for daily and ancillary services. Do not include amounts received for services separately listed below.

346.20 PUBLIC HEALTH CLINIC
Include amounts received for daily and ancillary services. Do not include amounts for services separately listed below.

346.30 SUBSTANCE ABUSE SERVICES
Amounts received on behalf of recipients of substance abuse services. Include client fees, copayments, capitation payments and deductible payments and charges for services provided under a contract with a private entity. Do not include grants from any government agency. (See account 330 series.) Local governments performing these services under contract with other governments should use account 338.

346.40 MENTAL HEALTH SERVICES

346.50 ENVIRONMENTAL HEALTH SERVICES
Include environmental lab fees, inspection fees, water system plan check fees, etc. Do not include fees or charges for licenses or permits such as sewage and design permits, food handler cards and licenses for sewage system designers, installers and pumpers. See accounts 321.10, 322.10, etc.

346.60 DEVELOPMENTAL DISABILITIES SERVICES
Payments made by or on behalf of recipients of developmental disability services. Include client fees, copayments, capitation payments and deductible payments and charges for services provided under a contract with a private entity. Do not include grants from any government agency. (See account 330 series.) Local governments performing these services under contract with other governments should use account 338.

346.70 OTHER PUBLIC HEALTH FEES
Include vital statistics.

346.80 CORONERS' FEES

346.90 MISCELLANEOUS SERVICES

CULTURE AND RECREATION

347.10 COOPERATIVE EXTENSION SERVICES
Fees and charges for training programs, including tuition for home economics and agricultural education, 4-H club fees, etc. Use 341.75 for sales of maps and publications.

347.20 LIBRARY USE FEES
Include non-resident borrowers' fees and film rentals. Use 341.60 for photocopies, 359.70 for fines, and 362 for rentals of equipment and facilities.

347.30 ACTIVITY FEES
Fees to use a recreational facility. (E.g., golf green fees, swimming pool fees, ball court use fees, etc.) If the use fee is included as part of a charge for an organized recreational program, use 347.60. Use 362 for camping fees, rentals of equipment, and rentals of facilities. Sales tax collected on these items should be posted to account 386.

347.40 EVENT ADMISSIONS
Charges to attend a fair, performance, sporting event, convention, etc. Use account 362 for parking fees.

347.50 EXHIBIT ADMISSIONS
Charges to enter a museum, zoo, aquarium, botanical garden, or other permanent display.

347.60 PROGRAM FEES
Charges for organized recreational programs, including tuition for recreational education. (E.g., Little League, skiing and swimming lessons, summer camps, excursions, arts and crafts, etc.) Sales tax collected on these items should be posted to account 386.

347.90 OTHER FEES AND CHARGES
Include conference participant fees, vendor display charges, first aid programs, periodical subscriptions and related royalties, etc.

INTERNAL SERVICE FUND SALES AND SERVICES
Include sales and charges for services by an internal service fund to another fund of the same government. Use 349 for payments between departments of the same fund. Use 341-347 for sales and charges to other governments and private parties. Use accounts 365 and 366 for interfund trust contributions, insurance payments and rents. Amounts recorded as 348 revenue by the internal service fund should result in an object 90 expenditure by the paying fund. See accounts 362.10 and 362.20 for Equipment and Vehicle Rentals revenue.

348.10 COMMUNICATION SERVICES

348.20 SALES OF ROAD MATERIALS
Include revenues of pits, quarries, and asphalt plants.

348.30 VEHICLE/EQUIPMENT REPAIR CHARGES

348.40 SALES OF PARTS
Use this account for items issued to repair or maintain vehicles and heavy equipment.

348.50 FUEL SALES

348.60 WORD PROCESSING, PRINTING AND DUPLICATION SERVICES

348.70 OTHER SALES
Include sales from central stores and fabrication shop charges for materials, labor, and overhead. Use 341.71 for sales of signs to other governments.

348.80 DATA PROCESSING SERVICES

OTHER INTERNAL SERVICES

348.91 Risk Management Services

348.92 Property Management Services

348.94 Purchasing Services
There is no need to separate these charges if included in the price of merchandise.

348.95 Architect/Engineering Services

348.96 Personnel Services

348.97 Employee Benefit Program
Use 366.50 for interfund employer-paid premiums; 369.71 through 369.73 for employee-paid premiums and premiums from other employers.

INTERFUND/INTERDEPARTMENTAL CHARGES – SALES AND SERVICES
Include sales and charges for services by one fund or department to another fund or department of the same government, except:

(1) Sales and charges by internal service funds (use 348);
(2) Utility charges and service fees (use 343);
(3) Shared costs, operating and capital subsidies (see the Glossary for the definition of transfers; use 397 for transfers);
(4) Reimbursements (see the Glossary for definition; post to the expenditure account).

This account is also used to record interdepartmental transactions within an internal service fund. Note that separate accounts are established for interfund taxes (314) and interfund licenses and permits (329). Use accounts 365 and 366 for interfund trust contributions, insurance payments, and rents.

INTERFUND PAYMENTS FOR ELECTRICITY, GAS, WATER, SEWER AND GARBAGE SERVICE ARE NOT CREDITED TO 349 BUT TO 343.30, 343.40, ETC.

The specific accounts prescribed below are comprised of the account 349 plus the expenditure Basub of the service that is being paid for. While the list is intended to be comprehensive, it does not include every expenditure Basub and you may need to use an account not listed below. What is recorded as 349p-type revenue by the performing fund or department should result in an object 90 expenditure by the paying fund or department.

349.11 Legislative Services
(For details regarding election services, see Part 3, Chapter 10, Interpretation 8.)

349.12 Court Fees and Charges

349.14 Financial Services

349.15 Legal Services

349.16 Personnel Services

349.17 Employee Benefit Program Services

349.18 Central Services
Include property management, janitorial services, word processing, printing, duplicating and photocopy services, data processing and building security.

349.19 Other General Government Services
Include fabrication shop charges, central stores sales.

349.21 Law Enforcement Services

349.22 Fire Protection Services

349.23 Detention/Correction Services

349.24 Inspection Services

349.25 Emergency Services

349.27 Juvenile Services

349.28 Communication Services

349.31 Natural Resource Services
Include interfund payments for flood control, pollution control and weed control.

349.32 Facility Engineering Services

349.39 Other Environmental Services
Include interfund payments for animal control, nuisance and pest control.

349.42 Road Maintenance Services

349.48 Municipal Vehicles and Public Works Equipment
Include interfund payments for road materials, vehicle repairs, parts and fuel.

349.53 Veterans Services

349.55 Aging Services

349.56 Services for Disables

349.57 Community Services

349.58 Planning Services

349.59 Housing Services

349.62 Public Health Clinic Services

349.63 Coroner Services

349.64 Mental Health Services

349.66 Substance Abuse Services
Shared costs and operating subsidies are coded 338 and 397 respectively.

349.68 Developmental Disabilities Services

349.69 Other Health Services

349.71 Educational Services
Use 349.78 for interfund tuition charges.

349.72 Library Services

349.76 Recreation Programs

349.78 Tuition Charges

349.95 Road Construction and Engineering Services

350 FINES AND PENALTIES

The terms *fine*, *forfeiture*, *penalty*, and *assessment* are often used interchangeably. For proper meaning of those terms refer to the Glossary.

In municipal courts, parking fines (354) are 100 percent local revenue as are investigative fund assessments (356.50). All other fines, forfeitures and penalties assessed are subject to a 70 percent surcharge; the city's share is 68 percent of the total fine and surcharge; the remaining 32 percent is remitted to the state (RCW 03.62.090(1)). Note that 1.75 percent of the local portion must be remitted to the county for crime victim and witness programs. This 1.75 percent applies not only to penalties but also to all court fees that are shared with the state. This portion should be recorded by cities in 386 when received and 586 when transferred to the county. Only counties should use 341.98 when they receive the money and 515.70 when they make payments to victims and witnesses. (RCW 03.46.120, RCW 03.50.100, RCW 03.62.090, RCW 07.68.035(8)) An additional 50 percent of the PSEA surcharge is added to all fines forfeitures and penalties, except for DUI and parking, which must be remitted in total to the state (RCW 03.62.090(2)).

In district courts, parking fines (354) are 100 percent local revenue as are investigative fund assessments (356.50). All other fines, forfeitures and penalties are subject to a 70 percent surcharge; the county's share is 68 percent of the total fine and surcharge; the remaining 32 percent is remitted to the state (RCW 03.62.090(1)). Note that 1.75 percent of the local portion must be used by the county for crime victim and witness programs. This 1.75 percent applies not only to penalties but also to all court fees that are shared with the state. (RCW 03.62.020, RCW 03.62.090, RCW 07.68.035(4).) An additional 50 percent of the PSEA surcharge is added to all fines, forfeitures, and penalties, except on DUI and parking, which must be remitted in total to the state (RCW 03.62.090(2)).

In superior courts, all fines, forfeitures, and penalties other than investigative fund assessments (351.50) are also split with the state, but no surcharge is assessed. Otherwise, the county's share is 54 percent of the total fine; the remaining 46 percent is remitted to the state. The 1.75 percent of the local portion of penalties (but not fees) must be used by the county for crime victim and witness programs. (RCW 07.68.035(4), RCW10.82.070)

The following revenue accounts should not include the state portion. Use account 386 for the state portion.

SUPERIOR COURT - FELONY/MISDEMEANOR PENALTIES

351.30 CRIMINAL FILING FEES
Although called fees in statute, these charges are classified as penalties because they are collected in criminal cases upon conviction, plea of guilty, or upon failure to prosecute an appeal from a court of limited jurisdiction. (RCW 36.18.020(17)) The Judicial Accounting Sub-System (JASS) uses 351.31 for this account.

351.50 INVESTIGATIVE FUND ASSESSMENTS
Amounts that the court orders a defendant to contribute to a local fund for investigations (RCW 09.95.210). These assessments are not shared with the state. Use 369.30 for moneys confiscated and other property forfeited in drug-related arrests which are shared with the state (RCW 69.50.505). A defendant's repayment of moneys used to obtain a basis for arrest should be coded to the appropriate expenditure account as a reimbursement.

Use 351.50.08 for the fine for manufacturing methanphetamine and designated for cleanup of laboratories (RCW 69.50.440).

351.80 CRIME VICTIM PENALTY ASSESSMENTS
An additional assessment levied only in superior court.

351.90 OTHER SUPERIOR COURT PENALTIES
Includes fines for misdemeanors (also when combined with felonies or reduced from felonies). Juvenile diversion fines, probation, and other service charges are accounted for at 342.70, except for truancy fines (RCW 28A.225.110) which should be recorded in this account. The Judicial Accounting Sub-System (JASS) uses 351.91 for this account.

CIVIL PENALTIES

352.20 CRUELTY TO ANIMALS PENALTIES
These penalties are retained 100 percent locally. (RCW 16.52.200)

352.30 PROOF OF MOTOR VEHICLE INSURANCE
Include only administrative costs. Includes 1.75 percent crime victims split. Penalty for failure to have insurance is recorded in account 353.10. (RCW 46.30.020)

352.40 BOATING SAFETY PENALITIES
Penalties for the violation of watercrafts' registration rules (RCW 88.02.020, RCW 88.02.090). These penalties are not shared with the state. Use account 356.40 for fines for criminal violations.

352.90 OTHER CIVIL PENALTIES
(E.g., violations of court orders, etc.) Bail bond forfeitures should be accounted for in the appropriate category of offense (felony, misdemeanor, etc.). These penalties are shared with the state. (RCW 10.82.070) The Judicial Accounting Sub-System (JASS) uses 352.90.01 for district/municipal courts and 352.90.02 for superior courts.

CIVIL INFRACTION PENALTIES
These penalties are shared with the state. Use account 386 for the state portion of penalties.

353.10 TRAFFIC INFRACTION PENALTIES
Infraction rules for courts of limited jurisdiction (RCW 46.63.110). Include penalties for speed infractions in a roadway construction (RCW 46.61.527) and an emergency (RCW 46.61.212) zones, violations of speed restrictions within a school or playground zone (RCW 46.61.440), passing school buses (RCW 46.61.370) and certain traffic infractions within school, crosswalk, or playground zones (RCW 46.61.235, RCW 46.61.245, RCW 46.61.261).

353.70 NON-TRAFFIC INFRACTION PENALTIES
Include penalties for fish and game, wildlife, agriculture, building code violations, standing-stopping pedestrian violations, and litter and junk vehicle violations (RCW 70.93.060, RCW 70.95.240, RCW 46.55.230).

354.00 CIVIL PARKING INFRACTION PENALTIES
Include penalties for parking in places reserved for persons with disabilities (RCW 46.16.381).

CRIMINAL TRAFFIC MISDEMEANOR FINES
Include only fines from courts of limited jurisdiction (district/municipal).

355.20 DRIVING UNDER INFLUENCE (DUI) FINES
Also include the local portion of an additional fee imposed by RCW 46.61.5054. Presentence and probation assessments are accounted for at 342.33.

355.80 OTHER CRIMINAL TRAFFIC MISDEMEANOR FINES
Include penalties for reckless endangerment of highway workers (RCW 46.61.527). The presentence evaluation fees and probation assessments are accounted for at 342.33.

CRIMINAL NON-TRAFFIC FINES

356.40 BOATING SAFETY FINES
Fines for the violation of watercrafts' registration rules (RCW 88.02.110). These fines are not shared with the state. Use account 352.40 for penalties for civil violations.

356.50 INVESTIGATIVE FUND ASSESSMENTS
Amounts that the court orders a defendant to contribute to a local fund for investigations. This assessment is not shared with the state and is not subject to the 60 percent surcharge. Money confiscated and other property forfeited in drug-related arrests are accounted for at 369.30. A defendant's repayment of money used to obtain a basis for arrest should be coded as a reimbursement. (RCW 09.95.210)

356.80 DISTRICT COURT FELONY FINES
Include only felony fines collected by courts of limited jurisdiction.

356.90 OTHER CRIMINAL NON-TRAFFIC FINES
Include fines for theft, assault, prostitution, public hazards, nuisances, and litter and junk vehicle violations (RCW 70.93.060, RCW 70.95.240, RCW 46.55.230). The presentence evaluation fees and probation assessments are accounted for at 342.33.

Include assessment imposed on convicted domestic violence offenders (RCW 10.99.080). Revenue from this assessment should be used solely for the purpose of establishing and funding domestic violence advocacy and domestic violence prevention and prosecution programs. Revenue from this assessment should not be used for indigent criminal defense.

CRIMINAL COSTS

Costs incurred in judicial proceedings that are recovered from the defendant. In order to qualify as *costs*, the amount collected must be directly related to payments that the local government has made to third parties, such as jury, witnesses, or attorneys. These costs recovered are retained in total by the local jurisdiction and not shared with the state. Assessments of general *costs*, not directly related to specific payments to the local jurisdiction are recorded as penalties in the appropriate category (felony, misdemeanor, etc.). Assessments of general *costs* at a flat dollar amount that are not related to an expenditure of the local government are to be accounted for as fines in the appropriate category (felonies at 351, infractions at 353 and misdemeanors at 355). Costs recovered for juvenile detention, diversion, and probation are accounted for at 342.70 and adult presentence evaluation fees and probation assessments are accounted for at 342.33. Recovery of damages to your own government's facilities should be coded 395.20. Restitution for damages to other property is a trust transaction (see account 386).

357.20 Superior Court Cost Recoupments
Costs collected from a defendant upon conviction, etc. Only those costs recovered on a dollar-for-dollar basis for amounts paid out by the county should be included in this account.

357.21 Jury Demand Cost
A jury demand fee may be assessed against a convicted defendant, but not the mileage or per diem paid to jurors. (RCW 10.01.160(2), RCW 10.46.190)

357.22 Witness Cost
The cost associated with attendance of witnesses for the prosecution may be assessed against a convicted defendant. If the defendant is indigent and the local government has paid for witnesses for the defense, this expenditure may also be charged against the defendant as a cost. If the state has reimbursed the county for witness fees that are later recouped from a defendant, the county should pay the state back in the same amount collected from the defendant. (RCW 10.01.160 and AGO 1976 No. 14)

357.23 Public Defense Cost
The cost of providing public defense to indigent defendants may be recouped from a convicted defendant. (RCW 10.01.160 and AGO 1976 No. 14)

357.24 Law Enforcement Service Cost
Include sheriff's fees for seizures, auction sales, and serving papers and warrants, including the related mileage and making a return, when recovered by court judgment; for other law enforcement fees, use account 342.10. (RCW 10.01.160(2), RCW 36.18.040)

357.25 Court Interpreter Cost
The cost of employing a foreign language interpreter or interpreter for hearing impaired. (RCW 02.43.040(4))

357.26 Cost Recouped – Mandates
Attorney's fees and expenses awarded by the court of appeals and collected by the trial courts.

357.29 Collection Agency Cost
The cost of services provided by a collection of outstanding legal financial obligations (LFO) may be recouped from a convicted defendant. The cost of bank services relating to the provisions of credit cards may also be recouped from a convicted defendant. (RCW 36.18.190)

357.30 District/Municipal Court Cost Recoupments
Costs collected from a defendant upon conviction, etc. Only those costs recovered on a dollar-for-dollar basis for amounts paid out by the county or city should be included in this account.

357.31 Jury Demand Cost
A jury demand fee may be assessed against a convicted defendant, but not the mileage or per diem paid to jurors. (RCW 10.01.160(2) and RCW 10.46.190)

357.32 Witness Cost
The cost associated with attendance of witnesses for the prosecution may be assessed against a convicted defendant. If the defendant is indigent and the local government has paid for witnesses for the defense, this expenditure may also be charged against the defendant as a cost. (RCW 10.01.160 and AGO 1976 No. 14)

357.33 Public Defense Cost
The cost of providing public defense to indigent defendants may be recouped from a convicted defendant. (RCW 10.01.160 and AGO 1976 No. 14)

357.34 Law Enforcement Services
Include sheriff's fees for seizures, auction sales, and serving papers and warrants, including the related mileage and making a return, when recovered by court judgment; for other law enforcement fees, use account 342.10. (RCW 10.01.160, RCW 36.18.040)

357.35 Court Interpreter Cost
The cost of employing a foreign language interpreter or interpreter for the hearing impaired may be recouped from a convicted defendant. (RCW 02.43.040(4))

357.36 Collection Agency Cost
The cost of services provided by a collection agency in the collection of outstanding fines and penalties may be recouped from a convicted defendant. The cost of bank services relating to the provisions of credit cards may also be recouped from a convicted defendant. (RCW 03.02.045(5))

357.50 CRIMINAL PROFITEERING
Confiscated money, court ordered payments of actual cost incurred, proceeds from the sale of forfeited property from criminal profiteering acts. The money should be used by the county prosecuting attorney for the investigation of any offense, within their jurisdiction, included in the definition of criminal profiteering, including civil enforcement.

Do not include moneys in excess of actual costs incurred in actions brought by the county prosecuting attorney on behalf of the county under RCW 09A.82.100(1)(b)(i). These moneys are to be deposited in the state general fund (use account 386). (RCW 09A.82.100, RCW 09A.82.110)

NON-COURT FINES, FORFEITURES, AND PENALTIES
Courts should not use this Basub, which is segregated for other penalties assessed by local governments. See also penalties on taxes (319), licenses and permits (321.80 and 322.80), and LID assessments (361.51).

359.10 FORFEITURES OF BONDS AND DEPOSITS
(E.g., performance and bid bonds.)

359.70 LIBRARY FINES
(E.g., late returns, etc.)

359.90 MISCELLANEOUS FINES AND PENALTIES

360 MISCELLANEOUS REVENUES

Revenues derived from sources not otherwise provided for in accounts 310 to 359.

INTEREST AND OTHER EARNINGS
Interest earned on investments, contracts, notes, and loans, etc. Do not include interest on delinquent taxes (319) or interest on interfund loans (366.10).

INVESTMENT INTEREST

361.11 Investment Interest
Interest earnings collected on investments held/sold (net of investment service fees).

361.12 Arbitrage Interest

361.19 Investment Service Fees
Charges deducted by treasurers from investment earnings.

361.30 GAINS (LOSSES) ON INVESTMENTS
Gain or loss on sale of investments. Do not include any earnings attributable to interest.

361.40 INTEREST ON CONTRACTS, NOTES, TAXES AND LOANS
Interest received on contracts, notes, taxes and accounts held. (Do not include interest on delinquent taxes. For interest on delinquent taxes use 319.) Use 361.40.01 for interest collected by municipal/district courts and 361.40.02 for superior courts. (RCW 03.46.120, RCW 03.50.100, RCW 03.62.020, RCW 03.62.040, RCW 10.82.090, RCW 35.20.220)

INTEREST AND PENALTIES ON ASSESSMENTS
See account 368.10 for capital assessment and account 368.50 for operating assessments.

361.51 Penalties on Capital Assessments

361.52 Penalties on Operating Assessments

361.55 Interest on Capital Assessments

351.56 Interest on Operating Assessments

361.90 OTHER INTEREST EARNINGS
Any other type of interest or dividend received. Also include state distributed DNR interest.

RENTS, LEASES AND CONCESSIONS
(E.g., rentals, leases, percent of concession proceeds, commissions, royalties, etc.) Revenue from external sources only. Sales and leasehold taxes collected on these items should be posted to account 386. (See 365 and 366 for interfund rentals.)

362.10 EQUIPMENT AND VEHICLE RENTALS (SHORT-TERM)
Rentals at hourly, daily or weekly rates. Include operator charges if you do not choose to separate them; otherwise use the 340 series for operator fees (e.g., 344.10 for snow plowing).

362.20 EQUIPMENT AND VEHICLE LEASES (LONG-TERM)
Leases at monthly or annual rates.

362.30 PARKING
Rentals at hourly, daily or weekly rates. Use 362.50 for long-term leases of parking space.

362.40 SPACE AND FACILITIES RENTALS (SHORT-TERM)
Rentals at hourly, daily or weekly rates. Include camping and moorage fees but use 347.30 for other recreational use fees.

362.50 SPACE AND FACILITIES LEASES (LONG-TERM)
Leases at monthly or annual rates.

362.60 HOUSING RENTALS/LEASES

362.80 CONCESSION PROCEEDS

362.90 OTHER CHARGES
Include royalties for property use. Use 347.70 for publication royalties.

INTERNAL SERVICE FUND MISCELLANEOUS REVENUES

All charges for rent, insurance, etc., by an internal service fund to another fund of the same government. Use this Basub for interfund payments only. Use 362 and 367 for revenues from other governments and private sources. Use 366.90 for payments between departments of the same fund. What is recorded as 365 revenue by the internal service fund should result in an object 90 expenditure by the paying fund.

365.10 INTERFUND EQUIPMENT AND VEHICLE RENTALS (SHORT-TERM)
See 362.10

365.20 INTERFUND EQUIPMENT AND VEHICLE LEASES (LONG-TERM)
See 362.20

365.30 INTERFUND PARKING
See 362.30. Payroll deductions should be coded 362.50.

365.40 INTERFUND SPACE AND FACILITIES RENTALS (SHORT-TERM)
See 362.40

365.50 INTERFUND SPACE AND FACILITIES LEASES (LONG-TERM)
See 362.50

365.60 INTERFUND CAPITAL CONTRIBUTIONS

365.80 INTERFUND INSURANCE PREMIUMS
Use this account for interfund payments for property and liability insurance. Use 366.50 for employee benefit programs. See 372, 373, 395 and 398 for intergovernmental and private payments.

365.90 OTHER
Use 366.10 for interfund interest.

INTERFUND/INTERDEPARTMENTAL – MISCELLANEOUS REVENUES
Include interfund trust contributions and miscellaneous payments by one department or fund to another department or fund of the same government, except:

(1) Rents, insurance premiums, and miscellaneous charges by internal service funds (use 365);

(2) Shared costs, operating and capital subsidies (see the Glossary for the definition of transfers; use 397 for transfers);

(3) Reimbursements (see the Glossary for definition; post to expenditure account).

This account is also used to record interdepartmental transactions within an internal service fund. Note that separate accounts are established for interfund taxes (314), interfund licenses and permits (329), and interfund charges for services (348 and 349). What is recorded as 366 revenue by the performing fund or department should result in an object 90 expenditure by the paying fund or department, except for 366.10 which should use subobject 82.

366.10 INTERFUND INTEREST
(E.g., interest on interfund loans, assessments, etc.)

366.20 INTERFUND RENTS AND CONCESSIONS
See 365 for internal service fund rental revenues.

366.50 INTERFUND TRUST CONTRIBUTIONS - EMPLOYER
Note that amounts withheld from employee paychecks are accounted for at 369.71 and 369.72. See 348.97 for service fees.

366.90 OTHER
Include special assessment principal due to a governmental fund.

CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES
For capital contributions in proprietary funds use account 379.

367.11 Gifts, Pledges, Grants and Bequests from Private Sources
Use 379.00 for utility hook-up and connection charges.

367.12 Planning and Development Contributions
(RCW 82.02.020) Include only contributions from private sources.

367.19 Other

SPECIAL ASSESSMENTS

368.10 SPECIAL ASSESSMENTS – CAPITAL
Use this account for special assessments levied against properties to defray all or part of the cost of a specific capital improvement deemed to benefit primarily those properties. Use 368.50 for operating assessments. Use 361.50 for penalties and interest on assessments. Code interfund assessment principle to 366 if it is due to a government fund.

SPECIAL ASSESSMENTS – OPERATING
An assessment levied by a local government to support a particular operation. The basis of allocation may be other than real property value. Assessment levied for capital purposes should be accounted for in 368.10. Penalties and interest on delinquent special operating assessment should be coded in 361.50.

368.51 Operating Special Assessments

368.80 DEFERRED ASSESSMENT
Distributed by the state treasurer based on the amount of special assessments certified as deferred by the county assessor. See 311.60 for deferred property taxes. (RCW 84.38.120)

368.90 OTHER
(E.g., assessment for cleaning dangerous property (RCW 35.80.030), etc.)

OTHER MISCELLANEOUS REVENUES
Revenues from other sources not otherwise included in accounts 361 thru 368.

369.10 SALE OF SCRAP AND JUNK

369.20 UNCLAIMED MONEY AND PROCEEDS FROM SALES OF UNCLAIMED PROPERTY
Includes sale of intangible property, unclaimed for more than five years (RCW 63.29.135), sale of unclaimed animals, (Chapter 63.32 RCW or Chapter 63.40 RCW) and excess proceeds from the sale of tax title property (RCW 36.35.110).

369.30 CONFISCATED AND FORFEITED PROPERTY
Include proceeds from sale of confiscated and forfeited property. Use 386 to record the state portion of the proceeds. (RCW 69.50.505, RCW 46.61.5058, RCW 09.41.098)

369.40 JUDGMENTS AND SETTLEMENTS
Revenue from claims determined by legal judgment or mutual consent. Include liquidated damages. See 395 and 398 for claims related to insurable losses.

TRUST CONTRIBUTIONS

369.71 Voluntary Contributions from Employees

369.72 Mandatory Contributions from Employees

CASH ADJUSTMENTS

369.81 Cashier's Overages or Shortages

369.82 Foreign Currency Exchange Adjustments

369.90 OTHER
Include recovery of NSF fees, corrections of minor errors and reimbursements from prior year expenditures, etc. See 388.80 for prior year corrections. Use 341.71 for concession sales to institution inmates, vending machine proceeds, etc.

370 PROPRIETARY FUNDS REVENUES

372.00 INSURANCE RECOVERIES
Include all insurance recoveries from other governments and private sources. If the impairment loss and insurance recovery occurred in the same year, use account 373 to report the amount of loss.

Gains and losses related to investments should be accounted in 361 and related to governmental funds in 395 and 398.

Experience rating credits and other rebates should be accounted for as reimbursements.

373.00 GAINS (LOSSES)
Include impairment losses net of associated insurance recoveries when the loss and the recovery occurred in the same year. Insurance recoveries received in subsequent years should be accounted in 372.

374.00 CAPITAL CONTRIBUTIONS – FEDERAL/STATE/LOCAL
Use grant source coding in the element/subelement/object/subobject field. See coding instructions for direct federal grants. For coding capital contributions from private sources see account 379.00.

379.00 CAPITAL CONTRIBUTIONS
Financial resources for capital purposes provided by private contributors. Include tap fees and hook-up fees. The operating part of those contributions should be accounted for as operating revenue (e.g., 368.51 for operating assessments and 343 for utility hook-up fees, etc.). Use 368.10 for capital special assessments.

380 NONREVENUES

Include receipts which do not meet revenue criteria.

INTERFUND LOAN RECEIPTS
Include all interfund receipts covering loans to the local government. Do not include interfund receipts for services, materials or equipment properly included in other revenue accounts.

381.10 LOANS RECEIVED

381.20 LOAN REPAYMENT RECEIVED

PROCEEDS OF LONG-TERM DEBT - PROPRIETARY FUNDS ONLY
Use account 391 for governmental fund debt. See Part 3, Chapter 1 for fund classification.

382.10 GENERAL OBLIGATION BOND PROCEEDS

382.20 REVENUE BOND PROCEEDS

382.30 SPECIAL ASSESSMENT BOND PROCEEDS

382.40 REVENUE WARRANT PROCEEDS

382.50 PROCEEDS OF CAPITAL LEASES AND INSTALLMENT PURCHASES

382.60 PROCEEDS OF ANTICIPATION NOTES/WARRANTS

382.70 OTHER NOTE PROCEEDS

382.80 INTERGOVERNMENTAL LOAN PROCEEDS

382.90 PROCEEDS OF OTHER DEBT
Include registered warrants.

384.00 PROCEEDS FROM SALES OF INVESTMENTS

Include proceeds derived from the sale of investments. Exclude any interest or other earnings properly classified as revenue.

386.00 AGENCY TYPE DEPOSITS

Examples include the following receipts of trust and agency moneys:

- Sales and leasehold excise taxes
- Forest patrol, forest fire protection assessment
- State share of gun permits
- Surety and performance deposits
- Refundable customers deposits
- Passports and naturalization fees that are transferred to the federal government
- Centennial document preservation and modernization agency deposit. For details see Part 3, Chapter 10, Interpretation 10.

STATE REMITTANCES – COURTS

386.81 State Remittances – Appellate Filing Fee
Use this account to remit to the state treasurer any appellate court filing fees collected by the superior court for the courts of appeals (RCW 02.32.070). Use 386.81.99 (STATE REMITTANCES – APPELLATE INDIGENT DEFENSE RECOUPMENT) to remit to the State Treasurer's Office any appellate indigent defense recoupments from convicted defendants (RAP 15.6).

386.82 State Remittances – Vehicle Licensing Fraud Account
Use this account to remit to the state treasurer fines collected for evading the payment of any registration tax or license fee (RCW 46.16.010).

386.83 State Remittances – Emergency and Trauma Services
Use this account to remit fee assessed on traffic infractions and designated to the Emergency Medical Services and Trauma Care System Trust, Traumatic Brain Injury and Auto Theft Protection Authority Accounts (RCW 46.63.110).

386.84 State Remittances – DNA Database Account
Use this account to remit to the state treasurer 80 percent of the fee imposed on adult felons for collection of a biological sample for the state DNA database (RCW 43.43.7541). The remaining 20 percent should be accounted for in 342.10.

386.87 State Remittances – Judicial Stabilization Trust
Use this account to remit a surcharge on fees imposed by RCW 03.62.060, RCW 12.40.020, RCW 36.18.018 and RCW 36.18.020.

386.88 State Remittances – General Fund
Use this account to remit money from the increase of fees imposed by Chapter 457, Laws of 2005, designated for contributions to district court judges' and to eligible elected municipal court judges' salaries, criminal indigent defense assistance and enhancement at the trial court level, representation of parents in dependency and termination proceedings, civil legal representation of indigent persons (RCW 43.08.250(2)).

386.89 State Remittances – Miscellaneous
Use 386.89.01 for remittances to the Health Profession Account (RCW 18.130.190(7)). Use 386.89.04 for remittances to Securities Prosecution Fund (RCW 43.320.115). Use 386.89.06 for the state portion of the domestic violence prevention account (RCW 36.18.016(2)(b)). Use 386.89.08 for Narrows Bridge Toll Facility Violation surcharge (RCW 43.630.160(8)(9)). Use 386.89.12 for remittances to accessible communities account and 386.89.13 for remittances to multimodal transportation account (RCW 46.16.381).

386.91 State Remittances – General Fund
Use this account to remit the state's portion of fees, fines, penalties and interest. Use 341-358 for the government portion of these revenues (RCW 03.50.100, RCW 03.62.020, RCW 03.62.040, RCW 10.82.070, RCW 35.20.220, RCW 36.18.025). Additionally, use this account for the remittance of the state portion of additional 70 percent public safety and education assessment (RCW 03.62.090(1)). Use 386.91.01 for remittance of all fines, forfeitures, etc., related to game and game fish (RCW 77.12.201).

386.92 State Remittances – General Fund
Use this account to remit the public safety and education assessment collected on all fines, penalties, and forfeitures except DUI and parking (RCW 03.62.090(2)).

386.93 State Remittances – Segregated – Horticultural Pest and Disease Control Penalties
Use this account to remit to your local treasurer the total penalty assessed for repeat violations (RCW 15.09.100, RCW 17.24.100).

386.94 State Remittances – Segregated – Criminal Wildlife Penalty Assessment
Use this account to remit to your local treasurer the total criminal wildlife restitution penalty assessed under RCW 77.15.400 and RCW 77.15.420. These revenues are remitted in total to the state fish and wildlife enforcement reward account.

386.95 State Remittances – Segregated – Unclaimed Restitution
Use this account to remit to your local treasurer the restitution from the defendant if the victim entitled to the restitution can not be found or died. These revenues are remitted in total to the state general fund and then used to compensate victims of crimes through the crime victims compensation fund (RCW 07.68.290).

386.96 State Remittances – Crime Lab Analysis
Use this account to record the state portion of the administration fee. The local portion is recorded in 341.33 or 341.37. Also include the state portion of an additional fee as assessed in RCW 46.61.5054. Local portion of that fee is recorded in 355.20.

386.97 State Remittances – Judicial Information System (JIS)
Use this account to record the $12 assessment on fines and penalties for the purpose of the JIS (RCW 2.68.040) and 25 percent of the interests collected on penalties, fines, bail forfeitures, fees and costs (RCW 03.50.100, RCW 03.62.020, RCW 03.62.040, RCW 10.82.090, RCW 35.20.220).

386.98 State Remittances – Prostitution Prevention and Intervention
Use this account to record monthly remittance of fees collected for violation of RCW 09.68A.100 or Chapter 09A.88 RCW (RCW 09A.88.120, RCW 09.68A.105).

386.99 State Remittances – School Zone Safety
Use this account to record monthly remittance of penalties assessed for violation of speed restrictions within a school, crosswalk, or playground speed zones (RCW 46.61.440, RCW 46.61.235, RCW 46.61.245, RCW 46.61.261) and for passing school buses (RCW 46.61.370).

OTHER INCREASES IN CASH AND INVESTMENTS

388.80 PRIOR YEAR(S) CORRECTIONS
This account should be used only for material errors in prior periods that would distort current operations. This account should never be used for refunds which should be posted to the expenditure account. The correction of minor errors should be posted to 369.90.

389.00 OTHER NONREVENUES
Subdivide this account as necessary to identify nonrevenue receipts which are not includable in accounts 381 through 388. This account may also be used for receipt of refunds and canceled warrants pending their posting to expenditure accounts. Examples:

- Receipt of moneys into a clearing fund such as salary or claims.
- Receipt of moneys into a suspense fund.
- Receipt of unidentified moneys pending identification and ultimate distribution.
- Receipt of moneys from the refunding trustee for the redemption of refunded bonds and the payment of interest.
- Receipt of moneys for interest on bonds issued between interest coupon dates. Use 589 for disbursement of this money at the next coupon date.
- Proceeds of short-term anticipation notes/warrants.
- Repayments of intergovernmental or other loans (for interfund loans see account 381.20).

390 OTHER FINANCING SOURCES

PROCEEDS OF LONG-TERM DEBT – GOVERNMENTAL FUNDS ONLY
Include the face amount of general long-term debt. If the debt was issued at premium or discount use accounts 392 for the premium and 596 for the discount amounts. Use 592 for debt service and debt issuance cost. Use account 382 for proprietary fund debt. See Part 3, Chapter 1 for fund classification.

391.10 GENERAL OBLIGATION BOND PROCEEDS

391.30 SPECIAL ASSESSMENT BOND PROCEEDS

391.50 PROCEEDS OF CAPITAL LEASES AND INSTALLMENT PURCHASES

391.60 PROCEEDS OF ANTICIPATION NOTES/WARRANTS

391.70 OTHER NOTE PROCEEDS

391.80 INTERGOVERNMENTAL LOAN PROCEEDS

391.90 PROCEEDS OF OTHER LONG-TERM DEBT. Include proceeds related to the LOCAL program. The local government has to recognize the debt proceeds regardless if the cash was received or retained by the State Treasurer and used for the payment of a capital asset.

392.00 PREMIUM ON BONDS SOLD

393.00 PROCEEDS OF REFUNDING LONG-TERM DEBT

DISPOSITION OF CAPITAL ASSETS

395.10 PROCEEDS FROM SALES OF CAPITAL ASSETS
(E.g., real estate (land and buildings), equipment, street vacations, timber sales.) If the total amount posted to this account in governmental funds for the fiscal year is immaterial, you may record the year-end balance to account 369.90.

395.20 COMPENSATION FOR LOSS/IMPAIRMENT OF CAPITAL ASSETS – INSURANCE RECOVERIES
(E.g., recovery of monies for damaged, destroyed, stolen, or lost governmental capital assets.)

395.30 COMPENSATION FOR LOSS/IMPAIRMENT OF CAPITAL ASSETS – OTHER RECOVERIES

397.00 TRANSFERS-IN
Include financial inflows from other funds without equivalent flows of assets in return or without requirement for repayment. Although not required, many local governments have found it useful to use the element/subelement field in account 397 to code the expenditure Basub for which the money was received. By using the same element/subelement coding in account 597, balancing and reconciliation of transfers in and out is much easier.

398.00 INSURANCE RECOVERIES

Include all (other than capital assets related) insurance recoveries from other governments and private sources. Insurance recoveries associated with capital assets should be accounted in 395.20 (other recoveries – in 395.30). Insurance recoveries should be reported net of related losses.

Experience rating credits and other rebates should be accounted for as reimbursements.

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500 EXPENDITURE/USE ACCOUNTS

The 500 series of expenditure/use accounts categorize all expenditures/uses by function, activity and character.

ALL accounts are prescribed unless the local government does not have that type of expenditures.

Most of the illustrations of coding expenditures and nonexpenditures include only five (5) digits or positions. An additional 1-2 digits (objects/subobjects) is required to complete the coding of all expenditures except transfers.

BARS expenditure accounts are not organized on a departmental basis. They are designed to provide a means of accumulating expenditures according to types of services provided and may be used wherever needed. Each expenditure should be classified according to the function and activity it supports, regardless of the organizational unit (e.g., department) that incurs it.

The inclusion of an account in this chart of accounts does not in itself provide the user with the authority to do something prohibited or not otherwise authorized by law. The chart of accounts is intended to provide all accounts that will be needed by any user of the system; some apply to very few units of local government.

BASIC ACCOUNTS

508	**ENDING CASH AND INVESTMENTS**
510	**GENERAL GOVERNMENT SERVICES**
520	**PUBLIC SAFETY**
530	**UTILITIES AND ENVIRONMENT**
540	**TRANSPORTATION**
550	**ECONOMIC ENVIRONMENT**
560	**MENTAL AND PHYSICAL HEALTH**
570	**CULTURE AND RECREATION**
580	**NONEXPENDITURES**
591-593	**DEBT SERVICE**
594-595	**CAPITAL EXPENDITURES**
598	**OTHER OPERATING EXPENDITURES**
596, 597, 599	**OTHER FINANCING USES**

508 ENDING CASH AND INVESTMENTS

510 GENERAL GOVERNMENT SERVICES
- **511 LEGISLATIVE**
- **512 JUDICIAL**
- **513 EXECUTIVE**
- **514 FINANCIAL AND RECORDS SERVICES**
- **515 LEGAL**
- **516 PERSONNEL**
- **517 EMPLOYEE BENEFIT PROGRAMS**
- **518 CENTRAL SERVICES**
- **519 OTHER GENERAL GOVERNMENT SERVICES**

520 PUBLIC SAFETY
- **521 LAW ENFORCEMENT**
- **522 FIRE CONTROL**
- **523 DETENTION AND/OR CORRECTION**
- **524 PROTECTIVE INSPECTIONS**
- **525 EMERGENCY SERVICES**
- **526 AMBULANCE, RESCUE AND EMERGENCY AID**
- **527 JUVENILE SERVICES**
- **528 COMMUNICATIONS, ALARMS AND DISPATCH**

530 UTILITIES AND ENVIRONMENT
- **531 NATURAL RESOURCES**
- **532 FACILITY ENGINEERING**
- **533 ELECTRIC AND GAS UTILITIES**
- **534 WATER UTILITIES**
- **535 SEWER UTILITIES**
- **536 CEMETERY**
- **537 GARBAGE AND SOLID WASTE UTILITIES**
- **538 OTHER UTILITIES AND BUSINESS-TYPE ACTIVITIES**
- **539 OTHER ENVIRONMENTAL SERVICES**

540 TRANSPORTATION
- **541 ROAD AND STREET PRESERVATION**
- **542 ROAD AND STREET MAINTENANCE**
- **543 ROAD AND STREET GENERAL ADMINISTRATION AND OVERHEAD**
- **544 ROAD AND STREET OPERATIONS**
- **545 ROAD AND STREET EXTRAORDINARY OPERATIONS**
- **546 AIRPORTS, PORT AND TERMINAL FACILITIES**
- **547 TRANSIT SYSTEMS AND RAILROADS**
- **548 MUNICIPAL VEHICLES AND PUBLIC WORKS EQUIPMENT**

550 ECONOMIC ENVIRONMENT
- **551 WELFARE**
- **552 EMPLOYMENT OPPORTUNITY AND DEVELOPMENT**
- **553 VETERANS SERVICES**
- **554 CHILD CARE SERVICES**
- **555 AGING AND ADULT SERVICES**
- **556 SERVICES FOR DISABLED**
- **557 COMMUNITY SERVICES**
- **558 PLANNING AND COMMUNITY DEVELOPMENT**
- **559 HOUSING AND COMMUNITY DEVELOPMENT**

560 MENTAL AND PHYSICAL HEALTH
- **561 HOSPITALS AND CONVALESCENT CENTERS**
- **562 PUBLIC HEALTH**
- **563 CORONER**
- **564 MENTAL HEALTH SERVICES**
- **566 SUBSTANCE ABUSE**
- **568 DEVELOPMENTAL DISABILITIES**

570 CULTURE AND RECREATION
- **571 EDUCATION**
- **572 LIBRARIES**
- **573 SPECTATOR AND COMMUNITY EVENTS**
- **574 PARTICIPANT RECREATION**
- **575 CULTURAL AND RECREATIONAL FACILITIES**
- **576 PARK FACILITIES**

580 NONEXPENDITURES
- **581 INTERFUND LOAN DISBURSEMENTS**
- **582 REDEMPTION OF LONG-TERM DEBT - PROPRIETARY FUNDS ONLY**
- **584 PURCHASE OF INVESTMENTS**
- **586 AGENCY TYPE DISBURSEMENTS**
- **588 OTHER DECREASES IN NET CASH AND INVESTEMENTS**
- **589 OTHER NONEXPENDITURES**

591-593 DEBT SERVICE
- **591 REDEMPTION OF LONG-TERM DEBT - GOVERNMENTAL FUNDS ONLY**
- **592 INTEREST AND OTHER DEBT SERVICE COSTS**
- **593 ADVANCE REFUNDING ESCROW**

594-595 CAPITAL EXPENDITURES
- **594 CAPITAL EXPENDITURES**
- **595 ROADS/STREETS CONSTRUCTION AND OTHER INFRASTRUCTURE**

598 OTHER OPERATING EXPENDITURES
- **598 INTERGOVERNMENTAL AND OTHER PAYMENTS**

596, 597, 599 OTHER FINANCING USES
- **596 DISCOUNT ON LONG-TERM DEBT – GOVERNMENTAL FUNDS ONLY**
- **597 TRANSFERS-OUT**
- **599 PAYMENTS TO REFUNDED DEBT ESCROW AGENT**

508 ENDING CASH AND INVESTMENTS

Amounts of cash and investments that have been not spent at the end of fiscal year. The distinction between reserved and unreserved fund balances is required. The details of reserved amounts must be disclosed in the notes to financial statements.

508.10 **RESERVED.** The amounts of cash and investments not available for appropriation due to the restrictions imposed on them by external parties (e.g., grantors, creditors, etc.) and/or due to internal commitments. Internally *committed* resources are resources with limitations imposed by the highest level of government (board of commissioners, city council, board of directors, board of supervisors, etc.) through a formal action (ordinance, resolution, etc.) that require a similar formal action on the same level to remove them. Limitations resulting from intended use (informal action) by either legislators or managers are not sufficient to classify the resources as reserved. These resources should be reported as *unreserved*.

508.80 **UNRESERVED.** The amounts of cash and investments without any limitations on their use and resources with informal limitations placed on them by either legislators or managers.

510 GENERAL GOVERNMENT SERVICES

This is a major class of services provided by the legislative, judicial and administrative branches of the governmental entity for the benefit of the public or governmental body as a whole. This class does not include administrative services provided by a specific department in support of services properly includable in another major class.

LEGISLATIVE
Cost of providing representation of the citizenry in the governing body.

511.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

511.20 **ADVISORY SERVICES.** (Committees and Special Bodies)

511.30 **OFFICIAL PUBLICATION SERVICES.** (Resolutions, Ordinances and Proceedings)

511.40 **TRAINING**

511.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-595 for capital outlays and 591-592 for capital lease payments.

511.60 **LEGISLATIVE SERVICES.** (Commission or Council)

511.70 **ELECTION COSTS.** Salaries, benefits, supplies, services, and other charges directly related to elections (RCW 29A.04.410 and RCW 29A.04.420). For details see Part 3, Chapter 10, Interpretation 8.

511.80 **VOTER REGISTRATION COSTS.** For details see Part 3, Chapter 10, Interpretation 8.

JUDICIAL

Cost of providing a court system for civil, criminal and juvenile cases. Include in each category where appropriate such court costs as jury fees and expert witness fees. Use 515 for legal expenditures related to services for the benefit of the government.

SUPERIOR COURT SYSTEM

512.21 Superior Court
512.22 Family Court Fees and Charges (Chapter 26.12 RCW)

512.30 COUNTY CLERK

512.40 DISTRICT COURT

512.50 MUNICIPAL COURT

512.60 TRAFFIC VIOLATIONS BUREAU

512.70 LAW LIBRARY

INDIGENT DEFENSE COST. All costs associated with providing legal counsel and services for indigent persons in criminal, civil, and juvenile matters for which the provision of counsel at public expense is provided for by law. Costs to be included are attorney salaries and benefits or contract costs, costs for conflict counsel fees, expert witnesses, investigators, psychological and other examinations, evidence testing, etc.. Interpreter costs should only be included for non-court hearing related interpreter services or interpreter services not otherwise provided under the auspices of the trial court.

The code 512.81 should be used for all indigent defense costs for those jurisdictions which do not use subelement codes 512.82–512.89.

512.81 General Indigent Defense**.** For jurisdictions that only report under this sub-category, all costs as defined under 512.80.
For jurisdictions that report in multiple sub-categories, only costs not otherwise provided for by case type should be reported in this category such as civil contempt proceedings in child support and paternity actions.

512.82 Adult Felony**.** All costs associated with providing legal counsel and services for indigent adult persons charged with a felony offense in the Superior Court and juvenile offenders charged with a felony under a statutory decline or following a decline hearing in juvenile court. Additionally, costs arising from the following actions should be reported in this category: fugitive complaints; special inquiry proceedings; material witness proceedings; coroner inquest proceedings; hearings or proceedings on remand from appellate courts; personal restraint petitions; and habeas petition hearings in Superior Court where counsel is appointed.

512.83 Adult Misdemeanor. All costs associated with providing legal counsel and services for indigent adult persons charged with a gross misdemeanor or misdemeanor offense in a district or municipal court including the cost of RALJ appeals to superior court.

512.84 Juvenile Offender**.** All costs associated with providing legal counsel and services for indigent juvenile persons charged with a felony, gross misdemeanor or misdemeanor offense in juvenile court including motions to revise rulings by Court Commissioners in Juvenile cases heard in Superior Court.

512.85 Juvenile Dependency and Termination of Parental Rights**.** All costs associated with providing legal counsel and services for indigent parents eligible for the appointment of counsel at public expense whose child(ren) are the subject of a dependency or termination of parental rights action in juvenile court. Costs associated with the appointment of an attorney to represent a child should be included in this category. Costs associated with the appointment of a guardian ad item to represent the interests of a minor child should not be reported.

512.86 Truancy, At-Risk Youth, CHINS All costs associated with providing legal counsel and services for minor children named in a "BECCA case" including at-risk-youth; child-in-need-of-services petitions; and truancy hearings.

512.87 Civil Commitments – Mental Health/Alcohol**.** All costs associated with providing legal counsel and services for indigent adults and minor children subject to mental health and alcohol commitment proceedings. This category also includes other miscellaneous commitments, e.g. infectious disease commitment petitions.

512.88 Civil Commitments – Sexual Predator**.** All costs associated with providing legal counsel and services for indigent adults subject to a sexual predator petition.

512.89 Extraordinary Criminal Case Expenses**.** All costs associated with providing legal counsel and services for indigent adults or juveniles charged with a crime in superior or juvenile court for which a jurisdiction may be eligible for reimbursement of expenses under the extraordinary criminal justice expense act (RCW 43.330.190).

EXECUTIVE

Cost of providing management and administration of the affairs of the government entity including coordination, guidance and support for the development of effective programs and the planning, evaluation, analysis, control, and general management of programs. Example: Chief Administrative Officer and his assistants. See 557.20 for citizens' complaints (ombudsman).

513.10 ADMINISTRATION. Include all services rendered by the executive officer.

513.20 ADVISORY SERVICES. General boards and commissions; boards formed for a narrow purpose should be coded functionally, such as Board of Equalization to 514.24, Boundary Review Boards and Zoning Commissions to 558.60.

513.40 TRAINING

513.50 FACILITIES. Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

FINANCIAL AND RECORDS SERVICES
Cost of providing financial, record keeping and other related services.

514.10 **ADMINISTRATION.** Activities of a general nature not associated directly with a specific service function. Include such positions as county auditor and city finance director.

FINANCIAL SERVICES

514.22 Fiduciary Services (Treasurers)
514.23 Budgeting, Accounting, Auditing (State Auditors), and Financial Consulting Services. Include clerks and towns' clerk-treasurers.
514.24 Tax Assessment and Evaluation Services (Assessor and Board of Equalization)

514.30 **RECORDS SERVICES.** (Clerks) Include recording of: deeds, commission meetings, council proceedings, ordinances, resolutions, certifying records.

514.40 **TRAINING**

514.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

514.60 **GRANT ADMINISTRATION**

RISK MANAGEMENT
Use this account for the costs of administering a liability insurance program, including any management costs of self-insurance. (Use the 517 series of accounts for employee-related insurance.)

The costs of claims and premiums are charged to the appropriate functional Basub and object 40. For payments by operating departments to a self-insurance fund, use the appropriate functional Basub and object 90.

514.71 Administration
514.75 Maintenance
514.76 Risk Transfer Payments
514.77 Claims Processing
514.78 Payments to Claimants and Beneficiaries. Amounts paid for claims determined by legal judgment or mutual consent.
514.79 Other Operating Expenditures

514.80 **OTHER ADMINISTRATIVE SERVICES**

514.81 Licensing**.** Issuance of licenses, permits, certificates, etc. (E.g., marriage, business, non-business, animal, motor vehicles, open space, etc.)

LEGAL

Cost of providing legal services by external and internal staff (e.g., prosecuting attorney, city attorney, etc.) for the benefit of the government.

515.10 **ADMINISTRATION.** Activities of a general nature not associated directly with a specific service function. Also include any cost related to internal legal matters.

LEGAL SERVICES. Include cost of legal services provided to external parties (e.g., prosecuting attorney or city attorney services, etc.). For internal legal costs see 515.10.

515.21 Criminal
515.22 Civil
515.23 Traffic

515.40 **TRAINING**

515.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

515.60 **CONSUMER AFFAIRS**

515.70 **CRIME VICTIM AND WITNESS PROGRAM.** Payments to the victims and witnesses under RCW 7.68.035. See 512 for other witness fees. This account should be used by counties only. Cities making payments to the counties should use 586.

515.80 **CHILD SUPPORT ENFORCEMENT**

PERSONNEL

Cost of providing general supervision of personnel and related services for the entire governmental entity including the classification of positions, recruiting, placement, service ratings, attendance, job specifications, and other civil service related activities. Cost of special civil service boards for policemen, firemen, and sheriff's deputies should be accounted for at 521.10, 522.10, or 523.10.

516.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

516.20 **PERSONNEL SERVICES**

516.40 **TRAINING**

516.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-595 for capital outlays.

EQUAL OPPORTUNITY/AFFIRMATIVE ACTION

516.71 Administration. Include commission services, program development, legal services, and administration.
516.72 Affirmative Action
516.73 Contract Compliance
516.75 Equal Opportunity Enforcement

EMPLOYEE BENEFIT PROGRAMS

517.10 ADMINISTRATION. Activities of general nature not associated directly with a specific service function.

PENSION SERVICES

517.21 Administration
517.22 Disability Payments. Special disability programs for policemen, firemen and sheriff's deputies should be accounted for at 521.10, 522.10 or 523.10.
517.28 Annuity Benefit Payments
517.29 Refunds to Terminated Employees

HEALTH INSURANCE SERVICES

517.31 Administration
517.36 Risk Transfer Payments
517.37 Claims Processing
517.38 Payments to Claimants and Beneficiaries

517.40 TRAINING

517.50 FACILITIES. Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

WORKERS' COMPENSATION SERVICES
Costs of special disability programs for policemen, firemen and sheriff's deputies should be accounted for at 521.10, 522.10 or 523.10.

517.61 Administration
517.62 Safety Program/Training
517.66 Risk Transfer Payments
517.67 Claims Processing
517.68 Payments to Claimants and Beneficiaries

UNEMPLOYMENT COMPENSATION SERVICES

517.71 Administration
517.76 Risk Transfer Payments
517.78 Payments to Claimants and Beneficiaries

517.80 DEFERRED COMPENSATION SERVICES

517.90 OTHER EMPLOYEE BENEFIT PROGRAMS

CENTRAL SERVICES

518.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

518.20 **PROPERTY MANAGEMENT SERVICES.** Cost of managing the government's own investment in property and facilities. Include the costs of managing trust properties, surplus properties, and property held for future use. Include the costs incurred in planning for facilities of the government, except for utilities and other public works, which include these costs within their respective Basubs. Use 594-595 for capital outlays.

518.30 **CUSTODIAL/JANITORIAL/SECURITY SERVICES.** Cost of cleaning, maintaining, and protecting the facilities of the government.

518.40 **PURCHASING SERVICES**

PRINTING AND DUPLICATION SERVICES
Include copy centers, print shops and binderies.

518.75 Maintenance
518.76 Operations - Contracted
518.77 Operations - Customer Services and Marketing
518.78 Operations - General. May use this element for cost of goods manufactured.
518.79 Other Operating Expenditures. May use for cost of goods sold.

INFORMATION TECHNOLOGY

518.81 Administration
518.85 Maintenance
518.86 Operations - Contracted. Include costs of software development.
518.87 Operations - Customer Services and Marketing
518.88 Operations - General
518.89 Other Operating Expenditures

518.90 **OTHER SERVICES.** See 519 for fabrication shops and central stores; see 528 for central communications; see 548 for transportation and public works related services.

OTHER GENERAL GOVERNMENT SERVICES

FOOD SERVICES

519.11 Administration
519.15 Maintenance
519.16 Operations - Contracted
519.18 Operations - General.
519.19 Other Operating Expenditures

FABRICATION SHOPS

519.31 Administration
519.35 Maintenance
519.36 Operations - Contracted
519.37 Operations - Customer Services and Marketing
519.38 Operations - General. May use this subelement for cost of goods manufactured.
519.39 Other Operating Expenditures. May use this subelement for cost of goods sold.

519.40 OTHER MANUFACTURING. See 518.70 for printing and 548 for pits, quarries, and asphalt plants.

CENTRAL STORES

See 548 for road materials, vehicle parts, and fuel depots.

519.51 Administration
519.55 Maintenance
519.56 Operations - Contracted
519.57 Operations - Customer Services and Marketing
519.58 Operations - General
519.59 Other Operating Expenditures**.** May use this subelement for cost of goods sold.

519.60 OTHER MERCHANDISING SERVICES

519.70 OTHER JOBBING AND CONTRACT WORK. Include services performed for other governments (e.g., maintenance, etc.). The government receiving these services should use appropriate expenditure/expenses account and object code .50.

519.90 **MISCELLANEOUS.** Include general governmental expenditures not provided for elsewhere. (E.g., dues to municipal organizations, Association of Washington Cities, Washington State Association of Counties, Washington Association of County Officials, etc.)

Use the other specified Basub accounts in coding dues and costs relevant to professional organizations such as:

513	City Manager's Association
514	Government Finance Officers' Association
514	Washington Finance Officers' Association
521	Sheriffs' and Police Chiefs' Association
522	Firemen's Association, or similar association dues legally authorized
532 or 543	American Public Works Association

520 PUBLIC SAFETY

LAW ENFORCEMENT
Those activities normally related to police services and the support of police services.

521.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function. Include cost of civil service and disabilities programs. Also include the fee paid to the state treasurer for short firearms neither auctioned nor traded (RCW 9.41.098).

POLICE OPERATIONS. Police investigations and patrol of land, sea, and air (traffic is included under 521.70).

521.21 Investigation**.** Activities related to criminal activity, detection and arrest of criminal offenders, obtaining evidence for prosecution of criminal cases, filing of cases, return of fugitive felons from other jurisdictions, testimony in court cases, recovery of lost and stolen property, missing persons, etc. For details see Part 3, Chapter 10, Interpretation 7.
521.22 Patrol**.** Activities related to uniformed police assigned to districts and such related activities as arrest, security checking of premises, and general safety and security of the assigned district.
521.23 Special Units
521.24 Laboratory
521.25 Enforcement of Gambling Act (RCW 9.46.113)

521.30 **CRIME PREVENTION.** Those activities related to the prevention of crime including but not limited to education, safety, community relations and public relations. Include traffic safety school, DARE, GREAT, etc.

521.40 **TRAINING**

521.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

521.70 **TRAFFIC POLICING.** Enforcement of traffic laws, radar unit operation, investigation of traffic accidents, checking parking meter violations, issuing tickets for such violations, traffic patrolling streets and issuing tickets for moving violations.

OTHER SERVICES. Any service not otherwise defined under account 521. See 528 for communications.

521.91 Property Room
521.92 Protection Services**.** Include services related to protection of victims of domestic violence (shelters, etc.).

FIRE CONTROL
General fire fighting and prevention services.

522.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function. Include costs of civil service and disability programs.

522.20 **FIRE SUPPRESSION.** Functions and/or activities dedicated to putting fires out. It includes but is not limited to prefire planning, fire fighting, and company inspections.

522.30 **FIRE PREVENTION AND INVESTIGATION.** Functions and/or activities designed to prevent the occurrence of fires. Investigation is of a preventative nature even if after-the-fact, in that it gathers data used to prevent further occurrences. It includes but is not limited to public education, code enforcement, and investigation.

522.40 **TRAINING**

522.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

522.60 **OTHER SERVICES.** Any service not otherwise defined in account 522. See account 528 for communications.

DETENTION AND/OR CORRECTION

Include confinement of prisoners (sentenced or otherwise), probation, parole and rehabilitation. This Basub account has been established recognizing that correction and detention are not the same but that the costs are not easily separated into two accounts.

523.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function (e.g., fiscal, supervisory personnel, etc.). Include cost of civil service and disability programs.

523.20 **MONITORING OF PRISONERS.** (E.g., electronic monitoring, work release or day reporting programs, etc.)

523.30 **PROBATION AND PAROLE SERVICES**

523.32 Misdemeanant Supervision**.** Include cost of supervision of superior court misdemeanant offenders placed on probation under RCW 09.92.060 or RCW 09.95.210. (RCW 36.01.070)

523.40 **TRAINING**

523.50 **FACILITIES.** Rent, repair, operation and maintenance of jail buildings, equipment and land. Use 594-595 for capital outlays.

523.60 **CARE AND CUSTODY OF PRISONERS.** (E.g., guards, medical, social services for prisoners, concession costs of items purchased for resale to inmates - see 341.71 for sales revenues.)

523.90 **OTHER.** (E.g., jail kitchen, etc.)

PROTECTIVE INSPECTIONS

Inspections and enforcement of regulations relevant to the issuance of license, permit or certificate not specifically coded to any other expenditure account, such as Law Enforcement, Fire Control, Health, etc.

524.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

524.20 **INSPECTIONS, PERMITS, CERTIFICATES AND LICENSES**

524.40 **TRAINING**

524.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

524.60 **REGULATIONS, STANDARDS AND ENFORCEMENT.** Include cable TV regulation.

EMERGENCY SERVICES

Activities related to the preparation for, response to, and recovery from disasters.

525.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

525.20 **SEARCH AND RESCUE/DISASTER RESPONSE**

525.30 **DISASTER RECOVERY**

525.40 **TRAINING**

525.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

525.60 **EMERGENCY PREPAREDNESS**

AMBULANCE, RESCUE, AND EMERGENCY AID
Rescue and emergency aid and/or ambulance service for sick and injured.

526.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

526.20 **AMBULANCE SERVICES.** Transportation of the sick and injured.

526.40 **TRAINING**

526.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

526.60 **OPERATIONS - CONTRACTED SERVICES**

526.70 **OPERATIONS - CUSTOMER BILLINGS**

526.80 **RESCUE AND EMERGENCY AID.** Deliver the trapped and stranded to safety and administer emergency medical aid to the injured and sick.

526.90 **OTHER OPERATING EXPENDITURES**

JUVENILE SERVICES

Services provided to juveniles in custody. Use 521.30 for prevention programs.

527.10 **ADMINISTRATION.** Planning, organizing, coordinating, budgeting, and managing an organization.

527.20 **INTAKE.** Include the evaluation of youth presented for detention and the evaluation or referrals of youth who remain in the community.

527.30 **INVESTIGATIONS/DIAGNOSIS.** Include the activities necessary for legal investigations as well as social and medical diagnostic evaluations.

527.40 **CASE SUPERVISION.** Include all of the juvenile program services provided to youth in the community or the detention facility.

527.50 **TRANSPORTATION.** Includes all staff travel and costs related to transporting of clients and, where necessary, members of their family and/or volunteers to and from places in which they are receiving services.

527.60 **RESIDENTIAL CARE AND CUSTODY.** Activities associated with operation, service or support of facilities which provide open, protective, and/or secure care.

527.70 **MEDICAL/DENTAL TREATMENT.** Medical and dental treatment provided to youth in the community or in detention.

527.80 **JUVENILE FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and improvements such as parking lots, fences, walks, driveways, roadways, landscaping, etc., with assigned staff or contractual services. Use 594-595 for capital outlays. Use 527.60 for detention facility costs.

527.90 **TRAINING**

COMMUNICATIONS, ALARMS AND DISPATCH

Include both routine business and emergency matters whether for a single department or centralized. (E.g., alarm systems, radio, telephone, teletype, closed circuit TV, alerting systems, intercommunication systems, recording systems and computer systems when used in a communications mode.) For the Enhanced 911 use 528.70.

528.10 ADMINISTRATION

528.20 PLANNING

528.40 TRAINING

528.50 MAINTENANCE OF FACILITIES. Use 594-595 for capital outlays.

528.60 OPERATIONS - CONTRACTED SERVICES

528.70 ENHANCED 911. Include operating expenditures related to the Enhanced 911 (E911) System. For training related to the E911 use 528.40.

528.80 OPERATIONS - GENERAL

528.90 OTHER OPERATING EXPENDITURES

530 UTILITIES AND ENVIRONMENT

NATURAL RESOURCES

SOIL AND WATER CONSERVATION

531.11 Administration
531.15 Maintenance
531.16 Contracted Processing and Operations
531.17 Customer Services and Marketing
531.18 General Operations
531.19 Other

531.20 IRRIGATION

531.30 FLOOD CONTROL

531.40 DIKING

531.50 DRAINAGE

531.60 WEED CONTROL

531.70 POLLUTION CONTROL

531.80 ENERGY CONSERVATION

531.90 OTHER ENVIRONMENTAL PRESERVATION

FACILITY ENGINEERING

Engineering and architectural services necessary for the development and improvement of facilities.

532.10 ADMINISTRATION

532.20 ENGINEERING PLANS AND SERVICES

532.30 ENGINEERING STUDIES AND SURVEYS

532.40 TRAINING

532.50 FACILITIES. Use 594-595 for capital outlays.

ELECTRIC AND GAS UTILITIES

533.10 **ADMINISTRATION - GENERAL.** Code property, excise and B&O taxes to objects 50.

533.20 **ADMINISTRATION - PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

533.40 **TRAINING**

533.50 **MAINTENANCE.** Use 594-595 for capital outlays.

533.60 **OPERATIONS - CONTRACTED PROCESSING AND OPERATIONS**

533.70 **OPERATIONS - CUSTOMER SERVICES AND MARKETING**

533.80 **OPERATIONS - GENERAL.** Code fuel costs and power/gas purchased for resale to object 30.

533.90 **OTHER OPERATING EXPENDITURES**

WATER UTILITIES

534.10 **ADMINISTRATION - GENERAL.** Code property, excise and B&O taxes to objects 50.

534.20 **ADMINISTRATION - PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

534.40 **TRAINING**

534.50 **MAINTENANCE.** Use 594-595 for capital outlays.

534.60 **OPERATIONS - CONTRACTED PROCESSING AND OPERATIONS**

534.70 **OPERATIONS - CUSTOMER SERVICES AND MARKETING**

534.80 **OPERATIONS - GENERAL.** Code fuel costs to and water purchased for resale to object 30.

534.90 **OTHER OPERATING EXPENDITURES**

SEWER UTILITIES

535.10 **ADMINISTRATION - GENERAL.** Code property, excise and B&O taxes to objects 50.

535.20 **ADMINISTRATION - PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

535.40 **TRAINING**

535.50 **MAINTENANCE.** Use 594-595 for capital outlays.

535.60 **OPERATIONS - CONTRACTED PROCESSING AND OPERATIONS**

535.70 **OPERATIONS - CUSTOMER SERVICES AND MARKETING**

535.80 **OPERATIONS - GENERAL.** Code fuel costs to object 30.

535.90 **OTHER OPERATING EXPENDITURES**

CEMETERY

Include the costs of meeting zoning and environmental standards as well as maintenance and operation of the premises.

536.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

536.20 **CEMETERY SERVICES**

536.40 **TRAINING**

536.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

GARBAGE AND SOLID WASTE UTILITIES

537.10 **ADMINISTRATION - GENERAL.** Code property, excise and B&O taxes to objects 50.

537.20 **ADMINISTRATION - PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

537.30 **LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

537.40 **TRAINING**

537.50 **MAINTENANCE.** Use 594-595 for capital outlays.

537.60 **OPERATIONS - CONTRACTED PROCESSING AND OPERATIONS**

537.70 **OPERATIONS - CUSTOMER SERVICES AND MARKETING**

537.80 **OPERATIONS - GENERAL.** Code fuel costs to object 30.

537.90 **OTHER OPERATING EXPENDITURES**

OTHER UTILITIES AND BUSINESS-TYPE ACTIVITIES
Other utilities (not listed below) may be coded using an unassigned element (4th) digit (i.e., 538.60, .70, etc.). See note below for subelement coding within the following accounts.

COMBINED WATER/SEWER/GARBAGE
Use this account only if the expenditures are not separable for any combination of utilities (i.e., water/sewer, water/garbage, sewer/garbage, etc.).

538.20 NATURAL GAS

538.30 DRAINAGE

538.40 CABLE

538.50 RECLAIMED WATER

538.90 OTHER
Cost incurred for other activities not defined in other accounts (e.g., space rental/lease operations, etc.)

Use the following categories of expenditures for each type of utility listed above:

538.X1 Administrative - General
538.X2 Administrative - Planning, Conservation, Research and Development
538.X4 Training
538.X5 Maintenance
538.X6 Operation -Contracted Processing and Operations
538.X7 Operation - Customer Service and Marketing
538.X8 Operation - General
538.X9 Other Operating Expenditures

OTHER ENVIRONMENTAL SERVICES

539.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

539.20 **NUISANCE CONTROL SERVICES.** The control of mosquitoes, rodents, etc. See 531.60 for weed control and 542.70 for roadside vegetation.

539.30 **ANIMAL CONTROL.** Control and welfare of animals including collection, detention and disposition of both living and dead animals.

539.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

539.90 **OTHER.** Include Environmental Impact Statement (EIS) costs to the extent they can be separately identified.

540 TRANSPORTATION

his is a major class of services provided by the local government for the safe and adequate flow of vehicles and pedestrians.

ROAD AND STREET PRESERVATION

For purposes of accounting and reporting under BARS, the costs of performing those specialized maintenance activities that serve to extend the originally estimated life of each type of roadway, roadway structure, and facility but do not increase its traffic flow capacity or efficiency. This account should not include maintenance or construction.

541.10 **ENGINEERING.** Cost of engineering associated directly with a preservation project.

541.30 **ROADWAY.** Cost of preserving the roadway prism.

541.40 **DRAINAGE.** Cost of preserving drainage systems from the point of interception within the right-of-way to the point of outfall.

541.50 **STRUCTURES.** Cost of preservation activities on bridges (structures 20 feet and over), tunnels, sea walls, irrigation canal crossings, livestock crossings, and other structures, including the operation of air pollution control devices in tunnels and traffic control during preservation activities.

541.60 **TRAFFIC AND PEDESTRIAN SERVICES.** Cost of preservation of roadway facilities and services. NOTE: For traffic policing expenditures use account 521.70.

541.61 Sidewalks
541.62 Special Purpose Paths. For details see Part 3, Chapter 10, Interpretation 9.
541.65 Parking Facilities**.** Cost of preservation activities related to parking facilities.

541.90 **PRESERVATION ADMINISTRATION AND OVERHEAD.** Supervisory operations.

ROAD AND STREET MAINTENANCE

For purposes of accounting and reporting under BARS, the costs of performing those activities that ensure that the right-of-way and each type of roadway, roadway structure and facilities remain, as nearly as practical, in its original, as-constructed condition or its subsequently improved condition, and the operation of roadway facilities and services to provide satisfactory and safe motor vehicle transportation. This account should not include preservation or construction.

542.10 **ENGINEERING.** Cost of engineering associated directly with a maintenance project.

542.30 **ROADWAY.** Cost of maintaining the roadway prism.

542.40 **DRAINAGE.** Cost of maintenance and repair of drainage systems from the point of interception within the right-of-way to the point of outfall.

542.50 **STRUCTURES.** Cost of maintenance on bridges (structures 20 feet and over), tunnels, sea walls, irrigation canal crossings and livestock crossings and other structures, including the operation of air pollution control devices in tunnels and traffic control during maintenance operations.

542.60 **TRAFFIC AND PEDESTRIAN SERVICES.** Cost of operation and maintenance of roadway facility and services. For traffic policing expenditures use account 521.70.

542.61 Sidewalks

542.62 Special Purpose Paths. For details see Part 3, Chapter 10, Interpretation 9.

542.63 Street Lighting. Cost of operating, painting, replacing and repairing of road/street lighting systems. Does not include the lighting of parks or other ornamental lighting.

542.64 Traffic Control Devices. Cost of painting, repairing and replacing guardrails, signs, pavement markings and pavement stripes; operating, painting, replacing and repairing traffic signals and control systems; supervising, operating, maintaining and repairing weighing stations; and maintaining, repairing and replacing right-of-way fences when the damages result from public use of the roadway, or when maintenance is the responsibility of the department by agreement.

542.65 Parking Facilities**.** Cost of operating, maintaining and repairing parking facilities and parking meters.

542.66 Snow and Ice Control. Cost of all operations to reduce traffic hazards resulting from snow and ice.

542.67 Street Cleaning. Cost of cleaning the road/street surface by flushing, washing or sweeping by machine or by hand, and the collection and disposal of sweepings, leaves, rocks and storm debris, except that associated with snow and ice control.

542.70 **ROADSIDE.** Cost of maintaining that portion of the right-of-way beyond the outside edge of the shoulder or the outside edge of the curb when no shoulder exists, including medians. Also include temporary signs and traffic control during maintenance operations.

542.80 **ANCILLARY OPERATIONS.** Cost of maintenance and operations that are not normally associated with the street or road department function but are performed by street or road departments in some localities because of unique geographical or organizational situations.

542.90 **MAINTENANCE ADMINISTRATION AND OVERHEAD.** Supervisory operations. Also include general services that can be directly associated with the maintenance function of the department.

ROAD AND STREET ADMINISTRATION AND OVERHEAD

Work and materials of a road or street department that are concerned with the overall executive direction. These are activities of a general nature and not associated directly with a specific construction project, maintenance or preservation activity, or other function separately recognized or financed.

543.10 **MANAGEMENT.** Cost of the department's executive body and employees engaged in a general administrative, guidance or supervisory capacity.

543.30 **GENERAL SERVICES.** Cost of services such as accounting, mailing, communications, public relations, insurance and other general activities.

543.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment used as shops or storage associated with road and street activities. This does not include rent or maintenance and operations costs paid by the rental and revolving fund.

543.60 **TRAINING**

543.70 **MISCELLANEOUS**

ROAD AND STREET OPERATIONS

Work and materials or a road or street department that are necessary to fulfill a legal requirement and/or to ensure the proper functioning of the department, but are not associated directly with a specific construction project, maintenance or preservation activity, or other function separately recognized or financed.

544.20 **ENGINEERING.** The costs of engineering not specifically associated with a project, operation or control section. Include preliminary engineering for projects that were never advanced beyond the planning stage as well as such activities as issuance of right-of-way permits, land development application review, and maintenance of pavement management systems.

544.40 **PLANNING.** The costs of the work involved in the orderly and continuing assembly and analysis of information about roads/streets, including the history of their development, extent, dimensions and conditions; economic, environmental and social effects; and future needs. Include such activities as general, non-project related transportation planning, maintenance of required inventories, and maintenance of countywide mapping.

544.70 **MISCELLANEOUS**

544.90 **OPERATIONS ADMINISTRATION AND OVERHEAD.** Supervisory operations. Also includes general services that can be directly associated with the operations function of the department.

545 **ROAD AND STREET EXTRAORDINARY OPERATIONS**

Cost of repair and reconstruction necessitated by an unanticipated occurrence. Use same element and subelement accounts that are shown in construction (595), preservation (541) and maintenance (542).

AIRPORTS, PORT AND TERMINAL FACILITIES

546.10 **ADMINISTRATION - GENERAL.** Code property, excise and B&O taxes to objects 50.

546.20 **ADMINISTRATION - PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

546.50 **MAINTENANCE.** Use 594-595 for capital outlays.

546.60 **OPERATIONS - CONTRACTED PROCESSING AND OPERATIONS**

546.70 **OPERATIONS - CUSTOMER SERVICES AND MARKETING**

546.80 **OPERATIONS - GENERAL.** Code power/water/gas purchased for resale to object 30.

546.90 **OTHER OPERATING EXPENDITURES**

TRANSIT SYSTEMS AND RAILROADS

547.10 **ADMINISTRATION - GENERAL.** Code property, excise and B&O taxes to objects 50.

547.20 **ADMINISTRATION - PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

547.50 **MAINTENANCE.** Use 594-595 for capital outlays.

547.60 **OPERATIONS - CONTRACTED PROCESSING AND OPERATIONS**

547.70 **OPERATIONS - CUSTOMER SERVICES AND MARKETING**

547.80 **OPERATIONS - GENERAL.** Code fuel costs and power/water/gas purchased for resale to object 30.

547.90 **OTHER OPERATING EXPENDITURES**

MUNICIPAL VEHICLES AND PUBLIC WORKS EQUIPMENT
Subelement coding distinguishes operating expenditures in internal service funds.

548.10 ADMINISTRATION

PITS, QUARRIES AND ASPHALT PLANTS

548.25 Maintenance of Facilities. Use 594-595 for capital outlays.
548.26 Operations – Contracted Processing
548.27 Operations - Customer Services and Marketing
548.28 Operations - General. May use this element for cost of goods manufactured.
548.29 Other Operating Expenditures. May use this element for cost of goods sold.

MECHANICAL SHOPS

548.35 Maintenance of Facilities. Use 594-595 for capital outlays.
548.36 Operations - Contracted Repairs and Processing
548.37 Operations - Customer Billing, etc.
548.38 Operations - General. Code repair parts to object 30.
548.39 Other Operating Expenditures

PARTS STORES

548.45 Maintenance of Facilities. Use 594-595 for capital outlays.
548.47 Operations - Customer Billing, etc.
548.48 Operations - General. Code merchandise purchased to object 30.
548.49 Other Operating Expenditures. May use this element for cost of goods sold.

FUEL DEPOTS

548.55 Maintenance of Facilities. Use 594-595 for capital outlays.
548.56 Operations - Contracted Services
548.57 Operations - Customer Services and Marketing
548.58 Operations - General. Code fuel purchases to object 30.
548.59 Other Operating Expenditures. May use this element for cost of goods sold.

EQUIPMENT RENTAL SERVICES
All equipment rentals may be included in this account or motor pool rentals may be accounted for separately in 548.70. The use of the separate elements does not require separate legal funds.

548.65 Maintenance of Facilities and Equipment. Use 594-595 for capital outlays.
548.66 Operations - Contracted Services
548.67 Operations - Customer Services and Marketing
548.68 Operations - General
548.69 Other Operating Expenditures

MOTOR POOL SERVICES

548.75 Maintenance of Facilities and Equipment. Use 594-595 for capital outlays.
548.76 Operations - Contracted Services
548.77 Operations - Customer Services and Marketing
548.78 Operations - General
548.79 Other Operating Expenditures

548.90 OTHER SERVICES

550 ECONOMIC ENVIRONMENT

This is a major class of services provided for the development and improvement in the welfare of the community and an individual.

WELFARE

Economic assistance to the needy.

551.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

551.20 **WELFARE SERVICES.** Include *Welfare to Work* program payments.

551.30 **INDIGENT BURIAL.** Include cost of disposition of unclaimed indigent remains.

551.40 **TRAINING**

551.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

EMPLOYMENT OPPORTUNITY AND DEVELOPMENT

Prepares an individual for employment and assists participation in the labor market. Preparation includes skill training, basic education and work orientation. Actions which influence the labor market consist of job placement, coordination with employers to provide employment, counseling of individuals, and equal employment opportunity.

552.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

552.20 **EQUAL EMPLOYMENT.** Activities to assist employers to develop and implement non-discriminatory employment and promotion policies and practices. See 516.70 for other equal opportunity and affirmative action activities.

552.30 **MANPOWER TRAINING.** Activities designed to provide individuals the skills necessary to participate successfully in the labor market, including adult basic education, classroom training in specific job skills, on the job training, vocational orientation training and work experience.

552.40 **TRAINING**

552.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-595 for capital outlays.

552.60 **OTHER SERVICES**. Include of counseling, testing, interviewing, job placement, job finding and other functions that complement Manpower Training and Equal Employment. It includes the staff costs necessary to provide Participant Payments.

552.70 **PARTICIPANT PAYMENTS (DIRECT).** Include of direct payments from a subgrantee to or on behalf of individuals involved in or awaiting training or employment. The payments include wages and benefits.

552.80 **PARTICIPANT ALLOWANCES (INDIRECT).** Stipends paid weekly to participants. This allowance usually is a supplement to participant payments, but in some cases it may be the only amount a participant receives under a program. In the case of a manpower consortium with a number of program subgrantees, a nonprogram subgrantee pays the allowances to eligible participants in all subgrant programs; the nonprogram subgrantee is then reimbursed by the consortium.

552.90 **PARTICIPANT SUPPORT (INDIRECT).** Transportation, child care, medical assistance and similar supplemental support. Paid to participants as needed. A subgrant agency pays the participants and then bills the consortium or other grant agency.

VETERANS SERVICES
Services including counseling and assistance and relief with respect to educational and financial benefits, housing and employment opportunities.

553.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

553.40 **TRAINING**

553.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

553.60 **SOLDIERS AND SAILORS RELIEF**

553.70 **VETERANS COUNSELING AND OTHER BENEFITS**

554 **CHILD CARE SERVICES**
Coordinates state and local government child care services through contracts with licensed day care providers. Coordinates other governmental agencies which provide clinical health, educational, and family counseling services.

555[1] **AGING AND ADULT SERVICES**
Services to improve the quality of living for elderly persons.

SERVICES FOR DISABLED

556.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

556.20 **TRANSPORTATION.** (E.g., subsidies paid to operators of transit and taxi services, etc.)

556.30 **RECREATION SERVICES**

556.80 **HOUSING SERVICES.** House repair for the disabled.

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[1] The local departments or agencies performing these services should use the Element/Subelement coding in the appropriate BARS supplement available from the State Auditor's Office or the state agency responsible for the program.

COMMUNITY SERVICES

Facilitates community and neighborhood access to a broad range of governmental programs by providing information and service through a combined program.

557.10 COUNSELING SERVICES

557.20 INFORMATION SERVICES. Include such activities as supplying information and referral services or serving as a communication channel between other governmental organizations and the community. Include citizen complaint handling (ombudsman).

557.30 TOURISM

PLANNING AND COMMUNITY DEVELOPMENT

Master planning and comprehensive community planning and development. Use 518.20 for expenditures incurred in planning for capital assets of the government, such as buildings and parks.

558.10 ADMINISTRATION. Activities of general nature not associated directly with a specific service function.

558.20 COMPREHENSIVE PLANNING

558.40 TRAINING

558.60 PLANNING. (E.g., zoning regulations and land use administration, etc.)

558.70 RESEARCH. (E.g., feasibility studies, demographic studies and surveys, etc.)

558.80 DEVELOPMENT. (Urban and suburban development planning.) The physical implementation of this account is reflected in account 559, *Housing and Community Development*.

558.90 OTHER

HOUSING AND COMMUNITY DEVELOPMENT

Development and enforcement of building and occupancy standards and the upgrading of existing facilities. Development to meet the environmental need of the community, including slum clearance, community renewal, etc. (See account 558.)

559.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

559.20 **HOUSING AND COMMUNITY SERVICES**

559.30 **COMMUNITY DEVELOPMENT SERVICES**

559.40 **TRAINING**

559.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

559.60 **BUILDING PERMITS AND PLANS REVIEW IN BUILDING AND LAND DEVELOPMENT**

559.90 **OTHER**

560 MENTAL AND PHYSICAL HEALTH

A major class of services provided for the care, treatment, and control of mental and physical illnesses.

561 HOSPITALS AND CONVALESCENT CENTERS

562[1] PUBLIC HEALTH

CORONER

563.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

563.20 **CORONER SERVICES**

563.30 **DEATH INVESTIGATIONS**

563.40 **TRAINING**

563.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

564[1] MENTAL HEALTH SERVICES

566[1] SUBSTANCE ABUSE

568[1] DEVELOPMENTAL DISABILITIES

[1] The local departments or agencies performing these services should use the Element/Subelement coding in the appropriate BARS supplement available from the State Auditor's Office or the state agency responsible for the program.

570 CULTURE AND RECREATION

EDUCATION

Community education.

571.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

EDUCATION SERVICES

571.21 Agriculture. Include all cooperative extension agents.
571.22 Home Economics
571.23 Youth Services. (E.g., 4-H, Boy Scouts, Campfire Girls, etc.)
571.25 Horticulture
571.29 Other

571.40 **TRAINING**

571.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

571.90 **OTHER**

LIBRARIES

572.10 **ADMINISTRATION**. Activities of general nature not associated directly with a specific service function.

LIBRARY SERVICES

572.21 Public Service
572.22 Organization of Materials

572.40 **TRAINING**

572.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment. Use 594-595 for capital outlays.

572.90 **OTHER**

SPECTATOR AND COMMUNITY EVENTS

Use this account for activities intended to display arts, entertain, promote industry or recognize historic and festive occasions. These accounts are intended to reflect the costs incurred by a county or city in sponsoring those events which they have legal authority to sponsor. These accounts would also reflect the costs incurred by a county or city when they host events for private sponsors. Account for facilities in the account 575.

573.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

573.20 **ARTS AND SCIENCES**

573.30 **COMMERCIAL**. (E.g., auto, boat, home shows, etc.)

573.60 **SPORTS**

573.70 **FAIRS.** For details see Part 3, Chapter 10, Interpretation 1.

573.80 **CONVENTIONS**

573.90 **OTHER.** (E.g., dedicatory functions, circuses, historical celebrations, decorations for holiday or other festive occasions, etc.)

PARTICIPANT RECREATION

Programs for leisure time activities, including organized sports, games, dances, arts and crafts, and lessons. Account for facilities in the account 575.

574.10 **ADMINISTRATION**. Overhead costs for participant recreational programs.

574.20 **RECREATION SERVICES.** Cost of personnel, supplies, rented facilities, etc., that is directly attributable to a participant program.

574.40 **TRAINING**

574.90 **OTHER**

CULTURAL AND RECREATIONAL FACILITIES

Include costs of maintenance and general operations of owned or leased facilities. Cost associated with specific events should be accounted for in 573. Use 594-595 for construction and equipment purchases. The subelement detail shown for stadiums and auditoriums, fairgrounds and convention centers, may be used for other facilities as well.

STADIUMS AND AUDITORIUMS

Include opera houses.

575.21 Administration - General
575.22 Administration - Planning
575.25 Maintenance
575.26 Operations - Contracted
575.27 Customer Services and Marketing
575.28 Operations - General
575.29 Other Operating Expenditures

575.30 MUSEUMS AND ART GALLERIES

575.40 FAIRGROUNDS AND CONVENTION CENTERS

575.41 Administration - General
575.42 Administration - Planning
575.45 Maintenance
575.46 Operations - Contracted
575.47 Customer Services and Marketing
575.48 Operations - General
575.49 Other Operating Expenditures

575.50 MULTIPURPOSE AND COMMUNITY CENTERS. If exclusively a senior center, use 555.

575.70 MARINAS

575.90 OTHER

PARK FACILITIES

Include costs of maintenance and general operations of owned or leased facilities. Costs associated with specific events or recreational programs should be accounted for in account 573 or 574. Use 594-595 for capital outlays. The subelement detail shown for golf courses may be used for other facilities as well.

576.10 **ADMINISTRATION.** Activities of general nature not associated directly with a specific service function.

576.20 **SWIMMING POOLS**

576.30 **CAMPGROUNDS**

576.40 **BALL COURTS.** (E.g., tennis, racquetball, etc.)

GOLF COURSES

576.61 Administration - General
576.65 Maintenance
576.66 Operations - Contracted
576.67 Customer Services and Marketing
576.68 Operations - General
576.69 Other Operating Expenditures

576.80 **GENERAL PARKS.** (E.g., playgrounds, etc.)

576.90 **OTHER.** (E.g., zoos, public gardens, aquariums, etc.)

580 NONEXPENDITURES

Disbursements which do not meet the expenditures criteria.

INTERFUND LOAN DISBURSEMENTS
Include all interfund loans made to others and payments on those loans. Do not include interfund payments for services, materials or equipment properly included in other expenditure accounts. See the Glossary.

581.10 LOANS ISSUED TO OTHER FUNDS

581.20 LOAN REPAYMENT ISSUED

582 REDEMPTION OF LONG-TERM DEBT – PROPRIETARY FUNDS ONLY
Use this account for debt recorded in proprietary funds. To determine the element and subelement use the table on the last page in this chapter. Choose the code which best describes the purpose of the debt being redeemed. For governmental funds use 591. For interest or coupon payments use 592.

584 PURCHASE OF INVESTMENTS
Amounts paid for investments.

586 AGENCY TYPE DISBURSEMENTS
Cash disbursements from an agency fund. Examples:

- Sales and Leasehold Excise Taxes
- Forest Patrol
- State Share of Gun Permits
- Surety and Performance Deposits
- Court Remittances

Unless specifically prescribed by the BARS manual, element, subelement, object and subobject codes may be assigned locally.

OTHER DECREASES IN CASH AND INVESTMENTS

588.80 PRIOR YEAR(S) CORRECTIONS.
This account should be used only for material errors in prior periods that would distort current operations. This account should never be used for refunds which should be posted to the revenue account. The correction of minor errors should be posted to 519.90.

589 OTHER NONEXPENDITURES
Use this account for all other nonexpenditure transactions not includable in other specific 580 accounts. This account may also be used for refunds of revenues collected in error pending their posting to a revenue account. Examples:

- Disbursement of moneys out of a clearing fund (RCW 35.21.085) such as salary or claims.
- Disbursement of moneys out of a suspense fund.
- Disbursement of unidentified moneys pending identification and ultimate distribution.
- Disbursement of loan to borrowing governments or other entities (for interfund loans disbursements see account 581.10).

Normally use 582, 591, 592 and 599 for the remittance of moneys to fiscal agents for the redemption of bond principal and payment of interest.

DEBT SERVICE

591 REDEMPTION OF LONG-TERM DEBT – GOVERNMENTAL FUNDS ONLY

Use this account only for long-term debt of the governmental funds. To determine the element and subelement use the table on the last page of this chapter. Choose the code which best describes the purpose of the debt being redeemed. For proprietary funds use 582.

592 INTEREST AND OTHER DEBT SERVICE COSTS

To determine the element and subelement use the table on the last page of this chapter. Choose the code which best describes the purpose of the debt being serviced. Also include interest on interfund loans (for interfund principal payment use 581).

593 ADVANCE REFUNDING ESCROW

Include payments made to an escrow agent from sources other than refunding debt proceeds. Use subelement 89 with this code.

CAPITAL EXPENDITURES/EXPENSES

594 CAPITAL EXPENDITURES

Use this account to record all capital outlays. (See 595 for roads/streets construction and other infrastructure expenditures.) To determine the element and subelement use the table on the last page of this chapter. Choose the code which best describes the purpose of the expenditure. When construction or capital improvements are made with a government's own labor and materials (force account), use the appropriate salary, benefit, and supply objects. Otherwise use object 60.

Use this account for expenditures for capital assets purchased through the LOCAL program even if the debt proceeds for this purchase were disbursed by the State Treasurer directly to a vendor.

ROADS/STREETS CONSTRUCTION AND OTHER INFRASTRUCTURE

For purposes of accounting and reporting under BARS, the costs of performing those activities involved in the building of a new road facility or improvement of an existing facility to a higher geometric or structural standard, or undertaking activities that increase the traffic flow capacity or efficiency of an existing facility.

595.10 **ENGINEERING.** Cost of engineering associated directly with a construction project.

595.20 **RIGHT-OF-WAY.** The purchase of land or interest therein, including all work incidental to the acquisition of property rights for or devoted to a public road/street.

595.30 **ROADWAY.** Cost of all construction within the roadway prism, including all appertaining structures and other necessary features.

595.40 **DRAINAGE.** Cost of construction drainage systems. Include dikes and levees. Sanitary sewer systems are excluded.

595.50 **STRUCTURES**. Cost of constructing bridges over 20 feet in length or longer, tunnels, sea walls, coastal, riverine structures, irrigation canal crossings and livestock crossings that are necessary to provide protection or to provide a means for the roadway to pass over or through an obstacle within the right-of-way.

TRAFFIC AND PEDESTRIAN SERVICES. Cost of work on construction projects that relates to traffic and pedestrian service facility installations. For traffic policing use account 521.70.

595.61 Sidewalks
595.62 Special Purpose Paths. (RCW 47.30.050). For details see Part 3, Chapter 10, Interpretation 9.
595.63 Street Lighting**.** Cost of constructing street lighting systems for road/street functions. This does not include the lighting of parks or other ornamental lighting.
595.64 Traffic Control Devices**.** Cost of construction projects involving traffic control devices.
595.65 Parking Facilities**.** Cost of construction public parking facilities, including the purchase and installation of parking meters.

595.70 **ROADSIDE DEVELOPMENT**. Cost of construction projects involving roadside development. This includes landscaping, beautification, sound barriers, and irrigation.

595.80 **ANCILLARY OPERATIONS.** Cost of construction that is not normally associated with the street or road department function but is performed by street or road departments in some localities because of unique geographical or organizational situations.

595.90 **CONSTRUCTION ADMINISTRATION AND OVERHEAD.** Supervisory operations. Also includes general services that can be directly associated with the construction function of the department.

OTHER OPERATING EXPENDITURES

598 INTERGOVERNMENTAL AND OTHER PAYMENTS

Use this account for disbursements of money to another government in support of governmental activities administered by the recipient governmental or nongovernmental entity. Include disbursements related to interlocal agreements and pass-through grants. To determine the element and subelement, use the table on the last page of this chapter. Use object .50 with this Basub. For payments related to intergovernmental services performed by other governments use appropriate expenditure account and object code .50.

OTHER FINANCING USES

596 DISCOUNT ON LONG-TERM DEBT – GOVERNMENTAL FUNDS ONLY

597 TRANSFERS - OUT.

Include financial outflows to other funds without equivalent flows of assets in return or without a requirement for repayment. The fund receiving the transfers in will use account code 397. See the Glossary for explanation. Although not required, many local governments have found it useful to use the element/subelement field to code the expenditure Basub for which the subsidy is being paid. By using the same coding in account 397, balancing and reconciliation of transfers in and out is much easier. The table of codes on the last page of this chapter should be used for this purpose.

Counties should use account 521.70 for traffic policing.

599 PAYMENTS TO REFUNDED DEBT ESCROW AGENT

Payments to an escrow agent from refunding debt proceeds that are to be placed in irrevocable trust. Use subelement 89 with this code.

CLASSIFICATION OF EXPENDITURES BY OBJECT

Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

OBJECT. As used in expenditure classification, this term applies to the article purchased or the service obtained as distinguished from the results obtained from expenditures.

NOTE: When received a reimbursement or refund, reverse the original expenditure transaction using the same BARS account code (including the same object/subobject) like when the original transactions was posted. The same should be done for any reclassification or reallocation.

If the reimbursement applies to expenditures from the previous period(s) and reversing of transaction(s) is not possible, post the amount of reimbursements/refunds as miscellaneous revenue and, if the amount is material, provide an explanation in the note to the financial statements.

00 RECLASSIFICATIONS AND COST ALLOCATIONS

Reallocated Costs
Other Cost Reclassifications

10 SALARIES AND WAGES

20 PERSONNEL BENEFITS

Pension and Disability Payments

30 SUPPLIES

Office and Operating Supplies
Fuel Consumed
Power/Water/Gas Purchased for Resale
Supplies Purchased for Inventory or Resale
Small Tools and Minor Equipment

40 SERVICES

Professional Services
Communication
Travel
Advertising
Operating Rentals and Leases
Insurance
Utility Services
Repairs and Maintenance
Miscellaneous

50 INTERGOVERNMENTAL SERVICES AND OTHER INTERFUND PAYMENTS

Intergovernmental Professional Services
Intergovernmental Payments from Federal, State, or Local Funds
External Taxes and Operating Assessments
Interfund Taxes and Operating Assessments
Interfund Subsidies

CLASSIFICATION OF EXPENDITURES BY OBJECT

Definitions

60 CAPITAL OUTLAYS

Land and Land Improvements
Buildings and Structures
Other Improvements
Machinery and Equipment
Construction of Capital Assets
Capital Leases

70 DEBT SERVICE: PRINCIPAL

General Obligation Bonds
Revenue Bonds
Special Assessment Bonds
Revenue Warrants
Capital Leases and Installment Purchases
Anticipation Notes/Warrants
Other Notes
Intergovernmental Loans
Other Debt

80 DEBT SERVICE: INTEREST AND RELATED COSTS

Interest on Short-Term External Debt
Interest on Interfund Debt
Interest on Long-Term External Debt
Debt Issue Costs
Debt Registration Costs
Other Interest and Debt Service Costs

90 INTERFUND PAYMENTS FOR SERVICES

Professional Services
Communications
Supplies
Capital Outlays
Operating Rentals and Leases
Insurance Services
Repairs and Maintenance
Other Services and Charges

CLASSIFICATION OF EXPENDITURES BY SUBOBJECT
Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

00 **RECLASSIFICATIONS AND COST ALLOCATIONS.** Use of this category of objects is entirely **optional**. Unlike the remaining objects, those included in this category do not account for an immediate or anticipated cash outlay. Subobjects 04-08 do not represent particular types of articles or services, but summary accounts for grouping and redistributing other objects. If your accounting system has additional digits in the object field, the purposes accomplished here by subobjects 04-08 can be achieved even more effectively by appending a 4, 5, 7, or 8 to the regular subobject codes 11-89.

04 **Reallocated Costs.** You may use it to summarize and redistribute costs that were originally charged to a single Basub/element, program, or project.

05 **Other Cost Reclassifications.** You may use it to summarize and reclassify costs that do not meet the criteria of subobject 04.

CLASSIFICATION OF EXPENDITURES BY SUBOBJECT

Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

10 **SALARIES AND WAGES.** Amounts paid for personal services rendered by employees in accordance with the rates, hours, terms and conditions authorized by law or stated in employment contracts. This category also includes overtime, hazardous duty or other compensation construed to be salaries and wages. Subdivide this account as necessary for local purposes (i.e., regular pay, overtime pay, sick pay (employee related), sick pay (non-employee related), vacation pay, shift differential, and other taxable compensation).

Note: Personal Services do not include fees and out-of-pocket expenses for professional or consultant services performed on assignments. Such services are properly classified as *Services*.

20 **PERSONNEL BENEFITS.** Those benefits paid by the employer as part of the conditions of current or past employment. Subdivide as needed for local purposes. Examples:

Insurance	Unemployment Compensation
OASI (FICA) – Employer-paid portion	Uniforms and Clothing
Pension	Workers' Compensation

29 **Pension and Disability Payments.** Payments by self-insurance and trust funds to retired or disabled employees or their beneficiaries. Use other 20 subobjects for employer payments to pension systems and to state agencies for unemployment and disability insurance. Use subobject 49 for payments from self-insurance funds for property and liability claims.

CLASSIFICATION OF EXPENDITURES BY SUBOBJECT

Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

30 SUPPLIES. This is a basic classification of expenditures by object for articles and commodities purchased for consumption or resale.

31 Office and Operating Supplies. Articles purchased directly and consumed by operating departments. Examples:

Office Supplies	Feed for Animals
Forms	Food for Human Consumption
Agricultural Supplies	Household and Institution Supplies
Chemicals	Laboratory Supplies
Cleaning and Sanitation Supplies	Lubricants
Clothing	Medicines
Construction Materials and Supplies	Paints and Painting Supplies
Drugs	Plumbing Supplies
Electrical Supplies	Publications

32 Fuel Consumed. Include fuel used to generate power, fuel for heating, and fuel for operating engines and vehicles. See subobject 34 for fuel purchased for resale. Use subobject 47 for electricity and natural gas. Examples:

Coal	Nuclear Fuel
Diesel Fuel	Propane Gas
Fuel Oil	Wood
Gasoline	

33 Power, Water, Gas Purchased for Resale

34 Supplies Purchased for Inventory or Resale
Examples:

Internal Service Fund items such as automotive repair parts	Central Stores
Code Books, Maps	Fuel
Concession Supplies	Grave Markers and Liners
	Library Books and Other Library Materials (if capitalized, see subobject 64)

35 Small Tools and Minor Equipment

CLASSIFICATION OF EXPENDITURES BY SUBOBJECT

Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

40 **SERVICES.** This is a basic classification by object for services other than personal services which are needed by the government. Such services may be provided by a governmental agency or by private business organizations. For interfund payments for services see object 90. The following are principal types of services and charges included in this object classification:

41 Professional Services

Examples:

Accounting and Auditing	Legal
Engineering and Architectural	Custodial Cleaning
Medical, Dental and Hospital	Messenger
Computer Programming	Investment
Management Consulting	

42 Communication

Examples:

Telephone	Postage
On-Line Charges	Facsimile

43 Travel

Examples:

Per Diem	Meals
Lodging	Mileage

44 Advertising

45 Operating Rentals and Leases. See subobject 66 for the distinction between operating and capitalized leases or rentals.

46 Insurance

Examples:

Fire	Theft
Other Casualty	Liability
Bonds	

Note: Use object 20 for insurance applicable to personnel benefits.

47 Utility Services

Examples:

Gas	Electricity
Water	Waste Disposal
Sewer	Cable TV

Note: Use subobject 33 for power, water or gas purchased for resale.

48 Repairs and Maintenance. Contracted (external) labor and supplies furnished by the contractors. See object 60 for construction contracts.

Examples:

Buildings	Structures
Improvements	Equipment

49 Miscellaneous

Examples:

Court Costs and Investigations	Judgments and Damages
Dues, Subscriptions and Memberships	Registration
Information and Credit Services	Laundry and Other Sanitation Services
Filing, Recording and Witness Fees	Printing and Binding
Contractual Services not Otherwise Classified	Tuition

CLASSIFICATION OF EXPENDITURES BY SUBOBJECT
Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

50 INTERGOVERNMENTAL SERVICES AND OTHER INTERFUND PAYMENTS. This classification is primarily designed to segregate intergovernmental purchases of those specialized services typically performed by local governments. Such expenditures should be coded to subobject 51. Separate subobjects within this category may also be used to code transfers at the object level. Such coding of interfund transfers is not required because no expenditure has yet occurred when an interfund transfer takes place, unless the transaction is properly classified as an interfund services provided and used transaction, in which case one of the 90 objects should be used.

51 Intergovernmental Professional Services. Expenditures made to other governmental entities for services rendered. Intergovernmental services are limited to those functions normally provided by governments and not by private businesses. Examples include police and fire protection, detention, election services, animal control, inspections, libraries, pollution control, planning, and health services. Do not include expenditures that happen to be paid to another government but are not governmental in nature, such as those for insurance, utility charges, rentals, repairs and supplies. Also, do not include any interfund expenditures: interfund transactions should be coded using one of the 90 series of objects; transfers do not need to be coded at the object level. If your system requires object coding for interfund transfers, see subobject 55.

52 Intergovernmental Payments from Federal, State, or Local Funds. Use this subobject for contributions the government makes to other local governments or nongovernmental entities out of federal shared revenues, including flood control lease receipts and general revenue sharing. Use this subobject for disbursement of state or local revenues to other governments. Also use this subobject for pass-through grants.

53 External Taxes and Operating Assessments. Payments to other governments based on levies against property or income of the government. Do not separate sales taxes from the cost of the article or service purchased. Code LID payments and other special assessments to subobject 61 or 63.

54 Interfund Taxes and Operating Assessments. Payments to other funds of your government based on levies against property or income of a fund. Interfund LID payments and most other special assessments are accounted for as capital outlays (subobject 94) in the year assessed, and as debt service payments thereafter (subobjects 79 and 82).

55 Interfund Subsidies. The use of this subobject is optional; in fact, it is not recommended unless you have a system that requires all transactions to have objects. This subobject must be used only with Basub 597, to record contributions one fund makes to another fund. Examples include payments to a debt service fund by the general fund and transfers of tax (or other) revenue from the general fund to support a library, park, or jail accounted for in a separate fund.

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

60 CAPITAL OUTLAYS. Expenditures which result in the acquisition of, rights to, or additions to capital assets, including incidental costs such as legal, appraisal and brokerage fees, land preparation and demolishing buildings, fixtures and delivery costs. This category of object includes all major purchases of capital assets and infrastructure. See the Glossary definition of capital assets and the descriptions of accounts 594-595. This object should be used with accounts 591-592 (for capital leases) and 594-595.

This object classification pertains only to those assets which are purchased or constructed by the external party. Those constructed or fabricated by the municipality should be classified under other object classes; i.e., wages under *Salaries and Wages*, materials under *Supplies*, etc.

61 Land and Land Improvements

Examples:

- Easements
- Site Improvements such as: excavation, fill, grading, utility installation, removal, relocation or reconstruction of property of others (e.g., railroads, phone and power lines), retaining walls, parking lots, fencing and landscaping[1]
- Rights-of-Way
- LID Payments to Other Governments
- Land Acquisition Costs and Related Expenditures
- Intangible Rights to Land

62 Buildings and Structures (Acquisition, Construction and Improvements)

Examples:

- Administration and Office Buildings
- Garage and Shop Buildings
- Storerooms and Warehouses
- Zoos and Other Park Buildings
- Firehouses
- Jails
- Libraries
- Coastal and Riverine Structures

63 Other Improvements

Examples:

- Alleys
- Athletic Fields
- Bridges
- Culverts
- Water and Sewer Systems
- Fuel Depots
- Dikes and Levees
- Trails and Bike Paths
- Tunnels
- Lighting Systems
- Parking Areas
- Roadways
- Sidewalks
- Storm Drains
- Streets
- Signs and Signals
- Landscapes and Vegetation[2]

64 Machinery and Equipment

Examples:

- Communications
- Laboratory
- Transportation
- Police Dogs and Horses
- Library Resources[2]
- Janitorial
- Office Furniture and Equipment
- Heavy Duty Work Equipment
- Computer Software/Hardware
- Artwork

Note: Exclude small tools and minor equipment (see subobject 35).

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[1] Landscaping and vegetation costs are consider infrastructure if the costs are incidental to the construction of the related infrastructure. Often this is evident by reviewing the project's budget and determining if the initial project cost included landscaping and vegetation. Otherwise they may be considered land improvements.

[2] Include books, audiovisuals, materials, some reference materials, with useful life more than one year. Other library resources (e.g., periodicals, etc.) should be reported under object 30.

65 Construction of Capital Assets

Note: This classification is to be used where the expenditure applies to improvement projects involving several distinct subobjects such as land, buildings and structures, and other improvements. It is intended that the classification will be used primarily for undistributed work in progress in capital projects funds. Work orders or other adequate records must be maintained to identify and establish the validity of all amounts which ultimately will be distributed to appropriate capital asset accounts.

66 Capital Leases

Use this subobject to code an initial and subsequent payments for capital assets purchased under executory conditional sales contracts (RCW 39.30.010), lease-purchase agreements, installment purchase agreements, and similar arrangements that defer payment for capital outlays over a period of times.

To be considered a capital lease if the agreement meets any one of the following criteria:

a. The agreement transfers ownership of the property by the end of the lease term.

b. The agreement allows the government an option to purchase the property during or at the end of the lease term at a price that is considerably below the market value of the property at the time of the option.

c. The term of the agreement is at least 75 percent of the estimated useful life of the property.

d. The total payments under the agreement, less interest costs and charges for insurance and maintenance, equal or exceed 90 percent of the market value of the property at the date of the agreement.

Any rent or lease payments that do not fit in the above categories should be charged to subobject 45, *Operating Rentals and Leases*.

CLASSIFICATION OF EXPENDITURES BY SUBOBJECT
Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

70 DEBT SERVICE: PRINCIPAL. Use with Basub 581, 582, 591, 593 and 599.

71 General Obligation Bonds

72 Revenue Bonds

73 Special Assessment Bonds

74 Revenue Warrants

76 Anticipation Notes/Warrants

77 Other Notes

78 Intergovernmental Loans

79 Other Debt. Include interfund loans principal payments, LID assessments, etc.

80 DEBT SERVICE: INTEREST AND RELATED COSTS. Use with Basub 592, or if interest expenses are capitalized, use Basub 594.

81 Interest on Short-Term External Debt

82 Interest on Interfund Debt. Include interest on debt to joint ventures and affiliates, LID assessments.

83 Interest on Long-Term External Debt. Include intergovernmental, etc.

84 Debt Issue Costs

85 Debt Registration Costs

89 Other Interest and Debt Service Costs. Include interest paid on overdue taxes (RCW 84.69.070), etc.

CLASSIFICATION OF EXPENDITURES BY SUBOBJECT
Definitions

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBOBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

90 INTERFUND PAYMENTS FOR SERVICES. Expenditures made to other funds (or other departments of the same fund) for services rendered. Use subobject 54 for interfund taxes and subobject 82 for interfund interest. Use subobject 47 for utility payments and 49 for interfund licenses. Do not include reimbursements or contributions (subsidies). See the Glossary definitions of the various kinds of interfund transactions. If your accounting system has additional digits available in the object field, the purposes accomplished here by subobjects 91-99 can be achieved even more effectively by appending subobject codes 10-89 to a "9" (e.g., .941 for interfund professional services).

91 Interfund Professional Services. For examples of professional services, see subobjects 41 and 51.

92 Interfund Communications. For examples of communications, see subobject 42.

93 Interfund Supplies. For examples of supplies, see subobjects 31-35.

94 Interfund Capital Outlays. For examples of capital outlays, see subobjects 61-66.

95 Interfund Operating Rentals and Leases. For examples of operating rentals and leases, see subobject 45.

96 Interfund Insurance Services. For examples of insurance services, see subobject 46.

98 Interfund Repairs and Maintenance. For examples of repairs and maintenance, see subobject 48.

99 Other Interfund Services and Charges.

CLASSIFICATION OF CERTAIN EXPENDITURES/EXPENSES BY ELEMENT/SUBELEMENT

Use this table only with accounts 582, 591-594, 597-599

General Government Services

11 Legislature
12 Courts
13 Executive
14 Finance and Other Administration
15 Legal Services
16 Personnel Services
17 Employee Benefits Programs
18 Central Services
19 Miscellaneous General Government

Public Safety

21 Law Enforcement
22 Fire Control
23 Adult Detention/Correction
24 Protective Inspections
25 Emergency Services
26 Ambulance/Rescue/Emergency Aid
27 Juvenile Services
28 Communications/Alarm/Dispatch

Utilities and Environment

31 Natural Resources
32 Facility Engineering
33 Electric/Gas Utilities
34 Water Utilities
35 Sewer Utilities
36 Cemeteries
37 Garbage/Solid Waste
38 Other Utilities (Natural Gas, Drainage, Cable, etc.) and Business-Type Activities
39 Other Environmental Services

Transportation

41 Road/Street Preservation
42 Road/Street Maintenance
43 Road/Street Administration and Overhead
44 Road/Street Operations
45 Road/Street Extraordinary Operations
46 Airports/Ports/Terminals
47 Transit Systems/Railroads
48 Motor Pool Vehicles/Public Works Equipment

Economic Environment

51 Welfare
52 Employment Opportunity
53 Veterans Services
54 Child Care
55 Aging
56 Services for Disabled
57 Information/Outreach
58 Planning
59 Housing

Mental and Physical Health

61 Hospitals/Convalescent Centers
62 Public Health
63 Coroners
64 Mental Health
66 Substance Abuse
68 Developmental Disabilities

Culture and Recreation

71 Education
72 Libraries
73 Multipurpose/Community Centers
74 Stadiums/Auditoriums
75 Fairgrounds/Convention Centers
76 Park Facilities
79 Other Culture and Recreation

Debt

81 Amortization of Debt Premium (Credit)
82 Amortization of Debt Discount (Debit)
83 Amortization of Debt Issue Costs
89 Refunding Debt

Other

95 Road/Street Construction and Other Infrastructure
96 Conservation Districts-Cost Sharing Programs
97 Pass-Through Grants

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Objective

Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. The planning process involves determining the types and levels of services to be provided and allocating available resources among various departments, programs, or functions. Financial control and evaluation processes typically focus upon assuring that fixed expenditure limitations (appropriations) are not exceeded and on comparing estimated and actual revenues.

The budget authorizes and provides control of financial operations during the fiscal year. Upon adoption, the expenditure estimates in the fixed portion of the annual comprehensive budget, as modified by the legislative body, are enacted into law through the passage of an appropriations ordinance (city) or resolution (county). The appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the legislative body. Expenditures should be monitored through the accounting system to assure budgetary compliance. Unexpended appropriations may lapse at year end or may continue as authority for subsequent period expenditures, depending upon the applicable legal provisions (e.g., RCW 35.33.151).

Essential Elements of a Budget System

In order to work effectively, any budget system must provide for:

1. A structure which presents data in categories reflecting the organization's objectives.
2. Continual analysis by each organization of how its plan meets these objectives.
3. Alternative objectives and alternative plans for meeting these objectives.
4. An integrated planning/budgeting process incorporating data that is meaningful for decision making.
5. Broad planning decisions in a budget context.
6. Timely presentation of plans and financial data for action by the legislative body.

In short, the system must allow decision makers to see how resources can be used to meet objectives.

Long-Range Plans

The purpose of long range planning is to provide a better understanding (for departments, administrators, legislators, and citizens) of the activities and functions the government performs and the resources needed to continue or extend these services. If properly managed, long range planning will reduce the extent to which immediate crises dominate a government's budgeting and resource allocation decisions.

Each fund or department should develop long-range plans of its activities. These plans should contain descriptions of departmental goals, its service recipients or customers and other performance criteria. Where specific problems or projects are foreseen, the plan should describe the problem and discuss the costs and benefits of alternative solutions, indicating which solution is preferred and why. These departmental or functional long-range plans should be coordinated into a comprehensive plan for the entire local government.

At the same time, the government should be estimating its probable resources. For many smaller jurisdictions, this function is performed in part by relying on external associations, such as Association of Washington Cities, Municipal Research Services Center, and the Washington State Association of Counties. Administrative and legislative officials should review and adjust these long-range plans to meet resource projections.

In order to be effective, this long-range planning needs to be a continuous process; updating these long-range plans should be performed at the beginning of the annual budget process.

Budget Definitions

A *budget* is a forecast of expected resources and the purposeful distribution of those scarce resources. When a budget is appropriated by ordinance or resolution, it provides both the right to spend and limits the amount to be spent. Both appropriated and less formal management estimates are used by managers to control spending.

A *comprehensive budget* is an entity-wide budget that includes all resources the government expects and everything it intends to spend during a fiscal period. The comprehensive budget contains annual/biennial appropriated budgets, the annual/biennial portion of continuing appropriations such as the capital improvement projects, debt amortization schedules, and grant projects, flexible budgets and all nonbudgeted funds.

The term *fixed budget* is used to describe those budgets which set an absolute maximum or ceiling on the expenditures of a particular fund, department, or other specific category. A fixed budget can be either an annual appropriated budget or a continuing appropriation. Fixed budgets must be adopted by ordinance or resolution, either for the government's fiscal period or at the outset of a service project, debt issue, grant award, or capital project.

An annual/biennial appropriated budget is a fixed budget adopted for the government's fiscal period. The appropriated budget was traditionally used to determine a government's property tax levy, and a ceiling on expenditures was made absolute so that the expenditures of a government unit would not exceed its revenues. This budget was also historically a "balanced" budget, estimated revenues equaling appropriations. The appropriated budget is still used to set tax levies and some budget statutes still require "balanced" budgets, but it is more generally used to authorize a specific amount of expenditures regardless of whether estimated resources meet or exceed that amount. Appropriated budgets are required by statute in cities (Chapter 35.32A RCW, Chapter 35.33 RCW and Chapter 35A.33 RCW), counties (Chapter 36.40 RCW), and most other local governments in Washington State. These budgets are also called legal budgets, adopted budgets, or formal budgets. The appropriated budgets should be adopted by ordinance or resolution.

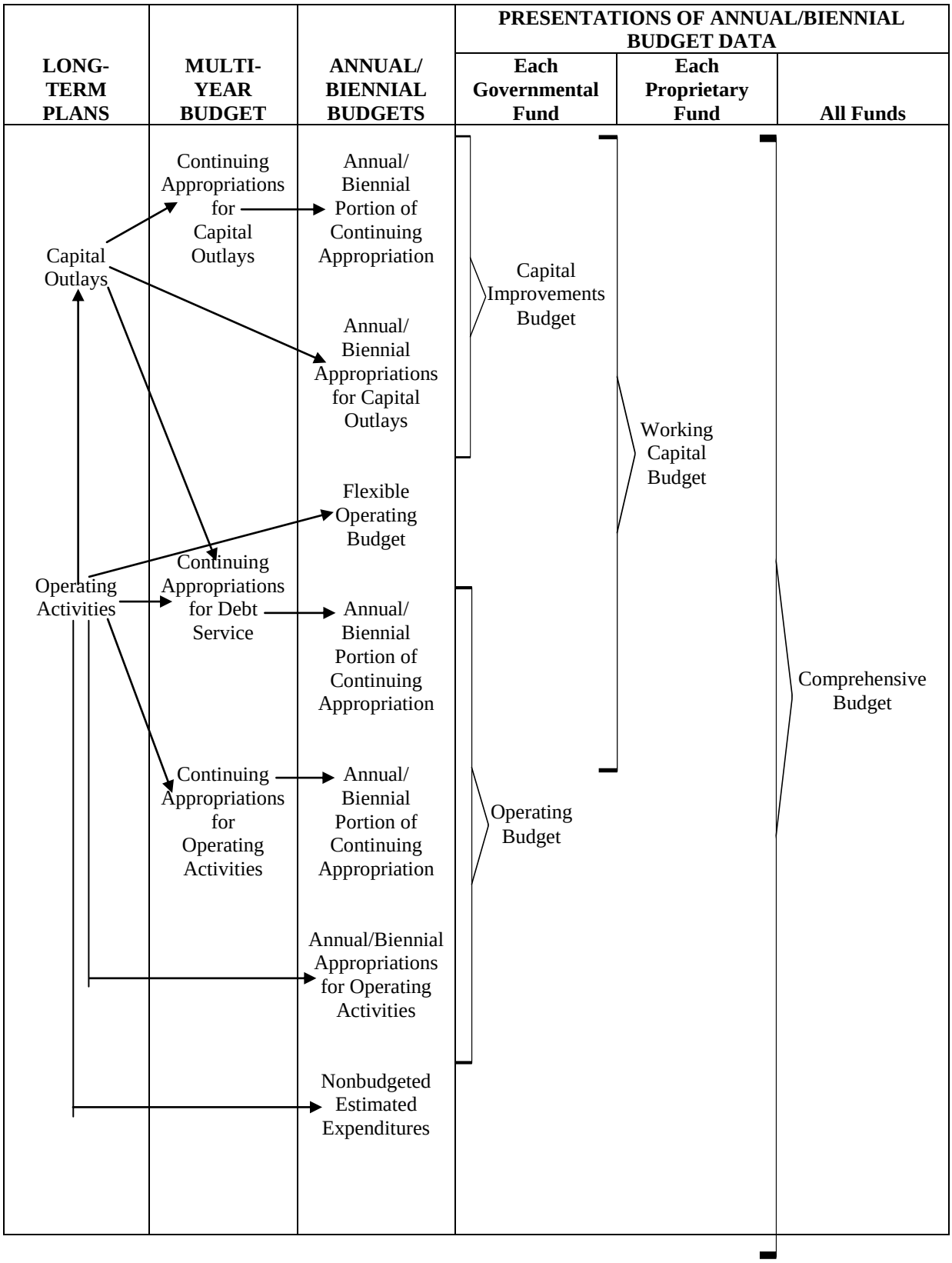
A *continuing appropriation* is a fixed budget which authorizes expenditures for a fiscal period that differs from the government's fiscal year, such as capital projects, debt issues, grant awards, and other service projects. These expenditures require an ordinance or resolution to authorize the project, establish the assessment roll, adopt the debt amortization schedule, or accept the grant award. Such ordinances or resolutions set an absolute maximum or ceiling on the expenditures, but the time period for incurring expenditures does not coincide with the government's fiscal year; it may even cover several years. The major difference between annual/biennial appropriated budgets and continuing appropriations is that the latter do not lapse at fiscal period end; this implies that no legislative action is required to amend the annual/biennial portion of a continuing appropriation, unless the total authorized expenditures would exceed the entire appropriation.

Flexible budgets are usually regarded as managerial tools, which do not set a ceiling on expenses or expenditures but establish a plan for them at various levels of service. They are especially appropriate for the day-to-day operations of a public utility where it is essential to plan fluctuations in the demand for services and where revenues will automatically increase with demand, so that a balanced budget does not depend on establishing a ceiling for expenses.

A *capital improvement budget* contains two elements: the annual/biennial portion of capital projects and annual appropriations for the purchase, construction or replacement of major fixed assets in the current fiscal period.

An *operating budget* presents the estimated expenditures and available resources necessary to provide the services for which the government was created. An operating budget will contain flexible budgets and fixed budgets; the fixed budgets will include annual/biennial appropriations for services and the annual/biennial portion of continuing appropriations for debt service and for service projects.

The graph on the next page shows how these various types of budgets are related and how the annual/biennial portions of these budgets are incorporated into the elements needed to complete the comprehensive budget.


LONG-TERM PLANS
MULTI-YEAR BUDGET
ANNUAL/ BIENNIAL BUDGETS
PRESENTATIONS OF ANNUAL/BIENNIAL BUDGET DATA
Each Governmental Fund
Each Proprietary Fund
All Funds
Capital Outlays
Continuing Appropriations for Capital Outlays
Annual/ Biennial Portion of Continuing Appropriation
Annual/ Biennial Appropriations for Capital Outlays
Capital Improvements Budget
Working Capital Budget
Flexible Operating Budget
Operating Activities
Continuing Appropriations for Debt Service
Annual/ Biennial Portion of Continuing Appropriation
Comprehensive Budget
Continuing Appropriations for Operating Activities
Annual/ Biennial Portion of Continuing Appropriation
Operating Budget
Annual/Biennial Appropriations for Operating Activities
Nonbudgeted Estimated Expenditures

SYSTEM DESIGN

The BARS is designed to allow formal integration of budgeting and accounting for all fund types in a governmental accounting system. The budget formats allow for different levels of detail for different levels of management.

For governmental fund types, the BARS is premised on the use of appropriated budgeting, which can be supplemented or (where statutes permit) replaced by capital improvement, project or program budgets that cover multiple/partial fiscal periods or cross organizational boundaries. A municipality may elect to budget proprietary funds by establishing fixed dollar budgets as for governmental funds.

RULES

WHAT FUNDS MUST HAVE BUDGETS?

1. Normally all general (current expense), special revenue, and proprietary funds of local governments must have annual/biennial appropriated budgets.

2. Normally debt service and capital project fund budget requirements are met by the continuing appropriation contained in the enabling ordinance or resolution. These funds do not need annual/biennial appropriated budgets.

3. Normally permanent funds are subject to the trust agreements and their use is restricted by such. The governments do not need to budget for these funds.

WHAT KINDS OF BUDGETS ARE REQUIRED OR ALLOWED?

4. Each local government must prepare a comprehensive, entity-wide budget document of all anticipated resources and outlays for the fiscal period, **including** those funds for which appropriated budgets are not required and including estimates of the annual/biennial portion of continuing appropriations.

5. Annual/biennial appropriated budgets are required by statute for nearly all expenditures made from the general (current expense), special revenue and proprietary funds of local governments. Annual/biennial appropriated budgets are also required for other funds that set tax levies.

6. An entity-wide capital improvements budget may be used instead of fund-by-fund budgets to appropriate expenditures for plant, property and equipment.

WHAT DETAIL IS REQUIRED?

7. Where annual/biennial appropriated budgets must be legally adopted by ordinance or resolution, they should be adopted at the department or fund level. A single ordinance or resolution should contain all annual/biennial appropriated operating budgets for the entire government. A separate ordinance or resolution may be used for annual/biennial appropriated capital improvements budgets. Normally, budgets are initially prepared at the level of expenditure objects, but they should be summarized into broad categories of services for appropriation. This does not preclude detailed budgets from being used by departmental managers, but it does allow them the discretion they need to manage their departments.

8. The prescribed chart of accounts is to be used for budget preparation, except that budget detail need not specify subobjects of expenditure. Budgets should include not only revenue and expenditure accounts, but also other financing sources and uses, transfers, contributions of capital, and beginning and ending cash and investments (RCW 35.33.011 and RCW 36.40.190).

SPECIAL RULES BY FUND TYPE

9. Some special revenue funds are authorized to budget on a project basis (such as cumulative reserve funds), and some special revenue funds are exempt from appropriated budget requirements (such as the county treasurer's Operations and Maintenance funds). Nonetheless, estimated annual/biennial resources and outlays for such funds must be included in the comprehensive budget (Item 4 above).

10. Appropriated budgets for debt service funds are not normally required. While Washington State budget statutes do not exclude debt service funds from annual/biennial appropriated budget requirements, RCW 39.48.020 requires that all resolutions or ordinances authorizing the sale of G.O. debt must include an amortization schedule to list interest payments and fix the annual maturities of the debt throughout the life of the issue; accordingly, the bond resolution or ordinance serves as a perfectly adequate budget for the entire life of the issue. The same principle applies to installment purchases and lease purchase agreements. Other debt payments accounted for in debt service funds are normally financed by contributions from other funds of the same government, and the amounts have already been budgeted as transfers to the debt service funds; rebudgeting the expenditures in the debt service fund serves no useful purpose. All debt service fund revenues and the current portion of the amortization schedule must be included in the comprehensive budget (Item 4 above).

11. Capital project funds may be budgeted either on an annual basis or on a project basis. The budget statutes for cities and counties provide that most appropriations lapse at the end of the fiscal period, but that the lapses do not prevent payments on "uncompleted improvements in progress" (RCW 36.40.200). In addition, most capital projects are funded by debt issues; the authorization for the debt issue is normally accompanied by official legislative action on the projects to be funded by the debt. City statutes are explicit about the unlapsed status of appropriations in such funds (RCW 35.32A.080, RCW 35.33.151 and RCW 35A.33.150). These statutes are interpreted to permit project budgeting of capital project funds. If project budgeting is employed, annual estimates of project resources and outlays must be incorporated in the comprehensive budget (Item 4 above). (Also see Capital Improvement Budget Section.)

12. Capital projects that involve special assessment districts should be budgeted on a project basis. Although improvement district statutes vary, they normally require formal adoption of an assessment roll. The LID formation ordinance is a perfectly adequate budget for the life of the LID. The amount of the assessment roll is determined by the estimated costs of construction and of debt service, which are accordingly approved by the same action. If construction costs exceed estimates, legislative approval is normally required; that approval should be recorded as a budget modification. Annual/biennial estimates of resources and outlays must be incorporated in the comprehensive budget (Item 4 above).

13. Fiduciary funds are not generally subject to budget requirements, but there are some exceptions: agency funds used to account for pass-through resources may require formal budgetary integration to establish adequate fiscal control over subgrants. Nonbudgeted trust and agency funds normally should <u>not</u> be included in the comprehensive budget, because they do not represent resources or outlays that benefit the local government itself. Budgeted trust funds must be included in the comprehensive budget (Item 4 above).

14. All proprietary funds must be budgeted on annual/biennial basis, using the method described below. These budgets must be included in the comprehensive budget (Item 4 above).

BUDGET PROCESS

The steps listed below are used to develop all types of budgets. See procedures for more detail on each step.

1. The Budget Calendar

   The budget director should review the applicable RCWs for statutory dates and develop a budget calendar after appropriate consultation with legislative and executive officers. The calendar should identify preparation periods and deadlines for each of the following steps.

2. Policy Guidelines

   Executive and legislative officials should meet to discuss revenue trends, economic prospects, major cost items and service objectives to be reflected in the budget. These discussions should result in overall guidelines for departments to use in making budget requests. These guidelines become part of the *Goals and Priorities Statement*.

3. Budget Instructions

   The budget director should prepare a budget manual. Part 2, Chapter 2 contains forms and instructions suitable for most local governments. The budget manual should contain a budget calendar, a description of the budget process, management and legislative policy guidelines, lists of goals and priorities, instructions on how to complete required forms, data on overhead expenditures (such as salary increases, fringe benefit factors, insurance and utilities) and rates for interfund services such as accounting, data processing, photocopying, printing and equipment rental.

4. The *Call* and *Goals and Priorities Statement*

   The *Call* and a *Goals and Priorities Statement* (see samples) are issued simultaneously to communicate policy guidelines and budget instructions to the operating departments.

5. Detailed Expenditure Requests

   These are prepared by individual departments and submitted to the budget director for review. The requests should contain narrative justifications. All outlays, including ending cash and investments, continuing appropriations and non-budgeted funds, must be included in the budget estimates. Some examples of methods used to develop budget estimates are: 1) listing of requirements (objects), 2) extrapolating from the old budget, or 3) developing measurements of service efforts and accomplishments. This last method quantifies the demands placed on your government for goods and services. Some examples of measurable services are the number of inspections, repairs, permits, arrests, cases filed, properties reassessed, documents processed, etc. Illustrative forms and completed sample budgets are presented in later sections of this manual. Subsequent sections of this chapter provide additional instructions for proprietary and capital improvement budgets.

6. Revenue Estimates

   These estimates are normally prepared by the budget director, with appropriate input from department heads and direction from the executive and legislative policymakers. The estimates should include all resources, not merely those categorized as revenues. The estimates should be reviewed throughout the budget process and especially carefully one last time just before final budget action is taken by the legislative body.

7. Budget Review

   This process is intended to establish priorities for governmental services and capital improvements and to bring the budget requests into balance with available resources. It is normally a function of the budget officer and the chief executive.

8. The Budget Document and Message

The budget document is prepared by the budget director and the chief executive when the budget review process is complete. It contains estimated resources and proposed expenditures with detailed justification of the recommended budget. This document should contain a summary at the Basub level by department in order to focus attention on the broad categories of service and the objectives of the unit of government. For similar reasons, the document should be comprehensive, including nonbudgeted funds and the annual/biennial portion of continuing appropriations. Either in an accompanying narrative or by using a BARS code subdivision, the comprehensive budget must indicate which portions are annual/biennial appropriations, which are portions of continuing appropriations, and which are estimates where no appropriation is required. This is necessary in order for citizens, council members, managers, and auditors to understand what limits are set in the budget document and what action would be required to change the estimates and appropriations.

The chief executive should include in this document his/her budget message, to describe the major assumptions underlying the budget, significant changes in the proposed budget from the current year budget, and major issues the legislative body must address, such as the tax levies, bond issues, and project amendments. (RCW 35.33.057 and RCW 35A.33.055 require budget messages for cities.)

9. Budget Hearings and Adoption

One or more formal public hearings are required by statute before the budget is adopted. Special meetings may be scheduled prior to the public hearings, in order to brief and address the concerns of the council or commission on the budget. After the public hearings, the legislative body should complete its deliberations and make its final adjustments to the proposed budget. Revenue estimates should be reviewed one last time, and then the legislative body should adopt (by ordinance in cities, by resolution in counties) those portions of the comprehensive budget which require annual/biennial appropriations, along with related revenue ordinances or resolutions. (See sample ordinances in procedures section.)

10. Recording the Budget

The annual/biennial appropriations contained in the comprehensive budget must be recorded in the ledgers to permit comparisons between estimated and actual resources and to compare and control expenditures with appropriations. The nonbudgeted portions and continuing appropriations contained in the comprehensive budget may also be recorded to provide management control. Note that for continuing appropriations, what should be monitored is not the annual/biennial portion but the overall project or debt schedule. When posting these amounts to the ledger, the annual/biennial appropriations may be separated from the nonbudgeted or continuing appropriations by using a BARS code subdivision.

11. Mid-Biennium Review and Modification

Procedures for mid-biennial budget review and modification for cities and towns are prescribed in RCW 35.34.130 and RCW 35A.34.130. Counties are also required to provide by ordinance/resolution for a mid-biennial budget review and modification for the second year of biennium (RCW 36.40.250).

The ordinance/resolution should contain procedures for distribution of proposed modifications to the county's legislative body and public. It should provide for hearing(s). The ordinance/resolution should require that such review and modification will occur no later than the conclusion of the first quarter of the second year of the fiscal biennium. The appropriate officer should prepare proposed budget modifications and publish a notice of hearing(s) in the same way others are published. The budget modification ordinance should be approved in the same manner as others.

The completed copy of adopted budget modifications should be sent to the State Auditor's Office.

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This is the traditional budget universally adopted by local governments for the general (or current expense) and special revenue funds. See Part 2, Chapter 1 for more specific rules about which funds must adopt an appropriated operating budget. This type of budget is developed "from the ground up"; that is, it begins with budget estimates and requests from individual department and fund managers. From this level, the estimates and requests are summarized by the budget office into a total budget for the entire governmental unit. The individual government should decide how many levels of budgetary detail and summary are needed; however, the ordinance or resolution that formally adopts the budget should be at a fund or department level. (See the sample ordinance in this chapter).

These illustrative forms and instructions provide for narrative explanations to accompany all budget requests. These narratives should be prepared by the operating department, not by the budget office. Narratives should accompany all budget forms where it is necessary to explain exceptions and/or analyze estimated revenues and expenditures. Detailed explanations are not required for routine continuing support costs such as electricity, water, heat, etc. The narrative requirements should be outlined by the budget officer.

The types of budgets are illustrated as SAO forms. Local governments are not required to use those forms. Your government may use its own forms and format as long as the required BARS coding is used.

Estimated Expenditures/Uses/Reserves

The operating budget is prepared at the department or comparable level by fund, program, department, Basub, element, and object. Subobjects are not required for budgeting.

Estimated Beginning Cash and Investments/Revenues/Other Sources

Initial estimates of revenues and other sources are prepared by the revenue collecting unit. These data are listed by fund, department, Basub and element. In addition, each intergovernmental revenue should be separately identified by a grant source code.

The collecting unit projects revenue on a departmental level with a narrative to explain increases or decreases. These estimates are submitted to the budget officer.

The budget officer summarizes all the departmental estimates by fund, element, and subelement and adds estimated beginning cash and investments and tax levies. At this time, reference to departments is usually omitted since amounts are combined under applicable funds. Department narratives are combined into a single statement for the legislative body.

Fund Name and Number	Estimated Beginning Cash and Investments/ Revenue/Other Sources	City/County/District	
Program	___ excluding taxes ___ including taxes	Budget For Year _____	Page
Department			

Account Number			Account Title	A Last Year Actual	Current Year				F Next Year Estimate	G[2] (F)E)-1 (%)
Basub	Ele.	Object			B Actual To Date	C[1] B)E (%)	D Original Budget	E Amended Budget		
			Enter account title from Chart of Accounts in Part 1, Chapter 3.							

Columns:
- A Enter prior year actual revenues/other sources, including beginning cash and investments.
- B Enter current year revenues/other sources to budget preparation date, including beginning cash and investments.
- C See Note 1 below.
- D Original budget adopted for current year.
- E Current year budget, including all amendments to date.
- F Proposed budget for next year, including estimated beginning cash and investments.
- G See Note 2 below.

[1] Column C gives the percent of estimated resources that have actually been earned or received.

[2] Column G is the estimated increase or (decrease) in the next year resources over the current year latest estimate.

Fund Name and Number	Estimated Expenditures/Uses/Reserves	City/County/District	
Program		Budget For Year _____	Page
Department			

Account Number			Account Title	A Last Year Actual	Current Year				F Next Year Estimate	G[4] (F)E)-1 (%)
Basub	Ele.	Object			B Actual To Date	C[3] B)E (%)	D Original Budget	E Amended Budget		
			Enter account title from Chart of Accounts in Part 1, Chapter 4.							

Columns:
- A Enter prior year actual expenditures and ending cash and investments.
- B Enter current year expenditures to budget preparation date.
- C See Note 3 below.
- D Original budget adopted for current year.
- E Current year budget, including all amendments to date.
- F Proposed budget for next year, including estimated ending cash and investments.
- G See Note 4 below.

[3] Column C gives the percent of estimated expenditures/uses that have actually been incurred.

[4] Column G is the estimated increase or (decrease) in the next year expenditures/uses over the current year latest estimate.

Fund Name and Number	Estimated Beginning Cash and Investments/ Revenue/Other Sources	City/County/District	
Program	___ excluding taxes ___ including taxes	Budget For Year _____	Page
Department			

Account Number			Account Title	A Last Year Actual	Current Year				F Next Year Estimate	G[2] (F)E)-1 (%)
Basub	Ele.	Object			B Actual To Date	C[1] B)E (%)	D Original Budget	E Amended Budget		

[1] Column C gives the percent of estimated resources that have actually been earned or received.

[2] Column G is the estimated increase or (decrease) in the next year resources over the current year latest estimate.

Fund Name and Number										
Program			Estimated Expenditures/Uses/Reserves					City/County/District		
Department								Budget For Year _____	Page	
Account Number			Account Title	A Last Year Actual	Current Year				F Next Year Estimate	G[2] (F)E)-1 (%)
					B Actual To Date	C[1] B)E (%)	D Original Budget	E Amended Budget		
Basub	Ele.	Object								

[1] Column C gives the percent of estimated expenditures/uses that have actually been incurred.

[2] Column G is the estimated increase or (decrease) in the next year expenditures/uses over the current year latest estimate.

Continuing appropriations are fixed budgets for a fiscal period that differs from the government's budgeted period. Examples include construction projects, special assessments, grant projects, lease-purchases, installment purchases, and debt service. (See Chapter 1 for the definition.)

The continuing appropriation budget is prepared by each department or fund by project or debt service schedule. (The latter includes lease-purchases and installment purchases.) Anticipated resources and outlays for each project or debt are coded by fund, program, department, Basub, element and object. Subobjects are not required for budgeting. In addition, each intergovernmental revenue should be separately identified by a grant source code.

Fund Name and Number				Estimated Revenues, Expenditures, Other Sources and Uses for Continuing Appropriations of Debt Service and Projects						City/County/District		
Program/Department										Budget For Year _____		Page
Project												
Account Number			Account Title	Debt Svc. Schedule/Project Life				Next Year				
Basub	Ele.	Object		A Original Budget	B Amended Budget	C Prior Year Actual	D Current Year Estimate	E Jan. 1 Remaining Budget B-C-D	F Est. Resources or Outlays	G Dec. 31 Re-maining Budget E-F	H[1] C+D+F B (%)	
			Enter account titles from Chart of Accounts in Part 1, Chapters 3 and 4.									
				Columns: A Original budget adopted for current year. B The budget for the entire debt service or project, including all amendments to date. C Total expenditures/uses incurred or revenues/other sources earned since inception to beginning of the current year. D Total expenditures/uses incurred or revenues/other sources earned in the current year to date. E Subtract columns C and D from column B. F Total estimated revenues/other sources to be earned or expenditures/uses to be incurred in the next year. G Subtract column F from column E to determine the estimated budget amount to be carried forward to a future budget period. H See Note 1 below. NOTE that all columns are used for both expenditures and revenues. The BARS account codes and titles are used to distinguish the entries.								

[1] Column H gives the percent of the total project budget estimated to be earned or spent by the end of the budget year.

Fund Name and Number												City/County/District	
Program/Department				Estimated Revenues, Expenditures, Other Sources and Uses for Continuing Appropriations of Debt Service and Projects								Budget For Year _____	Page
Project													
Account Number			Account Title	Debt Svc. Schedule/Project Life			D Current Year Estimate	Next Year			H[1] C+D+F B (%)
Basub	Ele.	Object		A Original Budget	B Amended Budget	C Prior Year Actual		E Jan. 1 Remaining Budget B-C-D	F Est. Resources or Outlays	G Dec. 31 Re-maining Budget E-F	

[1] Column H gives the percent of the total project budget estimated to be earned or spent by the end of the budget year.

Traditional appropriated budgets contain both operating and capital expenditures. To improve management control and planning, capital expenditures for major acquisitions or construction of facilities and equipment may be separated from current operating expenditures and placed in a capital improvement budget. This budget will contain all major capital expenditures from all funds, including internal service. It will also distinguish debt incurred to acquire long-lived assets from debt incurred to finance current operations.

A capital improvement budget starts with a capital improvement program. A capital improvement program is a plan for capital expenditures to be incurred over a fixed period of time and the projected resources required to finance the expenditures. It is a long range plan that looks beyond the traditional annual/biennial budget.

To develop a capital improvement program, it is necessary, first, to compile an inventory of existing facilities and major equipment to evaluate their adequacy for present and future service needs and, second, to establish objectives and priorities for replacing whatever is inadequate and acquiring additional needed facilities and equipment.

The critical step in the development of a capital improvement program is the evaluation and prioritization of the relative need for and cost/benefit of each proposed improvement. Extensive public hearings and legislative deliberations are essential to establish an adequate program.

In developing the capital improvement program, it is important to keep the following things in mind:

1. Include projects currently in progress.

2. Include internal service fund capital outlays and purchases made by other funds and contributed to internal service funds.

3. Establish a minimum cost for items to include in the capital improvements program; capital expenditures less than the established minimum should be included in the operating budget of the fund/department that will incur the expenditure.

4. Coordinate capital improvement plans with other governments with overlapping or neighboring jurisdiction; it is appropriate for the capital improvement program to reference capital improvements planned by these governments. This can be especially important when establishing the timing of construction to minimize detours and delays.

5. Because the capital improvement program is entity-wide, it can be organized by project, by funding source, by type of construction, or in other suitable categories, instead of the more traditional funds and departments used for operating budgets. The annual/biennial capital improvement budget should follow the same format as the capital improvement program.

After evaluating and picking the capital improvements to be completed, it is necessary to choose the best method of financing. Some examples of financing are past savings (reserves), current revenues (also called "pay as you go"), debt financing, (whether from bonds, registered warrants, installment purchases, or leases), and contributions (such as special assessments and grants).

Once a capital improvement program is established it will be necessary to repeat the same steps annually/biennially to update and extend the program. A capital improvement program should not be "cast in concrete." Economic and environmental conditions will change, and those changes should result in modifications to the capital improvements program, accelerating, delaying, reprioritizing, even canceling scheduled improvements.

The capital improvements budget is next period's portion of the capital improvements program. It is presented with the annual/biennial operating budget, and those portions which require annual/biennial appropriations are adopted by the same ordinance or resolution that adopts the annual/biennial appropriated operating budget. The remaining portion of the capital improvements budget consists of the annual/biennial portion of continuing appropriations, included in the comprehensive budget but appropriated on a project rather than an annual/biennial basis.

The capital improvement budget is prepared by Basub, element, and object. In addition, each intergovernmental revenue should be separately identified by a grant source code.

The individual budgets of funds, projects, and capital improvements are combined into a comprehensive budget document which summarizes, at the fund level, the entire planned resources and outlays for the budget period. This comprehensive budget contains subtotals which remove unbudgeted and continuing appropriations items to reconcile the comprehensive budget with the ordinance or resolution adopting the annual/biennial budget.

City/County/District			(Annual/Biennial) Comprehensive Budget		
Budget for Year _____	Page				
Fund Name	Resources	Uses	Increase (Decrease) in Cash and Investments	Beginning Cash and Investments	Ending Cash and Investments

In consideration of the "lengthy and intense process" (RCW 35.34.010) associated with the adoption of a budget, the Legislature provided, in 1985, for biennial budgets for cities and towns. In 1995, the Legislature allowed counties to adopt ordinance/resolution providing for biennial budgets (RCW 36.40.250).

The process for adopting a biennial appropriated operating budget is the same as that for an annual budget. (Refer to Part 2, Chapter 2.) The schedule for submitting budget estimates, the proposed preliminary budget, budget hearings and budget adoption is also the same. However, presentation of the biennial budget in the annual financial statements issued during the biennium requires additional considerations.

In the first year of presentation, the two-year budget will be presented and compared to the actual expenditures of the first year.

In the second year, the two-year budget will be presented and compared to the actual expenditures of both years.

The column headings in the budgetary statement should indicate clearly the period(s) covered. The budget column heading should indicate the inclusive dates of the two-year period. The actual column heading should indicate whether the amounts represent one year or two years of expenditures.

The procedures for mid-biennium budget review and modification are described in Part 2, Chapter 1.

CHAPTER 3. BUDGET EXAMPLES

The following pages are intended to show the various communications and documents prescribed by this budgeting system. These examples are not intended to represent a complete city or county budget. Some of these documents contain statements and amounts that are inconsistent with other examples in this chapter. This was allowed in order to show a wider range of budget techniques and issues.

THE ANNUAL OR BIENNIAL BUDGET CALENDAR

Steps in Budget Preparation	Time Limitation: Cities (Chapter 35.33 RCW, Chapter 35A.33 RCW Chapter 35.34 RCW, Chapter35A.34 RCW)	Time Limitation: Counties (Chapter 36.40 RCW)
1. Department heads are requested to prepare estimates of revenue and expenditures for the next fiscal year.	On or before the second Monday in September (see Note A).	On or before the second Monday in July.
2. Estimates are to be filed with the city clerk/county auditor.	On or before the fourth Monday in September.	On or before the second Monday in August.
3. Estimates are presented to the chief administrative officer for modification, revision, or additions.	On or before the first business day in October.	
The appropriate officer provides the legislative body with current information on estimates of revenues from all sources as adopted in the budget for the current year, together with the clerk's proposed preliminary budget. RCW 35.33.135, RCW 35A.33.135)	No later than the first Monday in October.	
5. The legislative body must hold a public hearing on revenue sources for coming year's current expense budget, including consideration of possible increases in property tax revenues.	Before legislative body votes on the property tax levy. Deadlines for levy setting are in step 6.	
6. Setting tax levies (RCW 84.52.020, RCW 84.52.070, RCW 35A.33.135)	On or before November 30.	
Upon receipt of the estimates, the auditor prepares the county budget and submits it to the board of county commissioners.		On or before the first Tuesday in September.
8. Chief administrative officer prepares preliminary budget and budget message and files it with the city clerk.	At least 60 days before the ensuing fiscal year.	
9. Clerk publishes notice of filing of preliminary budget with city clerk and publishes notice of public hearing on it once a week for two consecutive weeks.	Published during the first two weeks in November.	
10. The legislative body, or a committee thereof, must schedule hearings on the budget or parts of the budget, and may require the presence of department heads.	Prior to the final hearing.[1]	

1 Since the statute does not specify form of notification, cities and towns should follow their normal procedure

Steps in Budget Preparation	Time Limitation Cities (Chapter 35.33 RCW, Chapter 35A.33 RCW Chapter35.34 RCW, Chapter 35A.34 RCW)	Counties (Chapter 36.40RCW)
11. Copies of the preliminary budget are made available to citizens upon request (see Note B).	Not later than six weeks before January 1.	Two weeks prior to hearing.
12. Budget hearing notice	Publish notice once for two consecutive weeks. State availability of budget at clerk's office and schedule for final public hearing.	Publish notice once for two consecutive weeks. State availability and location of budget. Advise of schedule for final public hearing.
13. Final hearing on proposed budget	On or before first Monday of December, and may be continued to not later than the 25th day prior to next fiscal year.	On the first Monday in October (see Note C).
14. Adoption of budget for next fiscal year. Send copies of final budget to the State Auditor's Office.[1]	Adopt by ordinance. Following the public hearing and prior to the beginning of the ensuing fiscal year. Also, send a copy of the budget to the Municipal Research and Services Center.	Adopt by resolution. Following the public hearing and prior to the beginning of the ensuing fiscal year.
15. Mid-biennial review and modification. Send copies of modified budget to the State Auditor's Office.	Provide by ordinance for this step. If provided for, shall occur no sooner than 8 months after start nor later than conclusion of first year of the fiscal biennium.	Adopt by ordinance/resolution. Should occur no later than the conclusion of first quarter of the second year of the fiscal biennium.[2]

[1] Only code cities and counties. First class cities with population of less than 300,000, second, third class cities and towns are required to forward their budgets to the Association of Washington Cities only. (RCW 35A.33.075 and RCW 35.33.075)

[2] As prescribed by the State Auditor's Office (RCW 36.40.250).

NOTES:

A. Or at such other time as the city may provide by ordinance or charter (RCW 35.33.031 through RCW 35.33.051).

RCW 35.33.031 actually provides on or before the second Monday of the fourth month, etc. Therefore, pursuant to the state budget law, that step (and certain others) could be taken before the dates listed herein.

Budget requirements for first (under 300,000), second and third class municipalities are listed in Chapter 35.33 RCW, as amended, and for Cities under the Optional Municipal Code in Chapter 35A.33 RCW, as amended.

B. The public records section of the Public Disclosure Law guarantees full access to information concerning the conduct of government, with exceptions made for privacy of individuals and efficient administration of government. Citizens participating in the budget process should be aware of their right to inspect and copy any document or public record needed in the evaluation of a county or city budget.

C. The law has established dates for the budget process allowing counties a great deal of flexibility through RCW 36.40.071, to set up alternate dates for budget hearings and other elements of the budget process. Several counties have chosen to set the budget hearings at a later date. Citizens are urged to contact their county commissioner regarding the exact dates for the budget hearing.

Sample

CALL LETTER

TO: All agencies and individuals responsible for submission of budgets

FROM: Designated budget officer

SUBJECT: Notice to file _____ Budget Estimates

You are hereby notified to file, on or before (date), itemized estimates of resources other than taxes, and of all expenditures/users required by your office or department for the year _____. Please refer to the enclosed budget calendar for related deadlines.

The enclosed forms and instructions are provided for the preparation and submission of budget estimates. Please submit all estimates to the budget and finance department. Any questions regarding the procedures, instructions or forms should be directed to this office.

Your cooperation in meeting scheduled deadlines and responding to requests for additional information will be appreciated by all concerned.

NOTE: This letter may be combined with the *Goals and Priorities Statement*.

Sample

GOALS AND PRIORITIES STATEMENT

TO: (Statement should be addressed to all agencies and individuals responsible for submission of budgets.)

FROM: The Legislative Body

SUBJECT: Goals and Priorities _____

The purpose of this statement is to advise everyone connected with the budget process of the overall plan for this community and of the priorities we have set to achieve our common goals.

We have made significant progress in overcoming the financial difficulties caused by the large general fund deficit. It is our hope that, by the end of fiscal 200X, we will no longer be in a deficit fund balance position. However, this does not mean that we have no severe fiscal problems. We will still have cash flow deficits in 200X. It is our intention to build up a modest fund balance in order to provide working capital to meet our expenditures during the entire year, without resorting to borrowing. There are also unavoidable operating expense increases anticipated in 200X (e.g., staffing the new jail), which will place severe demands on available revenues.

There will be some resources available in 200X for major capital expenditures. We have established a Capital Improvement Reserve Fund financed from one-half of the additional half cent sales tax. Therefore, at least $500,000 in 200X will be allocated to capital items in excess of $50,000, following the guidelines we adopted in early 200X.

Although the rate of inflationary increases has abated somewhat in the last year, we still anticipate that cost increases will be a major problem in 200X (particularly for utilities). We do intend to provide for moderate salary increases next year, and will attempt to budget accordingly. Based on limited revenues, we should not expect to expand operating programs or hire additional personnel unless expenses can be cut elsewhere or compensating revenue generated.

In light of these objectives and constraints, we are requesting departments to again submit their 200X budgets based upon current staffing levels and current levels of other budget items. These budget requests should only be increased over the 200X budgets to take into account anticipated inflationary increases. If you feel strongly that adjustments to your current budget allocations should be made for 200X, a supplemental budget request may be submitted. We would caution you to submit as supplemental budget requests only those items which you feel are absolutely necessary for the effectiveness of your operation, and which can be cost/benefit justified where feasible. We are also requesting each department to scrutinize its operation for ways to reduce costs without significantly affecting operational performance.

Note: It is the intention of this letter to provide managers responsible for budget submissions with guidance concerning the policies and priorities of the legislative body.

Sample

BUDGET MESSAGE

TO: The Legislative Body

FROM: Budget Officer

SUBJECT: Budget Request - _____

I am pleased to submit for your consideration the 2009 proposed Annual Budget for the City of Example.

Proposed expenditures for 2009, stated on a comparative basis with 2008 and with actual expenditures for 2007 are as follows:

	Expenditures 2007	**Budget 2008**	**Proposed 2009**
Proprietary Services	$1,563,043	$1,850,299	$2,059,135
General Government Services	370,285	418,911	443,142
Public Safety	1,044,325	1,161,045	1,231,111
Utilities and Environment	285,636	296,211	288,968
Transportation	394,360	400,265	577,570
Economic Environment	11,000	11,000	12,500
Mental and Physical Health	12,588	17,600	13,700
Culture and Recreation	287,675	303,865	332,987
Total Appropriations	$3,968,912	$4,459,126	$4,959,113
Estimated Other Financing Uses: Transfers Out	793,968	754,358	765,310
Total Estimated/Uses	$4,762,880	$5,223,484	$5,724,423

The budget as proposed is approximately 9.6 percent higher than 2007 primarily due to increases in proposed expenditures for streets and proposed water, sewer and equipment rental capital expenditures.

The budget is balanced by a proposed levy of $1,231,934 for general fund purposes, $92,316 for ambulance and emergency aid and $48,160 for general obligation debt service.

The estimated yield from retail sales and use taxes is $271,000, only slightly higher than anticipated for 2008. It is difficult to predict sales tax revenue due to economic fluctuations and construction projects in process in the city.

Budgeted funds do not include any estimated balance to be carried over from the general fund from 2007.

Since Example, unlike other cities, does not utilize utility taxes other than natural gas and cable television, it is not anticipated there will be any significant increases in revenue from any source other than property tax in 2008.

Estimated revenues for 2009 compared to amounts received in 2007 and the latest estimates for 2008 are as follows:

	Actual 2007	Estimated 2008	Estimated 2009
Estimated Beginning Fund Balance	$1,017,155	$ 427,129	$ 420,018
Taxes	1,174,141	1,333,150	1,666,816
Licenses and Permits	26,305	23,850	23,250
Intergovernmental Revenues	356,806	428,469	570,964
Charges for Goods and Services	1,718,593	1,863,953	1,782,546
Fines and Penalties	77,342	83,500	80,500
Miscellaneous Revenues	607,138	185,975	411,919
Total Estimated Revenues	3,960,325	3,918,897	4,535,995
Total Other Estimated Financing Sources	809,845	877,458	786,410
Total All Estimated Resources	$5,787,325	$5,223,484	$5,724,423

PERSONNEL

Personnel changes in the budget include an additional engineering technician for one-half year in the engineering budget, bringing this staff back to seven people. The ambulance and emergency aid budget includes five paramedics for the complete year as compared to five for one-half year in 2007. The budget includes the position of public works maintenance superintendent, who is the field supervisor for all public works maintenance activities.

Union contracts are being negotiated with three union groups at the present time. The budget does not provide for any salary increase other than normal progressive step increases for those not presently at the top of their position class range.

LAW ENFORCEMENT, FIRE CONTROL AND COMMUNICATIONS

Total costs for law enforcement, fire control and communications are up 6.7 percent from $925,596 to $987,157. The primary increases are in the area of communications which include funds for radio equipment and replacing volunteer and regular firefighters monitor receiving equipment.

GENERAL

$1,200 is appropriated for the city's contribution to the air pollution control authority, the same as 2008. $4,000 is budgeted for general services of the regional planning commission. $16,825 is appropriated for animal control compared to $15,000 for 2008. $13,700 is budgeted for public health and alcoholism programs.

EQUIPMENT RENTAL

Appropriations for the equipment rental operation are $445,506. $206,318 was appropriated for 2008. Several pieces of equipment are in need of being replaced including a 20-yard refuse compactor truck, ½-ton pickup, 1-ton dump truck, tractor mower, two police vehicles and a utility trailer. A vacuum sewer cleaner vehicle may be purchased if funds are available.

Many desirable capital improvements such as storm sewer, street resurfacing and rebuilding, and park improvements are not included in the 2009 budget. Hopefully, an increase in the city's tax base for 2010 and beyond will permit the inclusion of some of these essential projects.

Very truly yours,

_____

Mayor

Sample

BUDGET ORDINANCE

Ordinance No. _____

An ordinance adopting the budget for the City of Example, Washington, for the fiscal year ending December 31, 2006.

WHEREAS, the mayor of the City of Example, Washington completed and placed on file with the city clerk a proposed budget and estimate of the amount of the moneys required to meet the public expenses, bond retirement and interest, reserve funds and expenses of government of said city for the fiscal year ending December 31, 2006, and a notice was published that the council of said city would meet on the 3rd day of December 2005 at the hour of 7:00 p.m., at the council chambers in the city hall of said city for the purpose of making and adopting a budget for said fiscal year and giving taxpayers within the limits of said city an opportunity to be heard upon said budget; and

WHEREAS, the said City Council did meet at said time and place and did then consider the matter of said proposed budget; and

WHEREAS, the said proposed budget does not exceed the lawful limit of taxation allowed by law to be levied on the property within the City of Example for the purposes set forth in said budget, and the estimated expenditures set forth in said budget being all necessary to carry on the government of said city for said year and being sufficient to meet the various needs of said city during said period.

NOW, THEREFORE, the City Council of the City of Example do ordain as follows:

Section 1. The budget for the City of Example, Washington, for the year 2006 is hereby adopted at the fund level in its final form and content as set forth in the document entitled (give exact title of your budget book), three copies of which are on file in the Office of the Clerk.

Section 2[1] Estimated resources for each separate fund of the City of Example, and aggregate expenditures for all such funds for the year 2006 are set forth in a summary form below, and are hereby appropriated for expenditure at the fund level during the year 2006 as set forth in the (give exact title of your budget book).

Fund[2]	**Estimated Revenues**[2]	**Appropriations**[2]
General	$	
City Street		
Arterial Street		
Library		
Emergency Rescue		
Fire Equipment Cumulative Reserve		
City Sanitary		
Water		
Equipment Rental		
Unemployment Compensation		
Firemen's Pension		
Total All Funds[2]		

[1] The level of details for counties may vary. Please refer to RCW 36.40.040.

[2] This information is required.

Section 3. The city clerk is directed to transmit a certified copy of the budget hereby adopted to the State Auditor's Office and to the Association of Washington Cities.

Section 4. This ordinance shall be in force and take effect five (5) days after its publication according to law.

Passed by the council and approved by the mayor this 3rd day of December, 20___.

Signed _____ Attest _____

Mayor Clerk

Approved as to Form:

_____

City Attorney

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The following principles are basic rules of accounting and financial reporting for cash based cities, counties, and special purpose districts.

ACCOUNTING AND REPORTING CAPABILITIES

1. A governmental accounting system must make it possible to determine and demonstrate compliance with finance related legal and contractual provisions.

FUND ACCOUNTING SYSTEMS

2. A governmental accounting system should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

BASIS OF ACCOUNTING

3. Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements.

   Revenues are recognized only when cash is received and expenditures are recognized when chargeable against the report year's budget appropriations as required by state law. This generally results in revenues being recognized when delivered to the government or government's agent and expenditures being recognized when paid. Warrants and checks are considered *paid* when issued. An exception to expenditure recognition would be during any open period after the close of the fiscal year when expenditures can be charged against the previous period for claims incurred in the previous period. Open periods are required by statute for cities (RCW 35.33.151 and RCW 35A.33.150) and allowed for counties (RCW 36.40.200). Special purpose districts which use the county or a city as their treasurer may use the same open-period as their treasurer. If a district acts as its own treasurer, no open period is allowed by statute.

   Revenues and expenditures should be reported at gross amounts by account and not netted against each other.

   Revenues and expenditures should be recognized for all receipts and payments of a government's resources, including those where the cash is handled by an agent (such as a bank, underwriter, etc.) on behalf of the government rather than handled directly by the local government. For example, debt proceeds wired directly to an escrow account, payments by the State Treasurer's Office to vendors for items purchased with LOCAL resources, etc. Interest earned on investments should generally be recognized when interest is received - that is, when interest is credited to the government's account, which may happen at different times depending on the investment instrument or fiscal agent. However, governments may establish a different accounting policy for recognizing interest earnings so long as it results in a rational and reasonable treatment of interest and is disclosed in the notes to the financial statements.

   In addition, revenue and expenditures should also be recognized when the government agrees to forgo revenue in exchange for reduction of expenses (offsetting agreement) or receipt of an asset (e.g., acquiring an asset in exchange for reduced permit fees, etc.). In such cases, the transaction should be recorded as if the cash was received and expended in order to reflect the legal transaction.

This basis results in no reported assets other than cash and investments and no reported liabilities. For example, purchases of capital assets are expensed during the year of acquisition without any capitalization of capital assets or allocation of depreciation expense. However, please be aware that certain liabilities should be reported on Schedule 09 and in the notes in financial statements.

TYPES OF FUNDS

4. In fund financial statements, governments should report governmental, proprietary, and fiduciary funds to the extent that they have activities that meet the criteria for using these funds.

   Presented below is a system to classify all funds used by local government and the assignment of code numbers to identify each type of fund. A three digit code is used: the first digit identifies the fund type and the next two digits will be assigned by the governmental unit to identify each specific fund.

   Since counties account for special purpose districts in their accounting systems as agency funds, they often provide the districts with reports showing assigned fund codes 631-699. These codes refer to the fund from the county perspective. A district has to "reassign" the county code to the code appropriate to the fund type it is reporting (e.g., if the district's general fund is coded in the county records as 663, the district in its annual report has to code this fund as 001).

   For reporting purposes local governments are required to follow the described below fund structure. However, the local governments may create other funds for accounting or managerial purposes. When preparing external financial reports, those *accounting* or *managerial* funds should be rolled to appropriate fund types (e.g. there should be only one general fund or if an entity accounts separately for operating, capital or/and debt activities of its proprietary function, those activities should be rolled up into the appropriate enterprise fund, etc.)

Governmental Funds

Code	
000	General (Current Expense) Fund – should be used to account for and report all financial resources not accounted for and reported in another fund. For reporting purposes the local government can have only one general fund. Although a local government has to report only one general fund in its external financial reports, the government can have multiple general *subfunds* for its internal managerial purposes. These managerial subfunds have to be combined into one general fund for external financial reporting.
100	Special Revenue Funds – should be used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. *Restricted* revenues are resources externally restricted by creditors, grantors, contributors or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. *Committed* revenues are resources with limitations imposed by the highest level of the government (e.g., board of commissioners, city council, etc.) through a formal action (resolution, ordinance) and where the limitations can be removed only by a similar action of the same governing body. Revenues do not include other financing sources (long-term debt, transfers, etc.). The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be foundation for a special revenue fund. They should be expected to continue to comprise a substantial portion of the inflows reported in the fund. It is recommended that at least 20 percent is a reasonable limit for restricted and committed revenues to create a foundation for a special revenue fund. Local governments need to consider factors such as past resource history, future resource expectations and unusual current year inflows such as debt proceeds in their analysis.

They may use the calculation below to determine whether an activity would qualify for reporting as a special revenue fund.

$$\text{Substantial portion of inflows} = \frac{\text{(restricted revenues + committed revenues)}}{\text{total resources* reported in the fund}}$$

*Total resources would include all revenues and other financing sources.

Other resources (investment earnings and transfers from other funds, etc.) also may be reported in the fund if these resources are restricted, committed, or assigned (intended) to the specific purpose of the fund.

Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

All revenues have to recognized in the special revenue fund. If the resources are initially received in another fund, such as the general fund, and subsequently remitted to a special revenue fund, they should not be recognized as revenue in the fund initially receiving them. They should be recognized as revenue in the special revenue fund from which they will be expended. So, the local governments can either receive resources directly into the special revenue fund, or account for the resources as agency deposits in the receiving fund and, after remitting them, recognize them as revenue to the special revenue fund.

Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

The state statutes contain many requirements for special funds to account for different activities. The legally required funds do not always meet standards for external reporting. So, while the local governments are required to follow their legal requirements, they will have to make some adjustment to their fund structure for external financial reporting.

200 Debt Service Funds – should be used to account for and report financial resources that are restricted, committed, or assigned (intended) to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. The debt service transactions for a special assessment for which the government is not obligated in any matter should be reported in an agency fund. Also, if the government is authorized, or required to establish and maintain a special assessment bond reserve, guaranty, or sinking fund, it is required to use a debt service fund for this purpose.

Use enterprise funds (400) for debt payments related to utilities and other business activities.

300 Capital Projects Funds – should be used to account for and report financial resources that are restricted, committed, or assigned (intended) for expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets. Capital outlays financed from general obligation bond proceeds should be accounted for through a capital projects fund. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments (private-purpose trust funds).

Use enterprise funds (400) for capital projects related to utilities and other business activities.

700 Permanent Funds – should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens (public-purpose). Permanent funds do not include private-purpose trust funds which account for resources held in trust for individuals, private organizations, or other governments.

Proprietary Funds

400 Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria:

- Debt backed solely by a pledge of the net revenues from fees and charges.
- Legal requirement to recover cost. An enterprise fund is required to be used if the cost of providing services for an activity including capital costs (such as depreciation or debt service) must be legally recovered through fees or charges.
- Policy decision to recover cost. It is necessary to use an enterprise fund if the government's policy is to establish activity fees or charges designed to recover the cost, including capital costs (such as depreciation or debt service).

Separate funds are not required for bond redemption, construction, reserves, or deposits, for any utility. If separated, use 400 series number. Separate funds are not required even though bond covenants may stipulate a *bond reserve fund*, *bond construction fu*nd, etc. The bond covenant use of the term *fund* is not the same as the use in governmental accounting. For bond covenants, *fund* means only a segregation or separate account, not a self-balancing set of accounts.

Local governments may separate operating, capital projects and debt functions of enterprise funds. However, when reporting such proprietary activities, all those functions should be contained in one fund.

500 Internal Service Funds – may be used to report any activity that provides goods or services to other funds, departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported in an enterprise fund.

Fiduciary Funds

600 Fiduciary Funds – should be used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) investment trust funds, (b) pension (and other employee benefit) trust funds, (c) private-purpose trust funds, and (d) agency funds.

601-609 Investment Trust Funds – should be used to report the external portion of investment pools reported by the sponsoring government.

610-619 Pension (and Other Employee Benefit) Trust Funds – should be used report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

620-629 Private-Purpose Trust Funds – should be used to report escheat property and all other trust arrangement under which principal and income benefit individuals, private organizations and other governments.

630-699 Agency Funds – should be used to report resources held by the government in a purely custodial capacity (assets and liabilities). Agency funds typically involve only the receipts, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

NUMBER OF FUNDS

5. Governments should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. Using numerous funds results in inflexibility, undue complexity, and inefficient financial administration.

   Local governments should periodically undertake a comprehensive evaluation of their fund structure to ensure that individual funds that became superfluous are eliminated from accounting and reporting.

   Elected officials should be educated to the fact that accountability may be achieved effectively and efficiently by judicious use of department, program and other available account coding or cautious use of managerial (internal) funds.

BUDGETING, BUDGETARY CONTROL, AND BUDGETARY REPORTING

6. a. An annual/biennial budget must be adopted by every government.

   b. The accounting system should provide the basis for appropriate budgetary control.

   c. Budgetary comparisons must be included in the appropriate financial statements and schedules for funds for which an annual/biennial budget has been adopted.

TRANSFER, REVENUE AND EXPENDITURE ACCOUNT CLASSIFICATIONS

7. a. Interfund transfers, proceeds of general long-term debt issues and material proceeds of capital asset disposition should be classified separately from fund revenues and expenditures.

   b. Governmental fund revenues should be classified by fund and by the sources indicated in Part 1, Chapter 3. Expenditures should be classified by fund and by the categories indicated in Part 1, Chapter 4.

   c. Proprietary fund revenues and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.

COMMON TERMINOLOGY AND CLASSIFICATION

8. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

INTERIM AND ANNUAL FINANCIAL REPORTS

9. a. Appropriate interim financial statements and reports of operating results and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes. (RCW 35.33.141, RCW 35A.33.140 and RCW 36.40.210)

   b. Annual reporting requirements are prescribed by the State Auditor's Office. See Part 4 for details.

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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 – affected by those charged with governance, management and other personnel 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 and the governing body are 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 and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as "management" throughout the rest of this section.

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. Certain controls may be less costly or require less staff resources or may help meet other objectives. 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 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 control.

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 manner for the government to remedy 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 manner 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 misappropriation, misuse, or loss.

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.

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 obsolesce 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.*

- External factors – Achievement of operational performance objectives (efficiency and effectiveness) may depend on factors outside of the government's control, such as regulation, resource limitations, environmental change, decisions made by service recipients or stakeholders, actions of key suppliers, customers or program partners. etc. *This limitation can be mitigated by thorough risk assessment.*

Although controls are not an absolute guarantee of success, effective internal controls are expected to consistently and reliably achieve objectives, year after year. However, even well-designed controls have a remote possibility of failure. This possibility increases with the number and primacy of uncontrollable factors, as may be the case for operational performance objectives.

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 doing all it can to meet its objectives.

The **electronic funds transfer** (EFT) is the deposit to or disbursement from a bank account by means of wire or other electronic communication. RCW 39.58.750 governs the circumstances under which electronic fund transfers may be used. We prescribe the following accounting procedures:

1. Receiving money by the EFT:

   a. Prepare a treasurer's receipt upon receiving notice from the payer that the funds have been transferred to your bank account. Do not wait for the bank to notify you of receipt of the funds. However, you may want to contact your bank to confirm the expected funds have arrived.

      Enter the following information on the receipt:

      - Date of receipt.
      - Name of person, company or agency transferring money into your account.
      - Name and number of fund(s).
      - BARS or other accounting system revenue account number.
      - Notation that funds were received by the EFT.

   b. A file must be maintained of those payers who have agreed in writing to add money to your account electronically.

2. Disbursing money by the EFT:

   a. Prepare a record which shows:

      - Chronological number of the EFT payment.
      - Time and date of disbursement.
      - Payee - name, address and account number.
      - Amount of disbursement.
      - Purpose of disbursement.
      - BARS or other accounting system expenditure account number.
      - Name and number of fund(s).
      - Disbursing bank's unique transaction identification number, if available.
      - Receiving bank or financial institution's identification number.

   b. A file must be maintained of authorizations signed by payees who have thereby agreed to have money added to their accounts electronically.

   c. The treasurer should notify the disbursing bank that access to files, records and documentation of all EFT transactions involving the treasurer should be provided to the State Auditor when required for the conduct of the statutory post audit.

Cash receipting is a very important function of all governments. Listed below are requirements for deposits and receipt forms. Also provided are recommended internal control procedures for cash receipts. Internal controls are responsibility of the management.

1. Deposits.

   a. Every public officer and employee, whose duty it is to collect and receive payments due or for the use of the public, should deposit such monies collected or received by him/her with the treasurer of the local government once every 24 hours. The treasurer of the local government may at his/her discretion grant an exception where such daily transfers would not be administratively practical or feasible (RCW 43.09.240).

   b. The daily deposits must be made intact and the composition of checks and cash must match the mode of payment listed on the deposit slip and related receipt forms.

   c. Checks must be restrictively endorsed *For Deposit Only* immediately upon receipt.

2. Receipt Forms (manual or automated).

   a. Receipt forms must be pre-numbered and imprinted with the name of the local government.

   b. Receipt forms must include the following information:

      - Name of payor (address if feasible).
      - Amount received.
      - Mode of payment (cash, check, credit card, other).
      - Purpose of payment.
      - Name of employee who prepares receipt.

   c. Generic receipt forms should not be used (e.g., Rediform, etc.).

   d. In instances where cash is received at decentralized locations (e.g., police department, parks department, etc.), the local government treasurer may combine those receipts onto one treasurer's receipt. The treasurer's receipt should indicate the total amount received from each location as well as the appropriate account codes.

   e. If a receipt is voided, the original and any copies of that receipt must be retained.

3. Internal Controls.

   The following internal controls enable local governments to properly account for and safeguard cash receipts. These controls are recommended for all local governments.

   a. Two employees should open the daily mail and prepare a list of cash and checks received (remittance list). This may not be feasible at departments/governments having limited staff. In such a case, the entity should implement a system of supervisory review of the remittance list and bank deposits.

b. The daily deposit may be prepared by the person who received the payment. The entity should implement a system of supervisory review of the remittance list and bank deposits to ensure deposits are made intact.

c. Checks received in the mail should be briefly reviewed for accuracy (e.g., proper payee, date, signature of payor, etc.). Checks with obvious inaccuracies should not be included in the deposit. In such a case, the entity should contact the payor and request that the payment be corrected or reissued.

d. The daily remittance list should be compared (reconciled) to daily deposit slips and to the cash receipts journal (or check register) on a regular basis. This should be performed by someone other than the employee who prepared the remittance list. Any shortage should be resolved.

e. A duplicate copy of the bank-validated deposit slip showing the composition of receipts should be retained by someone other than the employee making up the deposit.

f. A monthly bank statement reconciliation should be performed by an independent person who does not have cash custody or bookkeeping responsibilities over cash. Any differences that are identified during the monthly bank reconciliation should be researched and resolved.

g. The daily deposit should be delivered to the bank in the bank bags and should have locks or other tamper-proof devices.

h. Cash receipts should be properly protected during the operating day and secured in a safe or vault overnight. Access to the cashiering area should be appropriately restricted whenever possible.

i. Access to the safe or vault should be limited and combination should be changed periodically. In addition, the safe and vault combination should be changed after employees terminate employment.

j. If the entity utilizes cash registers, there should be only one change fund and one cash register (or drawer) per cashier. This enables the entity to affix responsibility for cash to a specific individual at all times.

k. Accounting manuals or policies should contain instructions for identifying cash receipts and for dating cash receipts journal entries for that day's receipts.

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1. Accounting for State Unemployment Compensation

All local governments have a choice between either the tax basis or in-lieu contribution basis for making payments to the Department of Employment Security (DES) (RCW 50.44.030). The accounting procedures for the two options, by type of local government, are detailed below:

OPTION 1 - TAX (CITIES/TOWNS/COUNTIES) (RCW 50.44.035)

Contact the Department of Employment Security (DES) to determine the appropriate tax rate(s) for your particular unit of government. Apply the rate to all functional expenditure accounts that have direct salary or wage charges, using the employer fringe or personnel benefits subobject applicable to your local government, each time a payroll is prepared. Do not apply the rate to salaries and wages of the following: (1) elected officials; (2) Job Training Partnership Act (JTPA) employees to the extent their earnings are within the maximum gross pay allowable under the JTPA programs; or, (3) policy-making employees that do not work more than eight hours per week.

Remit unemployment taxes quarterly to the Department of Employment Security.

OPTION 2 - IN-LIEU CONTRIBUTION (REIMBURSEMENT) (RCW 50.44.060)

All local governments may use Option 2. Under this option, the DES will pay unemployment claims and then bill the local governments for reimbursement.

Method A When the DES bills your local government for a claim, post to the functional expenditure accounts for the claim as in Option 1.

Method B Create an internal service fund for unemployment - Unemployment Compensation Fund. The purpose of this fund is to receive periodic cash contributions from operating funds. The amount of these cash contributions depends on the estimate of future unemployment claims. The estimates should be adjusted periodically, based on an experience. There may be different rates for departments and funds within the same government. The periodic cash contributions from operating funds should be charged to the functional expenditure accounts in the operating funds in the same manner as premium payments paid to the DES. Payments to the DES must be made from the Unemployment Compensation Fund. Interest earnings on investment of the contributions may be used for the benefit of the Unemployment Compensation Fund (thereby reducing charges to the operating funds) or the general (current expense) fund per RCW 35.39.034. An ordinance or resolution must govern this choice.

Method C The local government may participate with other local governments in an unemployment pool or cooperative as provided for in RCW 39.34.030. If you participate in such a cooperative, the contributions from your funds should be charged as expenditures functionally according to the applicable chart of accounts. In this case, the pool or cooperative will pay the billed amounts to the DES.

Rates charged to the participants should be adjusted periodically based on the experience of each participant.

Since claims made by the DES must be paid by statute, it is not necessary to appropriate funds for their payment. However, we recommend that appropriations be made by local governments.

2. Deferred Compensation Plans – Internal Revenue Code – Section 457

RCW 41.50.770 authorizes all political subdivisions to defer income for all officials and employees. This statute also allows political subdivisions to enter into agreements with certain institutions, such as banks, savings and loan associations and insurance companies, to establish deferred compensation plans for the benefit of their employees. These plans must be in conformity with the requirements of Section 457 of the Internal Revenue Code.

Deferred compensation plans permit employees to accept less than the full amount of salary earned thus reducing their current federal income tax liability. The amount by which the salary is reduced is invested by the employer and upon retirement, disability, termination, unforeseen emergency, or death may be withdrawn by the employees or their beneficiaries.

The plan must be established correctly and administered properly so that the Internal Revenue Service (IRS) does not rule that the plan is not in conformity with the requirements of Section 457 of the Internal Revenue Code.

Because of the many plans available, it is strongly recommended that any local government which intends to establish a deferred compensation plan seek legal counsel to determine conformance with the Internal Revenue Code, Section 457, effective August 20, 1996[1], and obtain approval of the chosen plan by the district.

Caution should be exercised in implementing a plan, not only to protect the employer's legal liability, but also to prevent undue administrative complexities. No one can identify all problem areas of deferred compensation plans and their administration, as many problems may surface as a result of choosing a particular carrier, product or administrative system. Some major administrative requirements are as follows:

a. Make Written Agreements with Plan Administrator

All local government deferred compensation plans should provide for written agreements which clearly define the duties and responsibilities of the employer and the administrator.

b. Keep an Employee File for Each Employee

A file to keep a deferred compensation record for each participating employee is necessary. Most carriers will provide the forms and basic accounting information for the employer, but the employer is responsible for maintenance of the files.

The participating employees must complete and sign joinder agreements stipulating the amount of their gross salaries or wages to be deferred. The local government should also maintain a written agreement which details any responsibilities of the employer for contributions, fees, charges, earnings, losses and withdrawals.

c. Withdrawals

The procedures for withdrawals should be clearly defined and the employer should be very careful in accepting any employee requests for amounts to be withdrawn from accumulated deferred compensation assets for unforeseeable emergencies, as any employee withdrawal granted which does not qualify under Internal Revenue Code Section 457 could cause the entire deferred compensation plan for all employees to be considered in violation and invalid by the IRS.

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[1] The deferred compensation plan was revised by the H.R. 10 which was included in the Economic Growth and Tax Relief Reconciliation Act of 2001 and signed into law on June 7, 2001.

Normally, all withdrawals as a result of retirement, disability, termination, unforeseen emergency or death, will be paid to the employer by the bank, credit union, or other institution (the agent) with which the employer (the principal) has the agreement.

In such cases, the employer will receipt for the payment referred to above, deduct the appropriate amount for federal income tax withholding and disburse the remaining amount to the employee, former employee or beneficiary as applicable. The employer will then remit the federal income tax withheld to the IRS or to the official depository as it presently is required to do. The employer will issue W-2 forms to the participants in the plan who have received payments of deferred income.

The W-2 will show the gross payment made to the participant or beneficiary and any deductions made.

However, the IRS has approved some plans whereby the administering company acts as agent for payments to the employees, issuance of W-2 forms and remittances to the IRS. Such IRS approved plans, which are still in conformance with the requirements of Section 457 Internal Revenue Code, will be permitted.

d. Maximum Contribution

Local governments should refer to the Internal Revenue Service for allowable annual contribution limits.

e. Budget Salaries and Wages in Year Earned

All local governments required to budget revenues and expenditures by fund should be required to budget the gross salaries and wages including the deferred compensation amounts as expenditures of the year in which the salaries or wages are earned.

f. Establish Plan as a Pension (and Other Employee Benefit) Trust Fund (if applicable)

All IRC Section 457 plans have to be held in a trust for the exclusive benefit of participants and their beneficiaries.

Under the new law, the local governments do not own either the amounts deferred by employee or related income on those amounts. The local governments which administer the deferred compensation plan by themselves should record them in a pension (and other employee benefit) trust funds.

The local governments should keep detailed accounting records of the deferred compensation plan. However, if those records can be provided by the administrator of the plan, no duplication is necessary.

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For the purpose of the BARS, travel expense includes amounts paid for use of personal automobiles, other transportation, and actual expenses or reimbursement in lieu of actual expenses for meals, lodging, and related items.

The legislative body of each municipality must pass an ordinance or resolution to establish rules and regulations for the reimbursement of travel expense. There should be rules to cover all municipal officials and employees. The ordinance or resolution should discuss the municipal policy on tipping, charging expenses to the municipality, and it should prohibit reimbursement for personal expenses and entertainment.

If any municipal corporation wishes to issue credit cards for travel related expenses, the legislative body must pass an ordinance or resolution to establish rules and regulations that satisfy provisions of Chapter 42.24 RCW, including:

1. Submission of a fully itemized travel expense voucher by the employee or officer;

2. Settlement by the officer or employee within 30 days of the billing date; and,

3. The establishment of a lien against salary for any disallowed charges.

Claims for reimbursement of travel expenses must contain a signed certification that includes the following language, "I hereby certify under penalty of perjury that this is a true and correct claim for necessary expenses incurred by me and that no payment has been received by me on account thereof."

In addition, if an officer or employee is filing a claim on behalf of others, he/she must prepare a detailed account that includes:

1. Names of the others who traveled, partook of meals, or otherwise incurred expenses.

2. Whether they were municipal employees and, if not, who they were and what connection they had with municipal business. This should not be construed to permit promotional hosting.

3. Who provided the lodging, meals or other services in question, dates and times.

4. A detailed breakdown of amounts.

5. Some statement sufficiently explicit to show what municipal business was being carried out when the expenses were incurred.

If a municipality chooses the option of using monthly reimbursements for use of personal automobiles for official business, the following procedures apply.

1. The monthly rate schedule established should be limited to officers and/or employees who actually use their personal automobiles for travel on a regular basis. It is the responsibility of the municipality to assure that each traveler is on official business.

2. The rate must be based on actual costs.

3. A periodic review must be performed to determine whether or not the rate continues to reflect actual costs.

4. A record is needed of the governing body's determination.

If the above procedures are not followed, the "monthly reimbursement for use of personal automobiles" may be treated as additional compensation. According to the Internal Revenue Service, municipalities could be assessed the withholding tax of the employees if the amounts advanced/reimbursed for travel were not for expenses incurred or reasonably expected to be incurred, unless these amounts are reported as taxable wages on the W-2.

If a municipality chooses to establish an *advance travel expense account* (Imprest Account), pursuant to RCW 42.24.120, the following procedures apply:

1. The imprest amount must be established and maintained in accordance with the procedures prescribed for petty cash (e.g., amount must be established by ordinance or resolution).

2. Upon receipt of the moneys, the custodian will open a checking account in a local bank in the name of the governmental unit entitled "*advance travel expense account – John Doe, Custodian*." Moneys received from the following sources will be deposited to the account:

   From the treasurer or other disbursing officer, the total amount originally establishing the account or subsequently added; from officers and employees, refunds of any unexpended advances; and from the warrant-issuing officer, amounts that reimburse the custodian for travel expenses allowed in the settlement of employee advances.

3. The *advance travel expense account* must be used solely for travel advances, <u>not direct payments to vendors</u>. In other words, moneys may be advanced to an individual who is going on travel status for travel-related expenses that he/she will pay out of his/her own pocket. It must not be used for personal loans, registration fees, reimbursements to employees or officers for travel already incurred, etc.

4. A check register will be maintained in which should be recorded all transactions of the account, including deposits, disbursements and bank service charges. A reconciliation should be made with the bank statement at the end of each month. When possible, the reconciliation should be made by someone other than the custodian. The balance remaining in the checking account as of a given date, together with any outstanding advances and travel expense claims on hand but not yet reimbursed, should always equal the amount established by the governing body for the account.

5. Employee advances for travel expenses should be made by the issuance of checks drawn on the special bank account, payable to the applicant. Approved requests should be retained in the files of the custodian to support such advances until final settlement is made and claim for reimbursement has been submitted. Requests for such advances should be reasonable estimates of the applicants' travel expense requirements and should contain as a minimum the following information:

   Date of request
   Name of applicant
   Destination
   Purpose of travel
   Anticipated departure and return dates
   Amount requested
   Signature of applicant
   Official approval of trip
   Check number, amount and date (to be provided by the custodian when the advance is made)

6. Settlement of advances should be made on or before the 15th day following the close of the travel period by filing with the custodian an expense voucher as required by RCW 42.24.090. The custodian should verify the amount shown on such form as having been advanced to the employee. In the event the traveler's actual expense is less than the amount of the advance received, his expense voucher should be accompanied by the unexpended portion of the advance. The expense voucher and original request for the advance will then be used to support the custodian's claim for a warrant replenishing the account for travel expenses reported. Expense vouchers containing expenses in excess of the amount advanced will be submitted in duplicate to the custodian at the time of final settlement. The original copy of the expense claim and the traveler's request for an advance will then be used to support the custodian's claim for a warrant replenishing the account. The other copy of the expense claim will be submitted to the warrant issuing officer for reimbursement of the excess to the traveler. Claims for reimbursement to the account should be submitted by the custodian periodically as needed and at the end of the fiscal year in order that all expenses incurred will be charged against the appropriations for the period then ending.

7. Any default in accounting for or repaying an advance should render the full amount which is unpaid immediately due and payable with interest at the rate of 10 percent per annum from the date of default until repaid. To protect against any losses on advances, the governing body should have a prior lien against and a right to withhold any and all funds payable or to become payable to such officer or employee to whom such advance has been given up to the amount of the advance and an annual interest rate of 10 percent until repayment or justification is made (RCW 42.24.140). No advance of any kind may be made to any officer or employee at any time when he/she is delinquent in accounting for or repaying a prior advance.

For the purpose of BARS, petty cash includes change funds, working funds, revolving, advance travel, stamp funds, change funds, or any other funds set aside for such specific purposes as minor disbursements, making change, and similar uses. If the petty cash is disbursed, it is periodically restored to its original amount by a warrant drawn and charged to the applicable operating fund.

The following are minimum requirements for the establishment and operation of such funds.

1. The governing body must authorize each petty cash account in the manner that local legislation is officially enacted, i.e., resolution or ordinance. This applies also to all subsequent increases or decreases in the imprest amount. The original authorized balance and any subsequent increase may be established by treasurer's check.

2. The governing body or its delegate must appoint one custodian of each petty cash account who should be independent of invoice processing, check signing, general accounting and cash receipts functions. As part of the appointment, the custodian should render a receipt for the imprest amount to the treasurer, clerk-treasurer or auditor from whom he/she receives it. When it is not practical to hire additional personnel or to reallocate these duties among existing personnel, the governing body must establish some mechanism of review that accomplishes the objectives of the segregation of duties. For example, periodic monitoring of cash receipts and/or independent performance of the reconciliation may be adequate compensating controls for when complete segregation of duties is not possible.

3. The authorized balance should not exceed one month's salary or the surety bond covering the custodian.

4. On a monthly basis, the fund should be reconciled to the authorized balance and to the actual balance per bank statements or a count of cash on hand. If this reconciliation is done by the custodian, it should be checked or re-performed periodically by someone other than the custodian.

5. For funds on hand (i.e., petty cash or change funds), the custodian must ensure cash is kept in a secure place, such as a locked drawer or box.

6. Whenever disbursements are made, the fund must be replenished at least monthly by warrant or check. The replenishment should be subject to the same review and approval as processed invoices.

   The replenishment must be by voucher with the appropriate receipts attached. The receipts should show the date, recipient, purpose, and amount of each cash disbursement. These receipts must be signed by the person receiving the money, stamps, etc. The receipts should be perforated or canceled by some other appropriate means to prevent reuse. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized balance.

7. No receipts may be deposited to the fund other than approved replenishments and increases to the authorized balance as described above.

8. The fund may never be used for personal cash advances, loans or expenditures.

9. Funds may also never be used to provide check-cashing services for employees or others except in the case of cities and towns who have approved a policy to cash employee's checks in accordance with authority granted in RCW 35.21.087 or RCW 35A.40.110. If a city or town has such a policy, a separate change cash fund should be created solely for this purpose. To avoid appearance of personal loan, deposits of cashed checks, warrants, and drafts should be made daily. Governments should avoid cashing checks out of (from) cash receipts because this destroys the intactness of deposits. See the separate procedures applicable to advances for travel expenses.

10. Whenever an individual's appointment as custodian is terminated, the fund must be replenished and the imprest amount turned over to the treasurer or other disbursing officer.

All claims against a municipality must be preaudited by the auditing officer of the municipality or his/her delegate. In addition, all claims must be certified by the auditing officer. This certification may be made on each individual claim voucher or, subject to the acceptance and approval of the municipal legislative body, a blanket voucher certification may be used so long as it indicates the particular vouchers so certified. The use of a blanket certification in no way relieves the auditing officer of his/her responsibility and liability for each individual voucher so certified. The certification is required regardless how the transaction is processed (i.e., through warrants, checks, EFTs, etc.). The certification must be signed and dated by the auditing officer or his/her delegate. For all claims, except expense reimbursement claims certified by officers or employees (see Part 3, Chapter 3, Section B, *Employee Travel*), the certification must include the following language:

> *I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against (city/county/district), and that I am authorized to authenticate and certify to said claim.*

The auditing officer's certification for employee/officer expense reimbursement claims must include the following language:

> *I, the undersigned, do hereby certify under penalty of perjury that the claim is a just, due and unpaid obligation against (city/county/district), and that I am authorized to certify to said claim.*

The certification by the auditing officer in no manner relieves members of the governing body from the responsibility and liability for each voucher approved. It is the governing body's responsibility to ensure that the system of auditing and certifying vouchers is operating in a manner to provide the greatest possible protection for the governing body members and the municipality.

To indicate governing body approval for payment of claim vouchers and payroll, the following should be entered in the minutes:

The following voucher/warrants are approved for payment:

(Funds)			**Total**
Voucher (warrant) numbers:	**_____**	**through** **_____**	**$_____**
Payroll warrant/transaction numbers:	**_____**	**through** **_____**	**$_____**

If the legislative body authorizes the procedure, cities, counties and districts may issue warrants before the legislative body approves claims. To do this the municipality must enact the following policies and procedures (required in Chapter 42.24 RCW):

(1) The auditing officer and the officer designated to sign the checks or warrants must have an official bond. The amount should be determined by the legislative body but cannot be less than fifty thousand dollars (RCW 42.24.180);

(2) The legislative body shall adopt contracting, hiring, purchasing, and disbursing policies that implement effective internal control;

(3) The legislative body must review and approve the claims paid at its next regularly scheduled public meeting; or for cities and towns, at the regularly scheduled public meeting within one month from issuance; and

(4) If the legislative body disapproves some claims, the auditing officer and the officer designated to sign the checks or warrants must recognize these claims as receivables of the taxing district and pursue collection diligently until the amounts are either collected or the legislative body is satisfied and approves the claims.

The legislative body may stipulate that certain kinds or amounts of claims shall not be paid before the board has reviewed the supporting documentation and approved the issue of checks or warrants in payment of those claims.

The original copy of all vouchers shall be filed in the office of the auditing officer of the municipality. The detailed accounts to which the expenditures are to be posted must be clearly designated. Supporting documentation must be retained and attached to the vouchers and canceled by the auditing officer to prevent reuse. See Part 3 Chapter 10, Interpretation 23 for information regarding original supporting documentation.

Districts that do not issue their own warrants should send either original vouchers or other supporting documentation (e.g., listing of approved vouchers, etc.) to the county auditor.

For the purposes of the BARS, the term *clearing fund* includes both payroll and claims clearing funds.

Payroll and claims clearing funds are not budgeted because they are simply clearing funds from which all claims and salaries are paid.

These clearing funds cannot be provided with any working capital. Therefore, the money for redemption of warrants must be transferred to the clearing fund from the appropriate operating fund on the same day that the clearing fund warrants are issued. If the operating fund is insolvent, it must issue a registered interest-bearing warrant to the clearing fund instead of a transfer. This registered warrant should be deposited along with other cash receipts. The cash balance in a clearing fund must equal at all times the total warrants outstanding against the fund plus any amounts withheld from payrolls and temporarily unremitted (such as quarterly L&I payments). When a clearing fund warrant is canceled, the amount of the canceled warrant must be transferred back to the appropriate operating fund.

The warrants issued against a clearing fund must be recorded in the appropriate warrant register in strict numerical and chronological order and the expenditures applicable to the claim vouchers supporting the warrant issue must be recorded in the distribution of expenditure ledgers for the various operating funds in the same order and bear the same dates.

The approved warrants should be recorded in the minutes of the governing body (see Part 3, Chapter 3, Section D).

The distribution of expenditures from the vouchers to the budgetary control records must agree with the totals accumulated in the warrant registers and should be reconciled monthly to ensure accuracy in posting.

The money transferred to the clearing fund should be coded in the clearing fund as nonrevenues (389) and disbursements should be coded as nonexpenditures (589). For more details see Part 1, Chapters 3 and 4.

The clearing funds are not operating funds, so their statements should be limited to beginning net cash, nonrevenues, nonexpenditures and ending net cash.

The local governments are required to prepare a separate C-5 statement for each payroll and claims clearing fund.

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Chapter 4. Interfund Transactions
Section A. Interfund Loans

This section does not attempt to determine which money of a municipality may or may not be available for interfund lending, since the special character of some money involves commitments and restrictions which would require individual consideration. As a rule of thumb, however, it may be considered permissible to make interfund loans of those municipal money which are clearly inactive or in excess of anticipated cash needs throughout the duration of the loan **and** legally available for investment.

The minimum acceptable procedures for making and accounting for interfund loans are as follows:

1. The legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, including the lending and borrowing funds, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the municipality) to be paid to the lending fund. The planned schedule of repayment should specify the due date(s) of payment(s) needed to repay the principal and interest on the loan.

2. Interest should be charged in all cases, unless:

   a. The borrowing fund has no other source of revenue other than the lending fund; or

   b. The borrowing fund is normally funded by the lending fund.

3. The borrowing fund must anticipate sufficient revenues to be able over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance or resolution.

4, The loan status should be reviewed annually by the legislative body at open public meetings.

5. The term of the loan may continue over a period of more than one year, but must be "temporary" in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund. A loan that continues longer than three years will be scrutinized for a "permanent diversion" of moneys. (Note: these restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)

6. Appropriate accounting records should be maintained to reflect the balances of loans in every fund affected by such transactions.

RCW 43.09.210 requires that, when property is transferred between funds of the same municipality, it should be paid for at its full value by the fund which receives it. This requirement applies only if the capital assets were acquired with restricted resources. The following rules are intended to clarify the application of this statute and provide other guidance related to the property transfers:

1. When a municipality wishes to acquire capital assets for an internal service fund, such as the Equipment Rental and Revolving Fund, the budgets of the contributing funds should specifically identify the item(s) of equipment to be purchased. Documentation of the equipment purchase must be adequate to show that the funds originally budgeted for a specific piece of equipment were actually used for the purchase of that item.

   When nonmonetary assets are contributed or transferred within the government, the assets must be recorded at book value. If governments transfer assets acquired with restricted resources, they must track their usage and disposal to assure that one fund is not benefitting from another.

   The transfer of capital asset to an internal service fund must be approved by the entity's legislative body.

2. The transfer of capital assets (originally purchased with unrestricted resources) between two governmental funds of the same entity should be accounted for merely as a change in location and/or custodian because the assets are not owned by the particular funds. Such transfers are not subject to budgetary control, but the assets should be declared surplus to the needs of the relinquishing fund and the transfer approved by the entity's legislative body. If the resources involved with the original purchase were restricted, the capital assets must be paid for by the receiving fund.

3. The transfer of capital asset to an enterprise fund should be budgeted and accounted for as a sale and purchase of property. Proceeds of such sale should be deposited to the fund which originally paid for the item or to the general (current expense) fund at the discretion of the legislative body unless a particular statute requires another treatment.

The value of an asset can neither decrease nor increase simply as the result of movement within the local government.

Surplus – The amount by which operating revenues exceeds operating expenses. When determining the available surplus in a proprietary fund, the following must first be deducted from the proprietary fund balance: capital asset replacement cost, future capital expansions and improvements and any legally restricted resources.

The surplus can be transferred to the general (current expense) fund under the following circumstances:

- Second class cities may transfer the excess income to the general (current expense) fund (RCW 35.23.535).
- Cities under 20,000 (except first class) must transfer any surplus in utility funds to the general (current expense) fund unless the legislative body finds the money necessary for certain utility fund purpose (RCW 35.37.020).

For financial reporting purposes, all revenue, expenditures, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the transaction takes place. This means transactions should be presented at gross amounts unless the transaction is a reimbursement or else netting is specifically allowed by BARS Manual.

Interfund Reimbursements

Reimbursements are repayments from the fund responsible for particular expenditures to the fund that initially paid for them. They are adjustments to correct the assignment of the expenditures. Reimbursements reduce expenditures in the fund that is reimbursed and move the expenditures to the fund that ultimately pays for it.

There is one major exception to this definition: frequently, internal service funds are created to account for cost allocation and purchasing. In those funds, cost allocations and payments for pooled purchases are treated as revenues rather than reimbursements.

Examples of reimbursements include: correction of errors, internal allocation of overhead and payments received for others' share of pooled activities (payments for a convenience) such as the distribution of utility and telephone bills among the departments and funds after one department has paid the bill or the allocation of insurance premiums and payrolls among various departments and funds.

Reimbursements do not include recoveries for damages, whether from insurance or from private sources, grants, contractual payments, impact payments, or shared costs of providing services from the federal, state or local governments. Also, do not include expenditures which constitute direct cost of the activity like interfund taxes, utility payments, licenses, interest, etc.

Reimbursements to External Parties

Only corrections of error (including discounts/rebates awarded after the transactions were completed) would qualify as reimbursement and as such, they should be treated in similar manner like interfund reimbursements. If a local government has an ongoing relationship with an external entity (e.g., phone company, etc.) the amounts of reimbursements most likely would be included in the upcoming bill, so no adjusting entry is required. If the reimbursement is related to the expenditure from the previous fiscal year and is immaterial, the amount of reimbursement may be recorded as revenue. If it is material, the government should adjust its beginning cash and investment.

Examples of transactions that should not be accounted for as reimbursements include: state payments for public health services, expert witnesses, police salaries while attending criminal justice training; federal/state/local payments for the care and custody of prisoners and for election costs; local payments for data processing services, police/sheriff services, street maintenance, etc.; private payments for street repairs, culvert installations, weed control, demolition of dangerous property, subleases, etc.

The requirements described below apply to all cash basis local governments who expend federal funds or pass funds through to subrecipients. Federal assistance can be provided to state and local governments in many forms including *project grants, block grants, formula grants, cost reimbursement contracts, loans, loan guarantees, insurance contracts, real property, and personal property*. The following procedures apply to programs funded with state and interlocal monies as well as federal funds. This section does not apply to entitlements or shared revenues, which are treated essentially as local revenues.

Excerpts from Office of Management and Budget (OMB) Circular A-133, Circular A-87, and the Common Rule are provided in this section. Please note that there are many additional federal laws and regulations that may apply to your grants and loans. Copies of these circulars and other federal documents can be obtained from OMB website: www.whitehouse.gov/omb.

American Recovery and Reinvestment Act (ARRA) of 2009

Transparency and accountability are popular terms used to describe the expectations for state and local governments that are spending ARRA funds. It is important for all recipients of ARRA funds to have an accounting system that enables them to identify how they spent the funding.

Title 2 Code of Federal Regulations Section 176.210 states:

(a) To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21, *Uniform Administrative Requirements for Grants and Agreements* and OMB Circular A-102 Common Rules provisions, **recipients agree to maintain records that identify adequately the source and application of Recovery Act funds.**

The Common Rule

The OMB Circular A-102 Common Rule sets forth uniform administrative requirements for grants and cooperative agreements to state and local governments. The financial management systems of local governments and subgrantees must meet the following standards:

1. Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

2. Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

3. Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

4. Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

5. Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

6. Source documentation. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. See Part 3, Chapter 10, Interpretation 23 for information regarding original supporting documentation.

7. Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

OMB Circular A-87

Expenditures of federal funds and costs claimed for reimbursement or used for matching must be determined in accordance with the OMB Circular A-87, *Cost Principles for State and Local Governments*. This circular provides criteria for determining whether costs are necessary, reasonable, and allocable. It also lists specific types of costs and expenditures that are allowable and unallowable.

OMB Circular A-133

The Single Audit Act of 1984 set forth uniform requirements for audits of federal financial assistance provided to state and local governments. Amendments to the Single Audit Act were signed into law in 1996 and 2003. These amendments are effective for audits of fiscal years beginning after June 30, 1996. Prior to the 1996 amendments, single audit regulations were set forth in the OMB Circular A-128, *Audits of State and Local Governments*. The OMB has since rescinded this Circular. As a result, single audit requirements are now provided in OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

According to the OMB Circular A-133, A . . . non-federal entities that expend $500,000 or more in a year in federal awards shall have a single audit conducted . . . except when they elect to have a program-specific audit . . . The election of a program-specific audit is allowable only if the auditee expends federal awards under only one program (excluding Research and Development) and the federal program's laws, regulations, or grant agreements do not require a financial statement audit.

Circular A-133 outlines specific responsibilities for the auditee. In short, the auditee must perform the following:

1. Identify, in the accounting records, all federal awards received and expended, including the name of the federal grantor agency and pass-through agency (if applicable), the CFDA title and number, and the award number and year;

2. Maintain internal control over federal programs that provides reasonable assurance that the grantee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that have a material effect on each of its federal programs;

3. Comply with laws and regulations and the provisions of contracts or grant agreements related to each of its federal programs;

4. Prepare appropriate financial statements and Schedule of Expenditures of Federal Awards;

5. Ensure audits are performed and submitted when due;

6. Follow up and take corrective action on audit findings, including preparation of a Summary Schedule of Prior Audit Findings and a Corrective Action Plan; and

7. Submit a Data Collection Form and a reporting package to the federal clearinghouse (refer to Circular A-133 for details).

Governments that expend less than $500,000 in a year in federal awards are exempt from federal audit requirements for that year, but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and General Accounting Office (GAO).

The Single Audit Act provides that an audit made in accordance with the Circular A-133, should be in lieu of any financial or financial compliance audit required under individual federal assistance programs. To the extent that a single audit provides federal agencies with information and assurances they need to carry out their overall responsibilities, they should rely upon and use such information. However, a federal agency should make additional audits which are necessary to carry out its responsibilities under federal law and regulation. Any additional federal audit effort should be planned and carried out in such a way as to avoid duplication.

To satisfy these requirements the following accounting for grants is prescribed.

1. Use of Separate Grant Funds

   Grants may be accounted for in the same funds as other operations of a municipality or in one or more separate *grant funds*, depending upon grant terms. The government should establish and maintain the minimum number of funds consistent with legal specifications and operational requirements. Grant transactions coded within the same fund as other operations may be distinguished by using the BARS program or department codes. (See Part 1, Chapter 1 for coding instructions.)

2. Fund Types

   Grants must be accounted for in the type of fund appropriate for the activities being financed. If a grant is to be used for general governmental purposes, it should be accounted for in the general (current expense) or a special revenue fund. If a grant is received for the payment of principal and/or interest on general long-term debt, it should be accounted for in a debt service fund. If a grant is received to support operations of, or acquire capital assets for a proprietary fund, the grant should be accounted for in a proprietary fund. Other capital grants should be accounted for in capital projects funds. See separate discussion of pass-through grants in Part 3, Chapter 5, Section B.

3. Project Coding

   At the inception of a grant (award notification), one or more project codes should be assigned locally to identify the particular grant. This coding must be incorporated into the basic coding structure the municipality uses to identify all its transactions. Any available field or fields may be used, so long as the results do not interfere with the prescribed seven-digit BARS code.

   The use of multiple codes may be necessary when there is more than one source of funds for a particular grant. For example, when some expenditures must be charged to particular revenue sources or are not allowed under some grantors= terms, separate budgets for such sources must be established. In addition, it may be desirable or necessary to account for the local share of costs ("match") or program income in separate projects. The value of separate projects is that they immediately segregate budgets, revenues, expenditures, cash accounts, for each grant and for the related non-grant resources used to accomplish the project or operate the program.

4. Local Funding of Grant Projects

   Within this project or set of projects, the municipality should account not only for grant resources and expenditures but also for the municipality's own contributions to the project or program and for related program income. This is necessary to ensure uniform accounting for the entire project or program, not merely that portion supported by grant money.

5. Grant Schedules

   A set of grant schedules is prepared as shown in the reporting section of this manual (Part 4, Chapter 4). These schedules meet federal requirements for the *Single Audit*.

6. Noncash Awards

The value of noncash awards (e.g., food stamps, food commodities, etc.) should be accounted for and reported on the Schedule of Expenditures of Federal Awards and the Schedule of State and Local Financial Assistance. Current year expenditures should be the value of goods distributed during the year. The notes to the schedule should disclose the nature of the amounts reported.

7. Accounting for Grants Received During the Open Period

Federal grant revenue related to prior year grants received during the open period may be recognized as prior year revenue if:

1. The revenue was budgeted in the prior year, and
2. An allowable grant expenditure was made during the open period (20 days for cities or 30 days for counties) or earlier.

This exception is applicable only to federal grants.

Pass-through grants are defined as grants and other financial assistance received by a governmental entity (recipient government) to transfer to or spend on behalf of a secondary recipient. All pass-through grants received by a governmental entity should be reported in its financial statements. To determine the proper accounting for pass-through grants, the recipient government has to evaluate its administrative and direct financial involvement.

Administrative involvement may include:

(a) monitoring secondary recipients for compliance with program-specific requirements,
(b) determining eligible secondary recipients or projects, even if using grantor-established criteria, or
(c) having the ability to exercise discretion in how the funds are allocated.

Direct financial involvement may include:

(a) recipient government financing some direct program costs because of a grantor-imposed matching requirement, or
(b) recipient government liability for disallowed costs.

If a recipient government has administrative involvement or direct financial involvement in a pass-through grant, its responsibility in relation to the resources is more than custodial. The recipient government essentially exercises operational responsibility or discretion over whether the grant will be awarded.

Agency funds are purely custodial. In those cases in which a recipient government serves only as a cash conduit, the grant should be reported in an agency fund. Pass-through grants with administrative or direct financial involvement should be recognized as revenue and expenditures or expenses in governmental, proprietary, or fiduciary funds of the recipient government.

It is not required that a recipient government's payment of administrative costs (indirect financial involvement) be separately evaluated in determining the reporting of pass-through grants. If a recipient government serves only as a cash conduit, it may incur some incidental administrative costs. If a recipient government's administrative costs are more than incidental, this would be the result of administrative involvement.

Local governments may cooperate under certain conditions with other local governments. The basis is for mutual advantage to provide services and facilities. This is accomplished in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities.

All cooperative efforts created by State law can be joint ventures. All joint ventures are either joint operating agencies or contracted interlocal agreements. Specific laws dictate other limitations or requirements, depending on the purpose and entity. Descriptions of some cooperative efforts are as follows.

Joint Operating Agencies (Chapter 43.52 RCW and Chapter 54.44 RCW)

A joint operating agency (JOA) is a legal entity created between any two or more cities or public utility districts. This agency is a municipal corporation of the state of Washington. A JOA has authority to enter into contracts involving electric energy, fisheries, flood control, and natural resources.

Management and control of a JOA vests with the board of directors. The directors are appointed by the legislative body of each member of the JOA.

For guidelines and requirements, see Chapter 43.52 RCW for operating agencies and Chapter 54.44 RCW for nuclear power plants.

For accounting treatment, joint operating agencies should be treated as a public utility district (RCW 43.52.391).

Interlocal Agreements (Chapter 39.34 RCW)

An interlocal agreement is a contract entered into between two or more public agencies for joint or cooperative action. This action must be a power, privilege, or authority already capable of being exercised by the public agencies involved, and the manner of financing should be as provided by law. The agreement could establish a separate entity as described below.

If the interlocal agreement does establish a separate legal or administrative entity, this entity must be legally created (Insurance Boards RCW 48.62.041-.101, Irrigation Districts RCW 87.03.018, Hydroelectric Resources RCW 87.03.828). The agreement must specify duration, organization, purpose, manner of financing and methods of termination. Funds of this separate entity would be subject to audit in the manner provided by law for the auditing of public funds.

If the interlocal agreement does not establish a separate legal entity by law, the agreement must specify the criteria listed above and must also provide for an administrator or a joint board responsible for administering the cooperative undertaking. Provisions are also required to detail the manner of the joint board in acquiring, holding, and disposing of real and personal property used in the joint undertaking. The joint board is also authorized to establish an operating fund with a county, city, or district treasurer of one of the involved public agencies.

The interlocal agreement is filed with the county auditor, and if applicable, a state officer or agency with statutory powers of control.

Chapter 39.34 RCW issues various guidelines and requirements applicable to interlocal agreements.

For accounting treatment, an interlocal agreement must be evaluated for each member agency to determine whether joint venture treatment is applicable. If joint venture treatment is not applicable, interlocal agreement should be footnoted and accounted for in an appropriate fund. Contractual requirements take precedence over accounting requirements (i.e., a contract may require one member to be reporting entity when it does not exercise “oversight responsibility”).

Chapter 6. Cash and Investments
Section A. Investments

INVESTING REQUIREMENTS

Each municipal corporation should, by action of its governing body, authorize investment of any moneys which are not required for immediate expense and which are in the custody of the county treasurer or other municipal corporation treasurer.

If the governing body has not taken any action pertaining to the investment of any such moneys, the county finance committee should direct the county treasurer to invest, to the maximum prudent extent, such moneys or any portion thereof in any of the securities mentioned below (RCW 36.29.020).

INVESTMENT VEHICLES

All local governments (counties, cities, towns, special purpose districts, political subdivisions, municipal corporations, or quasi-municipal corporations, including any public corporation, authority, or other instrumentality created by such an entity) in Washington State are empowered by statute to invest moneys, which are eligible for investment[1], in the following types of securities. (The enabling legislation is contained in Chapter 39.59 RCW.[2])

- Certificates, notes, bonds or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States:
  - Treasury bills
  - Treasury bonds
  - Government National Mortgage Association bonds.
  - Small Business Administration bonds (see caution 3). (RCW 36.29.020, RCW 43.84.080)

- State, county, municipal, or school district bonds, or warrants of taxing districts of the state. Such bonds and warrants should be only those found to be within the limit of indebtedness prescribed by law for the taxing district issuing them and to be general obligations. (RCW 36.29.020, RCW 43.84.080)

- Motor vehicle fund warrants when authorized by agreement between the state treasurer and the Department of Transportation requiring repayment of invested funds from any moneys in the motor vehicle fund available for state highway construction. (RCW 36.29.020, RCW 43.84.080)

- Federal Home Loan Bank notes and bonds. (RCW 36.29.020, RCW 43.84.080)

- Federal Land Bank bonds. (RCW 36.29.020, RCW 43.84.080)

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[1] Not all available money is eligible for investment as allowed by Chapter 39.59 RCW. The Attorney General (AG) Opinion No. 132 (1961-62) states that the county general (current expense) fund's money must be in the form of cash or "that which is redeemable in cash upon demand, as a matter of fixed right." The AG Memorandum to the State Auditor dated March 20, 1989, reaffirms this opinion. Warrants are not demand instruments. They are not considered to be the equivalent of cash, redeemable upon demand, as matter of right, therefore county general (current expense) fund's money cannot be invested in them.

[2] Chapter 39.59 RCW expands the investment authority of local governments by allowing them to invest in "any investments authorized by law for the treasurer of the state of Washington or any local government of the state of Washington other than a metropolitan municipal corporation . . ." (RCW 39.59.020(4)). The AG memorandum to the State Auditor dated November 30, 1989, clarifies the scope of this increased authority. It states that if a certain type of investment authority did not exist for local governments prior to the enactment of RCW 39.59.020, but was authorized by section (4) of that statute, the restrictions contained in sections (1), (2), and (3) of the statute do not apply to those newly granted powers of investment. Therefore, local governments may choose the least restrictive investments from the above list of authorized investments. (See caution 4.)

- Federal National Mortgage Association notes, debentures and guaranteed certificates of participation. (RCW 36.29.020, RCW 43.84.080)

- Obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system

  - Federal Farm Credit Banks consolidated system-wide bonds and discount notes.
  - Federal Home Loan Mortgage Corporation bonds and discount notes.
  - Student Loan Marketing Association bonds and discount notes.
  - Export-Import Bank bonds.
  - Maritime Administration bonds. (RCW 36.29.020, RCW 43.84.080)

- Bankers' acceptances purchased on the secondary market. (RCW 36.29.020, RCW 43.84.080)

- Commercial paper. The investment should meet the criteria set by the State Investment Board. (RCW 36.29.020, RCW 43.84.080)

- Washington State Housing Finance Commission bonds. (RCW 43.180.190)

- Farm ownership and soil and water conservation loans fully guaranteed as to principal and interest under the Bankhead-Jones Farm Tenant Act and the Washington Land Bank. (RCW 43.33A.080)

- Bonds of the state of Washington and any local government in the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency. (RCW 39.59.020(1))

- General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency. (RCW 39.59.020(2))

- Registered warrants of a local government in the same county as the government making the investment, subject to compliance with RCW 39.56.030. (RCW 39.59.020(3))

- Any investments (e.g., certificates of participation) authorized by law for the treasurer of the state of Washington or any local government of the state of Washington other than a metropolitan municipal corporation but, except as provided in Chapter 39.58 RCW, such investments should not include certificates of deposit (CD) of banks or bank branches not located in the state of Washington. (See caution 4.) (RCW 39.59.020(4))

- Revenue bonds and notes issued by port districts under the authority of Chapter 54.34 RCW. (RCW 53.34.150)

- Selected mutual funds and money market funds. They are allowable investments <u>only</u> for money subject to federal arbitrage statutes and regulations (i.e., IRC Section 148):

  - Mutual funds with portfolios consisting of only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities of less than four years, or bonds described in RCW 39.59.020 (1) or (2), except that those bonds should have one of the four highest credit ratings of a nationally recognized rating agency;

- Money market funds with portfolios consisting of only bonds of states and local governments or other issuers authorized by law for investment by local governments, which bonds have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency;

- Money market funds with portfolios consisting of securities otherwise authorized by law for investment by local governments. (See caution 4.) (RCW 39.59.030)

- Notes or bonds secured by mortgage (insured or with a commitment to insure in obligations of national mortgage associations) by the Federal Housing Administrator. (RCW 39.60.010)

- Debentures issued by the Federal Housing Administrator. (RCW 39.60.010)

- Bonds of the Home Owner's Loan Corporation or any other corporation which is or may be created by the United States as a governmental agency or instrumentality. (RCW 39.60.010)

- Notes, bonds, or debentures of savings and loan associations, banks, mutual savings banks, savings and loan service corporations operating with approval of the Federal Home Loan Bank, and corporate mortgage companies that are rated not less than "A" by a nationally recognized rating agency, or are insured or guaranteed and backed as required by the statute. (RCW 39.60.050)

- Bonds or warrants of the state of Washington. (RCW 35.39.030)

- General obligation or utility revenue bonds or warrants of any city or town in the state of Washington. (RCW 35.39.030)

- Bonds or warrants (RCW 35.39.030) or installment notes (RCW 35.45.150) of a city's or town's own local improvement district which are within the protection of the local improvement guaranty fund law.

- Interim financing warrants of a local improvement district which is within the protection of the local improvement guaranty fund law for the benefit of the general (current expense) fund. (RCW 35.39.034)

- Bonds or other obligations issued by a metropolitan municipal corporation pursuant to Chapter 35.58 RCW. (RCW 35.58.510)

- Outstanding warrants of the county tax refund fund in the same county as the government making the investment subject to the provisions of RCW 36.33.070.

- Bonds or other obligations issued by a housing authority pursuant to the housing authorities law of this state or issued by any public housing authority or agency in the United States. (RCW 35.82.220)

In addition to the securities listed above, municipalities may invest excess moneys in the Washington State Treasurer's Investment Pool (Chapter 43.250 RCW). The governing body of the municipality must authorize participation by passing an ordinance or resolution.

Municipalities may also invest in repurchase and reverse repurchase agreements. However, the underlying securities must be legal investments for public funds as defined in this section. For additional requirements for these repurchase and reverse repurchase agreements see Cautious, Note 8.

PUBLIC DEPOSITARIES

Except for funds deposited pursuant to a fiscal agency contract with the state fiscal agent or its correspondent bank, no public funds should be deposited in demand or investment deposits except in a public depositary located in this state or as otherwise expressly permitted by statute (RCW 39.58.080).

WAC 389-12-020(3) allows public depositaries to arrange for the investment of public funds in certificates of deposit issued by one or more federally insured financial institutions wherever located on behalf of a treasurer provided the funds are initially invested in an authorized Washington public depositary.

The total deposits of public funds by any treasurer in any one public depositary may not exceed that depositary's net worth. If a public depositary's net worth is reduced, a treasurer may allow public funds on deposit in excess of the reduced net worth to remain until maturity as long as the depositary provides collateral equal to one hundred percent of the excess deposits (RCW 39.58.130). Net worth for public depositaries may be adjusted by the Public Deposit Protection Commission (PDPC) to reflect the depositaries proportional net worth position in Washington State.

A financial institution receives designation as a public depositary from the PDPC. This designation is readily verified, either from the financial institution (via a letter of authority from the PDPC) or directly from the PDPC. A quarterly list of each public depositary and its net worth is published on the Washington State Treasurer's website at www.tre.wa.gov.

CAUTIONS

1. Investments Allowed By Debt Covenants May Be More Restrictive Than Statutes

   The debt covenants contained in bond indentures and the provisions of other agreements may be more restrictive than the statutes about the types of investments permitted for certain moneys.

2. Avoid Conflicts With The Laws Of Other States

   Some corporations have sold instruments in Washington which require the issuer or holder to comply with laws of other states. It is questionable whether it is prudent or appropriate for a public treasurer in Washington to enter into such agreements.

3. SBA Loans Are Inherently Risky

   In order for a business to qualify for a Small Business Administration (SBA) loan, it must usually have been unable to obtain credit at a financial institution. Hence, SBA obligations backed by SBA loans have weaker underlying credit than the standards in the money market. Although these loans are guaranteed by the federal government, default does not result in immediate liquidation. Some SBA investors are holding paper while the loan is "worked out." Also, federal guarantees do not extend to points paid.

4. State Constitution Prohibits Some Investments

   Article VIII, Sections 5 and 7, and Article XII, Section 9 prohibit the state and local governments in the State from extending credit, giving money or property, or loaning money to individuals, associations, companies, or corporations. Therefore, except for the following exceptions, treasurers should not invest in stock of private companies or other investments which appear to be prohibited. Article XXIX, Section 1, provides that public pension, retirement, and industrial insurance trust funds be the ONLY exceptions, thus allowing any investment authorized by law. Any investment holdings in violation of the Constitution will be challenged.

5. PDPC Recovers Losses as Provided by Statute (RCW 39.58.060)

All public deposits in public depositaries are protected from loss as provided in Chapter 39.58 RCW. In the event of a loss due to default of a public depositary, the PDPC:

a. Determines the net public deposit liability of the defaulting institution after deduction of any amount received from deposit insurance (i.e., FDIC coverage).

b. Assesses the net amount of loss against all public depositaries, as follows:

- First, against the public depositary in which the loss occurred, to the extent of the full value of securities pledged as collateral.
- Second, against all other public depositaries pro rata in proportion to each depositaries share of the loss, up to the maximum liability of each depositary.

c. Reimburses public treasurers to the extent of their net deposit loss.

Treasurers should be aware that in the event of a default of a public depositary, public funds in that institution could be unavailable until deposit balances are verified by the receiver of the institution and assessments are collected from the remaining public depositaries. Diversification of investments among various bank and thrift institutions could help alleviate potential cash flow problems.

6. Properly Name Accounts For Insurance Coverage

In order to maximize insurance coverage from FDIC, care should be exercised to properly name deposit accounts so that ownership of such accounts is clear.

7. Consult Your Bond Counsel For Guidance On Arbitrage Restriction

The Tax Reform Act of 1986 placed tighter restrictions on tax-exempt bonds. Penalties for noncompliance include fines and, possibly, retroactive taxation on the bonds.

8. Repurchase Agreements Require Proper Procedures To Avoid Loss

Recent losses suffered by local governments indicate the need for treasurers to participate in repurchase agreements (repos) with adequate procedures and knowledge of the mechanics of repo transactions.

a. Treasurer Must Have Control Of Securities In Repos

Each repo must be structured so that one of the following events occurs for the period of time that the repo is effective:

(1) Either of the procedures called DVP (delivery versus payment) whereby:

a) The treasurer obtains physical delivery of the underlying securities; OR
b) The underlying securities are delivered to a third party, such as a safekeeping bank acting as an agent for the public treasurer; OR

(2) The underlying securities are delivered to a bank's trust division (not within its operating division) for the account of the public treasury, when the repo is being done with the same institution.

This delivery may be made either physically or by book entry. Book entry is a system of handling securities. The Federal Reserve Bank's system is a securities safekeeping arrangement between the Fed and its customers. All US government agencies' issues exist only in book entry form, in computerized files, rather than in definitive (engraved paper) form. Under the system, book entry securities are transferred electronically between accounts based on input from the depository institution transferring securities from its account.

b. Do Not Invest In "Pooled" Or "Master" Repos

Some dealers offer repos where a treasurer invests in a pool of securities held by a trustee. Statements from the trustee list the securities; however, no "owner" is listed on the statement. The statements only reference a pool number. Treasurers have no way to assure themselves that the dealer has not oversold the securities. In the event of a dealer's default, the treasurer may discover the pool does not cover all of the claims of its investors. Where securities involved in repos are being held by trustees or a bank's trust division, the treasurer must require that the securities be held in his/her name.

c. Market Value Of Securities Should Cover The Investment

Treasurers should assure themselves that they are adequately protected from a sudden decline in the market value of the securities they have purchased. Some authorities recommend that the market value of the underlying securities exceed the amount to be received at the end of the agreement, thus protecting principal and interest. It is common practice in the industry for an excess of market value over the cash paid, called a market or *haircut*, to be built into the agreement to protect against declines in the market value of the underlying securities.

The local treasurer should review (reprice) the market value of the underlying securities periodically to make sure it has not fallen below an acceptable level, placing part of the entity's principal and earnings at risk. Should such a decline in value occur, additional securities should be obtained or part of the entity's principal should be recovered. The size of the margin built into the agreement should reflect the price volatility of the underlying securities, the frequency of repricing, and the length of the repo.

d. Evaluate Financial Position Of Security Dealers

Treasurers should screen and evaluate the integrity of dealers from whom they will purchase securities. Many dealers are unregulated. Many authorities recommend that treasurers deal only with the primary security dealers. Dealers of money market or mutual funds must have bonds posted with the Risk Management Office of the Department of General Administration per RCW 39.59.010.

e. Obtain Written Contracts

Local governments should establish their rights in repos through written contracts. A written contract will specify, among other things, the right of the local government to liquidate the underlying securities in the event of default by the dealer and directions for the delivery of the underlying securities. This written contract may take the form of a master agreement covering all future transactions or a transaction agreement covering a single transaction.

Local governments should also have a written contract with a custodial agent, usually a bank, specifying the responsibilities of that third party. Such a written contract, called a custodial agreement ensures that the entity's custodian is an independent third party to the repo transaction. Among the custodial responsibilities that may be specified in a written contract are:

1) The custodian's responsibility to disburse cash for repos only on delivery of the underlying securities;

2) The custodian's responsibility to obtain additional securities if the required margin on the repo agreement is not maintained;

3) The custodian's responsibility for periodic reporting to the entity on the market value of the securities.

f. Beware Of Pitfalls

No treasurer should participate in repos without a thorough knowledge and understanding of what repos are and how they work. Every treasurer should be aware of the pitfalls and why other governments have suffered losses.

9. Investments Not Eligible For Public Funds

Absent statutes specifically authorizing a local government to make an investment in a certain investment type, the following investments are not eligible for investment of public funds.

- Corporate Stocks
- Corporate Bonds
- Foreign Government Obligations
- Futures Contracts
- Investment in Commodities
- Real Estate
- Limited Partnerships
- Negotiable Certificates of Deposit

NOTE: The BARS material on investments is intended to inform local treasurers of the State Auditor's current audit standards and to provide information on current legal authority questions and on prudent investment standards. This material does not constitute a legal opinion on the validity of any particular investment. The State Auditor does not intend to imply that a treasurer who follows the standards set forth in these materials will thereby avoid any possibility of a loss of public funds. Each treasurer must exercise his or her best professional judgment in selecting particular investments, relying where appropriate on legal and other professional assistance.

Municipal Utility Deposits

A public utility may require deposits from its customers for either initial or restoration services, provided the deposits are reasonable and not discriminatory. A utility is not required to return accrued interest on those deposits, except upon request.

Although there is no legal requirement to provide the information concerning the non-interest bearing nature of the utility deposits, it would be a prudent business practice to notify customers in applications for utility services.

The interest accrued on customer deposits belongs to the appropriate utility fund and can be transferred to the general (current expense) fund if they are a part of fund's surplus which can be transferred in limited circumstances to the general fund. See Part 3, Chapter 4, Section C for more details.

Investment of Superior Court Trust Funds

Pursuant to RCW 36.48.090, whenever the clerk of the superior court has moneys held in trust for any litigant or for any purpose, they should be deposited in a separate bank account designated *Court Trust Fund*. These moneys should not be commingled with any public funds. The clerk is subject to the same investment limitations as the county treasurer (RCW 36.29.020). See Part 3, Chapter 6, Section A on investments.

Interest Income

Unless provided otherwise, interest earned on trust investments should be forwarded to the county treasurer as general (current expense) fund revenue. If however, the trust principal amounts to $2,000 or more and a litigant in the matter had filed a written request, the interest should be held in trust and paid to the beneficiary upon termination of the trust. The clerk should assess a five percent investment service fee, subject to statute limitations, on interest earned on behalf of beneficiaries.

All litigants not represented by an attorney and who have $2,000 or more being held by a superior court clerk should receive written notice of the provision for receiving interest income on the funds.

Accounting Requirements

a. All purchases of investments should be by check or electronic fund transfer (EFT) drawn on the Court Trust Fund.

b. All investments sold should be receipted with Court Trust Fund receipts. We encourage clerks to instruct financial institutions to pay all interest earnings to the Court Trust Fund. However, if the county chooses to use direct interest credits to investment accounts, the clerk should reconcile the interest at least quarterly.

c. Clerks making trust fund investments must maintain an investment ledger:

(1) Sufficient to indicate the total amount of trust funds invested at any given time (a control account).

(2) Listing each investment purchased by purchase date, trust account check number or EFT number, description of investment and identification (passbook or C.D. number, financial institution holding investment, interest rate, maturity date, etc.) and purchase price.

(3) Showing for each investment sold: total proceeds, interest due the general (current expense) fund, interest due other recipients, sales date, clerk's receipt number, and investment fee.

(4) There must be an individual ledger card for each case. The ledger cards should be reconciled to the investment ledger periodically. Ledger cards should contain the name, address, case number, the investment balance and accrued interest. A form similar to the attached sample will be acceptable.

d. Investment interest earnings remitted to the general (current expense) fund and investment service fees deducted from interest due to others should be coded to the resource account designated in Part 1, Chapter 3.

e. Moneys to be paid to the county treasurer should be remitted each month together with other remittances.

f. Interest paid to litigants in excess of $10 must be reported to the Internal Revenue Service.

INVESTMENT RECORD

Line No.	Date Purchased _____ Mo. Day	Description	Purchase Price	Date Sold Mo. Day	Sales Price	Receipt Number	Investment Fee	Interest Earnings	To Be Remitted to Beneficial Owner	To Be Remitted to Treasurer	Investment Balance		Line No.
											Debit	Credit	

Many local governments have agreed to maintain a predetermined average daily balance in non-interest bearing bank accounts to compensate banks for handling the government's bank services.

In many cases, there is no rational relationship between the interest which the local government would have earned on the deposit and the amount that would have been paid for bank services.

In the event a decision is made to maintain a compensating balance, the local government should:

- Obtain proposals on bank service charges from several banks.
- Document with historical and statistical evidence that the interest foregone is substantially equivalent to or less than the proposed bank service charges.

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Definitions

Capital assets are real and personal property and intangible assets, above a specified value, the government intends to use or keep for more than one year. Capital assets include land and land rights; buildings, their furnishings, fixtures, and furniture; equipment, machinery, vehicles, and tools.

Capitalize means to report an expenditure for real and personal property or intangible assets as a capital outlay. These expenditure transactions are coded to 594 and 595 account codes.

Accountability means the obligation to demonstrate good management of or control over those matters for which the government is responsible.

Capital assets management system is the set of written policies and procedures used to control a government's capital assets and demonstrate accountability.

Capitalization threshold is a dollar amount set in a formal policy defining when an item with more than one or more years of usefulness will be classified as a capital asset.

Physical inventory is a procedure where the existence of assets on the inventory list is confirmed by physically observing the assets at their location in the field.

Reporting Capital Asset Transactions

Cash basis accounting only reports inflows and outflows of cash. When a capital asset is purchased the entire expenditure is recognized in the period when the cash outflow occurs. Because the entire asset cost is reported when it was purchased the reporting of depreciation accounts is not appropriate.

For BARS account codes for financial reporting of capital asset purchases see Part 1, Chapter 4.

Determination of when a purchased item is classified as a capital asset will depend upon the capitalization policy of the government. Each government should establish a formal policy that includes a capitalization threshold. The amount of the capitalization threshold is up to the government and may vary. Many governments have set their policy at $5,000.

The cash basis financial reporting requirements for capital assets are limited; however, this does not remove the responsibility of the government from its stewardship of public resources. Entities must have policies and procedures in place to track, demonstrate accountability and insure security of their capital assets.

General Tracking Requirements

Specific capital asset tracking requirements of the State Auditor's Office are contained on the subsequent pages. In addition, the federal government has issued property management requirements that apply to all governments that receive federal assistance. Each federal agency has published a Federal Agency Implementation of the Common Rule. Excerpts from the Common Rule have been included in this section. Note that these requirements involve broad stewardship responsibilities and specific accounting records.

Establishing Capital Assets Policies

Local governments with capital assets should develop policies and procedures for management of these public resources. At a minimum the policies should be reviewed and approved by the governing body.

The duty to make certain that public property is adequately protected and that its use is properly managed is one of the fundamental responsibilities of government officials. The government has several broad responsibilities with respect to capital assets. The following are items the government must consider when developing policies for tracking and safe guarding their capital assets.

1) **Capitalization Threshold**. Entities must set the dollar amount at which the purchase of an asset with a useful life of more than one year will be classified as a capital asset. The cost of maintaining the information versus the benefit of the information should be evaluated when setting the threshold.

2) **Information**. What information is available and how the government will gather it?

3) **Custody**. The responsibility for custody means having the answers to such questions as:

   a) What property and equipment does this government own?
   b) Where is it?
   c) What condition is it in?
   d) Who is responsible for the asset and is it protected from loss and unauthorized use?

2) **Insurance**. Another major responsibility for capital assets is providing adequate insurance. A capital asset accounting system should provide adequate records to prove any losses. Location, inventory, and maintenance records will confirm that a lost or damaged asset has been in use recently, which will support the validity and timeliness of a theft or damage report.

3) **Maintenance and Repair**. As a steward of public property, a government has the obligation not only to safeguard assets from loss but also to ensure that they are not neglected or wasted.

4) **Planning**. Another general category of responsibility is planning for future asset needs both short and long-term. Here a government needs answers to questions such as:

   a) How well is the government using the facilities and equipment it already has?
   b) Which items must be replaced, when and at what cost?
   c) When will additional facilities or equipment be needed and at what cost?
   d) Which facilities or equipment will not be needed, and what cost reductions in maintenance, insurance, and security will result from liquidating them?

5) **Small and Attractive Assets**. An additional responsibility is to assure that equipment and personal property below the capitalization threshold is also adequately safe guarded from misuse or loss. This will require management to answer questions such as:

   a) What small and attractive property and equipment does this government own?
   b) Where is it?
   c) Is it protected from loss and unauthorized use?
   d) How will it be tracked and monitored?

<u>The Capital Asset Tracking System</u>

When a government has capital assets it must establish and maintain a tracking system for them. It may be maintained using either a computerized or manual system. At a minimum it should include the following.

1) The tracking system must adhere to the formal asset policies approved by the governing body.
2) It must contain the following information:
   a) Inventory list containing capital assets owned by the government.
   b) Individual information record for each capital asset:
      i. Location of the asset
      ii. Cost of the asset/source of funding (federal grant, etc.)
      iii. Estimated life
      iv. Condition of the asset
      v. Identifying number for the asset
      vi. Disposal – date and method used to determine disposal value
3) Reconciliation of asset records and performance of a physical inventory.
4) Maintain a method with controls over additions and deletions to the capital asset tracking system.
5) Have a method to track changes in custody and assigned responsibility for the assets.

Physical Inventory/Reconciliations:

All governments should have a method to perform a physical inventory to verify the existence and condition of their capital assets. Policies and procedures governing the taking of regular physical inventories should be documented. These policies should require an inventory or inventories to be taken at a reasonable interval based on the nature of assets, number of assets and extent of decentralization. Policies should also conform to any statutory or regulatory requirements, such as the requirement for counties to annually inventory all capital assets per RCW 36.32.210 or the requirement for all assets over $5,000 per unit purchased with federal grant funds to be inventoried at least once every two years per the OMB Circular A-102 Common Rule. The policy should define the categories or types of assets to be inventoried, the threshold of such assets to be inventoried, state who is responsible for performing the physical inventory or inventories, is responsible for following up on any missing assets and how often the inventory or inventories must take place.

If possible the physical inventory should be conducted by personnel other than those charged with custody of the assets. Discovery of damaged or missing assets should be immediately followed up on and documented. Losses of public resources are required to be reported to our office.

The capital assets list and individual asset records should be compared/reconciled. This is to assure the addition of new assets and removal old ones are updated in both sets of records. Reconciliations should be performed at least once per year.

FEDERAL COMMON RULE – PROPERTY MANAGEMENT

Capital assets purchased with federal funds are subject to federal compliance requirements. The requirements are known as the federal common rule for property management. They apply whether the assets are purchased in whole or in part with federal resources and are in addition to the accountability requirement prescribed by our office. The federal rules are in effect during the time the asset is owned by the government until official disposition has occurred.
All federal agencies administering programs that involve grants issue a common grants management rule (Common Rule). The requirements listed below are the general rules, however some federal agencies may publish deviations from the Common Rule due to statutory requirements.

1) Real property

a) Title. Subject to the obligations and conditions set forth in this section, title to real property acquired under a grant will vest upon acquisition with the government.

b) Use. Except as otherwise provided by federal statutes, real property will be used for the originally authorized purpose as long as needed for that purpose, and the government will not dispose of or encumber its title.

c) Disposition. When real property is no longer needed for the originally authorized purpose, the government will request disposition instructions from the awarding agency. The instructions will provide for one of the following alternatives:

- **Retention of Title**. Retain title after compensating the awarding agency. The amount paid to the awarding agency will be computed by applying the awarding agency's percentage of participation in the costs of the original purchase to the fair market value of the property. However, in those situations where a government is disposing of real property acquired with grant funds and acquiring replacement real property under the same program, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.

- **Sale of Property**. Sell the property and compensate the awarding agency. The amount due to the awarding agency will be calculated by applying the awarding agency's percentage of participation in the cost of the original purchase to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the grant is still active, the net proceeds from the sale may offset against the original cost of the property. When a government is directed to sell property, sales procedures will be followed that provide for competition to the extent practicable and result in the highest possible return.

- **Transfer of Title**. Transfer title to the awarding agency or to a third party designated/approved by the awarding agency. The government will be paid an amount calculated by applying the government's percentage in participation in the purchase of the real property to the current fair market value of the property.

2) Equipment

a) Title. Subject to the obligations and conditions set forth in this section, title to the equipment acquired under a federal grant will vest upon acquisition in the government.

b) Use

- Equipment will be used by the government in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a federal agency.

- The government will also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use will be given to other programs or projects supported by the awarding agency.

- The government must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted by federal statute.

- When acquiring replacement equipment, the government may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.

c) Management Requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with federal grant funds, until disposition takes place will, at a minimum, meet the following requirements:

- Property records must be maintained that include:
  - A description of the property
  - A serial number or other identification number
  - The source of the property
  - Who holds title
  - The acquisition date and cost of the property
  - Percentage of federal participation in the cost of the property
  - The location, use and condition of the property
  - Any ultimate disposition data including the date of disposal and sales price of the property

- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated.

- Adequate maintenance procedures must be developed to keep the property in good condition.

- If the government is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

d) **Disposition**. When original or replacement equipment acquired under a federal grant is no longer needed for the original project or program or for other activities currently or previously supported by a federal agency, disposition of the equipment will be made as follows:

- Items of equipment with a current per-unit fair market value of less than $5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
- Items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold and the awarding agency will have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

e) **Federal Equipment**. In the event a government is provided federally-owned equipment:

- Title will remain vested in the federal government.
- Governments will manage the equipment in accordance with federal agency rules and procedures, and submit an annual inventory listing.
- When the equipment is no longer needed, the government will request disposition instructions from the federal agency.

f) **Right to Transfer Title**. The federal awarding agency may reserve the right to transfer title to the federal government or a third party named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers will be subject to the following standards:

- The property will be identified in the grant or otherwise made known to the grantee in writing.
- The federal awarding agency will issue disposition instructions within 120 calendar days after the end of the federal support of the project for which it was acquired. If the federal awarding agency fails to issue disposition instructions within the 120 calendar-day period, the government will follow the proceeding guidelines provided in subsection (d) *Disposition*.

3) **Supplies**

a) **Title**. Title to supplies acquired under a grant will vest, upon acquisition, in the government.

b) **Disposition**. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate fair market value upon termination of completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the government will compensate the awarding agency for its share.

4) **Copyrights**. The federal awarding agency reserves a royalty-free, non exclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for federal government purposes:

a) The copyright in any work developed under a grant; and any rights of a copyright to which a government or a contractor purchases ownership with grant support.

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1. Capital Assessments

The project expenditures should be recorded in a capital projects fund. Revenues should be recognized according to the financing involved.

Capital improvement assessments projects that become an integral part of the government's enterprise activities should be recognized in the enterprise fund.

2. Operating Assessments

The revenues and expenditures should be recorded in either the general (current expense) fund, a special revenue fund, or an enterprise fund, as appropriate. These types of assessments are for operating activities and do not result in the purchase or construction of capital assets (e.g., street cleaning or snow plowing).

3. No-commitment special assessment debt is a debt in which the benefitting property owners – not a government – will provide the resources needed to repay the debt. So, from the government's viewpoint, resources provided by the no-commitment special assessment debt are essentially similar to resources provided by grantors. Accordingly, the issuance of no-commitment special assessment debt should not be classified as debt proceeds or other financing sources; instead should be reported as revenue.

4. Debt Service

The long-term debt service transactions associated with a special assessment project should be recorded in a debt service fund. Recognition of bond principal and interest expenditure should be similar to other long-term debt. However, any portion that is an obligation of an enterprise fund or expected to be repaid from an enterprise fund revenues should be reported in the enterprise fund. Short-term debt service expenditures should be recognized in the fund recording the associated debt.

5. Budgeting

Capital improvements funded by special assessments should be budgeted on a project basis. Although improvement district statutes vary, they normally require formal adoption of an assessment roll. The LID formation ordinance is a perfectly adequate budget for the life of the LID. The amount of the assessment roll is determined by the estimated costs of construction and debt service, which are accordingly approved by the same action. If construction costs exceed estimates, legislative approval is normally required. That approval should be recorded as a budget modification.

5. References

	Authority to Establish and Assess for	RCW Reference
Cities and Towns	LID & ULID	Chapter 35.43 RCW thru Chapter 35.56 RCW
Counties/County Roads	CRID	Chapter 36.88 RCW
Fire Districts	LID & ULID	Chapter 52.20 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Port Districts	LID & ULID	Chapter 53.08 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Library Districts	LID	Chapter 27.14 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Irrigation Districts	LID & ULID	RCW 87.03.480 thru RCW 87.03.527
Irrigation Districts	O&M	RCW 87.03.240 thru RCW 87.03.420
Park and Recreation Districts	LID	RCW 36.69.200 thru RCW 36.69.305
Sewer Districts	ULID	Chapter 56.20 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Water Districts	ULID	Chapter 57.16 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Counties/Sewerage, Water and Drainage System	LID & ULID	RCW 36.94.220 thru RCW 36.94.400
Flood Control Zone Districts	LID & ULID	RCW 86.15.160, RCW 86.15.165
Flood Control Districts	O&M	RCW 86.09.380 thru RCW 86.09.517
Diking Districts	O&M	RCW 85.05.270, RCW 85.05.355, RCW 85.18.150
Drainage Districts	O&M	RCW 85.06.125, RCW 85.38.140 thru RCW 85.38.170
Diking, Drainage and Sewage Improve. Dist.	O&M	RCW 85.08.410, RCW 85.08.420, RCW 85.08.480, Chapter 85.16 RCW
Public Utility Districts	ULID	RCW 54.16.120 thru RCW 54.16.170

CRID – County Road Improvement District
LID – Local Improvement District
ULID – Utility Local Improvement District
O&M – Operations and Maintenance, Debt Service, etc.

1. Unredeemed Coupons and Bonds (RCW 43.80.160)

One year after the last legal payment date on matured bonds, the treasurer may send a written request to the fiscal agent to return the moneys not used to redeem such matured bonds. A bond call accelerates the maturity and the treasurer has the right to request that moneys be returned after one year. This recovery provision does not apply to matured coupons which remain unredeemed for over one year, unless the bonds to which they are related have also matured. Unredeemed bonds and coupons that remain unclaimed by the owner for more than two years after becoming payable are considered abandoned (RCW 63.29.130). The treasurer is required to file a report under RCW 63.29.170 and pay or deliver all eligible abandoned property, including the unredeemed bonds and coupons referenced above, to the Department of Revenue.

The following regulations and procedures are prescribed with respect to the return of the above-mentioned moneys.

a. Amounts returned from fiscal agencies at the request of local treasurers should be accounted for in the debt service fund. Concurrent entries should be recorded in the fiscal agency account to reflect the return of the moneys to the debt service fund. If the bonds or coupons are subsequently presented for payment, they should be paid from the moneys so held.

b. The amounts returned from fiscal agencies should not be used to meet current debt service requirements. However, interest earnings on any investments of amounts returned from fiscal agencies will be available to reduce currently required additions to the debt service funds according to the following procedures:

(1) In the case of general obligation bonds, such interest earnings should be retained in the debt service funds, and currently required additions to such funds should be reduced accordingly.

(2) In the case of revenue bonds, such interest earnings may be retained, thereby reducing currently required additions to such funds from operating revenues, or such interest earnings may be placed into the current or operating fund.

The state or local treasurer shall remain obligated for the final redemption of the unredeemed bonds and coupons pursuant to RCW 43.80.160.

Before a duplicate instrument is issued, the issuing officer should require the person making application for its issue to file in his/her office a written affidavit specifically alleging on oath that he/she is the proper owner, payee, or legal representative of such owner or payee of the original instrument, giving the date of issue, the number, amount, and for what services or claim or purpose the original instrument or series of instruments of which it is a part was issued, and that the same has been lost or destroyed, and has not been paid or received by him/her.

The following is a sample for use by all political subdivisions.

AFFIDAVIT

STATE OF WASHINGTON,)
ss,
County of _____)

I, _____, being first duly sworn upon oath, depose and say that I am the proper owner, payee, or legal representative of such owner or payee of (district), original (describe instrument) No. _____, dated ____, in the amount of _____ Dollars ($_____) which said instrument was issued in payment for _____ and that the same has been lost or destroyed and has not been paid.

Signature _____

Witnessed by me this _____ day of _____

_____
Witness [1]

Residing at _____

[1] City/county/district may require the affidavit to be signed by a notary public.

Chapter 10. Interpretations

This chapter of the manual contains detailed explanations of selected topics, pronouncements, or laws affecting local governments.

The most significant source of input to this chapter should be the manual users themselves. If you have any suggestions for new topics, please copy a request form from the back of this page and mail it to the address listed on the bottom of the form.

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REQUEST FOR INTERPRETATION

Request Made By

Name _____

Entity _____

Phone _____

Topic or Issue

_____

_____

_____

Recommendation _____

_____

_____

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_____

When completed, send to:

State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031
FAX (360) 586-6571

1. **COUNTY FAIR OPERATIONS**

a. Management of Fair Operations

RCW 36.37.040 states in part:

> The board of county commissioners may employ persons to assist in the management of fairs or by resolution designate a nonprofit corporation as the exclusive agency to operate and manage such fairs.

Referring to the above statute, the Attorney General has emphasized that the Legislature has not authorized the county to operate a fair jointly with any private person or group, but only to employ persons to assist in the management of fairs or to designate a private corporation as the exclusive agency to operate and manage such fairs.

b. Deposit of Funds Received by a County Fair Operation

The Attorney General has stated that all funds received by a county fair operation, such as allocated pari-mutuel funds, donations, and proceeds from the operation of the fair, must be properly deposited in the county treasury under the provisions of RCW 36.29.010 and RCW 39.29.020.

c. Establishment of Fund to Operate Fair

At the option of the board of county commissioners, the county fair may be operated as a department within the general (current expense) fund or it may be operated as a separate County Fair Fund. If a fair fund is established and borrows from the general (current expense) fund, interfund loan procedures must be followed, except that no interest on the interfund loan needs to be charged.

Within the fund chosen for the operation of the fair, the board of county commissioners may authorize the county auditor to provide a revolving fund to be used by the fair officials for the conduct of the fair. The purpose of the revolving fund is to allow for immediate payment of premiums, casual labor and the many other items needed during the period the fair is being conducted without going through the formality of a warrant issue.

Part 3, Chapter 3, Section C, *Imprest, Petty Cash and Change Funds* contains the minimum requirements for the establishment and operation of a revolving fund. All those requirements apply except that a paid receipt or properly executed invoice voucher will not be required for premiums or prizes disbursed. A list of premium or prize winners, supplemented by entry records and certified by the fair board, will suffice to evidence expenditures for this purpose.

2. COUNTY TREASURER'S OPERATION AND MAINTENANCE FUND

RCW 84.56.020(8) requires that fees and costs applicable to the foreclosure, distraint and sale of real and personal property for delinquent taxes must be deposited into the Treasurer's Operation and Maintenance Fund. These moneys should be used by the county treasurer to defray the cost of further foreclosure, distraint and sale for delinquent taxes without regard to budget limitations.

Allowable expenditures include postage, filing fees, employee time, legal notices, title searches, etc. The following standard procedure should be used for all expenditures made from the Operation and Maintenance Fund:

> When disbursements are made, the county treasurer should prepare a voucher in the regular manner, supported by detail documenting the expenditures[1]. The treasurer should place his/her certification on the face of the voucher prior to presenting it to the county auditor, who should then draw a warrant against the Treasurer's Operation and Maintenance Fund, in the same manner as is done for any other county fund.

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[1] See Part 3, Chapter 10, Interpretation 23 for information regarding original supporting documentation.

3. **DIVERSION OF COUNTY ROAD PROPERTY TAXES**

RCW 36.33.220 authorizes the legislative authority of a county to divert any portion of the county road property taxes to provide services in the unincorporated area of the county. RCW 36.82.040 requires that so diverted taxes be placed in a separate and identifiable account within the county's general (current expense) fund.

To assist compliance with the provisions of these statutes, the following procedures are prescribed:

a. The county road property taxes diverted to the general (current expense) fund should be presented in the budget of the general (current expense) fund as an estimated revenue. They should be clearly separated from the estimated revenues budgeted from regular property taxes.

b. The moneys received for diverted county road taxes should be receipted directly into the general (current expense) fund and credited to the revenue account 311.20, *Diverted County Road Property Taxes*. That portion of the county road property taxes designated for diversion should not be levied for the road fund and then transferred to the general (current expense) fund.

c. Those counties which divert any portion of the county road taxes should develop accounting procedures that document that the diverted county road property taxes were used to provide services in the unincorporated area of the county.

4. **ACCOUNTING FOR TWO PERCENT OF LIQUOR TAXES AND PROFITS FOR SUBSTANCE ABUSE TREATMENT PROGRAMS**

RCW 70.96A.087 provides that to be eligible for receiving a share of liquor taxes and profits, each city, town, or county must devote no less than two percent of its share of liquor taxes and profits to support programs for treatment of substance abuse and other drug addictions. Programs must be approved by the board authorized by RCW 70.96A.300 and the Secretary of the Department of Social and Health Services.

A city, town, or county that does not have its own facilities or programs for the treatment and rehabilitation of substance abusers, may share the use of another city or county facility or program as long as it contributes no less than two percent of its share of liquor taxes and profits to support these facilities or programs (RCW 70.96A.085).

All liquor taxes and liquor board profits received from the state should be accounted for in the city or county's general (current expense) or special revenue fund. This money should be coded 336.06.94 for liquor excise taxes and 336.06.95 for liquor control board profits.

Distribution of the money should be handled in a manner legally authorized by the statute. Expenditures related to substance abuse treatments should be coded to account 566 whether the expenditures are in support of the city or county's own facilities/programs or contributions to others.

The two percent portion and any additional amounts expended for the substance abuse treatment should be budgeted in accordance with the provisions of Chapter 35.32A RCW, Chapter 35.33 RCW and Chapter 36.40 RCW.

5. **ACCOUNTING FOR DEPARTMENT OF SOCIAL AND HEALTH SERVICES (DSHS) WORKING CAPITAL ADVANCES**

DSHS provides working capital advances to counties and cities in conjunction with the DSHS programs such as aging, mental health, developmental disabilities and alcohol and drug rehabilitation. These advances are intended for working capital or a *cash float*.

Even though called working capital the advances are treated as fund debt and therefore, they are not a revenue or an increase to cash and investments. As such, they cannot be budgeted. The expenditure portion of the budget must be balanced by any beginning cash and investments plus estimated revenues.

In single-entry systems the receipt should be recorded in account 382.80, *Intergovernmental Loan Proceeds*.

When the working capital advance is paid back to the DSHS, the disbursement should be recorded in account 582.00, *Redemption of Long-Term Debt*.

6. ACCOUNTING FOR PROSECUTING ATTORNEYS' SALARIES

RCW 36.17.020 provides that: "The State of Washington shall contribute an amount equal to one-half of the salary of a superior court judge towards the salary of the elected prosecuting attorney." This money should be coded to account 334.00.11.

The annual salary of the superior court judges is established by the Washington Citizens' Commission on Salaries for Elected Officials (RCW 02.08.092).

7. **CONFIDENTIAL FUNDS (DRUG BUY MONEY, INVESTIGATIVE FUNDS)**

Confidential funds are those funds allocated to the following three types of law enforcement undercover operations:

a. Confidential investigative expenses are for the purchase of services and would include travel or transportation of an undercover officer or an informant. The lease of an apartment, business front, luxury type automobiles, a boat, aircraft or similar effects to establish the appearance of affluence, credibility and a general atmosphere conducive to the undercover role would also be in this category. Meals, beverages, entertainment and similar expenses for undercover purposes, within reasonable limits, would also be included.

b. Confidential funds for the purchase of evidence would include the purchase of evidence and/or contraband such as drugs, firearms, stolen property, etc., required to determine the existence of a crime or to establish the identity of a participant in a crime.

c. Confidential funds for the purchase of specific information from informants.

Confidential expenditures are subject to appropriation by the municipality's governing body. The governing body must assure that the controls over disbursements are adequate to safeguard against misuse of such funds. When the funds are replenished, legislative approval should be based on a finding that the expenditures were necessary and reasonable for proper and efficient administration of the program under which they were used.

The funds authorized should be established in an imprest fund. Part 3, Chapter 3, Section C, prescribes the minimum requirements for the establishment and operation of an imprest fund. In addition to all those requirements the following apply:

a. The supervisor of the unit to which the imprest fund is assigned must authorize all advances of moneys to agents or officers for the purchase of information. Such authorization must specify the information to be received, the amount of expenditures, and assumed name of informer.

b. The investigation unit must maintain confidential files of the true names, assumed names, and signature of all informers to whom payments have been made. To the extent practicable pictures and/or fingerprints of the informer payee should also be maintained.

c. The custodian should receive from the agency or officer authorized to make a confidential payment, a receipt for cash advanced to him/her for such purposes.

d. The agent or officer should receive from the informer a receipt of the following nature:

RECEIPT FROM INFORMER PAYEE

Receipt

For and in consideration of the sale and delivery to the (state/county/city) of _____ of information or evidence identified as follows:

_____

_____

_____

I hereby acknowledge receipt of $ _____ paid to me by (state/county/city) of _____.

Date: _____

Signature: _____

_____

*Witness (if any)

* The witness requirement is not mandatory in all instances, depending on the nature of the meeting and exchange of funds. A requirement should be in effect that on 25 percent of the contacts, when payments are made, a second agent appears as the witness to the transaction. In addition, on ten percent of the meetings the agent or officer in charge should be present to verify the payment to the informer.

e. The signed receipt from the informer payee with a memorandum detailing the information received must be forwarded to the agent or officer in charge. The agency or officer in charge must compare the signature on the receipt with the confidential file of assumed name signatures. He/she must also evaluate the information received in relation to the expense incurred, and add his/her evaluation remarks to the report of the agent or officer who made the expenditure. A certification of payment to the custodian should serve as support for the expenditure from the imprest fund. The certification should be witnessed by the agent or officer in charge on the basis of the report and informer payee's receipt.

f. Each agent or officer in charge must prepare a quarterly report showing status and reconciliation of the imprest fund and itemizing each payment, name used by informer payee, information received and use to which information was put. This report must be made part of the files and reviewed quarterly by the head of the municipality's law enforcement agency.

8. VOTER REGISTRATION AND ELECTION COST ALLOCATIONS TO STATE, CITIES, AND DISTRICTS

This interpretation establishes uniform procedures for allocating voter registration and election costs incurred by counties. These procedures are mandatory for elections held after January 1, 2010.

RCW 29A.04.410 Every city, town, and district is liable for its proportionate share of the costs. Special election costs must be borne by the city, town, or district concerned.

RCW 29A.04.420 The state should assume a prorated share of election costs when state officers or measures are voted upon at a state primary or general election held in an odd-numbered year under RCW 29A.04.321.

RCW 29A.08.150 The expense of registration in all rural precincts must be paid by the county. The expense of registration in all precincts lying wholly within a city or town must be paid by the city or town. Registration expenses for this section include both active and inactive voters.

RCW 29A.32.270 The cost of a local voters' pamphlet shall be considered an election cost to those local jurisdictions included in the pamphlet and shall be prorated in the manner provided in RCW 29A.04.410.

A. Voter Registration or Election Costs to be Allocated

BARS account 511.80 is prescribed for voter registration and voter precincting costs. Costs charged to this account must be specifically for voter registration purposes and will include proper object codes. Time records and other documentation must be maintained to support expenses allocated to voter registration costs.

BARS account 511.70 is prescribed for election costs. Costs charged to this account must be specifically for election purposes and will include proper object codes. Time records and other documentation must be maintained to support expenses allocated to election costs.

Allowable costs that may be included for either voter registration or elections are:

1) Salaries and Wages (BARS Object 10)

Include all personnel costs, including salaries, wages, and overtime, for time specifically devoted to voter registration or elections. Personnel may include:

a) Permanent office staff
b) County Auditor
c) Extra or temporary help
d) Paid election observers
e) Poll workers
f) Voting center workers
g) Security

Adequate records are to be maintained to support payroll charges.

2) Benefits (BARS Object 20)

Include those benefits associated with the salaries and wages identified above.

3) Supplies (BARS Object 30)

Include supplies for voter registration or an election (e.g., stationery, forms, cards, pencils, small items of equipment, items for repair and maintenance of equipment, etc.). The cost of large supply purchases should be apportioned between the elections and/or voter registration if benefited.

4) Services (BARS Object 40)

a) Communication – Charges for telephone and related costs associated with voter registration or elections.

b) Postage – Charges associated with voter registration or elections. Include postage for mailing ballots, letters, notices to voters, voter pamphlets, post office charges, and other mailings.

c) Transportation – Cartage for voting equipment, messenger service, and travel expenses including mileage allowances.

d) Advertising – Include the cost of publishing required notices, paid announcements, and voter outreach specific to an election or voter registration.

e) Printing and binding – Include the cost of printing materials used for voter registration or in an election. If the printing order is used for more than one election and/or voter registration, the cost should be apportioned between the elections or voter registration benefited.

f) Repairs and maintenance – Charges for repair and maintenance to election and voter registration equipment.

g) Rentals – Charges for rental of office space, storage spaces, vehicles, etc.

h) Training – Include in house training, workshops, conferences, and other educational opportunities.

5) Equipment (BARS Subobject 64)

Do not include charges for capital outlays. However, depreciation or use charges for such items as ballot tabulation equipment, accessible voting units, ballot sorters, voting center equipment, computers, printers, voter registration management systems, etc., are allowable. Charges must be based on rates that will result in a reasonable recovery of the original equipment over its useful life. Ledgers detailing historical cost, estimated salvage value, useful life, and accumulated charges should be available.

No depreciation or use charge is allowable where the 15 percent overhead factor is used or when grant funds were used to purchase the equipment.

Equipment replacement fees are not considered depreciation or use charges and may be included in the total costs for an election or voter registration.

6) Interfund Charges (BARS Object 90)

Interfund charges are billed services from other county funds/departments. Charges must be consistent with those to other funds and departments.

Interfund charges directly attributable to an election or voter registration are considered direct costs and may be included in the total costs of an election or voter registration. Other interfund charges are not allowable where the 15 percent overhead factor is used.

B. Election Operations May Be Recorded in an Internal Service Fund

Election operations may be accounted for in an internal service fund or the general fund.

C. Overhead Is Allowable

Overhead or indirect costs attributed to the County Auditor are allowable as determined by a federal indirect cost allocation plan. The plan must be prepared in accordance with OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Do not include any cost in the plan costs that are already included as an internal service fund charge.

In the absence of a federal cost allocation plan, or at the option of the County Auditor, a flat 15 percent of adjusted general costs is allowable for overhead. Adjusted general costs are the total of salaries and wages, employee benefits, supplies, and other services and charges properly charged to the appropriate BARS account.

The 15 percent overhead factor is in lieu of interfund charges and depreciation. The factor may be used when accounted for in an internal service fund or the general fund.

D. Charge a Minimum Fee

The County Auditor should collect a minimum fee of at least $50 from each jurisdiction. The fee will be used for all jurisdictions charged with voter registration/election costs and will be added after the allocation of costs.

E. The Method of Allocating Costs

(1) Allocation of voter registration costs

i. Determine the total voter registration costs for the entire fiscal year. Include amounts from the federal indirect cost allocation plan only if not using a flat 15 percent overhead factor.
ii. Subtract revenue attributable to voter registration services.
iii. Subtract any direct costs associated with a specific jurisdiction.
iv. Total the number of active and inactive registered voters for all jurisdictions.
v. Determine the number of active and inactive registered voters in each city/town. Subtract total active and inactive voters of every city/town from the total active and inactive voters (step iv) in the county voter registration rolls to obtain those voters under county jurisdiction.
vi. Divide each jurisdiction's number of active and inactive registered voters (step iv) by the total number of active and inactive registered voters (step v) to yield a percentage cost factor.
vii. Multiply the percentage cost factor (step vi) times the voter registration costs to determine each jurisdiction's allocated cost.
viii. Add any direct costs, and the 15 percent overhead factor, if applicable, to each jurisdiction's allocated costs. This will give the total amount due from each jurisdiction.

(2) Allocation of election costs

Two approved methods for allocating election and/or voter pamphlet costs are detailed below. A county, once having adopted a method of allocating election costs or voter pamphlet costs, should use the same parameters for all elections within the next election cycle.

Allocate costs between all jurisdictions participating in an election by using one of the two prescribed methods. The county will absorb costs allocated for federal offices, state offices and state issues whenever the state does not reimburse for these costs.

Only jurisdictions that participate in voter pamphlets will share those costs.

a) Method One

This method allows for recovery of additional expenditures associated with multiple offices or issues on the ballot for each jurisdiction. Use of this method requires selecting a factor to be applied to each additional office or issue within a jurisdiction. The factor must be between a range of 0 to 0.2 and should represent the most accurate recovery of costs.

i. Determine the total costs for an election. Include amounts from the federal indirect cost allocation plan, if applicable.

ii. Subtract a minimum service amount of at least $50 per jurisdiction and any direct costs associated with a specific jurisdiction, resulting in the election costs to be allocated.

iii. For each jurisdiction participating in the election determine the number of active registered voters.

iv. Determine the factor for the number of issues and offices for each jurisdiction. A base factor of 1.0 will be assigned for the first ballot issue or office for the jurisdiction. For each additional issue or office the selected factor will be added. For example in a county using 0.15, a city with 3 offices to be decided would have a factor of 1.3 (1.0+0.15+0.15).

v. Multiply the issue and office factor (determined in step iv) times the number of active registered voters (determined in step iii). This will give a weighted registration factor.

vi. Total the weighted registration factors (step v) for all jurisdictions.

vii. Divide the weighted registration factor (step v) for each jurisdiction by the total weighted factor (step vi) to yield a percentage cost factor.

viii. Multiply the percentage cost factor (step vii) times the election costs to be allocated to determine each jurisdiction's share.

ix. Add the minimum service amount, any direct costs, and the 15 percent overhead factor, if applicable, to the allocated election costs for each jurisdiction. This is the total amount due from each jurisdiction.

b) Method Two

This method allocates costs based on the number of registered voters in each jurisdiction. Jurisdictions are not charged for additional offices or issues placed on the ballot.

i. Determine the total costs for an election. Include amounts from the federal indirect cost allocation plan, if applicable.
ii. Subtract a minimum service amount of at least $50 per jurisdiction and any direct costs associated with a specific jurisdiction, resulting in the election costs to be allocated.
iii. For each jurisdiction participating in the election determine the number of active registered voters.
iv. Total the number of active registered voters (step iii) for all jurisdictions.
v. Divide each jurisdiction's number of active registered voters (step iii) by the total number of active registered voters (step iv) to yield a percentage cost factor.
vi. Multiply the percentage cost factor (step v) times the election costs to be allocated to determine each jurisdiction's share.
vii. Add the minimum service amount, any direct costs, and the 15 percent overhead factor, if applicable to the allocated election costs for each jurisdiction. This is the total amount due from each jurisdiction.

F. Charge a Minimum Fee

The County Auditor should collect a minimum fee of at least $50 from each jurisdiction. The fee will be used for all jurisdictions charged with election costs and will be added after the allocation of costs.

G. Account for Costs of Recounts Separately

When a recount is requested, the requestor is charged the cost of the recount. (See Chapter 29A.64 RCW.) Mandatory recount costs are billed to the affected jurisdiction as direct costs and should be shown separate from charges for other election costs. The fee collected is a charge for a service.

H. Effective Date Effective for elections held after January 1, 2010.

9. ACCOUNTING FOR PATHS AND TRAILS

Under Chapter 47.30 RCW, certain cities, towns, and counties may use a portion of their motor vehicle fuel tax funds to establish and maintain paths and trails for pedestrians, equestrians or bicyclists as a part of streets, roads and highways.

The amount a city or county expends annually must be at least .42 percent of the total amount of funds received from the motor vehicle fund according to the provisions of RCW 46.68.090. In lieu of expending the funds each year, however, a city or county may set aside such funds into a financial reserve account or a special reserve fund to be held for this specific purpose provided it is expended within ten years.

Chapter 47.30 RCW is limited to those cities in which .42 percent exceeds $500 per year and to those counties in which .42 percent exceeds $3,000 per year. In effect, this means that the annual income from motor vehicle fuel tax must exceed approximately $120,000 for a city or approximately $715,000 for a county before it is mandatory to fund paths and trails. Cities and counties with less annual income from motor vehicle fuel tax may fund paths and trails, but are not required to do so.

Also, per the Attorney General Memorandum dated June 7, 1982, until a city or county has set up a comprehensive plan for arterial streets and roads as required by RCW 47.26.170, they are not required to allocate any portion of the motor vehicle funds to a paths and trails fund. If the local government wishes to receive urban arterial trust moneys, they must have a comprehensive plan which includes provisions for paths and trails. Once a plan is set up, the requirements of RCW 47.30.050 apply.

Revenues from the motor vehicle fuel tax shall be deposited in the respective City Street, Arterial Street, or County Road Fund and be credited to the appropriate 336 account. All expenditures for paths and trails should be made from the City Street, Arterial Street, or County Road Fund. Account 595.62 should be charged for construction, 541.62 for preservation, and 542.62 for maintenance.

In the event the expenditures accumulated in these accounts at the end of each year do not equal the percentage of motor vehicle fuel tax revenue reserved for this exclusive use, the unexpended balance should be reserved <u>or</u> deposited in a special revenue fund.

Cities or counties exercising the financial reserve option should reserve a portion of fund balance within the operating fund. Cities or counties exercising the special fund option should create a Paths and Trails Reserve Fund.

10. COUNTY AUDITOR'S OPERATION AND MAINTENANCE FUND (RECORDING FEES)

RCW 36.22.170 requires the county auditors to impose a surcharge of five dollars per instrument for each document recorded. This is in addition to any other charge authorized by law. One dollar of the surcharge should be deposited in the county's general (current expense) fund (account 341.36) and be used at the discretion of the county commissioner to promote historical preservation or historic programs, which may include preservation of historic documents. Fifty percent of remaining revenue generated by the surcharge should be deposited in an agency fund (account 386.00) and remitted to the state treasurer. The state treasurer will distribute such funds every July to the counties in accordance with the formula described in RCW 36.22.190. Funds distributed by the state should be deposited to the Auditor's O&M Fund (account 336.04.11). These resources should be used for ongoing preservation of historical documents of all county offices and departments. The other fifty percent of the surcharge should be deposited to the Auditor's Operation and Maintenance Fund (account 341.36) for ongoing preservation of historical documents of all county offices and departments.

Historical documents include both old and contemporary documents. Many contemporary county documents have importance to history and are part of a chronological record of events in the development of a particular county and the state of Washington.

RCW 36.22.175(1) requires a surcharge of one dollar per instrument for each document recorded, this is in addition to any other charge authorized by law. Revenue generated through this surcharge should be transmitted monthly to the state treasurer (account 386.00) for deposit in the archives and records management account. These funds should be used solely for providing records scheduling, security microfilm inspection and storage, archival preservation, cataloging, and indexing for local government records and digital data and access to those records and data through the regional branch archives of the division of archives and records management.

RCW 36.22.175(3) requires a surcharge of one dollar per instrument for every document recorded after January 1, 2002, this is in addition to any other charges authorized by law. Revenue generated through this surcharge should be transmitted monthly to the state treasurer (account 386.00) for deposit in the archives and records management account to be used exclusively for the construction and improvement of a specialized regional facility.

RCW 36.22.178 requires a surcharge of ten dollars per instrument for each document recorded this in addition to any other charge authorized by law. The county may retain up to five percent of this surcharge for the collection, administration, and local distribution of those funds. Of the remaining amount forty percent should be remitted monthly to the state treasurer (account 386.00). All of the remaining funds generated by this surcharge should be retained by the county and deposited into a special revenue fund (account 341.26) that must be used by the county and its cities and towns for eligible housing activities that serve very low-income households with incomes at or below fifty percent of the area median income. See the above statute for permissible use of the resources generated by this surcharge.

RCW 36.22.179 requires a surcharge of thirty dollars for each document recorded. The county auditor should retain two percent for collection of the fee (account 341.21) and of the remainder sixty percent should be deposited into a special fund designated for the homeless housing program (account 341.27) and forty percent should be remitted to the state treasurer (account 386.00) for deposit in the home security fund.

RCW 36.22.181 requires a surcharge of one dollar at the time of the recording of each deed of trust. The auditor may retain up to five percent of the funds collected to administer the collection. The remaining funds should be transmitted monthly to the state treasurer (account 386.00) and deposited into the mortgage lending fraud prosecution account. This surcharge expires June 30, 2011.

The transactions are summarized as follows:

Amount	Account Number	Account Description
$___.__	341.21	General (Current Expense) Fund - Auditor's Filings and Recordings – percentage of surcharges retained by the county for collection, administration and distribution of these funds
$1.00	341.36	General (Current Expense) Fund - Historical Document Preservation and Modernization Surcharge (RCW 36.22.170(1)(a))
$___.__	341.26	Special Revenue Fund – Affordable Housing (RCW 36.22.178)
$___.__	341.27	Special Revenue Fund – Local Homeless Housing Program (RCW 36.22.179, Chapter 43.185C RCW)
$2.00	341.36	Auditor's O&M Fund - Historical Document Preservation and Modernization Surcharge (RCW 36.22.170(1)(b))
$___.__	336.04.11	Auditor's O&M Fund - Auditor's Historical Document Preservation and Modernization Account. The state treasurer's distribution of the surcharge to the county. (RCW 36.22.170(2)(a))
$2.00	386.00	Monthly remittance to the state treasurer - Centennial Document Preservation and Modernization Account (RCW 36.22.170(2)(a))
$2.00	386.00	Monthly remittance to the state treasurer – Local Governments Archives Account (RCW 36.22.175(1), RCW 36.22.175 (3))
$___.__	386.00	Monthly remittance to the state treasurer - Washington Housing Trust Fund (RCW 36.22.178)
$___.__	386.00	Remittance to the state treasurer – Affordable Home Security Fund (RCW 36.22.179, RCW 43.185C.109)
$___.__	386.00	Monthly remittance to the state treasurer – Mortgage Lending Fraud Prosecution Account (RCW 36.22.181)

When disbursements are made, the county auditor should prepare a voucher in the regular manner, supported by details, documenting the expenditures[1]. The auditor should place his/her certification on the face of the voucher and then draw a warrant against the Auditor's Operation and Maintenance Fund, in the same manner as is done for any other county fund.

The County Auditor's Operation and Maintenance Fund is subject to budget requirements and must be appropriated.

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[1] See Part 3, Chapter 10, Interpretation 23 for information regarding original supporting documentation.

11. SOLID WASTE UTILITIES: CLOSURE AND POST-CLOSURE COST ACCOUNTING

The Department of Ecology (DOE) mandates solid waste landfill closure standards in WAC 173-304-467, WAC 173-351-600 and WAC 173-350-400 subsection 8. The standards prescribe specific closure and post-closure care procedures and the funding of them. While these standards apply to a landfill's closure, they are associated with its operation and represent a material cost to be recognized during its operation.

WAC 173-304-467, WAC 173-351-600 and WAC 173-350-400 require each owner or operator to prepare written closure and post-closure cost estimates as part of the facility closure and post-closure plan. This plan is to be reviewed annually and adjusted for cost changes, including inflation.

Each owner or operator is also required to either establish a reserve account or provide another form of financial assurance that, over the life of the facility, funds will be adequate to cover the costs of closing the facility and performing post-closure activities in accordance with state and federal regulations (RCW 70.95.215). Ecology rules require that reserve accounts be set aside as restricted assets. These requirements apply to all landfill disposal facilities.

12. CRIMINAL JUSTICE FUNDING

Criminal justice funding comes to the cities and counties in a number of formulas and requirements specified in statute. The following is a summary of the distributions including BARS coding:

A. Cities and counties will receive quarterly distributions based on formulas specified in the statute (RCW 82.14.310 and RCW 82.14.320). For counties, the formula is based on population, crime rate and felony criminal cases filed for trial. For cities, the formula is based primarily on a high crime rate. These distributions are coded 336.06.10 and 336.06.20 accordingly.

B. A second distribution is applicable only to cities (RCW 82.14.330) and is based on the violent crime rate and population and is allocated quarterly. This distribution is coded 336.06.21.

C. The other distributions depend on programs and services provided by cities. The distribution to cities that contract with another government for the majority of the city's law enforcement services is coded 336.06.25:

The remaining resources are distributed to cities which have or provide:

- Innovative law enforcement strategy;
- Programs to help at-risk children or child abuse victims response programs;
- Programs to reduce the level of domestic violence or provide counseling for domestic violence victims.

The distribution should be coded 336.06.26.

The distributions described in paragraphs A and B are limited by the following wording in the statute: "Moneys distributed under this section shall be expended exclusively for criminal justice purpose and shall not be used to replace or supplant existing funding. Criminal justice purposes are defined as activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, and includes domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates, as defined in RCW 70.123.020. Existing funding for purposes of this subsection is defined as calendar year 1989 actual operating expenditures for criminal justice purposes. Calendar year 1989 actual operating expenditures for criminal justice purposes exclude the following: Expenditures for extraordinary events not likely to reoccur, changes in contract provisions for criminal justice services, beyond the control of the local jurisdiction receiving the services, and major nonrecurring capital expenditures."

The following guidance is in response to the restrictions imposed by the above quotation from the law.

CRIMINAL JUSTICE PURPOSES

All of the moneys made available to local governments through this legislation are limited to funding of criminal justice purposes. Criminal justice purposes can be defined as activities relating to the enforcement and administration of the criminal law. The term *criminal justice purposes* indicates a broad definition which would encompass all costs incurred in connection with the administration and enforcement of criminal laws, including those systems for dealing with persons suspected of, accused of, charged with, or convicted of crimes and domestic violence services.

Cities and counties need to be aware that this funding is primarily for criminal justice. However, the statute does allow for benefit to the civil justice system. The benefit to the civil justice system should be a secondary benefit as a result of expenditures primarily for the criminal justice system.

SUPPLANTING OF EXISTING FUNDS

Existing funding is defined as calendar year 1989 actual operating expenditures for criminal justice purposes excluding expenditures for:

1. Extraordinary events not likely to reoccur;

2. Changes in contract provisions for criminal justice services, beyond the control of the local jurisdiction receiving the services; and

3. Major nonrecurring capital expenditures.

The new state funding may be used for capital and other nonrecurring expenditures so long as the expenditure is for criminal justice purposes and is reasonable (e.g., the purchase of police cars). However, if a new roof is put on the county courthouse, only that portion that applies to criminal justice purposes would qualify (i.e., allocating the cost of the roof by square footage).

An entity would be supplanting by paying back interfund loans where the borrowed funds were used for criminal justice purposes. The repayment of these loans would be the equivalent of replacing existing criminal justice funding. The intent of the act is to ensure that the new funding results in increased financial resources devoted to criminal justice purposes.

As these moneys are expended, an entity must ensure that the criminal justice expenditures are at least equal to the base of "existing funds" plus selected revenues generated by the latest legislation. Once the base is established, the accounting system may be expanded by the following methods to ensure compliance with the non-supplanting provisions of the law:

1. An accounting system may employ budgetary and accounting code controls for the use of these funds.

   OR

2. A new fund may be established should the entity feel it is necessary.

It is the entity's responsibility to provide evidence for an audit that it did not supplant existing funding. Therefore, it is important to document the base year (1989 expenditures less major capital or nonrecurring items), and the actual criminal justice expenditures and reserved fund balance for the current year.

14. REPORTING LOSSES OF PUBLIC FUNDS OR ASSETS OR OTHER ILLEGAL ACTIVITY

Revised Code of Washington (RCW 43.09.185) requires that all state agencies and local governments **immediately** notify the State Auditor's Office (SAO) in the event of a known or suspected loss of public funds or assets or other illegal activity.

Entities are encouraged to develop policies and procedures to implement this statute. This guidance should establish an individual responsible for informing managers and employees about these reporting requirements and ensuring the SAO is promptly informed of losses as required. These actions will also help to ensure that:

- Losses are minimized.
- Investigations and audits are not hampered.
- Improper settlements are not made with employees.
- Incorrect personnel actions are not taken.
- Employees are protected from false accusations.
- Bond claims are not jeopardized.

Entities should take the following actions when a loss of public funds or assets or other illegal activity is suspected or detected:

- Report the loss to the SAO at www.sao.wa.gov or to the Audit Manager in your area, or his/her designee.
- Protect the accounting records from loss or destruction. All original records related to the loss should be secured in a safe place, such as a vault, safe or other locked file cabinet, until the SAO has completed an audit.
- Notify appropriate entity managers who are not involved in the loss. This may include the governing body, agency head or deputies, chief financial officer or internal auditor, depending upon the circumstances. Providing notification to your legal counsel may also be appropriate.
- Do not enter into a restitution agreement with an employee prior to an audit to establish the amount of loss in the case.
- Ensure that any personnel action is taken based on the employee not following entity policies and procedures, rather than for misappropriating public funds (civil versus criminal).
- File a police report with the appropriate local or state law enforcement agency when advised to do so by the SAO.

Entities should **immediately** notify the appropriate local or state law enforcement agency of the following:

- Suspected losses involving the health or safety of employees or property.
- Losses resulting from breaking and entering or other vandalism of property.

Entities **are not required** to report the following to the SAO:

- Normal and reasonable "over and short" situations from cash receipting operations. Record these transactions in the accounting system as miscellaneous income and expense, respectively, and monitor this activity by cashier for any unusual trends.
- Reasonable inventory shortages identified during a physical count. Record inventory adjustments in the accounting system.
- Breaking and entering or other vandalism of property.

Please do not attempt to correct the loss without reporting to the authorities identified above. In addition, RCW 43.09.260 requires written approval of the State Auditor and Attorney General before state agencies and local governments make any restitution agreement, compromise, or settlement of loss claims covered by RCW 43.09.185.

15. BOND COVERAGE FOR PUBLIC OFFICIALS AND EMPLOYEES

These recommendations are intended to make local governments aware of possible bond restrictions and limitations. Any modifications made in bond coverage should be thoroughly reviewed with your legal counsel.

a. Cover All Employees

Bond coverage should be provided for all employees. Since individual position bonds often are limited in coverage, the entity should consider an employee blanket bond.

b. Increase Amounts of Coverage

Dollar limits of current bond coverage may be established by statute, however, this minimum amount may not be enough. The bond coverage amounts should be reviewed to ensure that there is adequate coverage over loss. Costs associated with increased bond coverage are often minimal considering the protection that increased coverage provides.

A reasonable amount of bond coverage will vary with the size and financial activities of each local government. In determining the amount of coverage needed the insurance broker, legal counsel and other municipalities should be consulted when determining amount of coverage needed.

c. Improve Type of Coverage

Consideration should be given to the value of the less restrictive coverage of faithful performance bonds. Honesty bonds often require evidence of the employee's dishonesty before recovery can be made. Faithful performance bonds only require proof that a loss has been incurred.

d. Eliminate Restrictions on Coverage

Non-Cumulative Coverage – A common restriction in bond coverage is limiting any recovery to the face amount of the bond, regardless of the number of years the loss covered.

For example: Assume losses of $10,000, $20,000 and $20,000 were incurred in three consecutive years, respectively, and a $20,000 bond was in force for all three years. Non-cumulative coverage would limit the total bond recovery to $20,000, thereby resulting in an uninsured loss of $30,000.

The effect of the non-cumulative limitation should be considered when determining amounts of coverage.

Audit Costs – Sometimes an extensive audit is required in order to prove and document a loss. Audit costs are often not recoverable due to limitations in bond coverage. Specifically including audit costs in the bond coverage should be considered when establishing coverage.

Filing on Bond – Restrictions as to who can file for recovery on behalf of the bondholder should be reviewed. Such restrictions could prevent filing by the Attorney General Office or other regulatory agency, resulting in additional legal costs to the local government.

e. Bond Coverage Does not Replace Errors and Omission Coverage

A bond is not insurance. Although the bonding company may pay on a loss, it can seek to recover the amount it paid from the bonded official. To protect officials from such liability, local governments should consider carrying errors and omission insurance.

16. MEMBERSHIPS IN CIVIC AND SERVICE ORGANIZATIONS

There has been a dramatic shift in business, social, and governmental cultures which has impacted the way the legal community views implied powers of municipal corporations. Included in this contemporary analysis is a recognition that membership in a local civic or service organization may; indeed, benefit a municipal corporation.

The AG's office and SAO has concluded that the intent of membership payments by a municipal corporation should be considered. However, payments of memberships to fraternal organizations, or community/social organizations such as golf and country clubs, should continue to be questioned. While municipal corporations have no obligation to pay for employee and officer memberships, should they choose to do so, a formal policy should be adopted to include:

- The legislative body's intent that officers and employees be active participants in service and civic organizations.
- Those services and civic organizations to whom membership fees will be paid on behalf of officers and employees.
- The limit on the number of individuals for whom membership payment will be made to any on organization, and a delineation of criteria for multiple memberships.
- The benefit, which the municipal corporation will derive from the membership in an organization and the authorized activity to which such benefit, is related.
- Those municipal corporation positions for which membership fees will be paid.
- Ancillary costs of membership which the municipal corporation will or will not pay, or provide reimbursement (i.e. meal costs incurred during meeting, costs incurred traveling to and from meetings, costs incurred as a result of the employees membership such as, time required to attend meetings or for committee participation and time required to perform duties of appointed/volunteer/elected positions) or time and expenses incurred as a result of attendance at related meetings such as regional, state, or national conventions.
- Approval authority for payment of expenses incurred as a result of membership in civic or service organizations, or for deviation from established policy.
- Limitations on the dollar amount that will be paid to a single organization or on behalf of an individual.
- A prohibition of employee or officers, whose civic or service organization dues are paid in whole or in part by the municipal corporation:

1. Exerting influence on other employees or officers to provide financial contributions or other support to the civic or service organization.
2. Using the civic or service organizations as a forum for lobbying in support of or opposition to political or legislative actions, or the promotion of endeavors in which the officer or employee may have a direct or indirect financial interest or may acquire a personal benefit or gain.

17. CELLULAR PHONES AND CREDIT CARDS

Cellular Phones

Local governments are responsible for the usage of their cellular telephones. They should decide what type of phone service package (call minutes, texting, internet, etc.) to purchase and whether to allow personal use by employees. If personal use is allowed, a policy should be established identifying the parameters for the allowable use of the phone and its service features. In addition, the local government should be monitoring employee compliance with the policy and whether there are non-public related costs incurred that would require reimbursement from employees.

Credit Cards

Under the Washington State Constitution and the laws of this state, including RCW 43.09.2855 and RCW 42.24.115, a local government official or employee should not use a publically-issued credit card for personal purchases, even if the person pays off the card prior to the date that the bill becomes due.

18. REDEEMED WARRANTS/CANCELLED CHECKS

Due to many local governments no longer receiving redeemed warrants and canceled checks from their financial institutions the following is guidance which pertains to such effected entities.

The State Auditor's Office recommends local governments receive and retain all redeemed warrants and canceled checks from public accounts as part of their public records. This may be either the original (actual) document or "read-only" (certified electronic format). Those entities using the county as their fiscal agent may continue allowing the county to maintain these documents.

The reasons for this recommendation are twofold:

1. Receiving and reviewing these documents is an integral part of the entities internal control system. Many disbursement frauds may be detected by having an independent party scan the front and back of all redeemed warrants and canceled checks.

2. Our office is responsible for auditing the receipt, safekeeping and disbursements of public funds. To fulfill this responsibility, we must have access to all original source documents, including redeemed warrants and canceled checks.

The SAO recognize a small cost may be associated with receiving these documents from your financial institutions. However, this cost will be substantially less than costs associated with the SAO requesting these documents during an audit.

20. **PUBLIC WORKS RECORDS**

RCW 39.04.070 requires all local governments to keep records of cost of public works performed by municipalities' own employees. The records should be available to the public and state auditors. RCW 43.09.205 directs the State Auditor's Office to prescribe a form to gather the required cost information. For reporting requirements related to public works, see Part 4, Chapter 3, Schedule 17.

The first class cities with population of 150,000 or less, second class cities, and code cities are allowed to keep the records only of public works projects in excess of $5,000 and not let by contract. Note that the $5,000 refers to entire project and not just the current year portion. (RCW 35.23.352(4), RCW 35.22.620(4), RCW 35A.40.210)

SAMPLE FORM

Local governments may use different forms as long as required information is available.

Project Description/Identification Number	Total Budget for the Public Works Construction Project	Current Year Portion – Actual Amount	Current Year Portion Performed by Own Employees – Actual Amount

21. ACCOUNTING FOR FEDERAL GRANTS RECEIVED DURING THE OPEN PERIOD

Federal grant revenue related to prior year grants received during the open period may be recognized as prior year revenue if:

1. The revenue was budgeted in the prior year, and
2. An allowable grant expenditure was made during the open period (20 days for cities or 30 days for counties) or earlier.

This exception is applicable only to federal grants.

22. SWEEPING INTEREST AND INVESTMENT RETURNS INTO COUNTY GENERAL FUND

Based on the current economic environment in which they operate, local governments are actively looking for ways to generate additional unrestricted revenues, so often there are questions regarding the transfer of interest income associated with certain revenues to the general fund and/or other funds.

The answers to these questions may be "Yes: or "No", based on the statutory language that authorized the imposition of taxes and levies or the distribution of fees and taxes by the state. These answers are also affected by the type of entity receiving the revenue.

Counties

County legislative authorities have the power to direct the investment of county funds, and when they do so, the interest earned stays with the original fund. If the legislative authority does not provide this direction RCW 36.29.020 allows a county treasurer to allocate the interest and other income earned on the investment of a county's own funds into county general fund.

As discussed in the AGO 2010 No. 10, the three statutes listed below are examples of a specific legislative intent which overrides the general authorization granted counties in RCW 36.29.020.

- RCW 73.08.080 – Veterans' assistance fund
- RCW 81.100.080 – High occupancy vehicle system fund
- RCW 41.16.050 – Firefighters' pension fund

Again, the statutes listed above are not meant to provide an exhaustive list of all revenues where the allocation of interest is restricted. It is the county's responsibility to carefully review the statutory language governing a particular revenue source to determine restrictions related to interest and other investment income.

Cities

Cities may transfer interest income to their general fund if the transfer is in compliance with RCW 35.39.034 (non-code cities) or RCW 35A.40.050 (code cities).

23. ORIGINAL SUPPORTING DOCUMENTATION

Local governments are responsible for establishing, obtaining, and ensuring the integrity and retention of the original vouchers, receipts, and other documents, regardless of physical form, necessary to isolate and prove the validity of every transaction relating to the receipt, use and disposition of public funds or property. This requirement extends to all interfund transactions, including the allocation of overhead costs across local governments' funds.

Electronic Documentation

Electronic supporting documentation for transactions is appropriate where safeguards exist to ensure that the documentation cannot be changed or altered and that the documentation will be properly maintained as a public record. In cases where the source documents are initiated electronically and the local government's accounting system does not have sufficient controls to ensure the integrity of the data, the electronic records should be printed, reviewed and signed by a knowledgeable person, in addition to the Auditing Officer certification. The printed records then become the official source document supporting the transaction.

Internal controls ensuring the integrity of data supporting public transactions shall include policies and procedures ensuring the completeness, accuracy and availability of the data. This would include, but is not limited to, establishing an audit trail and/or system for identification of changes made and users making subsequent modification to the source documents to ensure a proper chain of custody.

Scanned Documentation

Scanned original documents are acceptable to support the receipt; use and disposition of public funds given the above mentioned controls are in place to ensure their integrity, completeness and accuracy. The original imaged source records cannot be destroyed unless the Secretary of State has approved the local government's application requesting early destruction of records after electronic imaging. See Chapter 434-663 WAC.

Authorization of Transactions

Local governments are responsible for ensuring transactions are properly authorized and have the appropriate type of signature approval.

Physical Signature

If there is a legal requirement for a signature on an electronic document (i.e. contract, etc.), it can have a digital signature. If a local government chooses to use a digital signature, they are responsible for complying with Chapter 19.34 RCW.

Facsimile Signature

Instruments of payments (i.e. check/warrant) can have a legal facsimile signature. A facsimile signature is a reproduction of a signature by engraving, imprinting, stamping or other means. If a local government chooses to use a facsimile signature, they are responsible for complying with Chapter 39.62 RCW.

Non-Legal Facsimile Signature

Documents that do not require a legal signature can be authorized by a non-legal facsimile signature. A non-legal facsimile signature is a reproduction of a signature by engraving, imprinting, stamping, or other means.

Log-in Identification

A number of accounting applications have been developed to use an individual's log-in identification to authenticate an approval. This can be acceptable if there is no legal requirement for a written signature and there are controls in place over the accounting process to ensure the appropriate authorization of the individual transactions and assure the integrity of the transaction population.

25. OVERHEAD COST ALLOCATIONS FOR LOCAL GOVERNMENTS

Overhead costs consist of the costs of central services or support functions shared across departments. They may include accounting, human resources, payroll, information technology, janitorial services and others. Overhead costs include not only the salaries, wages and benefits of the employees who work in these departments, but the utilities, supplies, information technology, building maintenance and other costs that support these employees. Typically, such services are initially paid through the general fund or an internal service fund and charged back to the departments and programs that directly benefited from them. The cost allocation process should be guided by an **overhead cost allocation plan** that describes how the organization will allocate costs reasonably and equitably across funds and departments and identifies the documentation required to support the charges.

Laws and requirements applicable to cost allocate overhead costs to various funds and departments

Under state law, government officials may charge a portion of the costs for their central overhead services to restricted funds, like utility funds or special revenue funds, only to the extent that each fund benefits from those services. Utilities charge user fees based on the cost of operating the utilities, and deposit those fees into utility operating accounts. Other restricted funds have dedicated revenue streams that can only be used for specific purposes. Governments should not allocate general government service costs, such as public safety, parks, law enforcement, community and economic development, or worker apprenticeship programs to the utilities or to other funds with restricted revenue sources that cannot pay for such charges.

RCW 43.09.210 indicates that when one fund is charging another, the fund being charged may only pay for the actual costs of the services it receives. Governments are expected to document those services and the costs of providing them show these charges are fair, equitable and valid and reflect services provided.

RCW 43.09.210 states in part:

> *"All service rendered by…from, one department…to another, shall be paid for at its true and full value by the department…receiving the same, and no department…shall benefit in any financial manner whatever by an appropriation or fund made for the support of another…"*

Unlike all other funds, the general fund's revenues consist largely of unrestricted sales taxes and property taxes that can be used to support any fund or operation, including the utilities or other restricted funds and their share of government-wide overhead costs. In contrast, utility funds' revenues consist of user fees that are restricted to paying for the costs of operating the utility funds, including necessary capital and debt service costs. These user fees cannot be used to support other funds or general government activities that benefit the public at large. One must read the statute above with this understanding. Utility funds and other funds with restricted revenue sources should only reimburse the general fund for costs incurred to render services to those funds. Overhead allocation plans that equitably share overhead costs facilitate compliance with the above statute.

Similar to RCW 43.09.210, RCW 35A.33.122, RCW 35A.34.205, RCW35.33.123 indicate that a city may only charge the utilities for the value of services provided by general government staff:

> RCW 35A.34.122 Administration, oversight, or supervision of utility — Reimbursement from utility budget authorized… *"**Whenever any code city apportions a percentage of** the city manager's, administrator's, or supervisor's time, or **the time** of other management or **general government staff**, for administration, oversight, or supervision of a utility operated by the city, or to provide services to the utility, **the utility budget may identify such services and budget for reimbursement of the city's current expense fund for the value of such services."***

Consistent with state law, local government should not charge general government costs that benefit the public at large to the utilities or to other funds with restricted revenues that cannot pay for such costs. General government costs that benefit the public at large, such as police, parks and recreation, community and economic development, worker apprenticeship programs, economic development and other similar costs should not be charged to the utilities or to other funds with restricted funding sources that cannot be used for such expenditures. These costs do not benefit the utilities and may not benefit other funds with restricted revenue sources. These costs are normally charged to the general fund.

Local governments should carefully consider whether to charge the costs associated with elected officials to the utilities or other funds with legally restricted revenues. Sources we examined on this topic suggest elected executive and legislative costs are general government in nature and should not be paid by the utility funds. However, one recent court case suggests county council costs can be charged to the utilities. This case is on appeal. The uncertainty around these expenses centers partly on the following question. Do elected officials benefit the public at large in the form of citizen representation, or do they benefit the funds they oversee or legislate (municipal code, budget, etc.)? Because of this uncertainty, if governments choose to allocate executive and legislative costs to the utilities or other funds with restricted revenues sources, they should exercise caution and should maintain documentation to show that those charges are equitable and reflect the cost of actual services provided to the utilities and other funds with restricted revenues. If local governments decide to allocate council/commission/oversight board costs across funds, the use of agenda items as the basis to allocate *these* costs across funds likely results in a fairer and more equitable allocation than one based solely on budgeted expenditures. Cities, counties and other local governments are typically prohibited from allocating the costs of elected officials to federal grants.

Methods of overhead allocation

Local governments should allocate overhead costs fairly and equitably to those funds that benefit from overhead services. Charges to the benefiting funds should not exceed the cost and level of service that each fund receives.

Sound practices for fairly and equitably allocating overhead costs to benefiting funds

The **"beneficiary pays"** principle provides a foundation for in cost allocation. Under this principle, the extent to which a support service provides a benefit to a fund/department, and the cost of providing those benefits, guides how much of the cost is paid by the fund/department. Fairly and accurately allocating overhead costs for support services to the benefitting funds and departments promotes equity. However, to achieve equity, the overhead allocation process must be well designed. By using leading practices for allocating overhead, local governments ensure they charge their utilities and other funds fairly.

Sound practices for allocating overhead among funds are discussed in the federal OMB's Circular A-87 and its corresponding Implementation Guide; a study by the U.S. Government Accountability Office; GAAP; and other performance audits that examined this topic.

Sound practices start with a written cost allocation plan. Written overhead allocation plans show why and how an organization allocates overhead costs to departments, funds and programs.

The sound practices and requirements identified for accurately and equitably allocating overhead costs are summarized in Exhibit 1. These practices and requirements apply to all overhead cost allocations, including those that are accomplished through the use of internal service funds.

Exhibit 1
Sound practices and requirements for allocating overhead costs

1. **Develop and maintain an overhead allocation plan that reflects decisions about which overhead costs will be allocated to which funds or departments and on what basis.**

   A well-developed plan should:

   a. Include relevant, up-to-date information about overhead and how to allocate it equitably. It should describe each overhead cost center, which costs are allocable and which are not, and what allocation factors and data sources will be used to calculate the allocations. It should describe the decisions made and the rationale for those decisions. It should contain the calculations of overhead charges to each fund and department. Cities, counties and other local governments should update the plan annually.
   b. Use factors that equitably allocate central overhead costs to each fund or department. Allocation factors are used to allocate overhead costs to departments and funds that benefit from overhead services. Different factors are necessary to equitably allocate the various overhead costs. For example, square footage is an appropriate factor to allocate maintenance and janitorial costs. The number of transactions is an appropriate factor to allocate accounting costs. Good allocation factors result in each fund and department paying only for the overhead services it received. Local governments should ensure that allocation factors are based on current and accurate information. If estimates or budgeted figures are used, governments should adjust them to actual at least annually. Exhibit 2 shows appropriate allocation factors for common types of overhead costs.
   c. Allocate overhead to all benefitting funds and departments for overhead services received. If governments decide not to charge overhead to a particular fund or department, the general fund must absorb that fund or department's share of the costs. Excluding a fund or department from the calculation results in overcharges to all remaining funds and departments.
   d. Ensure that general government costs or questionable costs that do not clearly benefit the utilities (or other funds with legally restricted revenues) are charged entirely to the general fund. The primary purpose of general government programs is to serve the public at large. Charging such costs to the utilities or other funds with restricted revenue sources that cannot pay for such expenses is questionable because they do not support these funds. The costs of such programs are typically paid for by the general fund.

2. **Properly charge departments**:
   a. Charge departments and funds only after overhead services are provided. Overhead allocation plans allow a government to forecast the amount of overhead it will charge each department in a given year. Although costs can be charged quarterly, monthly or more frequently, they should *always* be charged after services are rendered. If the general fund charges overhead costs before services are rendered, it has inappropriately borrowed money from other funds in violation of state law (RCW 43.09.210).

   b. Charge departments and funds only for actual costs. If local governments charge departments and funds based on estimated overhead costs, they should reconcile and adjust those estimates to actual costs at least once a year.

3. **Maintain appropriate documentation** to support what overhead costs were charged to each department and fund, the amount of the charge and how it was determined. State law (RCW 43.09.210) says that when one fund charges another for services provided, the receiving fund should pay the full value of the services and no more. Governments cannot demonstrate compliance with this law unless they maintain documentation that shows (1) the cost of each overhead cost center, (2) the level of service each provided to benefitting funds and departments and how it was determined, and (3) the amount charged to each fund and department.

Exhibit 2
Sound allocation factors to equitably allocate overhead costs across multiple funds and department

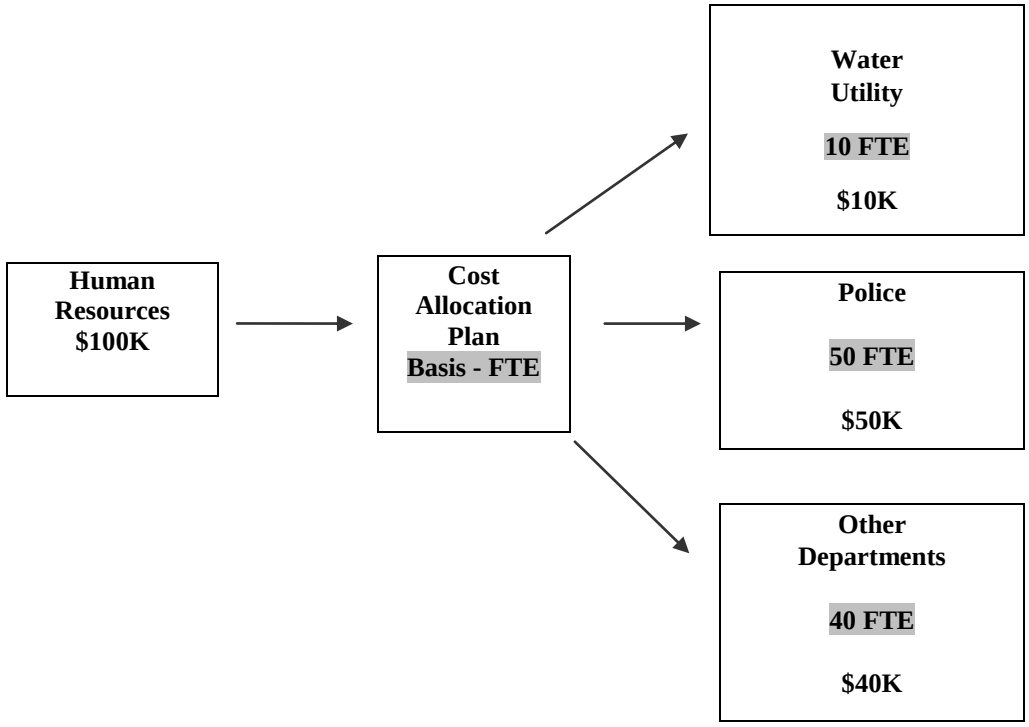
Type of costs	Factors used to calculate overhead costs
Maintenance and janitorial	Square footage
Electric and other externally provided utilities	Square footage
Accounting	Actual expenses or number of transactions
Budget	Actual expenses, budgeted expenses or number of staff (FTE) (a)
Payroll	Number of staff (FTE) or payroll warrants
Human resources	Number of staff (FTE)
IT services	Number of computers, servers, databases or ports (b)
Legal – indirect costs	Actual expenses or hours worked
Insurance	Number of staff (FTE), claims or loss history, square footage, property values insured, and risk factor
Accounts payable	Number of transactions (including vouchers or invoices)
Purchasing	Number of transactions (procurements)

Notes: If local governments are allocating other overhead costs not shown above, they must choose allocation factors that result in allocations that are fair, equitable and reflect the cost of services actually received by the benefiting funds.

(a) Using actual expenses, budgeted expenses, the number of staff – or a combination of the three – can all result in fair and equitable allocations. Governments must document why the approach they selected results in fair and equitable allocations that best reflect the cost of services actually received by the benefiting funds.

(b) Ports alone may not be the best basis for organizations that have moved to a wireless network model.

Exhibit 3
Example Allocation of Human Resource Costs



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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.

		Cities and Counties	
Statements and Schedules		**With annual revenue of $2 million or more**	**With annual revenue of less than $2 million**
C-4	Fund Resources and Uses Arising from Cash Transactions	X	See caution
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	**X**	See caution
04/05	Revenues and Expenditures/Expenses	**X**	**X**
07	Disbursement Activities	**X**	**X**
09	Liabilities	**X**	**X**
10	Limitation of Indebtedness	**X**	**X**
11	Cash Activity	**X**	**X**
16	Expenditures of Federal Awards and State/Local Financial Assistance	**X**	**X**
17	Public Works	**X**	**X**
19	Labor Relations Consultant(s)	**X**	**X**
20	Sale and use Tax for Public Facilities – Rural Counties	**X**	**X**
21	Risk Management	**X**	**X**
22	Annual Questionnaire for Accountability Audit[1]		See footnote 1

X Required to be prepared by cities and counties and submitted to the SAO.

The matrix on the following pages provides additional details regarding reporting requirements for specific funds.

The reporting requirements listed here are applicable to the cash basis governmental, proprietary and fiduciary funds.

[1] Local governments with total revenues usually less than $300,000 are **also** required to submit an Annual Questionnaire for Accountability Audit.

		Special Purpose Districts	
Statements and Schedules		**With annual revenue of $2 million or more**	**With annual revenue of less than $2 million**
C-4	Fund Resources and Uses Arising from Cash Transactions	**O**[1]	See caution
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	**O**[1]	See caution
C-1	Statement of Activities Arising from Cash Transactions	See footnote 1	See caution
04/05	Revenues and Expenditures/Expenses	**O**	**O**
09	Liabilities	**O**	**O**
16	Expenditures of Federal Awards and State/Local Financial Assistance	**O**	**O**
19	Labor Relations Consultant(s)	**O**	**O**
21	Risk Management	**O**	**O**
22	Annual Questionnaire for Accountability Audit [2]		See footnote 2

O **Required to be prepared by special purpose districts and other entities and submitted to the SAO.**

Caution

Local governments with total revenues of $2 million or less are not required to prepare C-4 or C-5 statements. However, the city/county/district must prepare them if debt covenants or grant documents require a financial statement opinion **or** if more than $500,000 was expended in federal funding and a federal single audit is required. The legislative body of a city/county/district may request an audit of their financial statements if total revenues are less than $2 million. If this request is made, C-4 and C-5 statements and notes should be prepared. The $2 million threshold calculation excludes any proceeds from issuance of long-term debt and resources held by the government in its fiduciary capacity. Local governments which choose not to prepare C-4 and C-5 statements, have to have their budgeted information available for the audit.

In most cases, the State Auditor's Office has designed forms to use in preparing the required statements and schedules. A blank copy of each form is included at the appropriate place in each chapter. The use of these particular forms is not required; however, information requested by the form is generally prescribed. Specific instructions accompanying each statement and schedule identify what, if any, detail is optional.

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[1] Proprietary special purpose districts may prepare statement C-1 in lieu of statements C-4 and C-5. Proprietary districts generate majority of their revenues from charges for sales of goods and services.

[2] Local governments with total revenues usually less than $300,000 are **also** required to submit an Annual Questionnaire for Accountability Audit.

FILING INSTRUCTIONS

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: www.sao.wa.gov. Acceptable file should adhere to the prescribed record layout and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Actual Amount* column which is numeric. More details are provided on the website.

For questions and/or support e-mail duane.walz@sao.wa.gov or call Duane Walz at (360) 725-5594.

If you cannot provide your annual report in the electronic format mail your annual report to:

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

Certification/Cover Page

Prepare the certification/cover page, sign and date the certification before submitting your report.

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CASH BASIS - LOCAL GOVERNMENTS
MATRIX OF REPORTING REQUIREMENTS

(A) Governmental Fund Types (000, 100, 200, 300 and 700) and Proprietary Funds (400 and 500)
(B) Fiduciary Funds (600-699): Trust and Agency (including Claims and Payroll Clearing) Funds

Statement/ Schedule No.	Statements/Schedules Title	(A) Governmental and Proprietary Funds	(B) Fiduciary: Trust and Agency (excluding Claims and Payroll Clearing) Funds
C-4	Fund Resources and Uses Arising from Cash Transactions	Prepare for general[1] and all other governmental and proprietary funds.[1/]	N/A
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	N/A	Prepare for all trust and agency funds. Exclude claims and payroll clearing funds and special purpose districts from this presentation.
C-1	Statement of Activities Arising from Cash Transactions	Prepared only by proprietary special purpose districts. Prepare this statement for all activities.	
	Notes to Financial Statements	Prepare one set for the entity as a whole.	
04/05	Revenues and Expenditures/Expenses	Prepare for each fund.	N/A
07	Disbursement Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
09	Liabilities	Prepare one schedule for all types of short and long-term debt and liabilities.	
10	Limitation of Indebtedness	Prepare one schedule for the entity as a whole.	
11	Cash Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
16	Expenditures of Federal Awards and State/Local Financial Assistance	Prepare separate schedules for federal and state/local grants. Include all grants.	
17	Public Works	Prepare one schedule for the entity as a whole.	
19	Labor Relations Consultant(s)	Prepare one schedule for each consultant.	
20	Sales and Use Tax for Public Facilities – Rural Counties (Counties Only)	Prepare one schedule for the county as a whole.	
21	Risk Management	Prepare one schedule for the entity as a whole.	
22	Annual Questionnaire for Accountability Audit	Prepare one schedule for the entity as a whole if annual revenues are usually less than $300,000.	

[1] There should be only one general fund. Also, if the local government accounts for the debt and capital projects related to proprietary activities in funds other than proprietary, these activities should be incorporated in the appropriate proprietary fund.

Proprietary special purpose districts should prepare statement C-1 in lieu of statements C-4 and C-5.

CERTIFICATION/COVER PAGE FOR ANNUAL REPORT – INSTRUCTIONS

A cover page must be included with every annual report submission.

Official Name

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."

MCAG No.

This is a unique identifying number assigned by the State Auditor's Office. Your MCAG number can be found on our website at www.sao.wa.gov, choose *Client Sup*port tab and *Financial Accounting and Reporting* option. If you are unable to locate your number, please call (360) 725-5592.

Fiscal Year Ended

Enter the date (day, month and year) of the end of the 12 month period covered by the annual report. For example, most local governments close their books and report on a calendar year and would report "December 31, 2009" for their 2009 annual report.

Certification

Annual reports are required to be certified by RCW 43.09.230.

Official Address

Enter the legal business address of the government.

Official Website

Enter the official website of the government. If the government does not have a website, then enter *none*.

Preparer

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. Enter the phone number where our Office can reach this contact person during regular business hours to discuss the annual report. More than one phone number can be entered, if needed. Enter the e-mail address where our Office can communicate with the contact person. If there is no email address for this person, then enter *none*.

ANNUAL REPORT

_____
(Official Name of Government)

_____
MCAG No.

Submitted pursuant to RCW 43.09.230 to the STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____, 20__

Certified correct this _____ day of _____, 20___, to the best of my knowledge and belief:

GOVERNMENT INFORMATION:

Official Mailing Address _____

Official Website Address _____

PREPARER INFORMATION and CERTIFICATION:

Preparer Name and Title _____

Contact Phone Number _____

Contact Fax Number _____

Contact E-mail Address _____

Signature _____

Annual Report Disclosure Form
MCAG No. _____

(City/County/District)

(This form is NOT required if you are submitting the annual report electronically.)

Please check if the statements/schedules are attached. Use the column which is appropriate for your government type. If financial statements and/or Schedules 04/05, 17 and 22 are not applicable mark the spot NA (*not applicable*). An unmarked spot in your government type column will indicate that a schedule is not attached due to lack of activities described in this schedule in reported year.

	City	**County**	**Special Purpose District**
Certification			
Financial Statements (including notes)[1]			
Schedule 04/05, *Revenues and Expenditures/Expenses*			
Schedule 07, *Disbursement Activity*			
Schedule 09, *Liabilities*			
Schedule 10, *Limitation of Indebtedness*			
Schedule 11, *Cash Activity*			
Schedule 16, *Expenditures of Federal Awards and State/Local Assistance*			
Schedule 17, *Public Work*[2]			
Schedule 19, *Labor Relations Consultants*			
Schedule 20, *Sales and Use Tax for Public Facilities*			
Schedule 21, *Risk Management*			
Schedule 22, *Annual Questionnaire for Accountability Audit*[3]			

[1] Only cities, counties and special purpose districts with revenue of $2 million or more are required to prepare the financial statements.
[2] See BARS Manual for detailed instructions indicating which cities are required to prepare this schedule.
[3] Only cities and special purpose districts with revenue usually less than $300,000 are required to prepare this schedule.

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Statement C-4 – Fund Resources and Uses Arising from Cash Transactions… 3

Statement C-5 – Fiduciary Fund Resources and Uses Arising from Cash Transactions 6

CASH BASIS - LOCAL GOVERNMENTS
MATRIX OF REPORTING REQUIREMENTS

(A) Governmental Fund Types (000, 100, 200, 300 and 700) and Proprietary Funds (400 and 500)
(B) Fiduciary Funds (600-699): Trust and Agency (including Claims and Payroll Clearing) Funds

Statement/ Schedule No.	Statements/Schedules Title	(A) Governmental and Proprietary Funds	(B) Fiduciary: Trust and Agency (excluding Claims and Payroll Clearing) Funds
C-4	Fund Resources and Uses Arising from Cash Transactions	Prepare for general[1] and all other governmental and proprietary funds.[1]	N/A
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	N/A	Prepare for all trust and agency funds. Exclude claims and payroll clearing funds and special purpose districts from this presentation.
C-1	Statement of Activities Arising from Cash Transactions	Prepared only by proprietary special purpose districts. Prepare this statement for all activities.	
	Notes to Financial Statements	Prepare one set for the entity as a whole.	
04/05	Detail of Revenues and Expenditures/Expenses	Prepare for each fund.	N/A
07	Disbursement Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
09	Liabilities	Prepare one schedule for all types of short and long-term debt and liabilities.	
10	Limitation of Indebtedness	Prepare one schedule for the entity as a whole.	
11	Cash Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
16	Expenditures of Federal Awards and State/Local Financial Assistance	Prepare separate schedules for federal and state/local grants. Include all grants.	
17	Public Works	Prepare one schedule for the entity as a whole.	
19	Labor Relations Consultant(s)	Prepare one schedule for each consultant.	
20	Sales and Use Tax for Public Facilities – Rural Counties (Counties Only)	Prepare one schedule for the county as a whole.	
21	Risk Management	Prepare one schedule for the entity as a whole.	
22	Annual Questionnaire for Accountability Audit	Prepare one schedule for the entity as a whole if annual revenues are usually less than $300,000.	

[1] There should be only one general fund. Also, if the local government accounts for the debt and capital projects related to proprietary activities in funds other than proprietary, these activities should be incorporated in the appropriate proprietary fund.

Proprietary special purpose districts should prepare statement C-1 in lieu of statements C-4 and C-5.

STATEMENT C-4 – Fund Resources and Uses Arising from Cash Transactions

Statement C-4 should be prepared for the general (current expense) fund, and all other governmental, and proprietary funds. Do not prepare it for trust and agency funds. In lieu of this statement, cash proprietary special purpose districts should prepare statement C-1 (see Part 4, Chapter 5).

Local governments with total revenues of $2 million or less are not required to prepare C-4 or C-5 statements. However, the city/county/district must prepare them if debt covenants or grant documents require a financial statement opinion or if more than $500,000 was expended in federal funding and a federal single audit is required. The legislative body of a city/county/district may request an audit of their financial statements if total revenues are less than $2 million. If this request is made, C-4 and C-5 statements and notes should be prepared. The $2 million threshold calculation excludes any proceeds from issuance of long-term debt and resources held by the government in its fiduciary capacity.

In addition to reporting all of their funds on a cash basis, as described in this chapter, cash basis cities and counties may chose to separately report their utility funds on the GAAP basis, if necessary to meet their individual needs. In such a case, they need to prepare two reports:

- One comprehensive cash basis report containing all governmental and proprietary funds (including utility funds), and
- An additional GAAP basis report only for their utility funds.

Instructions for preparing GAAP basis financial statements can be found in the GAAP BARS Manual, Part 4.

For reporting purposes local governments are required to follow the fund structure described in Part 3, Chapter 1. However, the local governments may create other funds for accounting or managerial purposes. When preparing external financial reports, those *accounting* or *managerial* funds should be rolled to appropriate fund types (e.g. there should be only one general fund or if an entity accounts for separate for operating capital and/or debt activities of its proprietary function, those activities should be rolled up into the appropriate enterprise fund, etc.)

a. To prepare, enter the beginning reserved and unreserved amount of cash and investments (308.10 and 308.80). In line below include any prior period adjustments (accounts 388.80 and 588.80). Then summarize Schedule 04/05 by Basic revenue account (310, 320, etc.), other financing sources (390), Basic current expenditures accounts (510, 520, etc.), debt service (591-593), capital outlays (594-595) and other financing uses (597-599) and put these amounts on and nonexpenditures from Schedule 04/05 (excluding - accounts 384 and 584 and put them on the appropriate lines of Statement C-4. Foot the statement to calculate the reserved and unreserved ending cash and investments (508.10 and 508.80).

b. Beginning and ending cash and investments on Statement C-4 should equal the *beginning cash and investments* and *ending cash and investments* on Schedule 04/05. These amounts should also agree to the beginning and ending cash and investments on Schedules 11.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 20__

BARS CODE		Total for All Funds[1]	Fund Number and Title 001 Current Expense	Fund Number and Title 101 City Street
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:				
308.10	Reserved[2]			
308.80	Unreserved[2]			
388.80 or 588.80	Prior Period Adjustments			
Revenues and Other Sources:				
310	Taxes			
320	Licenses and Permits			
330	Intergovernmental			
340	Charges for Goods and Services			
350	Fines and Penalties			
360	Miscellaneous			
370	Capital Contributions			
390	Other Financing Sources			
	Total Revenues and Other Financing Sources			
	Total Resources			
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment			
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational			
	Total Operating Expenditures			
591-93	Debt Service			
594-595	Capital Outlay			
	Total Expenditures			
597-599	Other Financing Uses			
	Total Expenditures and Other Financing Uses			
Excess (Deficit) of Resources Over Uses				
380	Nonrevenues (Except 384)			
580	Nonexpenditures (Except 584)			
Ending Cash and Investments:				
508.10	Reserved[2]			
508.80	Unreserved[2]			

The accompanying notes are an integral part of this Statement.

[1] This column should summarize ALL reported funds, not just funds listed on this page.

[2] Disclosure of reserved/unreserved fund balances is required.

Fund Number and Title	Fund Number and Title	Fund Number and Title	Fund Number and Title	Fund Number and Title	Fund Number and Title
Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount

The accompanying notes are an integral part of this Statement.

STATEMENT C-5 – Fiduciary Fund Resources and Uses Arising From Cash Transactions

Statement C-5 should be prepared for all trust and agency funds. Exclude all payroll and claims clearing funds and special purpose districts. In lieu of this statement, cash proprietary special purpose districts should prepare statement C-1 (see Part 4, Chapter 5).

Local governments with total revenues of $2 million or less are not required to prepare C-4 or C-5 statements. However, the city/county/district must prepare them if debt covenants or grant documents require a financial statement opinion or if more than $500,000 was expended in federal funding and a federal single audit is required. The legislative body of a city/county/district may request an audit of their financial statements if total revenues are less than $2 million. If this request is made, C-4 and C-5 statements and notes should be prepared. The $2 million threshold calculation excludes any proceeds from issuance of long-term debt and resources held by the government in its fiduciary capacity.

a. To prepare, enter beginning cash and investments. Enter any adjustments related to prior periods (388.80 and 588.80). Then enter total revenues and other financing sources (310-370 and 390) and total expenditures and other uses (510-570 and 591-599) per Schedule 04/05 on the proper lines of Statement C-5. In addition, nonrevenues and nonexpenditures (380s and 580s) (excluding - accounts 384 and 584) should be included on the appropriate lines of Statement C-5. Then foot the statement to calculate ending cash and investments.

b. Beginning and ending cash and investments on Statement C-5 should equal the *beginning cash and investments* and *ending cash and investments* on Schedule 04/05. These amounts should also agree to the beginning and ending cash and investments on Schedules 11.

MCAG NO. 0411

TOWN OF LITTLE
(CITY/COUNTY/DISTRICT)

STATEMENT C-5
Page 1 of 1

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2009

	Total for All Funds[1]	Fund Number and Title 601 Cemetery Trust	Fund Number and Title 602 Museum Trust	Fund Number and Title 631 State Remittance Fund	Fund Number and Title 632 Deposit Fund
	Total Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	$59,747	$ 6,414	$47,333	$6,000	
Prior Period Adjustments	400			400	
Revenues and Other Financing Sources	50,663	13,292	32,611	1,700	$3,060
Total Resources	110,810	19,706	79,944	8,100	3,060
Expenditures and Other Financing Uses	19,172	16,473	-	1,199	1,500
Excess (Deficit) of Resources Over Uses	91,638	3,233	79,944	6,901	1,560
Nonrevenues (Except 384)					
Nonexpenditures (Except 584)					
Ending Cash and Investments	91,638	$3,233	$79,944	$6,901	$1,560

The accompanying notes are an integral part of this financial statement.

[1] This column should summarize ALL reported funds, not just funds listed on this page.

MCAG NO. _____

_____
(CITY/COUNTY/DISTRICT)

STATEMENT C-5
Page _ of _

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 20__

	Total for All Funds[1]	Fund Number and Title	Fund Number and Title	Fund Number and Title	Fund Number and Title
	Total Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments					
Prior Period Adjustments					
Revenues and Other Financing Sources					
1 Total Resources					
Expenditures and Other Financing Uses					
Excess (Deficit) of Resources Over Uses					
Nonrevenues (Except 384)					
Nonexpenditures (Except 584)					
Ending Cash and Investments					

The accompanying notes are an integral part of this financial statement.

[1] This column should summarize ALL reported funds, not just funds listed on this page.

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Schedule 04/05 Revenues and Expenditures/Expenses	X	X	X	3
Schedule 07 Disbursement Activity	X	X	N/A	7
Schedule 09 Liabilities	X	X	X	11
Schedule 10 Limitation of Indebtedness	X	X	N/A	15
Schedule 11 Cash Activity	X	X	N/A	21
Schedule 16 Expenditures of Federal Awards and State/Local Financial Assistance	X	X	X	25
Schedule 17 Public Works	N/A	X	N/A	39
Schedule 19 Labor Relations Consultant(s)	X	X	X	41
Schedule 20 Sales and Use Tax for Public Facilities – Rural Counties	X	N/A	N/A	43
Schedule 21 Risk Management	X	X	X	45
Schedule 22 Annual Questionnaire for Accountability Audit		X	X	49

X = Schedule required to be prepared

CASH BASIS - LOCAL GOVERNMENTS
MATRIX OF REPORTING REQUIREMENTS

(A) Governmental Fund Types (000, 100, 200, 300 and 700) and Proprietary Funds (400 and 500)
(B) Fiduciary Funds (600-699): Trust and Agency (including Claims and Payroll Clearing) Funds

Statement/ Schedule No.	Statements/Schedules Title	(A) Governmental and Proprietary Funds	(B) Fiduciary: Trust and Agency (excluding Claims and Payroll Clearing) Funds
C-4	Fund Resources and Uses Arising from Cash Transactions	Prepare for general[1] and all other governmental and proprietary funds.[1]	N/A
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	N/A	Prepare for all trust and agency funds. Exclude claims and payroll clearing funds and special purpose districts from this presentation.
C-1	Statement of Activities Arising from Cash Transactions	Prepared only by proprietary special purpose districts. Prepare this statement for all activities.	
	Notes to Financial Statements	Prepare one set for the entity as a whole.	
04/05	Revenues and Expenditures/Expenses	Prepare for each fund.	N/A
07	Disbursement Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
09	Liabilities	Prepare one schedule for all types of short and long-term debt and liabilities.	
10	Limitation of Indebtedness	Prepare one schedule for the entity as a whole.	
11	Cash Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
16	Expenditures of Federal Awards and State/Local Financial Assistance	Prepare separate schedules for federal and state/local grants. Include all grants.	
17	Public Works	Prepare one schedule for the entity as a whole.	
19	Labor Relations Consultant(s)	Prepare one schedule for each consultant.	
20	Sales and Use Tax for Public Facilities – Rural Counties (Counties Only)	Prepare one schedule for the county as a whole.	
21	Risk Management	Prepare one schedule for the entity as a whole.	
22	Annual Questionnaire for Accountability Audit	Prepare one schedule for the entity as a whole if annual revenues are usually less than $300,000.	

[1] There should be only one general fund. Also, if the local government accounts for the debt and capital projects related to proprietary activities in funds other than proprietary, these activities should be incorporated in the appropriate proprietary fund.

Proprietary special purpose districts should prepare statement C-1 in lieu of statements C-4 and C-5.

SCHEDULE 04/05 - REVENUES AND EXPENDITURES/EXPENSES

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: www.sao.wa.gov. Acceptable file should adhere to the prescribed record layout (see next page) and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Actual Amount* column which is numeric. More details are provided on the website.

This schedule should include following information:

Column 1: Provide MCAG number.

Column 2: Provide fund number. Since counties account for special purpose districts in their accounting systems as agency funds, they often provide the districts with reports showing assigned fund codes 630-699. These codes refer to the fund from the county perspective. A district has to "reassign" the county code to the code appropriate to the fund type it is reporting (e.g., if the district's general fund is coded in the county records as 663, the district in its annual report has to code this fund as 001).

Column 3: Provide fund name. The schedule should report the same funds as reported in the government's financial statements (the managerial funds should not be reported separately).

Column 4: Provide BARS code.

- Beginning fund balance: separate reserved (308.10) and unreserved (308.80) fund balance amounts.
- List revenues and other financing sources in numerical order according to the BARS account codes (accounts 310.00-369.90, 380.00-389.00 (except 384.00) and 390.00-399.90).
- All revenues and other financing sources must be reported as a seven digit code. So, you must add 00 if only a five digit code is prescribed.
- List expenditures and other financing uses in numerical order according to the BARS account codes operating expenditures (510.00-579.90), nonexpenditures (580.00-589.00 (except 584.00), debt service (591.00-593.00), capital outlays and other expenditures (594.00-595.00, 598.00) and other financing uses (596.00, 597.00 and 599.00).
- All expenditures and other financing uses must be reported as a seven digit code. So, you must add 00 if only a five digit code is prescribed.
- Omit periods separating Prime/Basub from element/subelement and object/subobject digits. Example: account 311.10 should be reported as 3111000.
- Omit subtotals and totals.

Column 5: Provide account title. The *Account Title* for revenues generated from grants should include the name of federal, state or local grantor.

Column 6: Provide actual amounts.

- Round the amounts to the nearest dollar.
- Omit the dollar sign and comas separating thousands. Example: $12,756.80 should be reported as 12757.
- Negative amounts should be preceded by a minus sign. Example: negative $25.00 should be shown as -25).

MCAG	Fund Number	Fund Name	Account Code	Account Title	Actual Amount
1234	001	General	3088000	Unreserved Beginning	575456
1234	001	General	3111000	Property Tax	250056
1234	001	General	3121000	Forest Excise Tax	157
1234	001	General	3131000	Local Retail Sales and Use Tax	54123
1234	001	General	3698100	Cashier's Shortages	-15
1234	001	General	5088000	Unreserved Ending	120000
1234	001	General	5111010	Legislative - Salary	56000
1234	001	General	5111020	Legislative - Personnel Benefits	25000
1234	001	General	5111030	Legislative - Supplies	62000
1234	001	General	5111040	Legislative - Services	55000
1234	101	Special Revenue	3111000	Property Tax	15555
1234	101	Special Revenue	3611100	Investment Interest	27
1234	401	Water	3434000	Water Sales	23978
1234	401	Water	3611100	Investment Interest	576
1234	401	Water	5348010	Water Operations - Salary	250000
1234	401	Water	5348020	Water Operations - Benefits	35000
1234	401	Water	5348030	Water Operations - Supplies	45000
1234	401	Water	5348040	Water Operations - Services	24000

MCAG	Fund Number	Fund Name	Account Code	Account Title	Actual Amount

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SCHEDULE 07 - DISBURSEMENT ACTIVITY

The purpose of this schedule is to facilitate reconciliation between cash disbursements and expenditures. The schedule is also used in the evaluation of controls over outstanding warrants. See the shaded portion of the matrix at the beginning of this chapter for funds which should be included on Schedule 07.

The schedule should include all disbursements regardless their method, i.e., checks, warrants, ACH, etc.

Total disbursement activity should be presented by fund. Local governments that use claims and/or payroll clearing funds may show activity in the clearing fund rather than in the originating funds, as demonstrated in the example on the next page. Counties may combine on one line all warrant activity for those school districts that issue their own warrants, but warrant activity should be reported separately by fund for any districts for which the county issues the warrants.

Instructions assume a fiscal year ending on December 31. If the government's fiscal year end is different, amounts should be reported as of the actual fiscal year beginning and ending date and not December 31.

Column 1 Fund number for each fund with disbursement activities.

Column 2 Fund title.

Column 3 Beginning outstanding items on January 1 of reported year. Outstanding items are the total warrants, checks and other disbursements that have been issued but not yet redeemed (that is, deducted from the bank account).

Column 4 Disbursement activities from January 1 through the end of the open period of reported year for expenditures incurred and properly chargeable against the previous year's budget appropriations.

As described in Part 3, Chapter 1, Section A, the open period for cities is defined RCW 35.33.151 or RCW 35A.33.150 as being January 1 through January 20. RCW 36.40.200 allows for an open period of up to January 30. Special purpose districts which use the county or a city as their treasurer may use the same open-period as their treasurer. If a district acts as its own treasurer, no open period is provided for by statute.

Column 5 Issued warrants, checks and other disbursements January 1 through December 31 of reported year.

Column 6 Redeemed warrants, checks and other disbursements January 1 through December 31 of reported year.

Column 7 Cancelled warrants, checks and other disbursements January 1 through December 31 of reported year.

Column 8 Ending outstanding items on December 31 of reported year. For entities that act as their own treasurer, the total amount of ending outstanding items for all funds should be used as part of the year-end bank reconciliation.

Column 9 Disbursement activities January 1 through the end of the open period of year following reported year for expenditures incurred and properly chargeable against the reported year's budget appropriations. For entities that act as their own treasurer, the total amount of ending open period items for all funds should be used as part of the year-end bank reconciliation.

Column 10 Disbursements made during the fiscal period. See formula on the schedule. The total disbursements for all funds should tie to column 9 on Schedule 11.

SCHEDULE OF DISBURSEMENT ACTIVITY
For the Year Ended December 31, 2011

1	2	3	4	5	6	7	8	9	10
Fund No.	Fund Title	Beginning Outstanding Items 01/01/2011	Beginning Open Period Items	Issued During the Year	Redeemed During the Year	Canceled During the Year	Ending Outstanding Items	Ending Open Period Items	Disbursements 12/31/2011 (5-3-4+8+9)
104	Special Revenue Fund	$3,872	0	47,700	39,200	0	8,224	381	$52,433
109	Special Revenue Fund	43,988	392,722	2,511,411	2,863,591	0	11,411	1,312	123,987
631	Claims Clearing Fund	295,411	167,332	4,082,132	4,964,907	35,411	307,113	87,281	4,013,783
	TOTAL - ALL FUNDS	$343,271	560,054	6,641,243	7,867,689	35,411	326,748	88,974	$4,190,203

MCAG NO. ____

_____
(CITY/COUNTY)

Schedule 07
Page _ of _

SCHEDULE OF DISBURSEMENT ACTIVITY
For the Year Ended December 31, 20__

1	2	3	4	5	6	7	8	9	10
Fund No.	Fund Title	Beginning Outstanding Items 01/01/20__	Beginning Open Period Items	Issued During the Year	Redeemed During the Year	Canceled During the Year	Ending Outstanding Items	Ending Open Period Items	Disbursements 12/31/20__ (5-3-4+8+9)

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SCHEDULE 09 - LIABILITIES

This schedule provides information about the **liabilities** of the local government. The schedule should include current and noncurrent portions of the local government's liabilities.

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: www.sao.wa.gov. Governments can manually enter the information or upload an electronic file. Acceptable file should adhere to the prescribed record layout and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Beginning Balance*, *Additions*, *Reductions*, and *Ending Balance* columns which are numeric. More details are provided on the website.

For questions and/or support e-mail duane.walz@sao.wa.gov or call Duane Walz at (360) 725-5594.

The schedule should exclude the following:

- Payments due to vendors or employees that are expected to be paid normally as part of the disbursement cycle, such as any accounts payable and payroll accruals that may not have been resolved during the open period;
- Operating leases or other contracts or commitments for future purchase of goods or services that have not yet been realized;
- Interfund payables and loans (for details regarding interfund loans see Part 3, Chapter 4, Section A);
- Liabilities of agency funds; and
- Assessment debt without commitments.

The counties should not include information related to special purpose districts' liabilities.

See following page for listing of possible obligations which need to be included in the schedule. List each obligation separately. If general obligation debt is intended to be repaid with revenues of proprietary funds, such debt should be coded 251.19.

If a debt issuance is related to multiple purposes, list the amount for each purpose on separate lines. For example, to general obligation bond ($8,000,000) in which a portion ($5,000,000) is to be repaid by proprietary funds:

ID. No.	Description	Beginning Balance 01/01/20__	
251.11	2009 G.O. bond – general fund portion	$3,000,000	
251.19	2009 G.O. bond – proprietary fund portion	$5,000,000	

All debt should be listed on Schedule 09, regardless if it is for operating, capital or refunding purposes. Debt should be reported at face value (that is, only the principal amounts of debt should be reported and not any anticipated interest).

Provide total amounts of beginning balance, additions, reductions and ending balance.

IDENTIFYING NUMBERS AND DESCRIPTION

The identifying numbers must be used on the Schedule 09. Typical categories are listed below, along with instructions for determining the amount of certain liabilities.

I.D. No. **G.O DEBT and LIABILITIES RELATED TO GOVERNMENTAL FUNDS**

251.11 General obligation bonds nonvoted
251.12 General obligation bonds voted – **cities exclude** debt for utilities, open space, parks, and capital facilities (see 251.13 and 251.14)
251.13 General obligation bonds voted – **cities include** debt for utilities
251.14 General obligation bonds voted – **cities include** debt for open space, parks, and capital facilities
251.19 General obligation debt repaid by proprietary funds

259.11 Compensated absences – list the amount of beginning balance, additions, reductions and the outstanding balance of compensating absences at the year end. That is, the amount that would be due to employees to buy-out vested leave balances if employment had been discontinued at fiscal year end. The calculation should include the associated employer costs such as social security taxes, FICA, and retirement contributions, when applicable. Entities without any buy-out provisions for sick or vacation leave would not report any liabilities.

263.11 Claims and judgments – only report amounts of any judgments against the government as of year–end. All judgments should be reported regardless of whether the government intends or is in process of appealing or settling the judgment.

263.21 Liabilities for landfills closure and postclosure – report balances and changes in the same amount as reported to the Department of Ecology on your financial assurance analysis annual update. This reporting is required by WAC 173-351-600, WAC 173-350 and WAC 173-304.

263.51 Capital leases, lease-purchase agreements, conditional sales and COPS – report changes in balances of the amount of future payments due under the contract.

263.61 Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)

263.71 Arbitrage rebate tax

263.81 Loans and other payments to other governments

263.91 Miscellaneous debt/liabilities (e.g., lines of credit, etc.)

263.95 Environmental liabilities (pollution remediation, etc.) – report balances and changes in the portion to be paid by the government based on the cost estimate prepared or approved by the Department of Ecology.

263.96 LOCAL program

I.D. No. **REVENUE DEBT and LIABILITIES RELATED TO PROPRIETARY FUNDS**

252.11 Revenue bonds nonvoted

252.12 Revenue bonds voted

259.12 Compensated absences. List the amount of beginning balance, additions, reductions and the outstanding balance of compensating absences at the year end. That is, the amount that would be due to employees to buy-out vested leave balances if employment had been discontinued at fiscal year end. The calculation should include the associated employer costs such as social security taxes, FICA, and retirement contributions, when applicable. Entities without any buy-out provisions for sick or vacation leave would not report any liabilities.

263.12 Claims and judgments – only report amounts of any judgments against the government as of year–end. All judgments should be reported regardless of whether the government intends or is in process of appealing or settling the judgment.

263.22 Liabilities for landfills closure and postclosure – report balances and changes in the same amount as reported to the Department of Ecology on your financial assurance analysis annual update. This reporting is required by WAC 173-351-600, WAC 173-350 and WAC 173-304.

263.40 Revenue warrants

263.52 Capital leases, lease-purchase agreements, conditional sales and COPS – report changes in balances of the amount of future payments due under the contract.

263.62 Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)

263.72 Arbitrage rebate tax

263.82 Loans and other payments to other governments

263.92 Miscellaneous debt/liabilities

263.97 Environmental liabilities (pollution remediation, etc.) – report balances and changes in the portion to be paid by the government based on the cost estimate prepared or approved by the Department of Ecology.

I.D. No. **ASSESSMENT DEBT**

253.11 Special assessment bonds with commitments

263.43 LID warrants with commitments

263.63 LID notes payable with commitments

263.98 Miscellaneous assessment debt with commitments

INSTRUCTIONS

Identifying Number Include appropriate number (see the listing on the previous page).

Description Indicate the type of debt or liabilities. For bonds, notes, and other loans, list each debt issue separately providing date of original issuance.

Maturity/Payment Due Date Use this column if there is a fixed payment date for the government debt and liabilities.

(1) Beginning Balance This column should include the amount that was owed at the beginning of this period. **The amount shown should equal the last year ending balance.** If there is a discrepancy, please attach an explanation.

(2) Additions In this column report the entire amount of any new debt, any additional debt issued (or borrowed) and any increase in liabilities during the current period. For example, assume a G.O. bond authorized in the previous year at $5,000,000, with $4,000,000 issued that year and an additional $500,000 issued in the report year. Under these circumstances, this column should show $500,000.

(3) Reductions In this column, report the amount of debt that was paid or reduction of liabilities during reported period. Do NOT include interest paid on the redeemed debt. The total amount of redeemed debt should equal long-term payments shown on Schedule 04/05 (object code 70).

Bars Code for Redemption (APPLIES TO DEBT ONLY) Include BARS codes (582.XX.70, 591.XX.70 or 599.XX.70) used for posting of the redemption of the debt.

(4) Ending Balance In this column, report the amount of debt and other liabilities that were owed at the end of reported period.

Ending outstanding debt (column (4)) is calculated by adding the amounts in columns (1) and (2) and subtracting redeemed debt in column (3).

$$(1) + (2) - (3) = (4)$$

			(1)	(2)	(3)		(4)
ID. No.	Description	Maturity/Payment Due Date __/__/20__	Beginning Balance 01/01/20__	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance Debt 12/31/20__ (1)+(2)-(3)
	TOTAL						

SCHEDULE 10 - LIMITATION OF INDEBTEDNESS

This schedule applies only to general obligation debt. General obligation debt is backed by the full faith and credit of the government. The debt service on non-voted debt is paid out of general government revenues. The debt service on voted debt is paid from excess property tax levies under RCW 84.52.056.

This section includes one schedule for counties, and one for cities. With the proper adjustments, either schedule can be used by any municipality to compute its debt limit.

Although the state law (RCW 39.36.060) allows cities and counties to exclude public loans from the statutory debt limit, these loans are **not** excluded from the constitutional limit (RCW 39.69.030).

The 1994 increase in the statutory debt limit for non-voted debt (up to 1.5 percent of assessed valuation for cities and counties) may cause some governments, who have federal or state loans that are considered to be general obligation debt, to inadvertently exceed the constitutional debt limit, while they are still within the statutory one. The constitutional debt limit is also 1.5 percent. Assume a city or county has already taken out loans that are considered to be general obligation debt from a federal or state agency in an amount equal to 1 percent of its assessed valuation. Its calculations in part I of this schedule will show that it still has a "Margin Of Indebtedness Without a Vote" in an amount equal to 1.5 percent of its assessed valuation. However, if it wants to issue non-voted bonds, it can only do so for an amount up to 0.5 percent (not 1.5 percent) of assessed valuation because to issue any more would put it over the constitutional limit. Cities and counties need to be mindful of the constitutional limit.

Note that many government loans (including some of the Public Works Trust Fund loans) are not considered a "debt" because utility revenues will pay the debt service[1]. Therefore they are outside both the statutory and constitutional debt limits calculations.

The BARS Schedule 10, *The Limitation of Indebtedness*, follows the calculations as prescribed in the statutes.

When making this calculation, all general obligations of the county or city and all applicable cash on hand, or its equivalent, available for the payment of general obligations should be included. Do not include cash or investments that are restricted for other than debt payment purposes.

General obligations consist of the following:

1. General Obligation Bonds (Voted and Non-voted), including bond anticipation notes which are to be paid off with the proceeds of the bonds. Include interest only if it has matured and is due and payable.

2. Deep discount debt (e.g., zero coupon bonds). Report the face amount of the bond less the unamortized portion of the discount.

3. Warrants and registered warrants issued against the general (current expense) or other tax supported funds.

4. Executory conditional sales or installment sales contracts pledging the full faith and credit of the taxing district. (RCW 39.30.010)

5. Accounts payable, final judgments payable or combined obligations of the general or other tax supported funds.

6. Compensated absences (e.g., vacation and sick leave), to the extent that they are certain obligations of a determined amount, or employee vested.

---

[1] *Debt* is defined as borrowed money payable from taxes (State ex rel. Witter v. Yelle, 65 Wn.2d 660, 339 P.2d 319 (1965); Troy v. Yelle, 36 Wn.2d 192, 217 P.2d 337 (1950). Because most of the Public Works Trust Fund loans are utility infrastructure loans in which user fees payable into special funds are pledged for repayment, these loans fall under the "special fund doctrine" and are considered revenue bond debt, rather than a "debt" of the municipality. (Municipality of Metropolitan Seattle v. Seattle, 57 Wn.2d 446, 357 P.2d 863 (1960)).

7. Other obligations of the general or other tax supported funds, except for loan agreements[1] with agencies of the state of Washington or the U.S.A. dated on or after April 3, 1987. (RCW 39.36.060 and RCW 39.69.020)

8. Obligations of internal service funds that provide services to the general or other tax supported funds.

9. Municipal leases (RCW 35.42.200)

NOTE: Counties should not include debt of junior taxing districts.

The following obligations do not constitute debt for debt limitation purposes:

1. Contingent liabilities;
2. Obligations payable from special funds and solely from unanticipated service revenue;
3. Accrued interest that has not matured;
4. Refunded or revenue debt; and
5. Interfund loans.

Available cash and its equivalent are defined as cash and investments that can be used to pay government's general obligation debt. They do not include any assets legally restricted for other purposes.

Applicable cash or its equivalent, as used herein, should consist of and be limited to the following:

1. Cash and investments on hand in special debt redemption funds reserved exclusively for use in repaying outstanding general obligations.

2. Uncollected ad valorem taxes levied expressly for the purpose of paying general bonded indebtedness.

3. Cash and investments on hand in other than special debt redemption funds; uncollected ad valorem taxes levied for other than special debt redemption funds, and accounts receivable due from other funds of the same taxing district not supported by taxation or from other governments, the payment of which has been officially authorized: provided, that such cash assets may only be considered as offsets against outstanding warrants and other current obligations of the same funds.

Do not include cash or investments that will be used to make interest payments during the initial months of the subsequent fiscal year prior to property tax collections. Also, do not include uncollected taxes from prior years except taxes specifically levied for debt redemption.

LEGAL LIMITS OF INDEBTEDNESS (RCW 39.36.020 and RCW 35.42.200)

1. Indebtedness for general purposes without a vote of the people.

Legal limit: 1.5 percent of the value of taxable property for counties, cities, and towns.

Legal limit: 3/8 of 1 percent on the value of taxable property for most other municipalities.

Separate limits exist for cemetery districts (RCW 68.52.310), park districts (RCW 35.61.100 through RCW 35.61.110), port districts (RCW 53.36.030), school districts (RCW 28A.530.010), sewer districts (RCW 56.16.010), and water districts (RCW 57.20.110 and RCW 57.20.120).

2. Indebtedness for general purposes without a vote of the people (capital leases). Applies ONLY to cities and towns.

Legal limit: 1.5 percent of the value of taxable property for cities and towns.

3. Indebtedness for general purposes with a 3/5 vote of the people.

Legal limit: 2.5 percent of the value of taxable property for counties, cities, and towns.

[1] The exclusion applies to loans, which are not considered to be a debt for the statutory debt limit calculation. However, they are debt for the purposes of the constitutional limit. See the discussion on the previous page. Also, see the previous footnote for the definition of a debt.

4. Indebtedness for city or town utility purposes with a 3/5 vote of the people.

   Legal limit: 2.5 percent of the value of taxable property.

5. Indebtedness for open space, park facilities, and capital facilities associated with economic development with a 3/5 vote of the people. Applies ONLY to cities and towns.

   Legal limit: 2.5 percent of the value of taxable property.

The value of taxable property is the value of taxable property in the county, city or town, ascertained by the last assessment for state or county purposes. Incorporated cities should also include the timber value as defined in RCW 84.33.035.

For purpose of this schedule the local governments should use the last assessed valuation of taxable property. The last assessed valuation is the valuation placed on the last completed and balanced tax rolls of the county preceding the date of contracting the debt or incurring liability (RCW 39.36.010, RCW 39.36.015 and RCW 84.52.080). By the time this schedule is prepared, assessed valuation data has been updated for the next year's tax levy, but that valuation should be not used for the debt limit calculation until the following fiscal year.

NOTES TO PREPARER – COUNTIES

① The total indebtedness for general purposes **with** or **without** a vote cannot exceed 2.5 percent of the value of taxable property. (The allowable debt in line 1 should equal total debt in lines 2 and 7.)

② The 1.5 percent is the maximum limit for general purposes **without** a vote (councilmanic debt). A board may choose to allocate any portion of this debt capacity to the "voted" category below. If done so, this 1.5 percent of the indebtedness available without vote should be proportionately reduced by the excess of "voted" debt over 1 percent (see notes 4 and 7).

③ Include outstanding bonds, notes, etc.

④ Include "voted" debt in excess of 1 percent.

⑤ Include applicable assets. The total assets in the different parts of the schedule should equal the total of all assets available. The available resources should not be listed more than once. The county should allocate available assets between all categories. If assets equal or exceed liabilities, record zero for indebtedness incurred.

⑥ Subtract lines 3 and 4 from line 2 and add line 5.

⑦ This limit can be up to 2.5 percent if a board chooses to allocate any portion of the councilmanic debt category to the "voted" category. However, if the board uses the councilmanic capacity to the maximum, then there is only 1 percent of assessed valuation for general purposes capacity left that can be used with the voters' approval.

   Any excess of the debt over 1 percent will proportionally reduce the councilmanic debt capacity. The amount of excess, if any, should be included on line 4.

⑧ See note 3.

⑨ See note 6.

⑩ Subtract line 8 from line 7 and add line 9.

MCAG NO. _____ **Schedule 10**

(COUNTY)

SCHEDULE OF LIMITATION OF INDEBTEDNESS
December 31, 20__

Total Taxable Property Value $ _____

(Remember: this calculation applies only to the statutory debt limits. Revaluate your debt limitations in the context of constitutional requirements.)

			Remaining Debt Capacity
①	2.5% $_____ general purposes limit is allocated between:		
②	*Up to 1.5% debt without a vote*	$_____	
③	Less: outstanding debt	$_____	
④	Less: excess of debt with a vote	$_____	
⑤	Add: available assets	$_____	
⑥	Equals: remaining debt capacity without a vote		$_____
⑦	*Up to 2.5% debt with a vote*	$_____	
⑧	Less: outstanding debt	$_____	
⑨	Add: assets available	$_____	
⑩	Equals: remaining debt capacity with a vote		$_____

NOTES TO PREPARER – CITIES

(1) The total indebtedness for general purposes **with** or **without** a vote cannot exceed 2.5 percent of the value of taxable property. The general purposes indebtedness includes debt for capital leases without a vote. The legal limit for capital leases debt (RCW 35.42.200) is included in the 2.5 percent and does not constitute extra allowable debt.

(2) The 1.5 percent is the maximum limit for general purposes **without** a vote (councilmanic debt). A council may choose to allocate any portion of this debt capacity to the "voted" category below. If done so, this 1.5 percent of the indebtedness available without vote should be proportionately reduced by the excess of "voted" debt over 1 percent (see notes 5 and 8).

(3) Include outstanding bonds, notes, etc.

(4) Include contracts payable (leases-purchases, conditional sales contracts and COPS).

(5) Include "voted" debt in excess of 1 percent.[1]

(6) Include applicable assets. The total assets in the different parts of the schedule should equal the total of all assets available. The available resources should not be listed more than once. The city should allocate available assets between all categories. If assets equal or exceed liabilities, record zero for indebtedness incurred.

(7) Subtract lines 3, 4 and 5 from line 2 and add line 6.

(8) This limit can be up to 2.5 percent if a city council chooses to allocate any portion of the councilmanic debt category to the "voted" category. However, if the council uses the councilmanic capacity to the maximum, then there is only 1 percent of assessed valuation for general purposes capacity left that can be used with the voters approval.

Any excess of the debt over 1 percent will proportionally reduce the councilmanic debt capacity. The amount of excess, if any, should be included on line 5.

(9) See note 3.

(10) See note 4.

(11) See note 6.

(12) Subtract lines 9 and 10 from line 8 and add line 11.

(13) – (22) Indebtedness for utility or open space, park, and capital facilities associated with economic development purposes with a vote may exceed 2.5 percent of the value of the taxable property (up to 5 percent). Any excess will proportionately reduce the margin still available for general purposes.

(13) Multiply the assessed value of property by 0.025.

(14) See note 3.

(15) See note 4.

(16) See note 6.

(17) Subtract lines 14 and 15 from line 13 and add line 16.

(18) Multiply the assessed value of property by 0.025.

(19) See note 3.

(20) See note 4.

(21) See note 6.

(22) Subtract lines 19 and 20 from line 18 and add line 21.

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[1] If a city exceeds its 5 percent limit for the debt related to utilities and open space, park and capital facilities, the amount of the excess needs to be included here.

SCHEDULE OF LIMITATION OF INDEBTEDNESS
December 31, 20__

Total Taxable Property Value $ _____

(Remember: this calculation applies only to the statutory debt limits. Revaluate your debt limitations in the context of constitutional requirements.)

			Remaining Debt Capacity
(1)	2.5% $_____ general purposes limit is allocated between:		
(2)	*Up to 1.5% debt **without** a vote (councilmanic)*	$_____	
(3)	Less: outstanding debt	$_____	
(4)	Less: contracts payable	$_____	
(5)	Less: excess of debt with a vote	$_____	
(6)	Add: available assets	$_____	
(7)	Equals: remaining debt capacity without a vote		$_____
(8)	*1% general purposes debt **with** a vote*	$_____	
(9)	Less: outstanding debt	$_____	
(10)	Less: contracts payable	$_____	
(11)	Add: assets available	$_____	
(12)	Equals: remaining debt capacity with a vote		$_____
(13)	2.5% **utility** purpose limit, voted	$_____	
(14)	Less: outstanding debt	$_____	
(15)	Less: contracts payable	$_____	
(16)	Add: assets available	$_____	
(17)	Equals: remaining debt capacity – utility purpose, voted		$_____
(18)	2.5% **open space, park and capital facilities**, voted	$_____	
(19)	Less: outstanding debt	$_____	
(20)	Less: contracts payable	$_____	
(21)	Add: assets available	$_____	
(22)	Equals: remaining debt capacity - open space park and capital facilities, voted		$_____

SCHEDULE 11 - CASH ACTIVITY

This schedule provides information about the total cash inflows and outflows of the local government by fund. It is also used to evaluate accounting control over the total receipts and disbursements of the government, to reconcile receipts and disbursements per bank statements with fund revenues and expenditures. Finally, it is used to collect information about the financial activity and cash position of special purpose districts that use a city or county as their treasurer.

This schedule must be prepared for all funds, including all fiduciary funds. The presentation of payroll/claims clearing funds is optional.

In counties, all school districts may be combined and shown on one line. With that one exception, when reporting funds that belong to others, list each fund separately and group by type, such as "State, Cities and Towns, Water Districts, Fire Districts, etc." LIST EACH FUND ON A SEPARATE LINE IN FUND NUMBER SEQUENCE and provide a total for each group.

This schedule may be submitted in any format as long as the required information is provided.

Column 4 — All moneys received from outside the government must be reported in the *Receipts* column. Purchase and sale of investments are not considered receipts and disbursements.

Column 5 — This column should equal column 10. Transfers in and out of the various funds refer to those moneys taken out of one fund and placed into another fund by means other than through the issuance of a warrant and the writing of a receipt. Transfers-in must equal total transfers-out, including transfers to claims/payroll funds.

Column 6 — Revenues that are not included in column 4 *Receipts* or column 5 *Transfer-in* such as positive prior period adjustments, cancelled warrants or checks, receipts by fiscal agent or under offsetting agreements, etc.

Column 7 — Receipts that are accounted for as reduction of expenditures or disbursements accounted for as reduction of revenue, such as refunds, NSF checks or reimbursements. Note that in general, revenues and expenditures should be reported at gross amounts; see BARS Glossary for definition of refund and reimbursement.

Column 9 — This column should tie to column 10 on Schedule 07. All payments made to outside parties, whether by warrant, check, treasurer's check or electronic funds transfer must be reported in the *Disbursements* column.

Column 10 — This column should equal column 5. In those entities that use claims and payroll clearing funds, the cash taken out of the various operating funds and put into the clearing fund will be treated as *Transfers-Out* in the operating funds and as *Transfers-In* in the applicable clearing funds.

Column 11 — Expenditures that are not included in column 9 *Disbursements* or column 10 *Transfer-Out* such as negative prior period adjustments, disbursements by fiscal agent or under offsetting agreements, etc.

MCAG NO._____

_____
(CITY/COUNTY)

SCHEDULE OF CASH ACTIVITY
For the Year Ended December 31, 20__

1	2	3	4	5	6	7
Fund No.	Fund Title	Beginning Cash and Investment	Receipts	Transfers-In	Other Revenue	Netted Transactions

SCHEDULE OF CASH ACTIVITY
For the Year Ended December 31, 20_

8	9	10	11	12	13
Total Increase (4+5+6-7)	Disbursements	Transfers-Out	Other Expenditures	Total Decrease (9+10+11-7)	Ending Cash and Investment (3+8-12)

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SCHEDULE 16 - EXPENDITURES OF FEDERAL AWARDS AND STATE/LOCAL FINANCIAL ASSISTANCE

Caution: If the government expends $500,000 or more in federal awards in a year, it must contact the State Auditor's Office and arrange for a single audit under OMB Circular A-133. Further, the government must submit the single audit reporting package to the federal government within nine months after the end of the 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. If the government received and spent federal funds under only one program, the auditor may be able to conduct a *program specific* audit.

The Schedule of Expenditures of Federal Awards and State/Local Financial Assistance is an essential document for planning and conducting the audit of the government. It also serves to provide assurance to those agencies that award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

Schedule 16 is comprised of two schedules: (1) Schedule of Expenditures of Federal Awards (SEFA) and (2) Schedule of State and Local Financial Assistance.

Schedule of Expenditures of Federal Awards

Include on this schedule all expenditures of federal awards that were received directly from a federal agency and indirectly (pass-through) from a state agency or local government.

The SEFA should be prepared using the same basis of accounting as the financial statements.

Example: A grantee orders supplies and receives the invoice in December 2010. The grantee pays the invoice on March 5, 2011.

- Accrual basis: The expenditure is reported in the 2010 SEFA.
- Cash basis: The expenditure is reported in the 2011 SEFA.

Report grant-related expenditures in the year they take place (even if the government will not be reimbursed by the grantor until the following year). Do not report amounts on this schedule based on the date(s) that funds are received from the grantor (e.g., a cash advance or the date the government receive a reimbursement payment).

Federal awards expended include the following:

- Expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations. (This includes expenditures of CFDA 10.665: Title I – Schools and Roads (332.10.68), Title II – Special Projects on Federal Land (332.10.69), Title III – County Projects (332.10.70));
- Indirect costs claimed for reimbursement using an indirect cost rate or cost allocation plan;
- Disbursement of grant funds that the entity's passed through to subrecipients;
- Use of loan proceeds under loan and loan guarantee programs (refer to loan valuation guidance below);
- Receipt of federal property (e.g., equipment and supplies) and surplus property;
- Receipt or use of program income (refer to program income guidance below);
- Receipt of non-cash assistance such as food commodities and vaccines;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

American Recovery and Reinvestment Act (ARRA) of 2009

Many new Catalog of Federal Domestic Assistance (CFDA) numbers were created under ARRA. The federal government has stated that all expenditures funded by ARRA must be listed in a separate row in the SEFA and the title of the award should begin with the prefix "ARRA".

> Title 2, Code of Federal Regulations, Section 176.210:
> . . . (b) For recipients covered by . . . OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) . . . This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA . . . and inclusion of the prefix "ARRA-" in identifying the name of the Federal program on the SEFA . . . .

Caution: ARRA Build America Bonds – These subsidy payments are not considered a federal award subject to OMB Circular A-133 and should not be reported on the SEFA.

Indirect Costs

Include in the SEFA any indirect costs that were 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).

Equipment and Supplies

The receipt of federally-funded equipment, materials or supplies that are paid for by another agency 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 the entity.

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 the 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.

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 the government consults 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. (See next section for accounting for program income related to revolving loans).

Unless otherwise specified in the 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.

FEMA Disaster Assistance - CFDA 97.036

Disaster assistance is usually classified by FEMA as either a "small" or "large" project. Some grantees might experience a long delay from the time they incur costs to recover from a disaster and the date they actually are approved to receive federal disaster relief funding for small projects. As with other federal awards, grantees should report the disaster-related costs in the year they are incurred. However, if the grantee's project cost worksheets for a "small project" are not officially approved by the deadline for submitting its annual report and SEFA to the SAO, it will be acceptable to include these costs in the subsequent year's SEFA (include a footnote to explain the situation). Example: Disaster costs are paid in December 2010. The 2010 Annual Report is due to the SAO by May 31, 2011. FEMA does not approve the small project worksheet until July 2011. Report the FEMA award in the 2011 SEFA and include a footnote.

Valuation of Federal Loans

Use the following guidelines to calculate the value of *federal awards expended* under loan programs:

(1) Amount of new loans made or 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.

Question: When do I report the loan on my SEFA?

Answer: Circular A-133, section 205, and guidance from the AICPA state the loan is considered expended "when the loan proceeds are used".

- Reimbursement Basis: Most loans are funded on a reimbursement basis where the borrower incurs program-related costs and then makes a request to the lender for the loan proceeds. In this case, report the amount expended during the year for which the government will seek loan funding.
- Loan Advances: Some loans are made in advance of any project-related expenditures. Because the federal government is at risk for these loans, the total proceeds received should be reported on the SEFA even if the government has not spent all the funding. Contact the lender to determine if it requires the full amount of proceeds to be reported in the year of receipt.
- Revolving Loans. If the entity receives federal funds and then makes a loan to another party, report the amount of loans the government made during the year. (Refer to additional guidance on revolving loan funds below).

Question: What is a continuing compliance requirement?

Answer: The government is considered to have a *continuing compliance requirement* if the lender continues to impose a requirement over the outstanding loan balance in any one of the following 14 areas in years following receipt of the loan:

1. Activities Allowed or Unallowed
2. Allowable Costs/Cost Principles
3. Cash Management
4. Davis-Bacon Act
5. Eligibility

6. Equipment and Real Property Management
7. Matching, Level of Effort, Earmarking
8. Period of Availability of Federal Funds
9. Procurement and Suspension and Debarment
10. Program Income
11. Real Property Acquisition and Relocation Assistance
12. Reporting
13. Subrecipient Monitoring
14. Grant-Specific Special Tests and Provisions

Examples of continuing compliance requirements:

- A Housing Authority received a federal loan to construct apartments for low income households. As a condition of the loan, the Authority is required to make a certain percentage of apartments available to low income households for the next 15 years. The Housing Authority should report the loan balance on the SEFA for the duration of this requirement. (We recommend consulting with the lender about its expectations for reporting loan balances).
- A University has established a federal revolving loan fund and makes loans to students to help them pay for school expenses. The federal agency sponsoring the loan program requires the University to comply with continuing requirements such as default prevention, billing and collection, deferments, cancelations, fund liquidity, and borrower exit counseling.
- A City purchased equipment with loan funds and is required to maintain capital asset records and conduct physical inventories of the equipment in the years following the purchase.

Exceptions to the Rule:

- **EPA Drinking Water State Revolving Fund (CFDA 66.468) and Clean Water State Revolving Fund (CFDA 66.458)**. The EPA has stated in the Circular A-133 Compliance Supplement that subrecipients receiving loans under these two programs do not have continuing compliance requirements. Subrecipients of these loans only report the amount used during the year and do not report the prior year balance.

- **USDA Interim Financing: Water and Waste Disposal Systems for Rural Communities (CFDA 10.760), Community Facilities Loans and Grants (CFDA 10.766).** After the USDA has made a commitment on a loan as evidenced by an approved "request for obligation of funds", 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.

Question: If my project takes several years to complete, will I have continuing requirements throughout the duration of the project until it is complete?

Answer: Most likely. For example, many lenders will set aside a portion of the funding until all inspections are made and all supporting documentation encompassing the entire project is submitted and approved. Consult with the lender about its expectations over reporting loans for projects that span multiple years.

Question: How do I determine the amount of any interest subsidy I am receiving?

Answer: The OMB has not issued any official guidance on this topic. Typically, an interest subsidy means the federal government is paying or waiving a portion of the interest cost that would ordinarily have to be paid by the borrower. Consult with the lender to determine if any portion of interest is being subsidized.

Question: Are interest subsidies from Build America Bonds reported on the SEFA?

Answer: No. The OMB has excluded Build American Bonds from A-133 single audits.

Question: What if my project is complete and there are no requirements other than to repay the loan?

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

Question: What if our entity makes a loan to another entity or program participant?

Answer: Report the amount of loans made during the year. If the 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 the government 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 the grant award and discuss with the grantor** because some federal grantors have different rules for presenting revolving loans on the SEFA. For example, the Department of Commerce for its Economic Assistance Revolving Loan Fund requires grantees to report the balance of loans outstanding at year-end, instead of the amounts lent. Similarly, the Department of Education requires colleges and universities to report the balance of their Perkins loan fund on the SEFA in addition to amounts lent during the year. In contrast, some federal agencies only require the original loan to be reported and do not treat any subsequent lending as "federal" funds.

Accounting for Revolving Loans

The original grant for the loan program should be coded as federal direct or indirect grant (331.XX.XX or 333.XX.XX).

A loan to an entity is a *balance sheet* transaction and the government should debit *Loan Receivables* and credit *Cash*. A repayment of the loan requires debiting *Cash* and crediting *Loan Receivables* and *Interest Revenue* (361.40).

There are no BARS codes specifically assigned to grants' program revenues (neither principal nor interest). Although the repayment of principal is not considered revenue from the GAAP accounting perspective, it has to be considered as such for the purpose of SEFA. The expenditures from the revolving loan grant should include expenditures from the initial grant and subsequent repayments of the loans, including interest generated by the loan.

Employer Identification Number (EIN) for Federal Grant Recipients

Recipients of federal funds must arrange to have a single audit in accordance with OMB Circular A-133 if they expend $500,000 or more in federal awards in a year. Most federal grantors define a *recipient* according to the federal Employer Identification Number (EIN). That is, the grantor makes its awards to each grantee based on the EIN, rather than entity name. For example, if a small fire district uses the county's EIN for payroll tax purposes, and also applies for a federal grant using the county EIN, some federal grantors will make the official grant award to the county. As a result, the grantor expects the award to be included in the county's Schedule of Expenditures of Federal Awards (Schedule 16) and thus subject to audit at the county. Further, at the conclusion of a single audit, the fire district's audit will be misfiled with the federal clearinghouse because the county's EIN was listed on the Data Collection Form. This puts the county in a difficult position with the federal government and can cause additional audits. Therefore, it is recommended that all special purpose districts without an EIN make application for this number with the IRS (Form SS-4) and use this number when applying for grants as well as IRS tax purposes. The district also should consult with its county auditor and/or treasurer for the protocol concerning payroll taxes.

Instructions for Preparing the Schedule of Expenditures of Federal Awards

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: www.sao.wa.gov. Governments can manually enter the information or upload an electronic file. Acceptable file should adhere to the prescribed record layout and should be an Excel file. More details are provided on the website.

For questions and/or support e-mail duane.walz@sao.wa.gov or call Duane Walz at (360) 725-5594.

The following are instructions for each column of the schedule. An example of a completed schedule follows the instructions.

Column 1 Provide the name of the federal grantor agency or organization. If the government receives federal funds as a pass-through award, identify the pass-through agency. Please clearly distinguish between federal agencies and state agencies with similar names or initials.

Column 2 Provide the official name of the federal award. Please try to avoid using nicknames. A list of official titles can be obtained from the CFDA website at www.cfda.gov.

Column 3 List the applicable CFDA number for each award. This is a five digit (XX.XXX) identification number assigned by the federal government and published in the Catalog of Federal Domestic Assistance. This number must be provided for all federal awards received either directly from a federal agency or indirectly through a state agency or local government.

Every effort should be made to obtain CFDA numbers. Research the program before the government concludes a CFDA number does not exist. Steps to take:

- Contact the grantor.
- Research the CFDA website (including the Historical Index).
- Contact the local audit team.
- Submit a question to the SAO HelpDesk.

Follow the guidance below if, after researching the number, the government concludes that a CFDA number does not exist.

- In the first two spaces enter the Federal Agency's two digit prefix (see list of agencies on next page).
- Follow the two digit prefix with the contract or grant number.

Example: Assume an entity received an award with no CFDA number from the U.S. Department of Health and Human Services, but had a contract number of "035560A". The government would enter the CFDA number on the SEFA as "93.035560A".

Column 4 Use this column to report contract or grant numbers assigned by federal or state agencies, in addition to the CFDA number. If a number is not available, write **N/A.**

Column 5 Use these columns to report current year expenditures (determined on the same basis of accounting as the financial statements). See requirements for valuing loans and noncash assistance above.

Expenditures from Pass-Through Awards - Enter the amount of expenditures for federal assistance received as a pass-through award from a state agency, local government, etc. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If the government is making a subaward to another entity, these amounts should also be reported as expenditures.

Expenditures from Direct Awards - Enter the amount of expenditures for assistance received directly from a federal agency. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If the government is making a subaward to another entity, these amounts should also be reported as expenditures.

Total Expenditures - Enter the combined total of all federal expenditures from pass-through and direct awards by CFDA number.

Column 6 Notes to the Schedule:

REQUIRED - the notes to the schedule should disclose the basis of accounting and any other significant accounting policies used in preparing the schedule.

HIGHLY RECOMMENDED – to the extent practical, the government should enter any amounts that the entity has passed through to a subrecipient for each federal program listed on the schedule. Circular A-133, section 210 has information on subrecipient designation. Do not list amounts paid to vendors here.

OPTIONAL, BUT RECOMMENDED – provide any information that may be useful to the reader such as the nature of a revolving loan program or the method used to value commodities or other non-cash assistance such as property or vaccines.

An example of these footnotes is provided below.

Frequently Used Federal Agency Two-Digit Prefixes

This list is used for CFDA numbers; if the government does not see the federal agency here, consult the CFDA at www.cfda.gov.

07 - Office of National Drug Control Policy
10 - Department of Agriculture
11 - Department of Commerce
12 - Department of Defense
14 - Department of Housing and Urban Development
15 - Department of Interior
16 - Department of Justice
17 - Department of Labor
20 - Department of Transportation
21 - Department of Treasury
39 - General Services Administration
43 - National Aeronautics and Space Administration
47 - National Science Foundation
59 - Small Business Administration
64 - Department of Veterans Affairs
66 - Environmental Protection Agency
81 - Department of Energy (includes the Bonneville Power Administration)
84 - Department of Education
93 - Department of Health and Human Services
94 - Corporation for National Service
96 - Social Security Administration
97 - Department of Homeland Security (includes FEMA)

Characteristics of Subrecipients and Vendors

A **subrecipient** is a non-federal entity (typically a local government or non-profit organization) that receives federal assistance from a pass-through agency (such as the state or another local government) to carry out a program or project of the federal government. Subrecipients receive the federal grant or loan so that it can meet a public need in the community. The amount paid to the subrecipient to reimburse it for the cost of the project or program should be based on actual, allowable costs incurred - that is, a subrecipient cannot earn a profit from its grant agreement. Subrecipients have substantial decision-making responsibility for how the project or program operates. Subrecipients are required to follow all applicable OMB Circulars such as A-102, A-87, A-133, A-110 and A-21. Often subrecipients are required to contribute some of their own funds as a matching share to accomplish the program or project.

Vendors compete with others to provide goods and services needed to operate a project or program. These goods and services are often ancillary to the overall program objectives. Selection of vendors is typically based on the capability to provide the best goods and services at the best price. The scope of work is specified by the grantee and the price is usually based on quotes, formal bids, or requests for proposals. Vendors are often paid a set fee for providing its goods or services where the price allows the vendor to recover its costs and also earn a profit.

Tips for Preparing the Schedule

- Some projects or programs may be funded by a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *Schedule of Expenditures of Federal Awards* and the state or local portion on the *Schedule of State and Local Financial Assistance*. If the state or local portion cannot be identified, list the entire amount on the *Schedule of Expenditures of Federal Awards* and describe the commingled nature of the funds in *the notes to the Schedule of Expenditures of Federal Awards*.

- Funds received as fee for services should not be included on the Schedule 16. For example, if the government is being paid for providing goods or services in a vendor capacity, this vendor payment is not considered a federal grant to the entity.

- List all awards from the same federal agency together on the schedule (for example, group all HUD awards together by CFDA number).

- If the government chooses to report multiple projects/programs that have the same CFDA number as separate line items (e.g., WSDOT highway planning and construction projects), provide a subtotal for the CFDA number.

- It is important to note that the expenditures reported on the Schedule of Expenditures of Federal Awards will not necessarily tie to those reported on the operating statement, especially if the federal awards include loans or non-cash awards (property, supplies, etc.). However, all amounts reported should agree or reconcile to records maintained by finance, budget, and treasury departments.

- The SEFA should be prepared using the same basis of accounting as the financial statements. For example, if the government prepares the financial statements using the cash basis of accounting, the government should report expenditures of federal awards using the cash basis. Explain any departure in the footnotes.

- In the footnotes to the SEFA, it is highly recommended that the government list any amounts that the entity has passed through to a subrecipient for each federal program listed on the schedule. Circular A-133, section 210 has information on subrecipient designation. Do not list amounts paid to vendors in this footnote.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 20__

1	2	3	4	5			6
				Expenditures			
Federal Agency Name/Pass-Through Agency Name	**Federal Program Name**	**CFDA Number**	**Other I.D. Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total**	**Foot-note Ref.**
U.S. Department of Agriculture/Pass-Through from WA State Treasurer	Schools and Roads, Grants to States–Title III	10.665	WA0323	$125,000		$125,000	
U.S. Department of Agriculture	Water and Waste Disposal Systems (loan)	10.760	L-03-2345		$350,000	350,000	4a
U.S. Department of HUD/Pass-Through from WA Dept. of Commerce	Community Development Block Grant–State Program.	14.228	B-04-UC8	50,000		50,000	3, 7, 8
U.S. Department of HUD/Pass-Through from WA Dept. of Commerce	**ARRA**-Community Development Block Grant State Program	14.255	B-09-RA	25,000		25,000	9
U.S. Department of Justice	Community Policing Grants (COPS)	16.710	CP45-04		179,500	179,500	2
U.S. Department of Transportation/Pass-Through from WSDOT	Highway Planning and Construction	20.205	LA-3777 Selkirk Road LA-6780 Hayes Avenue Subtotal	58,650 65,750 124,400		124,400	
Environmental Protection Agency (EPA)/Pass-Through from WA Public Works Board	Drinking Water State Revolving Fund	66.468	W12345	137,500		137,500	4b
Environmental Protection Agency (EPA)/Pass-Through from WA Public Works Board	**ARRA** - Drinking Water State Revolving Fund	66.468	W12345	228,000		228,000	4b, 9
U.S Department of Health and Human Services/Pass-Through from WA DOH	Immunization Grants	93.268	W345690	25,000		25,000	5
U.S Department of Health and Human Services/Pass-Through from WA DSHS	Child Support Enforcement	93.563	2345STP	101,500		101,500	
U.S. Department of Homeland Security/Pass-Through from Clark County	State Domestic Preparedness Equipment Support	97.004	R8-04	47,950		47,950	6
Total Federal Awards Expended				$864,350	$529,500	$1,393,850	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

SAMPLE COUNTY, WASHINGTON
(CITY/COUNTY/DISTRICT)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 20__

Note 1 is required for all entities. Disclose other notes only if applicable to the government's circumstances.

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the (city/county/district's) financial statements. The (city/county/district) uses the (describe the basis of accounting used by the city/county/district).

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the (city/county/district's) portion, are more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The (city/county/district) has a revolving loan program for low income housing renovation. Under this federal program, repayments to the (city/county/district) are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was $_____ and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was $_____.

NOTE 4 - FEDERAL LOANS

(a) The (city/county/district) was approved by the USDA Rural Utilities Service to receive a loan totaling $_____ to build a sewer treatment plant. The amount listed for this loan includes the proceeds used during the year and the outstanding loan balance from prior years.

(b) The (city/county/district) was approved by the EPA and the PWB to receive a loan totaling $_____ to improve its drinking water system. The amount listed for this loan includes the proceeds used during the year.

Both the current and prior year loans are also reported on the (city/county/district's) Schedule of Liabilities.

NOTE 5 - NONCASH AWARDS - VACCINATIONS

The amount of (vaccine/dental items/commodities/surplus property/etc.) reported on the schedule is the value of (vaccine/dental items/commodities/surplus property/etc.) received by the (city/county/district) during current year and priced as prescribed by _____.

NOTE 6 - NONCASH AWARDS - EQUIPMENT

The (city/county/district) received equipment and supplies that were purchased with federal Homeland Security funds by the state of Washington. The amount reported on the schedule is the value of the property on the date it was received by the (city/county/district) and priced by the state of Washington.

NOTE 7 - INDIRECT COST RATE

The amount expended includes $_____ claimed as an indirect cost recovery using an approved indirect cost rate of ____ percent.

NOTE 8 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is $_____ that was passed through to a subrecipient that administered its own project.

NOTE 9 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA.

MCAG NO. ____ **_____** **Schedule 16**

(CITY/COUNTY/DISTRICT)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 20___

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	**Federal Program Name**	**CFDA Number**	**Other I.D. Number**	**Expenditures**			**Foot-note Ref.**
				From Pass-Through Awards	**From Direct Awards**	**Total**	
Total Federal Awards Expended							

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

Schedule of State and Local Financial Assistance

List on this schedule expenditures from grants received directly or indirectly from state agencies (334), grants from other local governments (337), and program income. Expenditures from state shared revenues and entitlements (BARS resource codes 335 and 336) do not need to be included on this schedule.

List separately expenditures from state and local governments' grants. Provide a subtotal for both categories and a total for the entire schedule. In addition, list together all expenditures from grants received from the same state agency.

If the government receive state-funded equipment, supplies, or real property, report the fair market value in the year received.

State-funded loans do not need to be reported on this schedule. Be sure that any loans received from state agencies are not actually federal in origin. In such a case, a federal loan passing through a state agency should be reported in the federal schedule.

Any payments that the entity receives as a *fee for services* in a vendor capacity should not be included on the Schedule 16.

Notes to Preparer

Often federal financial assistance received indirectly is a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *Schedule of Expenditures of Federal Awards* and the state or local portion on the *Schedule of State and Local Financial Assistance*. If the state or local portion cannot be identified, list the entire amount on the *Schedule of Expenditures of Federal Awards* and describe the commingled nature of the funds in *the notes to the Schedule of Expenditures of Federal Awards*.

Records must agree or reconcile to those in finance, budget and treasury departments.

Column 1 Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between agencies with similar names or initials.

Column 2 Use this column to report grant, contract or award numbers assigned by state or local agencies. If a number is not available, write "N/A".

Column 3 Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements).

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 20__

1	2	3
Grantor/Program Title	Identification Number	Current Year Expenditures
WA State Energy Office:		
Energy Code Enforcement	1-90-743-09	$68,822
Total WA State Energy Office		$68,822
Department of Transportation:		
Division of Aeronautics	GC9434	$5,692
Street Improvement	8008C011	122,500
Total Department of Transportation		$128,192
Department of Social and Health Services:		
Child Protective Services	6500-85008	$22,410
Total Department of Social and Health Services		$22,410
Department of Health:		
Maternal Child Health	1620-01579	$75,000
Immunization; vaccine	1620-01579	58,890
Shellfish	2600-02240	8,620
Total Department of Health		$142,510
TOTAL STATE ASSISTANCE		$361,934
EMS Regional Council	N/A	$15,113
City of Sample; Arts Grant	12345-678	3,115
TOTAL LOCAL ASSISTANCE		$18,228
TOTAL STATE AND LOCAL ASSISTANCE		$380,162

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 20___

1	2	3
Grantor/Program Title	**Identification Number**	**Current Year Expenditures**

LIMITATIONS ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES

This part applies to FIRST CLASS cities (RCW 35.22.620(2)(4)).

Instructions for individual lines:

1. Record the total current public work construction budget, including any amendments.

2. Record the limitation on public works projects performed by public employees. RCW 35.22.620(2) sets this limitation at 10 percent of line 1.

3. Subtract the amount, if any, that was in excess of the permitted amount in the prior budget period.

4. Record the limitation on public works performed by public employees for the current year (line 2 less line 3).

5. Record the total construction costs of public works performed by public employees for the year being reported. Be sure to include work performed for the city by a county.

6. This line is only pertinent to cities that budget on a biennial basis. For those municipalities, record on this line total construction costs of public works performed by public employees for the first year of biennium.

7. Record the difference between the statutory limit computed on line 4 and the amount of public works performed by public employees recorded on lines 5 and 6. A negative number here indicates noncompliance with the limitations and must be carried forward to next budget period report. If this noncompliance is not corrected within two years, 20 percent of the motor vehicle fuel tax will be withheld (RCW 35.22.620(2)).

MCAG NO. _____ **_____** **Schedule 17**

(CITY)

LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES
For the Year Ended December 31, 20__

1.	Total current public work construction budget as amended (annual or biennial as applicable)	==========
2.	Allowable portion of total public works (10 percent of line 1)	_____
3.	Less: Amount (if any) in excess of permitted amount from prior budget period	_____
4.	Total allowable public works (line 2 minus line 3)	_____
5.	Total public works projects performed by public employees during the current year (include work performed by a county)	_____
6.	If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium	_____
7.	Restricted under (over) allowable (line 4 minus line 5 minus line 6)	==========

NOTE: If the restricted amount is over allowable, this amount must be carried forward to next budget period report.

SCHEDULE 19 - LABOR RELATIONS CONSULTANT(S)

The 1993 legislature has requested the State Auditor's Office to collect information regarding the role labor relations consultants play in local governments. This reporting requirement is found in RCW 43.09.230, as amended by the 1993 legislature. The statute provides that "the legislature finds and declares that the use of outside consultants is an increasing element in public sector labor relations. The public has a right to be kept informed about the role of outside consultants in public sector labor relations. The purpose of this act is to help ensure that public information is available."

Labor relations is a broad spectrum of activities which concern the relationship of employees as a group with the local government as employer. It includes employee representation issues, negotiation of contracts, and preparation and conduct of interest arbitrations.

A *labor relations consultant* is someone who agrees to perform such services for compensation. For example, a labor relations consultant includes an attorney or other professional engaged by the local government to negotiate a collective bargaining agreement. It would not include a firm engaged to establish a personnel manual or to prescreen job applicants. The determining factor is the substance of services the consultant has been engaged to perform.

This schedule is used to identify expenditures for labor relations consultants: Disclosure should include identification of each consultant and the terms and conditions of each agreement.

The schedule is required to be filed with the State Auditor's Office whether or not your local government has labor relations consultants. Prepare a schedule for each consultant. Alternative formats are acceptable, including spreadsheets, as long as the required information is provided.

MCAG NO._____ **_____** **Schedule 19**
(CITY/COUNTY/DISTRICT)

LABOR RELATIONS CONSULTANT(S)
For the Year Ended December 31, 20___

Has your government engaged labor relations consultants? ___ Yes ___ No

If yes, please provide the following information for each consultant:

Name of Firm
Name of Consultant
Business Address
Amount Paid to Consultant During Fiscal Year
Terms and Conditions, as Applicable, Including: Rates (E.g., Hourly, etc.) _____ Maximum Compensation Allowed _____ Duration of Services _____ Services Provided _____ _____

Certified Correct this _____ day of _____, 20___ to the best of my knowledge and belief:
Signature
Name
Title

SCHEDULE 20 – SALES AND USE TAX FOR PUBLIC FACILITIES – RURAL COUNTIES

RCW 82.14.370 authorizes rural counties to impose sales and use tax of no more than 0.09 percent. This tax is credited against the 6.5 percent state sales tax and use tax and is paid by the Department of Revenue to eligible rural[1] counties. RCW 82.14.370(3)(b) requires the State Auditor's Office to collect annual information on the use of these tax proceeds. The purpose of this reporting is to demonstrate that applicable counties have used the funds for allowable purposes.

The proceeds of this tax are restricted to financing public facilities[2] serving economic development purposes[3] in rural counties and finance personnel in economic development offices. The public facilities must be listed as an item in the officially adopted county overall economic development plan, or the economic development section of the county's comprehensive plan, or the comprehensive plan of a city or town located within the county for those counties planning under RCW 36.70A.040. For those counties that do not have an adopted overall economic development plan and do not plan under the Growth Management Act, the public facilities must be listed in the county's public facilities plan or the capital facilities plan of a city or town located within the county. No new projects funded with this money may be for justice system facilities.

The counties collecting this tax must file an annual schedule with the State Auditor's Office **150 days after close of their fiscal year,** listing the projects funded by this tax revenue in the previous fiscal year.

---

1 *Rural County* means a county with a population density of less than one hundred persons per square mile or a county smaller than two hundred twenty-five square miles as determined by the Office of Financial Management.

2 *Public Facilities* means bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, earth stabilization, storm sewer facilities, railroads, electricity, natural gas, buildings, structures, telecommunication infrastructure, transportation infrastructure, or commercial infrastructure and port facilities.

3 The legislative goal for RCW 82.14.370 is to promote the creation, attraction, expansion, and retention of businesses and provide for family wage jobs. *Economic development* means those purposes which facilitate the creation or retention of businesses and jobs in a county.

MCAG NO. _____ **_____ (COUNTY)** **Schedule 20**
Page _ of _

SALES AND USE TAX FOR PUBLIC FACILITIES – RURAL COUNTIES
For the Year Ended December 31, 20_

Total Sales and Use Tax Proceeds (BARS Code 313.18) $_____ plus Unspent Proceeds from Previous Periods $_____

(1) Public Facilities Project	(2) Plan Containing the Project	(3) Total Expenditures for the Project	(4) Amount of Sales and Use Tax Spent on the Project	(5) Estimated Number of Businesses Created/Retained by the Project	(6) Estimated Number of Jobs Created/Retained by the Project
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		

(1) List the public facility project.
(2) Indicate where the project is listed (e.g., officially adopted county economic development plan, economic development section of the county's comprehensive plan, etc.).
(3) List an amount of total expenditures related to each project. Also, include expenditures related to projects initiated in previous periods and still generating expenditures.
(4) List an amount of expenditures paid for by the sales and use tax revenues.
(5) (6) The county must provide an actual or estimated number of businesses and family wage jobs the project created, attracted, expanded or retained. The county may use its economic development plan, economic development section of county's comprehensive plan or other sources to provide this information.

Documentation supporting this schedule must be made available upon request for audit purposes and public requests

SCHEDULE 21 – RISK MANAGEMENT

Applicability of Schedule

Schedule 21 is required for all local governments. It is used to report self-insurance or assumption of any insurable risk type (liability, property, health and welfare, unemployment compensation, and workers' compensation). Local governments may self-insure their own risks only (an individual self insurance program) or self-insure jointly with other governments pursuant to Chapter 48.62 RCW or other enabling statute.

Schedule 21 is not applicable in the following situations:

- The only risk assumed is an annual deductible of a purchased insurance policy.
- All of the local government's insurable risks are covered through membership in one of the public entity risk pools in the state.

Schedule Instructions

Use the following general instructions when preparing the schedule:

a. Provide contact information for the self-insurance program manager.
Also, if claims are handled by a third party administrator, include name, telephone number, and address of firm as well as a detail description of services provided by the contractor.

b. Describe each class of risk the governing body of the local government has decided to assume as well as the appropriate dollar level involved.

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.

c. For each class of risk, disclose the number of claims received by the government during the period (regardless of the current status or disposition of such claims).

d. For each class of risk, disclose the number of claims that were paid (in any amount) during the period.

e. For each class of risk, disclose the total dollar amount of claims paid during the period.

MCAG NO. _____ **Schedule 21**

(COUNTY/CITY/DISTRICT)

LOCAL GOVERNMENT RISK-ASSUMPTION
For the Year Ended December 31, 20__

Program Manager: _____

Address: _____

Phone: _____

Email: _____

1. _____ Does the entity self-insure for any class of risk, including liability, property, health and welfare, unemployment compensation, workers' compensation? (yes/no)

<u>If NO, STOP, you do not need to complete the rest of this Schedule.</u>

<u>If YES, continue below.</u>

a. Which class of risk does the entity self-insure? Check all that apply.

i. _____ Liability

ii. _____ Property

iii. _____ Health and Welfare (medical, vision, dental, prescription)

iv. _____ Unemployment Compensation (except when using the state program, regardless if using the tax or reimbursement method)

v. _____ Workers' Compensation (except when using the state program)

vi. _____ Other - please describe: _____

b. _____ Does the entity self-insure as an individual program? (yes/no)

i. _____If answered YES, does the entity allow another separate legal entity into its self-insurance program(s)? (yes/no) For example, employees of a different organization participate in a health and welfare program of a city.

If so, list the entity or entities: _____

c. _____ Does the entity self-insure as a joint program? (yes/no)

i. _____ If answered YES, list the other member(s): _____

2. _____ Does the entity administer its own claims? (yes/no)

3. _____ Does the entity contract with a third party administrator for claims administration? (yes/no)

4. _____ Did the entity receive a claims audit in the last three years, regardless of who administered the claims? (yes/no)

5. _____ Were the program's revenues sufficient to cover the program's expenses? (yes/no)

6. _____ Did the program use an actuary to determine its liabilities? (yes/no)

EXAMPLE

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period
Liability (automobile)	354	279	$104,366

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period

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SCHEDULE 22 – QUESTIONNAIRE FOR ACCOUNTABILITY AUDIT

This schedule is required for local governments with annual revenues that are usually less than $300,000. For purposes of this threshold, annual revenues include grants, tax collections, and other receipts, but not bond proceeds or other non-revenues. If annual revenues are usually less than $300,000 but exceed the threshold in one year due to a one-time revenue source, such as a grant, the schedule should still be completed, as the State Auditor's Office may continue to perform an audit assessment in lieu of an on-site audit.

If you are unsure whether or not your government needs to complete this schedule, complete a Client HelpDesk request on our web page at www.sao.wa.gov under the *Client Support* tab.

FREQUENCY OF AUDIT ASSESSMENTS

Current audit policy requires our Office to conduct certain audits, including audit assessments, of local governments every two years. This does not limit our ability to initiate a more frequent audit or conduct special investigations and also would not prevent clients from requesting more frequent audits due to need or preference. **The government's Annual Report including Schedule 22 still must be submitted on an annual basis as a part of their annual report required by RCW 43.09.230.** If you want us to perform your audit assessment on an annual basis instead of every two years, please complete a Client HelpDesk request on our web page at www.sao.wa.gov under the *Client Support* tab.

INSTRUCTIONS FOR PREPARER

The following are instructions for completing the Schedule 22.

- All questions must be answered and all required attachments must be included for the schedule and annul report to be considered complete.

- Attachments may be e-mailed, printed or provided on a CD.

- 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.

We encourage you to submit your annual report online at www.sao.wa.gov. Our Online Filing system will allow you to upload all your completed Schedules, but will not accept your attachments this year. Your attachments should be e-mailed to assessments@sao.wa.gov or sent to Local Government Support Team, State Auditor's Office, PO Box 40031, Olympia WA 98504-0031. All attachments should have a heading with the government's MCAG number, entity name, and fiscal year. E-mails must contain the government's MCAG number and name on the subject line.

If you have further questions on the annual report, please contact our HelpDesk at (360) 725-5592 or complete a Client HelpDesk request on our web page at www.sao.wa.gov under the *Client Support* tab.

Question 1 Enter the total revenue of the government for the year excluding any proceeds of debt or transfers between funds. Revenue is defined as an increase in financial resources (e.g., taxes, grants, assessments, interest etc.) and does not include debt proceeds or transfers. Revenue recorded on line 1 should match total revenues reported by source on Schedule 04.

Question 2 Enter the total proceeds of any loans, debt issuances, registered warrants, vender financing and lines of credit received during the year. This amount should not include funds reported as revenue in question 1 above. Debt reported on line 2 should match additions to debt reported on Schedule 09.

Attachments

Please provide the following information:

Changes in Operations
Describe any major changes that occurred for the government during the fiscal year. For example, a major change may be new or discontinued programs, new grants or contracts, significant construction or other projects, major increases or decreases in activity, etc.

Pending Litigation
Describe any pending or threatened lawsuits the government 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.

Minutes
RCW 42.32.030 requires "minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection."

Attach copies of the official minutes, all resolutions and/or ordinances for all meetings of the governing body held during the fiscal year. As stated above, attachments may be photocopies or electronic documents saved on a CD. If minutes and resolutions/ordinances are available on the government's website, no attachments are needed; just indicate the web address where the minutes can be found. Provide an explanation of any circumstances where minutes were not taken or are otherwise not available.

Billed and Received Revenues
List and describe all types of revenues received directly by the government. Many small entities do not bill or receipt any revenues directly but 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 reported.

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	How much revenue was received during the fiscal year: *$4,000* Are receipts or statements given for revenue received? *no* How often are receipts deposited? *weekly* Are receipts reconciled to deposits by someone who does not handle cash? *deposits reconciled by the board chair on a monthly basis*
Water charges	How much revenue was received during the fiscal year: *$46,217* Are receipts or statements given for revenue received? *yes, monthly statements* How often are receipts deposited? *weekly* Are receipts reconciled to deposits by someone who does not handle cash? *yes, by the board chair on a monthly basis*

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

See the accounting section of the BARS Manual for detailed guidance on cash receipting.

Disbursements
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.

Receipting Policy
Every government that receives cash or checks should have a written policy/procedure that directs staff how to process receipts when received either over the counter, through the mail or in a drop box. The policy should address receipting, securing receipts, depositing and accounting for receipts.

Major purchases
Attach a list all major construction projects or purchases of materials, equipment or supplies occurring during the year. For each of these projects or purchases, note the total amount expended and briefly describe the procurement process.

For example:

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.)
Construction of back parking lot for Greenway fire station	$13,540	Five 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 applicable bid thresholds, you can check the Municipal Research and Services Center of Washington (MRSC) website at www.mrsc.org/Subjects/PubWorks/pb/pbintro.aspx.

Board Members
Attach a listing of all board members holding office during the year. List 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

Employees and Volunteers
Attach a listing of the name and position title of all employees, including both paid and volunteer staff in full or part time positions.

Cash and Investments
Attach a listing of all cash and investments held during the year. Enter a description and the ending balance for each account or investment. For money held by the county, the balance should be the totals 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 654: Fire #7 Expense	$64,940
County Fund 655: Fire #7 EMS	$7,663
County Fund 657: Fire #7 2006 LTGO Bond	$13,658
Onsite: Petty Cash	$300
Bank of the West: Checking	$5,654
Bank of the West: Imprest Fund - closed	$0
Bank of America: Imprest Fund	$546

Rates and Fees
As applicable, attach official rate and fee schedule(s) in place during the fiscal year for any revenues billed or received directly.

Conflict of Interest
List of all goods and services purchased from governing body members or business they had an interest in during the fiscal year.

Accounts Receivable
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.

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

Representations

These refer to the information provided in the annual report, including this schedule, and any attachments. The representations should be signed by the person completing it and by a member of the governing body.

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 drafted this schedule, 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 our HelpDesk at (360) 725-5592 or complete a Client HelpDesk request on our web page at www.sao.wa.gov under the *Client Support* tab to discuss it.

Submission

We encourage you to submit your annual report online at www.sao.wa.gov. Our Online Filing system will allow you to upload all your completed schedules, but will not accept your attachments this year. Your attachments should be e-mailed to assessments@sao.wa.gov or sent to Local Government Support Team, State Auditor's Office, PO Box 40031, Olympia WA 98504-0031. All attachments should have a heading with the government's MCAG number, entity name, and fiscal year. E-mails must contain the government's MCAG number and name on the subject line.

SCHEDULE 22 – ANNUAL QUESTIONNAIRE FOR ACCOUNTABILITY AUDIT

Government Name: _____

MCAG: **Government's Year Ended:** _____

Reference	Question	Answer
	1. Total revenues (taxes, grants, assessments) for fiscal year.	**$**
	2. Total financing funds (loans, bonds, credit lines) for fiscal year.	**$**
CASH AND INVESTMENTS		
BARS	3. Are county treasurer reports or government treasurer reports reviewed by the governing body at least monthly?	☐ Yes ☐ No
BARS	4. Are original bank statements and reconciliations reviewed by someone who does not have access to write checks, prepare vouchers or make electronic fund transfers?	☐ Yes ☐ No
BARS	5. Are all bank accounts in the name of the government?	☐ Yes ☐ No ☐ NA
BARS	6. Are all authorized signers on the bank accounts current?	☐ Yes ☐ No
Best Practice	7. Are all inactive accounts closed?	☐ Yes ☐ No ☐ NA
Chapter 39.58 RCW	8. Are all accounts with financial institutions approved by the Public Depository Commission?	☐ Yes ☐ No ☐ NA
REVENUE		
Best Practice	9. Does the governing body approve a yearly budget which details expected revenue sources?	☐ Yes ☐ No
BARS	10. Does the governing body review the yearly budget at the close of the fiscal year and examine revenues that are less than expected?	☐ Yes ☐ No
Best Practice	11. Does the government have a billing/cash handling policy? Attach if *yes*	☐ Yes ☐ No ☐ NA
BARS	12. Is money received recorded in a pre-printed receipt book with the government's name printed on it?	☐ Yes ☐ No ☐ NA
BARS	13. Is the mode of payment noted on the receipt (cash, check, EFT, direct deposit)?	☐ Yes ☐ No ☐ NA
Best Practice	14. Are receipts regularly reconciled to deposits by a person with no cash handling responsibilities?	☐ Yes ☐ No ☐ NA
RCW 43.09.240	15. For governments that do not have an exemption from their county treasurer, are deposits made within 24 hours of receipt?	☐ Yes ☐ No ☐ NA
BARS	16. Are deposits secured in a sealed bag or similar secure containers until deposited?	☐ Yes ☐ No ☐ NA
Best Practice	17. Are deposits made by someone other than the person who receipted the money?	☐ Yes ☐ No ☐ NA
Best Practice	18. Is cash on hand physically secured to prevent unauthorized access?	☐ Yes ☐ No ☐ NA

Best Practice	19. Are all rates and fees established and updated by approved ordinance or resolution? Attach the rate and fee schedule(s) in effect during the fiscal year for all revenues billed or receipted by the government.	☐ Yes ☐ No ☐ NA
RCW 43.09.230	20. Where any types of revenues billed or received directly by the government, rather than through the county? Attach a list of all revenues types billed or not received through the county and the amount for each revenue type.	☐ Yes ☐ No
Best Practice	21. Does the government provide aged account receivable listings to the governing body on a regular basis? Attach yearend report.	☐ Yes ☐ No ☐ NA
RCW 43.09.230	22. Did the government write off any accounts receivable during the year? Attach list.	☐ Yes ☐ No ☐ NA
Best Practice	20. Were all account receivable write-offs approved by vote at a public meeting?	☐ Yes ☐ No ☐ NA
BARS	23. If sales tax was collected, was it remitted to the Department of Revenue?	☐ Yes ☐ No ☐ NA
EXPENDITURES		
BARS and RCW 42.24.080	24. Are all expenditures reviewed and certified by the auditing officer and approved by the governing body prior to payment?	☐ Yes ☐ No
BARS and RCW 42.24.180	25. Were conditions of RCW 42.24.180 met for any expenditure made prior to approval by the governing body?	☐ Yes ☐ No ☐ NA
RCW 39.04	26. Has the government established a written policy for procurement of public works and purchases of equipment, materials and supplies?	☐ Yes ☐ No ☐ NA
Best Practice	27. Are procedures in place to check payroll payments to supporting documents?	☐ Yes ☐ No ☐ NA
Best Practice	28. Are reports showing leave accruals, usage and the balance periodically reported and reviewed for reasonableness by the governing body?	☐ Yes ☐ No ☐ NA
Best Practice	29. Does the government have a policy defining leave accruals, usage and required approvals?	☐ Yes ☐ No ☐ NA
State and Federal Payroll Laws	30. Are all persons providing services to the government compensated through the payroll system with the exception of licensed and bonded contractors?	☐ Yes ☐ No ☐ NA
L&I	31. Does the government confirm all contractor license information with the Departments of Revenue and Labor and Industries for validity?	☐ Yes ☐ No ☐ NA
L&I	32. Were quarterly payments filed with the Department of Labor and Industries and match payroll records?	☐ Yes ☐ No ☐ NA
ESD	33. Was unemployment insurance paid for all employees to Employment Security Department and payments match payroll records?	☐ Yes ☐ No ☐ NA
IRS	34. Were employer share and withheld payroll taxes and remitted to the Internal Revenue Service and match payroll records?	☐ Yes ☐ No ☐ NA
Best Practice	35. If the government acts as its own treasurer, does the governing body review a check register at every meeting?	☐ Yes ☐ No ☐ NA
Best Practice	36. If the county acts as the government's treasurer, does the governing body review a county treasurer warrant register report at every meeting?	☐ Yes ☐ No ☐ NA

BARS	37. Are all checks accounted for (including unused/voided/cancelled checks)?	☐ Yes ☐ No ☐ NA
Best Practice	38. Are voided checks physically altered and available for inspection?	☐ Yes ☐ No ☐ NA
BARS	39. Are checks always completed before they are signed?	☐ Yes ☐ No ☐ NA
Best Practice	40. Is at least one signature on each check or voucher a governing body member's?	☐ Yes ☐ No ☐ NA
RCW 40.14.070	41. Are cancelled checks retained 6 years per state records retention laws?	☐ Yes ☐ No ☐ NA
BARS	42. Is the check register up-to-date and balanced at least monthly?	☐ Yes ☐ No ☐ NA
Best Practice	43. Are unexpected and unusual payees analyzed at each governing body meeting?	☐ Yes ☐ No ☐ NA
BARS	44. Does the government have a travel reimbursement policy for governing body members and employees?	☐ Yes ☐ No ☐ NA
BARS	45. If cell phones are provided to employees, are there written policies and procedures for personal usage and monitored?	☐ Yes ☐ No ☐ NA
BARS	46. If vehicles are provided to employees, are there written policies and procedures for personal usage?	☐ Yes ☐ No ☐ NA
Best Practice	47. If vehicles are provided to employees, are vehicle mileage logs checked for reasonable fuel consumption?	☐ Yes ☐ No ☐ NA
PROCUREMENT CARDS		
RCW 43.09.230	48. How many credit or procurement cards does the government currently have?	_____
RCW 43.09.2855 BARS	49. Does the government have written policies and procedures for appropriate use of credit or procurement cards?	☐ Yes ☐ No ☐ NA
Best Practice	50. Do all cards show the name of the government on them?	☐ Yes ☐ No ☐ NA
Best Practice	51. Are original receipts filed with the government for all card purchases?	☐ Yes ☐ No ☐ NA
Best Practice	52. Are credit card account activities reviewed by the governing body for reasonableness?	☐ Yes ☐ No ☐ NA
PETTY CASH AND IMPREST ACCOUNTS		
BARS	53. Does your government use any petty cash or imprest accounts? (If no, mark "NA" for questions 53 to 62.)	☐ Yes ☐ No
BARS	54. Is there a governing body resolution on file that authorizes each petty cash or imprest account and the authorized amount?	☐ Yes ☐ No ☐ NA
BARS	55. Are the authorized amounts of petty cash and imprest accounts limited to less than one month's salary or the surety bond covering the custodian?	☐ Yes ☐ No ☐ NA
BARS	56. Is petty cash and/or the imprest fund checkbook physically secured to prevent unauthorized access?	☐ Yes ☐ No ☐ NA
RCW 43.09.200	57. Are petty cash and imprest fund expenditures supported by a list detailing the amount, date, description and purpose of each expenditure and by supporting documentation such as receipts and reviewed by the governing body?	☐ Yes ☐ No ☐ NA

BARS	58. Does the government have an appointed custodian for each petty cash and imprest account?	☐ Yes ☐ No ☐ NA
BARS	59. Is the amount in petty cash and imprest accounts reconciled to the authorized balance by someone other than the custodian at least monthly?	☐ Yes ☐ No ☐ NA
BARS	60. Are petty cash and imprest accounts replenished up to the authorized amount by warrant or check payable to the custodian at fiscal year end?	☐ Yes ☐ No ☐ NA
BARS	61. Upon all changes of the appointed custodian, is the fund reconciled to the approved balance and the results reported to the governing body?	☐ Yes ☐ No ☐ NA
SAFEGUARDING OF ASSETS		
Best Practice	62. Does the government have an asset management policy that includes small and attractive assets?	☐ Yes ☐ No
BARS	63. Does the government maintain an inventory listing of capital assets and small and attractive assets?	☐ Yes ☐ No
BARS	64. Does the government perform a periodic physical inventory of capital assets?	☐ Yes ☐ No
Best Practice	65. Does the government perform a periodic physical inventory of small and attractive assets?	☐ Yes ☐ No
Best Practice	66. Has the government reported any missing assets to police or insurance providers during the past year?	☐ Yes ☐ No
RCW 43.09.180	67. Has the government reported all known and suspected losses to the State Auditor's Office?	☐ Yes ☐ No ☐ NA
CONFLICT OF INTEREST		
RCW 42.23.030	68. Has the government done any business during the period with governing body members or with businesses that governing body members have a financial interest? If yes, attach a list of all goods and services including amounts.	☐ Yes ☐ No
Best Practice	69. Do government employees have any beneficial interest in contracts beyond what is allowed by statute?	☐ Yes ☐ No
Best Practice	70. Do any government employees supervise relatives?	☐ Yes ☐ No
Constitution Article VIII Section 7	71. Has the government loaned money to any individuals or groups?	☐ Yes ☐ No
FINANCIAL CONDITION		
Best Practice	72. Is the government currently involved in any lawsuits?	☐ Yes ☐ No
Best Practice	73. Did the government use any temporary financing sources (registered warrants, lines of credit, or short-term loans) during the course of the year?	☐ Yes ☐ No
RCW 43.09.230	74. Does the government have any significant obligation or potential liability not listed on Schedule 09?	☐ Yes ☐ No

OPEN PUBLIC MEETINGS AND RECORDS		
RCW 42.32.030	75. Are official minutes of all regular and special governing body meetings recorded and available for public inspection? Attach with resolutions to Annual Report.	☐ Yes ☐ No
RCW 42.30.020	76. Are all official actions, motions made, governing member discussions, audience comments, etc. recorded in the minutes?	☐ Yes ☐ No
RCW 42.30.080	77. Did the government comply with notification requirements for all special meetings held during the period?	☐ Yes ☐ No ☐ NA
RCW 42.30.020, .060	78. Were all official actions taken during an open public meeting with a quorum of governing body members present?	☐ Yes ☐ No
RCW 42.30.110	79. Were executive sessions only held for purposes allowed by law and recorded in the meeting minutes?	☐ Yes ☐ No ☐ NA
RCW 42.14.250-.348	80. Does the government have written procedures for handling public records requests?	☐ Yes ☐ No
RCW 40.14.070	81. Does the government preserve public records in compliance with public record laws?	☐ Yes ☐ No
OPERATIONS		
RCW 43.09.230	82. Does the government essentially operate the same as in prior years (no new programs or services)? If *no*, attach explanation.	☐ Yes ☐ No
RCW 43.09.230	83. Is the government currently free of any pending litigation? If no attach a description of any pending litigation the district is aware of.	☐ Yes ☐ No
Best Practice	84. Does the government have an approved policy manual in place that covers the government's operations?	☐ Yes ☐ No
Advised	85. Has the government addressed any findings, management letters, or recommendations made by the State Auditor's Office during the last audit?	☐ Yes ☐ No ☐ NA
BARS	86. Are all persons who handle public funds or sign checks bonded?	☐ Yes ☐ No
Best Practice	87. Are all outstanding loan balances reported to the governing body at least quarterly?	☐ Yes ☐ No ☐ NA
RCW 43.09.230	88. Does the government have an association or foundation associated with it?	☐ Yes ☐ No
ADDITIONAL QUESTIONS FOR CITIES		
RCW 43.09.230	89. Does the city a cemetery?	☐ Yes ☐ No
RCW 43.09.230	90. How does the city provide fire protection services?	City Dept. ☐ Fire Dist.contract ☐
RCW 43.09.230	91. Does the city administer any Local Improvement Districts (LIDs)?	☐ Yes ☐ No

ADDITIONAL QUESTIONS FOR WATER/SEWER DISTRICTS AND CITIES		
RCW 43.09.230	92. How many water hookups doe the district have?	Residential_____ Commercial_____ Vacant_____
RCW 43.09.230	93. How many sewer hookups does the district have?	Residential_____ Commercial_ _ Vacant_____
ADDITIONAL QUESTIONS FOR FIRE DISTIRCTS		
State Constitution	94. Does the district pay for the meals for family members at district banquets or dinners?	☐ Yes ☐ No
RCW 43.09.230	95. Does the district provide Emergency Medical Services?	☐ Yes ☐ No
RCW 43.09.230	96. Does the district bill for Emergency Medical Services?	☐ Yes ☐ No ☐ NA
RCW 43.09.230	97. If the district bills for Emergency Medical Services, does the district prepare the billings or contract for the billing?	☐ Prepare billings in house ☐ Contract for billing
RCW 43.09.230	98. Does the district provide any services other than basic fire protection and EMS?	☐ Yes ☐ No
REQUIRED ATTACHMENTS (see instructions for required details)		
RCW 43.09.230	Describe changes in operations; new or expanded services, mergers or contracted services. (Question 82)	☐ Attached
RCW 43.09.230	Attach a description of any pending litigation. (Question 83)	☐ Attached
RCW 43.09.230	Attach the meeting minutes and resolutions for **all** governing body meetings during the last year. (Question 75)	☐ Attached
RCW 43.09.230	Attach a list of all revenues types billed or received directly by the government during the year. (Question 20)	☐ Attached
RCW 43.09.230	Attach a detail list of all expenditures made during the year.	☐ Attached
RCW 43.09.230	Attach Cash Receipting Policy. If question 11 is *yes*.	☐ Attached
RCW 43.09.230	Attach a list of all major purchases and construction projects.	☐ Attached
RCW 43.09.230	Attach a listing of all governing body members, names of spouses, places of employment and all business interests of household members.	☐ Attached
RCW 43.09.230	Attach a list of **all** paid and volunteer employees of the government during the fiscal year.	☐ Attached
RCW 43.09.230	Attach a list of all bank saving and checking accounts and investments and their balance's at year end.	☐ Attached
RCW 43.09.230	Attach a list of rates and fees charged during the fiscal year. (Question 19)	☐ Attached
RCW 42.23.030(6)(e)	Attach a list of all goods and services purchased from governing body members or business they had an interest in during the fiscal year. (Question 68)	☐ Attached
RCW 43.09.230	Attach an aged list of all outstanding accounts receivable at fiscal year end. (Question 21)	☐ Attached
RCW 43.09.230	Attach a list of all accounts receivable written off or sent to collection during the fiscal year. (Question 22)	☐ Attached

We encourage you to submit your annual report online at www.sao.wa.gov. Our Online Filing system will allow you to upload all your completed schedules, but will not accept your attachments this year. Your attachments should be e-mailed to assessments@sao.wa.gov or sent to Local Government Support Team, State Auditor's Office, PO Box 40031, Olympia WA 98504-0031. All attachments should have a heading with the government's MCAG number, government name, and fiscal year. E-mails must contain the government's MCAG number and name on the subject line.

REPRESENTATIONS

I do hereby certify 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:

1. Information given in the annual report, including Schedule 22 and any attachments, is complete, true, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual.

2. We acknowledge and understand that management and the governing body are responsible for the design and implementation of policies and procedures to safeguard public resources and ensure compliance with applicable laws and regulations, including internal controls to prevent and detect fraud.

3. We acknowledge and understand that management and the governing body are responsible for complying with applicable state and local laws and regulations.

   The government has complied with contract provisions and state laws, with the following exceptions:

   _____
   _____
   _____
   _____
   _____
   _____
   _____
   _____

Preparer	Name:	Date:
Telephone Number:	e-mail:	
Governing Body Member	Name:	Date:
Telephone Number:	e-mail:	

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SAMPLE
TEXT
LINE NO. NOTES TO PREPARER .

GENERAL INSTRUCTIONS

The notes which follow are designed to illustrate the disclosures required for cash basis local governments. The SAMPLE TEXT pages contain the most common version of a note, the one that your government is most likely to use. The NOTES TO PREPARER pages contain instructions and comments on the SAMPLE TEXT. Your notes must reflect your accounting policies and must include disclosure in the areas listed as they relate to your entity's financial position.

DELETE THE NOTES THAT DO NOT APPLY AND ADD OTHERS THAT ARE NEEDED TO HELP A READER UNDERSTAND YOUR LOCAL GOVERNMENT'S FINANCIAL STATEMENTS.

Once you have compiled these notes so that they provide the necessary information about your government attach them immediately behind your financial statements.

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9 For *type of government* describe the legal formation of your government, such as *second-class city with a mayor-council form of government*.

10 For *major types of services*, summarize the functions that your government performs, such as:

> *Public safety, fire prevention, street improvement, parks and recreation, health and social services, and general administrative services. In addition, the (city/county/district) owns and operates a sewer system*.

21-47 Eliminate labels and descriptions of any funds that your government does not use.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The (city/county/district) reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting S*ystem (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The (official name of the government) was incorporated on (date) and operates under the laws of the state of Washington applicable to a (type of government). The (city/county/district) is a general purpose government and provides (list major types of services). The (city/county/district) uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the (city/county/district) are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The (city/county/district's) resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the (city/county/district):

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the (city/county/district). It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the (city/county/district).

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

1-26 Eliminate labels and descriptions of any funds that your government does not use.

34 Counties that elected under RCW 36.40.200 to allow appropriation account to remain open after the end of the fiscal year should include the following disclosure:

> *In accordance with state law, the (county) also recognize expenditures paid during (number of days) after the close of the fiscal year for claims incurred during the previous period.*

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the (city/county/district) on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the (city/county/district) in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that (city/county/district) holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the (city) also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
	The note is applicable only if the city/county/district is legally required to appropriate its expenditures. The data in the matrix should match the amounts in the city/county/district's budget document (i.e., ordinance, resolution, etc.).
3	List the funds for which your government adopts appropriated budgets.
4-5	If you adopt budgets on a level other than fund, list the funds and describe the level.
12	Present general fund budget on the department level only if your government legally approves the budget on that level. Also, if in any of your proprietary funds the budget is legally approved on a level lower than fund (e.g., activities, etc.) the government needs to present the budgeted information on that level.
14-17	Provide a description, including affected fund(s) and amount(s), of any material budget transfers or amendments during the fiscal year. If there are significant variances, provide an explanation.
23	Disclose any income from investments associated with one fund that is assigned to another fund. See Part 3, Chapter 10, Interpretation 22 for legal requirements related to interest diversion.

c. Budgets

The (city/county/districts) adopts (annual/biennial) appropriated budgets for _____ funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. (Annual/biennial) appropriations for these funds lapse at the fiscal year end.

(Annual/biennial) appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
……. Department	$	$	$
……. Department	$	$	$
……. Department	$	$	$
……. Department	$	$	$
Total General Fund	$	$	$
….. Fund	$	$	$
….. Fund	$	$	$
….. Fund	$	$	$

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the (city/county/district's) legislative body.

d. Cash

It is the (city/county/district's) policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds or (if not prorated, explain your unique circumstances).

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
4	If your government deposits are not entirely insured, disclose the amount that is uncollateralized.
10	If your government has used, held, or sold any derivatives or similar instruments during the period covered by the financial statements, disclose the nature of transactions, reason for entering into transaction, significant terms, fair value, associated debt, and exposure to credit risk, market risk, and legal risk. For more information see the GAAP BARS Manual.
30	Describe the type(s) of *Other Financing Sources or Uses*. Examples: Transfers-in Transfers-out Special assessment bonds proceeds Proceeds from refunding bonds Capital leases, etc.
34	Indicate whether you individually self-insure, individually purchase commercial insurance policies, participate as a member of a joint insurance pool, or use a combination of the above. Provide a sufficient amount of information (e.g., the type of coverages, type of funds to account for risk management activities, the expected annual claims, name of insurer, amount deductible, etc.) to inform the reader of your financial statements about the risk management activities of your entity. If your government is a member of a public entity risk pool, disclose where the reader can obtain the risk pool's financial statements.
39	If the city/county/district has any external or internal restrictions on fund balance, it should describe the nature and amounts of these reservations.

e. Deposits

The (city/county/district) deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

f. Investments See (Investment Note No.).

g. Derivatives and Similar Transactions

(No SAMPLE TEXT is provided because the circumstances are unique in each case. See Notes to Preparer.)

h. Capital Assets

Capital assets are long-lived assets of the (city/county/district) and are recorded as expenditures when purchased.

i. Compensated Absences

Vacation leave may be accumulated up to _____ days and is payable upon separation or retirement.

Sick leave may be accumulated (indefinitely or up to ____ hours). Upon separation or retirement employees (do or do not) receive payment for unused sick leave.

j. Long-Term Debt See (Long-Term Debt Note No.).

k. Other Financing Sources or Uses

The (city/county/district's) *Other Financing Sources or Uses* consist of _____.

l. Risk Management

(No SAMPLE TEXT is provided because the circumstances are unique in each case. See Notes to Preparer.)

m. Reserved Fund Balance

(No SAMPLE TEXT is provided because the circumstances are unique in each case. See Notes to Preparer.)

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
3	Disclose any material legal or contractual violations and steps taken to resolve them. If there are major lawsuits pending against your government or material disputed contracts, specific disclosure of the issues and the present status of each case (including the range of possible loss, if estimable) is required. For an outstanding amount of claims and judgments see the accompanying Schedule of Liabilities (09).
5	If government's expenditures exceed appropriations or there is a deficit in fund balance, disclose the fund (department/program), amount, and reason.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the (city/county/district).

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
3-4	If investments are uninsured, unregistered and held by the counterpart's trust department or agency in the government's name, disclose the circumstances.
6	The investments may be presented at cost, fair market value, etc.
8	List all investments (including invested surplus of cash). Do not include investments in real property.
11	Column 1 should also include investments accounted for in governmental (including permanent) and proprietary funds. Column 2 should include all the investments accounted for in agency, private-purpose, pension and investment funds.

NOTE 3 - INVESTMENTS

The (city/county/district's) investments are either insured, registered or held by the (city/county/district) or its agent in the (city/county/district's) name.

Investments are presented at _____.

Investments by type at December 31, 20__ are as follows:

Type of Investment	① (City/county/district's) **own** investments	② Investments held by (city/ county/ district) as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	$_____	$_____	$_____
U.S. Government Securities	_____	_____	_____
Other:_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	$_____	$_____	$_____

If your government has any special levies, they should be disclosed separately. For example:

> *In 20_, the (city/county/district) levied also $____ per $1,000 for (give purpose) for a total additional levy of $____.*

Counties should add the following paragraph and should supplement the note with disclosure of any "diverted road levy" as authorized by RCW 84.52.043(1)(d).

> *The county is also authorized to levy $2.25 per $1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy for 20__ was $____ per $1,000 on an assessed valuation of $____ for a total road levy of $____.*

NOTE 4 - PROPERTY TAX

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed (at/after) the end of each month.

Property tax revenues are recognized when cash is received by (city/county/district). Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The (city/county/district's) regular levy for the year 20__ was $_____ per $1,000 on an assessed valuation of $_____ for a total regular levy of $_____.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 20___:

Borrowing Fund	Lending Fund	Balance 1/1/20	New Loans	Repayments	Balance 12/31/20
		$_____	$_____	$_____	$_____
		_____	_____	_____	_____
	TOTALS	$_____	$_____	$_____	$_____

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
11	Include debt payment for the fiscal year being reported.
18	Use five year increments thereafter.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the (city/county/district) and summarizes the (city/county/district's) debt transactions for (fiscal year being reported). The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
20____	$	$	$	$
20____				
20____				
20____				
20____				
20____				
20_ - 20_				
	_____	_____	_____	_____
TOTALS	$_____	$_____	$_____	$_____

SAMPLE
TEXT
LINE NO. NOTES TO PREPARER .

If the government administers its own pension system, include the following:

Local Government Pension System

The (city/county/district) is also the administrator of a pension retirement system called _____. The system is shown as a trust fund in the financial statements of the (city/county/district). As of (date), there were a total of ____ individuals covered by this system of which ____ were currently still employed and ____ were drawing benefits.

The most recent actuarial review of the system was done by (name of firm) to determine the funding requirements as of (date of actuarial study). As of this date, the market value of assets was $_____ and the actuarial present value of future benefits was $_____ leaving an unfunded pension benefit obligation of $_____.

NOTE 7 - PENSION PLANS

Substantially all (city/county/district's) full-time and qualifying part-time employees participate in (list the type(s) of plan(s)) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the (city/county/district's) financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Disclose any additional information that your government believes may be important to the user of its financial statements, for example:

- Corrections of material errors in previous years. A disclosure should be made describing any significant transactions recorded as prior year(s) corrections in the BARS account 388.80.

- Significant transactions with related parties. A related party is a person or organization that either has the ability to influence the policies of the government (e.g., an elected official), is subject to significant influence by the government (e.g., a housing authority's board is appointed by the creating city or county which therefore has the ability to significantly influence the policies of the authority) or when another party has the ability to influence the policies of both the government and the related party (e.g., an organization that has a board member or executive that is also an executive or board member of the government).

- Extraordinary events with a significant effect on reported cash transactions. The disclosure should describe the event and its impact on cash transactions. Extraordinary means both unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to the ordinary and typical activities of the entity) and infrequent in occurrence (not reasonably expected to recur in the foreseeable future). For example, this may include a natural disaster, discontinuance of a major program or merger with another government.

- Subsequent events occurring after the end of period but before issuance of the statements that have a significant financial impact (e.g., issuance of new debt, settlement of major litigation, or an extraordinary event occurring after the end of the period).

- Component units or joint ventures. Component units and joint ventures are any legally separate organization that the government either controls (e.g., because it appoints a voting majority of the board) or holds an ongoing financial interest (e.g., equity interest) or has an ongoing financial responsibility (e.g., government is obligated in some manner for the debts of the organization). The notes should describe the venture and the nature of the relationship with the government.

- Any commitments, obligations (e.g., OPEB, pollution remediation, etc.) which impose restrictions on the future use of financial resources.

  OPEB
  The (city/county/district) has a commitment to pay for post employment benefits for employees that belong to (list groups, i.e. LEOFF1, PEBB, etc.). These benefits include (list benefits, i.e. medical, vision, nursing care, etc.). (Number) retirees received benefits during the year and (amount) was paid out for those benefits during the year.

  Pollution Remediation
  List clean-up site(s) and type of contamination. Examples:

  The (city/county/district's) airport was found to have pesticide residue from previous agricultural activities.
  The (city/county/district) has ground contaminated with oil from oil storage tanks.

OTHER DISCLOSURES

(See Notes to Preparer.)

List clean-up action(s). Examples:

The (city/county/district) is working with the Washington State Department of Ecology to clean up the site.
No clean-up action is required at this time.

List amount, if any, paid during the year for clean-up.

- Any other items you may consider significant.

CASH BASIS - LOCAL GOVERNMENTS
MATRIX OF REPORTING REQUIREMENTS

(A) Governmental Fund Types (000, 100, 200, 300 and 700) and Proprietary Funds (400 and 500)
(B) Fiduciary Funds (600-699): Trust and Agency (including Claims and Payroll Clearing) Funds

Statement/ Schedule No.	Statements/Schedules Title	(A) Governmental and Proprietary Funds	(B) Fiduciary: Trust and Agency (excluding Claims and Payroll Clearing) Funds
C-4	Fund Resources and Uses Arising from Cash Transactions	Prepare for general[1] and all other governmental and proprietary funds.[1/]	N/A
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	N/A	Prepare for all trust and agency funds. Exclude claims and payroll clearing funds and special purpose districts from this presentation.
C-1	Statement of Activities Arising from Cash Transactions	Prepared only by proprietary special purpose districts. Prepare this statement for all activities.	
	Notes to Financial Statements	Prepare one set for the entity as a whole.	
04/05	Revenues and Expenditures/Expenses	Prepare for each fund.	N/A
07	Disbursement Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
09	Liabilities	Prepare one schedule for all types of short and long-term debt and liabilities.	
10	Limitation of Indebtedness	Prepare one schedule for the entity as a whole.	
11	Cash Activity	Prepare one schedule for the entity as a whole. List all funds. Where applicable, include special purpose districts.	
16	Expenditures of Federal Awards and State/Local Financial Assistance	Prepare separate schedules for federal and state/local grants. Include all grants.	
17	Public Works	Prepare one schedule for the entity as a whole.	
19	Labor Relations Consultant(s)	Prepare one schedule for each consultant.	
20	Sales and Use Tax for Public Facilities – Rural Counties (Counties Only)	Prepare one schedule for the county as a whole.	
21	Risk Management	Prepare one schedule for the entity as a whole.	
22	Annual Questionnaire for Accountability Audit	Prepare one schedule for the entity as a whole if annual revenues are usually less than $300,000.	

[1] There should be only one general fund. Also, if the local government accounts for the debt and capital projects related to proprietary activities in funds other than proprietary, these activities should be incorporated in the appropriate proprietary fund.

Proprietary special purpose districts should prepare statement C-1 in lieu of statements C-4 and C-5.

Chapter 5. Proprietary Special Purpose Districts

Cash basis proprietary special purpose districts should use this format of the operating statement for their annual financial statements. (This format is not applicable to proprietary funds of cities and counties.)

Instructions:

① Include all receipts generated from operations of your district. The majority of these revenues should come from fees charged to the customers purchasing district's goods or services.
② Include all applicable disbursements related to operating receipts.
③ Subtract operating disbursements from operating receipts.
④ List all receipts not directly related to the district's operations.
⑤ Add all nonoperating receipts.
⑥ List all disbursements not directly related to the district's operations.
⑦ Add all nonoperating disbursements.
⑧ Add (subtract) line ⑤ and subtract line ⑦ to/from line ③.
⑨ Include beginning balance of cash and investments. This amount should equal the ending balance of cash and investments from prior fiscal year. If there is a discrepancy, explain it in the notes to financial statements.
⑩ Add lines ⑧ and ⑨.

The statement must contain a footnote directing the reader to the accompanying notes to financial statements. The district needs to disclose only applicable information and provide additional disclosure if necessary. The notes should be attached immediately after financial statements.

The special purpose district should provide following supplemental schedules:

Schedule 09	See Part 4, Chapter 3
Schedule 16	See Part 4, Chapter 3
Schedule 19	See Part 4, Chapter 3
Schedule 21	See Part 4, Chapter 3
Schedule 22	See Part 4, Chapter 3

Schedule 09 and 16 are required only if applicable (i.e., when the district has an outstanding debt or received grants during reported year). Schedule 19 is required regardless if a district did or did not hire a labor relation consultant.

MCAG No. _____ **Statement C-1**

(DISTRICT)

STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 20_

OPERATING RECEIPTS①	
_____	$_____
_____	_____
_____	_____
_____	_____
Total Operating Receipts	_____
OPERATING DISBURSEMENTS②	
_____	_____
_____	_____
_____	_____
_____	_____
Total Operating Disbursements	_____
Operating Income (Loss) ③	_____
NONOPERATING RECEIPTS ④	
Interest Income	_____
Tax	_____
Sale of Capital Assets	_____
Long-Term Debt Proceeds	_____
Capital Contributions	_____
Gain on Investment	_____
Other Nonoperating Receipts	_____
_____	_____
Total Nonoperating Receipts ⑤	_____
NONOPERATING DISBURSEMENTS ⑥	
Purchase of Capital Assets	_____
Long-Term Debt Payments - Principal	_____
Long-Term Debt Payments - Interest	_____
Loss on Investments	_____
Other Nonoperating Disbursements	_____
_____	_____
Total Nonoperating Disbursements ⑦	_____
Net Increase (Decrease) in Cash and Investments ⑧	_____
Beginning Balance of Cash and Investments ⑨	_____
ENDING BALANCE OF CASH AND INVESTMENTS ⑩	$_____

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The (district) is a _____ that provides (describe services) to the general public and is supported primarily through (e.g., service fees, etc.). The (district) was established on (date) and operates under (statutory authority) and other laws of the state of Washington applicable to the (district) type.

The (district) accounts and reports in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW and contained in the *Cash Basis Budgeting, Accounting and Reporting* (BARS) manual. This basis of accounting and reporting is other comprehensive basis of accounting (OCBOA) and it does not conform to generally accepted accounting principles (GAAP).

Revenues are recognized only when cash is received and expenses are recognized when paid. Purchases of capital assets are expensed during the year of acquisition. There is no allocation of depreciation expenses. Inventory is expensed when purchased.

Note 2. COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance related or contractual provisions[1].

Note 3. INVESTMENTS

The (district) investments are held by the _____ as its agent in **(**district's) name.

Investments by type at December 31, 20__ were as follows:

Type of Investment	Balance
_____	$_____
_____	_____
_____	_____
_____	_____
Total	$_____

[1] Disclose any material legal and contractual violations and steps taken to resolve them.

Note 4. LONG-TERM DEBT

The accompanying *Schedule of Liabilities* (09) provides a listing of the outstanding debt of the (district) and summarizes debt transactions for year 20__. The debt service requirements, including interest, are as follows:

	G.O. Bonds	Other Debt	Total Debt
20__	$	$	$
20__			
20__			
20__			
20__			
20__-20__	_____	_____	_____
Total	$_____	$_____	$_____

OTHER DISCLOSURES

Disclose any information that may be important to understand the district's financial statements (e.g., corrections of material errors in previous years, subsequent events, commitments, contingencies, litigations, etc.).

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BARS GLOSSARY OF ACCOUNTING TERMS

ABATEMENT. A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments, and service charges.

ACCOUNT NUMBER. See CODING.

ACCOUNTABILITY (ACCOUNTABLE). The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used.

ACCOUNTING PERIOD. A period at the end of which and for which financial statements are prepared. See also FISCAL PERIOD.

ACCOUNTING SYSTEM. The total structure of records and procedures designed to discover, record, classify, summarize and report information on the financial position and results of operations of a government or any of its funds or organizational components. See INTERNAL CONTROL.

ACCOUNTS RECEIVABLE (COURTS). Financial obligations owing on a superior court Legal Financial Obligation (LFO) or courts of limited jurisdiction costs, fines, penalties and restitution.

ACCRUAL BASIS. The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements. See FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.

ACCRUED EXPENSES. Expenses incurred but not due until a later date.

ACCRUED PAYABLES. Liability accounts reflecting costs incurred but not due until a later date.

ACTIVITY. A specific and distinguishable line of work performed by one or more organizational units of a government for the purpose of accomplishing a function for which the government is responsible. For example, *food inspection* is an activity performed in the discharge of the *health* function. The element portion of the BARS account code classifies activities.

ADMINISTRATIVE CONTROL. See INTERNAL CONTROL.

ADVANCE REFUNDING BONDS. Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advance refunding bonds are deposited with a trustee, invested in U.S. Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date and to pay interest on the bonds being refunded or the advance refunding bonds.

ADVERSE OPINION. An auditor's opinion stating that financial statements do not present fairly financial position, results of operations and (when applicable) cash flows in conformity with generally accepted accounting principles (GAAP).

AGENCY FUND. A fund used to account for assets held by a government as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by a county for a fire district. The funds may be used for suspense, clearing or custodial purposes. See the classification of funds in Part 3, Chapter 1.

AMORTIZATION. (1) Gradual reduction, redemption, or liquidation of the balance of an account according to a specified schedule of times and amounts. (2) Provision for the extinguishment of a debt by means of a debt service fund.

ANNUAL BUDGET. A budget applicable to a single fiscal year. See also BUDGET and OPERATING BUDGET.

ANNUITY. A series of equal money payments made at equal intervals during a designated period of time.

ANNUITY, AMOUNT OF. The total amount of money accumulated or paid during an annuity period. This total includes compound interest at a designated rate.

ANNUITY PERIOD. The designated length of time during which the amount of an annuity is accumulated or paid.

APPRAISE. To make an estimate of value, particularly of the value of property. If the property is valued for purposes of taxation, the less inclusive term *assess* is substituted for this term.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

APPROPRIATION BALANCE. See UNENCUMBERED APPROPRIATION and UNEXPENDED APPROPRIATION.

APPROPRIATION EXPENDITURE. An expenditure chargeable to an appropriation. Since virtually all expenditures of governments are chargeable to appropriations, the term EXPENDITURES by itself is widely and properly used.

APPROPRIATION LEDGER. A subsidiary ledger containing an account for each appropriation. Each account usually shows the amount originally appropriated, transfers to or from the appropriation, amounts charged against the appropriation, the net balance, and other related information.

APPROPRIATION ORDINANCE OR RESOLUTION. An ordinance or resolution by means of which appropriations are given legal effect. It is the method by which the expenditure side of the annual operating budget is enacted into law by the legislative body.

ASSESS. To value property officially for the purpose of taxation.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSESSMENT. (1) The process of making the official valuation of property for purposes of taxation. (2) The valuation placed upon property as a result of this process.

ASSESSMENT (COURTS). A monetary amount imposed by the court for a law violation.

ASSESSMENT ROLL. In the case of real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner are also usually shown. In the case of personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property and its assessed value.

ASSETS. Resources owned or held by a government which has monetary value.

ASSIGNED RESOURCES. Amounts that are constrained by the government's *intent* to be used for specific purposes, but that are neither restricted nor committed (excluding stabilization arrangements).

AUDIT. An examination to determine the accuracy and validity of records and reports or the conformity of procedures with established policies. See INTERNAL AUDIT, INDEPENDENT AUDIT, FINANCIAL AND COMPLIANCE AUDIT, PROGRAM COMPLIANCE AUDIT, SINGLE AUDIT, PERFORMANCE AUDIT, PRE-AUDIT and POST-AUDIT.

AUDIT PROGRAM. A detailed outline of work to be done and procedures to be followed in any given audit.

AUDIT REPORT. The report by an auditor furnished at the conclusion of internal audits, independent audits and investigations. As a rule, the report would include: (1) a statement of the scope of the audit; (2) explanatory comments or findings (if any) concerning exceptions by the auditor; (3) opinions; (4) financial statements and schedules; and (5) sometimes statistical tables, supplementary comments and recommendations.

AUDITED VOUCHER. A voucher which has been examined and approved for payment.

AUDITOR's OPINION. A statement signed by an auditor in which he or she states that he or she has examined the financial statements in accordance with generally accepted auditing standards (with exceptions, if any) and in which he or she expresses an opinion on the financial position and results of operations of some or all of the funds and account groups of the government as appropriate. See UNQUALIFIED OPINION, QUALIFIED OPINION and ADVERSE OPINION.

AUTHORITY. A government or public agency created to perform a single function or a restricted group of related activities. Usually such units are financed from service charges, fees, and tolls, but in some instances they also have taxing powers. An authority may be completely independent of other governments or partially dependent upon other governments for its creation, its financing, or the exercise of certain powers.

BAIL (COURTS). An amount of money determined by the judge and posted with the courts as security to ensure the defendant's appearance in court at a specific time.

BALANCE SHEET. The basic financial statement which discloses the assets, liabilities, and equities of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

BETTERMENT. An addition made to, or change made in, a capital asset which is expected to prolong its life or to increase its efficiency over and above that arising from maintenance. The cost of betterment is added to the book value of the asset. The term is sometimes applied to sidewalks, sewers, and highways, but it is preferable to designate these as IMPROVEMENTS. See also INFRASTRUCTURE.

BLENDING (BLENDED). The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.

BOND. A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

BOND ANTICIPATION NOTE. Short-term interest-bearing note issued by a government in anticipation of bond proceeds to be received at a later date. The note is retired from proceeds of the bonds to which it is related.

BOND (COURTS). An agreement by a party or third party to pay a certain sum of money if the defendant fails to appear in court.

BOND DISCOUNT. The excess of the face value of a bond over the price for which it is sold or acquired. The price does not include accrued interest at the date of sale or acquisition.

BOND ORDINANCE OR RESOLUTION. An ordinance or resolution authorizing a bond issue.

BOND PREMIUM. The excess of the price at which a bond is sold or acquired over its face value. The price does not include accrued interest at the date of sale or acquisition.

BONDED DEBT. That portion of indebtedness represented by outstanding bonds.

BONDS AUTHORIZED AND UNISSUED. Bonds which have been legally authorized but not issued and which can be issued and sold without further authorization. This term must not be confused with the term *legal debt margin*, which represents the difference between the legal debt limit of a government and the debt outstanding against it.

BONDS ISSUED. Bonds sold.

BOOKS OF ORIGINAL ENTRY. The record in which the various transactions are formally recorded for the first time, such as the cash journal, warrant register or general journal. Where electronic bookkeeping methods are used, it may happen that one transaction is recorded simultaneously in several records, one of which may be regarded as the book of original entry.

BOOK VALUE. Value as shown by books of account. In the case of assets which are subject to reduction by valuation allowances such as depreciation, *book value* refers to cost or stated value less the appropriate allowance. Sometimes a distinction is made between *gross book value* and *net book value*, the former designating value before deduction of related allowances and the latter after their deduction. In the absence of any modifier, however, the term *book value* means *net book value*.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term *budget* is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating body for adoption and sometimes the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is preliminary and tentative or whether it has been approved by the appropriating body. See ANNUAL BUDGET, CAPITAL BUDGET, CAPITAL PROGRAM, OPERATING BUDGET.

BUDGET DOCUMENT. The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of two parts. The first part contains a message from the budget-making authority, together with a summary of the proposed expenditures and the means of financing them. The second consists of schedules supporting the summary. These schedules show in detail the information as to the past years' actual revenues, expenditures, and other data used in making the estimates. In addition to the budget document, an appropriation ordinance or resolution and revenue and borrowing measures will be necessary to put the budget into effect.

BUDGET MESSAGE. A general discussion of the proposed budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an explanation of the principal budget items, an outline of the government's experience during the past period and its financial status at the time of the message, and recommendations regarding the financial policy for the coming period.

BUDGETARY ACCOUNTS. Accounts used to enter the formally adopted annual operating budget into the general ledger as part of the management control technique of formal budgetary integration.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

BUDGETARY EXPENDITURES. Same as EXPENDITURES.

CALLABLE BOND. A type of bond which permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

CAPITAL ASSETS. Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

CAPITAL BUDGET. A plan of proposed capital outlays and the means of financing them. See CAPITAL PROGRAM.

CAPITAL EXPENDITURES. See CAPITAL OUTLAYS.

CAPITAL GRANTS. External grants which are restricted by the grantor for the acquisition and/or construction of capital assets. Although the concept applies to all funds, the classification is used only in proprietary funds. See OPERATING GRANTS.

CAPITAL IMPROVEMENT PROGRAM. See CAPITAL PROGRAM.

CAPITAL OUTLAYS. Expenditures which result in the acquisition of or addition to capital assets.

CAPITAL PROGRAM. A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

CAPITAL PROJECTS FUND. Funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

CAPITAL RESOURCES. Resources of a fixed or permanent character, such as land and buildings, which cannot ordinarily be used to meet current expenditures.

CASH. An asset account reflecting currency, coin, checks, postal and express money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits. All cash must be accounted for as a part of the fund to which it belongs. Any restrictions or limitations as to its availability must be indicated in the records and statements. It is not necessary, however, to have a separate bank account for each fund unless required by law.

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH DISCOUNT. An allowance received or given if payment is completed within a stated period of time. This term is not to be confused with TRADE DISCOUNT.

CASH EQUIVALENT. Short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash, and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

CHARACTER CLASSIFICATION. Expenditure classification according to the time periods expenditures are presumed to benefit. The four groupings are: (1) current operating expenditures, presumed to benefit the current fiscal period; (2) debt service, presumed to benefit prior fiscal periods primarily, but also present and future periods; (3) capital outlays presumed to benefit the current and future fiscal periods; and (4) intergovernmental, where one government purchases from another government services not normally available from outside sources. See account definitions of objects in Part 1, Chapter 4.

CHECK. A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his or her order, or to bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that the latter is not necessarily payable on demand and may not be negotiable. It differs from a voucher in that the latter is not an order to pay. A voucher-check combines the distinguishing characteristics of a voucher and a check; it shows the propriety of a payment and is an order to pay.

CLEARING ACCOUNT. An account used to accumulate charges or credits that are to be allocated to other accounts later, or to accumulate a net difference for transfer to another account.

CLEARING FUND. See AGENCY FUND.

CODING. A system of numbering or otherwise designating accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used reveals quickly certain required information. The BARS numbers are an example of the coding of accounts. Other examples are the numbering of monthly recurring journal entries to indicate the month and the nature of the entry and the numbering of invoices or vouchers so that the number reveals the date of entry.

COMMITTED RESOURCES. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

COMMITMENTS. See ENCUMBRANCES.

CONSTRUCTION IN PROGRESS. A capital asset account reflecting the cost of construction work for projects not yet completed.

CONSUMPTION METHOD. The method under which inventories are recorded as expenditures when used. This method does not conform to most budget laws in Washington State. See PURCHASES METHOD.

CONTINGENT LIABILITIES. Items which may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. All contingent liabilities should be disclosed within the basic financial statements, including the notes thereto.

CONTINUING APPROPRIATION. An appropriation which, once established, is automatically renewed without further legislative action, period after period, until altered, revoked or expended.

CONTRIBUTION (COURTS). Payment required by the court to be paid to an established fund, i.e., interlocal drug fund.

CORRECTION OF ERRORS. See REFUND and INTERFUND TRANSACTIONS.

COST RECORDS. All ledgers, supporting records, schedules, reports, invoices, vouchers, and other records and documents reflecting the cost of projects, jobs, production centers, processes, operations, products, or services, or the cost of any of the component parts thereof.

COSTS (COURTS). Expenses incurred by the government in prosecuting a defendant. Costs, in criminal cases, may be imposed only on a convicted defendant and cannot include expenses inherent in providing a constitutionally guaranteed jury trial or expenditures in connection with the maintenance and operation of government agencies that must be made by the public irrespective of specific violations of law. In criminal cases, appropriate costs include: jury demand, witness, public defense, sheriff's service, court interpreter, collection agency and appellate costs. Costs in civil cases include an amount of money payable to the prevailing party by the losing party for the expense of prosecuting or defending the action; sometimes includes attorney's fees.

COUPON RATE. The interest rate specified on interest coupons attached to a bond, also called the nominal interest rate.

COVERAGE. The ratio of net revenue available for debt service to the average annual debt service requirements of an issue of revenue bonds. See NET REVENUES AVAILABLE FOR DEBT SERVICE.

CURRENT. A term which, applied to budgeting and accounting, designates the operations of the present fiscal period as opposed to past or future periods. It usually connotates items likely to be used up or converted into cash within one year.

CURRENT EXPENSE FUND. See GENERAL FUND.

CURRENT RESOURCES. Resources which can be used to meet current obligations and expenditures. Examples are current assets, estimated revenues of a particular period not yet realized, transfers from other funds authorized but not received, and in the case of certain funds, bonds authorized and unissued.

CUSTOMER DEPOSITS. A liability account used in an enterprise fund to reflect deposits made by customers as a prerequisite to receiving services and/or goods provided by the fund.

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, registered warrants, notes, contracts and accounts payable. See BOND, NOTE PAYABLE, REGISTERED WARRANT, LONG-TERM DEBT, GENERAL LONG-TERM DEBT and REVENUE BONDS.

DEBT LIMIT. The maximum amount of gross or net debt which is legally permitted.

DEBT SERVICE FUND. Funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

DEBT SERVICE REQUIREMENT. The amount of money required to pay interest on outstanding debt, serial maturities of principal for serial bonds, and required contributions to accumulate monies for future retirement of term bonds.

DEFEASANCE. The legal release of a debtor from being the primary obligor under the debt, either by the courts or by the creditor. Also referred to as a legal defeasance. See IN-SUBSTANCE DEFEASANCE.

DEFERRED REVENUE. Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, amounts that are measurable but not available are one example of deferred revenue.

DEFERRED SPECIAL ASSESSMENTS. Special assessments which have been levied but which are not due within one year.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period; or, in the case of proprietary funds, the excess of expense over income during an accounting period.

DELINQUENT SPECIAL ASSESSMENTS. Special assessments remaining unpaid on and after the date on which a penalty for nonpayment is attached.

DEPARTMENT. See ORGANIZATION UNIT CLASSIFICATION.

DELINQUENT TAXES. Taxes remaining unpaid on and after the date on which a penalty for nonpayment is attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or cancelled, the unpaid balances continue to be delinquent taxes until abated, cancelled, paid, or converted into tax liens.

DEPLETION. (1) The reduction in quantity of a natural resource (wasting asset), such as coal, standing timber, or a rock quarry. (2) The portion of the cost of a wasting asset which is charged as an expense during a particular period. See AMORTIZATION, DEPRECIATION and WASTING ASSETS.

DEPOSIT. (1) Money or securities placed with a bank or other institution or with a person such as the county treasurer either as a general deposit subject to withdrawal by check or as a special deposit made for some specified purpose. (2) Sums deposited by customers for electric meters, water meters, etc., and by contractors and others to accompany and guarantee their bids.

DEPOSITARY. A person/entity entrusted with the safekeeping and depositing of assets.

DEPOSITORY. A place where assets are deposited for safekeeping.

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets. (2) The portion of the cost of a capital asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense. See DEPLETION and AMORTIZATION.

DIRECT CHARGES. See DIRECT EXPENSES.

DIRECT COSTS. See DIRECT EXPENSES.

DIRECT DEBT. The debt which a government has incurred in its own name or assumed through the annexation of territory or consolidation with another government. See OVERLAPPING DEBT.

DIRECT EXPENSES. Those expenses which can be charged directly as a part of the cost of a product, service, department, operating unit or activity, as distinguished from indirect costs (called *overhead*) which must be prorated among several products, services, departments, operating units or activities. See OVERHEAD.

DISBURSEMENTS. Payments in cash.

DISCLAIMER OF OPINION. A report stating that the auditor does not express an opinion on the financial statements. The disclaimer of opinion is appropriate when the auditor is not able to perform an examination sufficient in scope to enable him/her to form an opinion on the financial statements.

DOUBLE ENTRY. A system of bookkeeping which requires an entry to the debit side of an account or accounts for the corresponding amount or amounts of the entry to the credit side of another account or accounts.

EARNINGS. See INCOME.

EFFECTIVE INTEREST RATE. The rate of earning on an investment based on the actual price paid in contrast with the nominal interest rate. See PRESENT VALUE.

ELEMENT. The fourth digit of all BARS account numbers. See FUNCTION, ACTIVITY, and SOURCE.

ENCUMBRANCES. Commitments for unperformed (executory) contracts for goods or services.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

ENTITLEMENT. The amount of payment to which a state or local government is entitled as determined by the federal government pursuant to an allocation formula contained in applicable statutes.

EQUITY ACCOUNTS. Those accounts showing the excess of assets over liabilities in the fund.

EQUITY INTEREST. A financial interest in a joint venture evidenced by the ownership of shares of the joint venture's stock or by otherwise having an explicit, measurable right to the net resources of the joint venture that is usually based on an investment of financial or capital resources by a participating government.

EXAMINATION. See AUDIT.

EXPENDITURES. Decreases in net current assets. Expenditures include debt service, capital outlays, and those current operating costs which require the use of current assets.

The difference between expenditure and an expense is a difference in what is being measured. Expenditures measure current outlays (the flow of current resources) while expenses measure total costs (total resources used). For example, purchases of capital assets (buildings and equipment) and of inventories are expenditures at the date of purchase, because they cause the outflow or the tie-up of current assets. They are not expenses, however, until they are used or used up, because they are still a resource until consumed. Another example is depreciation, which is not expenditure because no current assets are used when depreciation is incurred, but which is an expense because it allocates the total cost as the depreciable capital asset is used. See MODIFIED ACCRUAL BASIS and MEASUREMENT FOCUS.

EXPENSES. Decreases in net total assets. Expenses represent the total cost of operations during a period regardless of the timing of related expenditures. See EXPENDITURES.

FACE VALUE. As applied to securities, this term designates the amount of liability stated in the security document.

FEE (COURTS). A charge established by law for certain services or privileges, such as a copying fee.

FIDELITY BOND. Insurance against losses from theft, defalcation and misappropriation of public monies by government officers and employees.

FIDUCIARY FUNDS. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds.

FILING FEE (COURTS). A charge specified in statute for filing an initial document in a case.

FINANCIAL ACCOUNTABILITY (FINANCIALLY ACCOUNTABLE). The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government.

FINANCIAL AND COMPLIANCE AUDIT. An examination leading to the expression of an opinion on (1) the fairness of presentation of the audited entity's basic financial statements in conformity with GAAP and (2) the audited entity's compliance with the various finance-related legal and contractual provisions used to assure acceptable governmental organizational performance and effective management stewardship.

FINANCIAL BENEFIT. Legal entitlement to, or the ability to otherwise access the resources of an organization.

FINANCIAL BURDEN. An obligation, legal or otherwise, to finance the deficits of, or provide financial support to, an organization; or an obligation in some manner or the debt of an organization.

FINANCIAL REPORTING ENTITY. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

FINANCIAL STATEMENTS. See BASIC FINANCIAL STATEMENTS.

FINE (COURTS). A monetary judgment, commonly imposed as a result of conviction for crimes or imposed by the court in a civil case for noncompliance with a court order.

FISCAL AGENT. A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FISCAL PERIOD. Any period at the end of which a government determines its financial position and results of its operations. See ACCOUNTING PERIOD.

FISCAL YEAR. A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and results of its operations.

FISCALLY INDEPENDENT/FISCALLY DEPENDENT GOVERNMENT. A government is fiscally independent if it can (a) determine its budget without another government having the substantive authority to approve and modify that budget, (b) levy taxes or set rates or charges without substantive approval by another government, and (c) issue bonded debt without substantive approval by another government. A government is fiscally dependent if it is unable to complete one or more of these procedures without the substantive approval of another government.

FIXTURES. Attachments to buildings which are not intended to be removed and which cannot be removed without damage to the buildings. Those fixtures with a useful life presumed to be as long as that of the building itself are considered a part of the building; all others are classified as equipment.

FLOW-THROUGH. See PASS-THROUGH RESOURCES.

FLOW OF CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. The measurement focus applied to governmental funds. Under it, only current assets and current liabilities are generally reported on their balance sheets, and their operating statements present *financial flow* information (revenues and expenditures). See MODIFIED ACCRUAL BASIS.

FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS. The measurement focus applied to proprietary funds, and fiduciary funds. All assets and all liabilities whether current or noncurrent are reported on their balance sheets and their operating statements present *economic resources* information (revenues and expenses).

FORCE ACCOUNT. See DAY LABOR.

FORFEITURE (COURTS). A penalty by which one loses rights and interest in property, whether because of commission of an offense or because of nonperformance of some obligation or duty.

FORMAL BUDGETARY INTEGRATION. The management control technique through which the annual operating budget is recorded in the general ledger through the use of budgetary accounts. It is intended to facilitate control over revenues and expenditures during the year.

FRANCHISE. A special privilege granted by a government permitting a monopoly or the continuing use of public property, such as city streets.

FULL FAITH AND CREDIT. A pledge of the general taxing power of a government for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds.

FUNCTION. A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible. For example, public health is a function. BARS accounts for functions at the Basub level. See SUBFUNCTION.

FUND. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND ACCOUNTS. All accounts necessary to set forth the financial position and results of operations of a fund.

FUND BALANCE. The fund equity of governmental funds.

FUNDED DEBT. Same as BONDED DEBT, which is the preferred term.

FUND TYPE. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds.

FUND SURPLUS. See FUND BALANCE. The use of the term *surplus* in governmental accounting is generally discouraged because it creates a potential for misleading inference.

GAAP. See GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

GAAS. See GENERALLY ACCEPTED AUDITING STANDARDS.

GENERAL FUND. Fund used to account for and report all financial resources not accounted for and reported in another fund.

GENERAL JOURNAL. A journal in which are entered all entries not recorded in special journals. See JOURNAL and SPECIAL JOURNAL.

GENERAL LEDGER. A book, file, or other device which contains the accounts needed to reflect the financial position and the results of operations of an entity. In double entry bookkeeping, the debits and credits in the general ledger are equal. Therefore, the debit balances equal the credit balances. See SUBSIDIARY LEDGER, CONTROL ACCOUNT, and SUBSIDIARY ACCOUNT.

GENERAL LONG-TERM DEBT. Long-term debt expected to be repaid from governmental funds. This includes special assessment debt for which the government is obligated in some manner, as defined in GASB Statement 6. See LONG-TERM DEBT.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS). Measures of the quality of the performance of auditing procedures and the objectives to be attained through their use. They are concerned with the auditor's professional qualities and with the judgment exercised in the performance of an audit. Generally accepted auditing standards have been prescribed by (1) the American Institute of Certified Public Accountants (AICPA) and (2) the U.S. General Accounting Office (GAO) in Standards for Audit of Governmental Organizations, Programs, Activities and Functions (the "Yellow Book").

GENERAL OBLIGATION BONDS. Bonds for the payment of which the full faith and credit of the issuing government are pledged.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The authoritative accounting and financial reporting standard-setting body for government entities.

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

GRANTS. External contributions or gifts of cash or other assets to be used or expended for a specified purpose, activity or facility. See also CAPITAL GRANTS, OPERATING GRANTS, and PASS-THROUGH RESOURCES.

GROUPED ASSETS. Very similar assets acquired at the same time that are treated as a single asset for depreciation purposes. Any gain or loss is deferred until the entire group has been retired. When a single asset is retired from the group its cost is removed from the asset account and sufficient amounts are removed from the *Accumulated Depreciation* account so that there is no gain or loss recognized.

IMPACT FEES. Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

IMPREST CASH ACCOUNT. An account into which a fixed amount of money or cash equivalent is placed for the purpose of making change or minor disbursements. Advance travel and similar checking accounts and stamp funds are included in this category. See PETTY CASH and prescribed procedures in Part 3, Chapter 3, Section C.

IMPOSITION OF WILL (IMPOSE ITS WILL). The ability to significantly influence the programs, projects, activities, or level of services performed or provided by an organization.

IMPROVEMENTS. Buildings, other structures, and other attachments or annexations to land which are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains and sewers. Sidewalks, curbing, sewers and highways are sometimes referred to as *betterments*, but the term *improvements* is preferred. See also INFRASTRUCTURE.

INCOME. A term in proprietary fund type accounting to represent (1) revenues or (2) the excess of revenues over expenses. See OPERATING INCOME, and NET INCOME.

INDEPENDENT AUDIT. An audit performed by an independent auditor.

INDIRECT COSTS. See OVERHEAD.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

IN-SUBSTANCE DEFEASANCE. An advance refunding in which the government is not legally released from being the primary obligor on the refunded bonds, but the possibility of the government having to make additional payments is considered remote. See ADVANCE REFUNDING BONDS.

INTERFUND ACCOUNTS. Accounts in which transfers between funds are reflected. See INTERFUND TRANSACTIONS.

INTERFUND LOANS. See INTERFUND TRANSACTIONS.

INTERFUND TRANSACTIONS. Interfund activity with and among the three fund categories (governmental. proprietary and fiduciary) should be classified and reported as follows:

a. *Reciprocal interfund activity* is the internal counterpart to exchange and exchange-like transactions. It includes:

   (1) *Interfund loans*-amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. This activity should not be reported as other financing sources or uses in the fund financial statements. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loans to the fund that received the loan. See accounting procedures in Part 3, Chapter 4, Section A.

(2) *Interfund services provided and used*-sales and purchases of goods and services between funds for a price approximating their external exchange value. (See BARS accounts 317, 329, 348-349 and 365-366.) Interfund services provided and used should be reported revenues in seller funds and expenditures or expenses in purchaser funds. However GASBS 10 requires that when general fund is used to account for risk financing activity, interfund charges to other funds should be accounted for as reimbursements. Unpaid amounts should be reported as interfund receivables and payable in the fund balance sheets or fund statements of net position.

b. *Nonreciprocal interfund activity* is the internal counterpart to nonexchange transactions. It includes:

(1) *Interfund transfers*-flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided. In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers should be reported after nonoperating revenue and expenses.

(2) *Interfund reimbursements*-repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements should not be displayed in the financial statements. See REIMBURSEMENTS.

INTERGOVERNMENTAL REVENUES. Revenues from other governments in the form of grants, entitlements, shared revenues or payments in lieu of taxes.

INTERIM BORROWING. Short-term loans to be repaid from general revenues during the course of a fiscal year.

INTERIM FINANCIAL STATEMENT. A financial statement prepared before the end of the current fiscal year and covering only financial transactions during the current year to date.

INTERNAL AUDIT. An appraisal activity within an organization for the review of operations as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls.

INTERNAL CONTROL. Internal control comprises the plan of organization, and all of the coordinate methods and measures adopted within a government to accomplish its objectives.

Administrative control includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the government and is the starting point for establishing accounting control of transactions.

Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

a. Transactions are executed in accordance with management's general or specific authorization.

b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.

c. Access to assets is permitted only in accordance with management's authorization.

d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The foregoing definitions are not necessarily mutually exclusive because some of the procedures and records comprehended in accounting control may also be involved in administrative control. See Part 3, Chapter 1, for internal control requirements.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost-reimbursement basis. See FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.

INTRAGOVERNMENTAL SERVICE FUND. See INTERNAL SERVICE FUND.

INVENTORY. A detailed list showing quantities, descriptions, and values of property and, frequently, units of measure and unit prices.

INVESTMENTS. Assets held for the production of revenues in the form of interest, dividends, rentals or lease payments. The term does not include capital assets used in governmental operations.

JOINT VENTURE. A legal entity or other organization that results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

JOINTLY GOVERNED ORGANIZATIONS. A regional government or other multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

JOURNAL. A book of original entry. Journals provide a chronological history of financial transactions and a systematic means by which the transactions can be distributed and summarized for convenient posting to ledger accounts. See GENERAL JOURNAL, SPECIAL JOURNAL and REGISTER.

JOURNAL VOUCHER. A voucher provided for the recording of certain transactions or information in place of or supplementary to the journals or registers. The journal voucher usually contains an entry or entries, explanations, references to documentary evidence supporting the entry or entries, and the signature or initials of one or more properly authorized officials.

JUDGMENT. An amount to be paid or collected by a government as the result of a court decision, including a condemnation award in payment for private property taken for public use.

LAPSE. As applied to appropriations, this term denotes the automatic termination of an appropriation. Except for continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEASEHOLD. The right to the use of real estate by virtue of a lease, usually for a specified term of years, for which consideration is paid.

LEASE-PURCHASE AGREEMENTS. Contractual agreements which are termed *leases*, but which in substance amount to purchase contracts.

LEDGER. A group of accounts in which are recorded the financial transactions of an entity. See GENERAL LEDGER and SUBSIDIARY LEDGER.

LEGAL DEBT LIMIT. See DEBT LIMIT.

LEGAL FINANCIAL OBLIGATION (LFO) (COURTS). A sum of money that is ordered by a superior court which may include restitution, crime victims' compensation, courts costs, county or interlocal drug funds, court appointed attorneys' fees, and costs of defense, fines, and any other obligation that is assessed as a result of a felony conviction.

LEVY. (Verb) To impose taxes, special assessments or service charges for the support of governmental activities. (Noun) The total amount of taxes, special assessments or service charges imposed by a government.

LIABILITIES. Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed or refunded at some future date. This term does not include encumbrances.

LOCAL IMPROVEMENT. See SPECIAL ASSESSMENT.

LONG-TERM DEBT. Debt with a maturity of more than one year after the date of issuance.

MAINTENANCE. Activities that ensure that the right-of-way and each type of roadway, roadway structure and facility remain, as nearly as practical, in its original, as constructed condition or its subsequent improved condition.

MEASUREMENT FOCUS. The accounting convention which determines (1) which assets and which liabilities are included on an entity's balance sheet and (2) whether its operating statement presents *financial flow* information (revenues and expenditures) or *capital maint*enance information (revenues and expenses). See FLOW OF CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS and FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.

MODIFIED ACCRUAL BASIS. The accrual basis of accounting adapted to the governmental fund type spending measurement focus. Under it, revenues are recognized when they become both *measurable* and *available to finance expenditures of the current period*. Expenditures are recognized when the related fund liability is incurred except for: (1) prepaid insurance and similar items which need not be reported; (2) accumulated unpaid vacation, sick pay and other employee benefit amounts which need not be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; and (3) principal and interest on long-term debt which are generally recognized when due. All governmental funds are accounted for using the modified accrual basis of accounting. See FLOW OF CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS.

MODIFIED CASH BASIS. Modified cash basis is the cash basis of accounting adjusted for Washington State statute. RCW 35.33.151 and RCW 35A.33.150 require cities to keep their books open in order to pay December bills by the following January 20. RCW 36.40.200 requires counties to keep their books open until January 30 in order to pay December bills and charge the prior-year budget.

MUNICIPAL BOND. A bond issued by a state or local government.

MUNICIPAL CORPORATION. A corporation established pursuant to state authorization for the purpose of providing governmental services and regulations for its inhabitants. A municipal corporation has defined boundaries and a population, and is usually organized with the consent of its residents. It usually has a seal and may sue and be sued. Cities and counties are examples of municipal corporations. See QUASI-MUNICIPAL CORPORATION and SPECIAL DISTRICT.

NET BOOK VALUE. See BOOK VALUE.

NET INCOME. Proprietary fund excess of operating revenues, nonoperating revenues, and transfers-in over operating expenses, nonoperating expenses and transfers-out.

NET PROFIT. See NET INCOME.

NET REVENUES. See NET INCOME.

NET REVENUES AVAILABLE FOR DEBT SERVICE. Proprietary fund gross operating revenues less operating and maintenance expenses but exclusive of depreciation and bond interest. *Net revenue available for debt service* as thus defined is used to compute *coverage* on revenue bond issues. See COVERAGE. Under the provisions of some revenue bond indentures, *net revenues available for debt service* for computation of revenue bond coverage must be computed on a cash basis rather than in conformity with GAAP.

NOMINAL INTEREST RATE. The contractual interest rate shown on the face and in the body of a bond and representing the amount of interest to be paid, in contrast to the effective interest rate.

NONOPERATING EXPENSES. Proprietary fund expenses which are not directly related to the fund's primary service activities.

NONOPERATING INCOME. See NONOPERATING REVENUES.

NONOPERATING PROPERTIES. Properties which are owned by an enterprise fund but which are not used in the provision of the fund's primary service activities.

NONOPERATING REVENUES. Proprietary fund revenues which are incidental to or by-products of, the fund's primary service activities.

NOTE PAYABLE. In general, an unconditional written promise signed by the maker to pay a certain sum in money on demand or at a fixed or determinable time either to the bearer or to the order of a person designated therein. See TEMPORARY LOANS.

NOTE RECEIVABLE. An unconditional written promise signed by the maker, to pay a certain sum in money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. The note may be held by the reporting governmental unit as designated payee or by endorsement.

NOTES TO THE FINANCIAL STATEMENTS. The summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements of an entity in conformity with GAAP which are not included on the face of the basic financial statements themselves. The notes to the financial statements are an integral part of the basic financial statements.

OBJECT. As used in expenditure classification, this term applies to the type of item purchased or the service obtained (as distinguished from the results obtained from expenditures). Examples are personal services, contractual services, and materials and supplies. See ACTIVITY, CHARACTER CLASSIFICATION, and FUNCTION.

OBLIGATIONS. Amounts which a government may be required legally to meet out of its resources. They include not only actual liabilities but also unliquidated encumbrances.

OBSOLESCENCE. The decrease in the value of capital assets resulting from economic, social, technological or legal changes.

OPERATING BUDGET. Plans of current expenditures and the proposed means of financing them. The annual operating budget (or, in the case of some state governments, the biennial operating budget) is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled. The use of annual operating budgets is usually required by law. Even where not required by law; however, annual operating budgets are essential to sound financial management and should be adopted by every government. See BUDGET.

OPERATING CAPACITY. The maximum performance, production or services possible under the limiting conditions of existing physical plant, labor force, method of production, etc.

OPERATING EXPENSES. Proprietary fund expenses which are directly related to the fund's primary service activities.

OPERATING GRANTS. External grants which are restricted by the grantor to operating purposes or which may be used for either capital or operating purposes at the discretion of the grantee. Although the concept applies in all funds, the classification is used only in proprietary funds. See also CAPITAL GRANTS and PASS-THROUGH RESOURCES.

OPERATING INCOME. The excess of proprietary fund operating revenues over operating expenses.

OPERATING REVENUES. Proprietary fund revenues which are directly related to the fund's primary service activities. They consist primarily of user charges for services.

OPERATING SUBSIDY. See OPERATING GRANTS.

OPERATING TRANSFERS. See INTERFUND TRANSFERS.

OPTIONAL BOND. See CALLABLE BOND.

ORGANIZATION UNIT CLASSIFICATION. Expenditure classification according to responsibility centers within a government's organization structure. Classification of expenditures by organization unit is essential to fixing stewardship responsibility for individual government resources.

OTHER FINANCING SOURCES. Governmental fund general long-term debt proceeds, transfers-in, and material proceeds of capital asset dispositions. Such amounts are classified separately from revenues.

OTHER FINANCING USES. Governmental fund transfers-out. Such amounts are classified separately from expenditures.

OUTLAYS. Synonymous with EXPENDITURES. See CAPITAL OUTLAYS.

OVERHEAD. All costs other than direct costs. Specifically, those elements of cost necessary to produce an article or perform a service for which the amount applicable to the product or service cannot be determined accurately or readily. Usually they relate to those objects of expenditure which do not become an integral part of the finished product or service such as rent, heat, light, supplies, management, supervision, etc.

OVERLAPPING DEBT. The proportionate share of the debts of other local governments located wholly or in part within the limits of the reporting government which must be borne by property within each government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction to total assessments receivable which will be used wholly or in part to pay off the debt. See DIRECT DEBT.

PASS-THROUGH RESOURCES. Resources that are received by a recipient government to transfer to or spend on behalf of a secondary recipient, government or otherwise, in accordance with legal or contractual provisions. See Part 3, Chapter 5, Section B for more information.

PAY-AS-YOU-GO BASIS. A term used to describe the financial policy of a government which finances all of its capital outlays from current revenues rather than by borrowing. A government which pays for some improvements from current revenues and others by borrowing is said to be on a partial or modified pay-as-you-go basis.

PENALTY (COURTS). Monetary amount imposed for commitment of an infraction.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUND. A trust fund used to account for public employee retirement systems. Pension trust funds are accounted for in essentially the same manner as proprietary funds, but with an important expanded emphasis on required fund balance reserves.

PERFORMANCE AUDIT. Examinations intended to assess (1) the economy and efficiency of the audited entity's operations and (2) program effectiveness - the extent to which program objectives are being attained. Performance audits are sometimes also referred to as operational audits.

PERMANENT FUNDS. A governmental fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry.

PERPETUAL INVENTORY. A system whereby the inventory of units of property at any date may be obtained directly from the records without resorting to an actual physical count. A record is provided for each item or group of items to be inventoried and is so divided as to provide a running record of goods ordered, received, and withdrawn, and the balance on hand, in units and frequently also in value.

PETTY CASH. A sum of money set aside on an imprest basis for the purpose of making change or paying small obligations for which the issuance of a formal voucher and warrant would be too expensive and time consuming. Petty cash accounts are sometimes referred to as petty cash *funds*. However, they are not *funds* in the sense of governmental accounting's fund types. Petty cash accounts should be reported as assets of the fund of ownership. See IMPREST CASH ACCOUNT.

PETTY CASH VOUCHER. A voucher used to record individual disbursements of petty cash. See IMPREST CASH ACCOUNT.

POOLED ASSETS. Similar internal service fund assets that are grouped together for the purpose of setting a rate to charge users of the assets.

POST-AUDIT. An examination of financial transactions that have been consummated or those in various stages of completion at the end of an accounting period. See PRE-AUDIT.

POSTING. The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.

PRE-AUDIT. An examination of financial transactions prior to their completion.

PREPAID ITEMS. An asset account reflecting charges entered in the accounts for benefits not yet received. Prepaid items differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operations. Examples of prepaid items are prepaid rent, prepaid interest and unexpired insurance premiums. An example of a deferred charge is unamortized discounts on bonds sold.

PRESERVATION. A specialized maintenance activity that serve to extend the originally estimated life of each type of roadway, roadway structure, and facility but do not increase its traffic flow capacity and efficiency.

PRESENT VALUE. The sum of future payments or receipts discounted to the current date at an appropriate rate of interest. Usually the present value can be considered equivalent to the cash price that would be paid for an item on delivery or the principal or face amount of an investment or debt exclusive of interest. However, when an item is purchased on credit and no interest rate is stated, or when an investment is bought or sold at a premium or discount, or when a debt is incurred and the cash proceeds are not the same as the face amount of the debt, computation of present value may be required. The rules and procedures are available in any current intermediate accounting text.

PRIMARY GOVERNMENT. A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments.

PRIVATE-PURPOSE TRUST FUNDS. A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations or other governments.

PROGRAM COMPLIANCE AUDIT. An examination leading to the expression of an opinion on the degree of the audited entity's compliance with requirements imposed by intergovernmental grantors and the audited entity's eligibility for grant monies.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

PUBLIC AUTHORITY. See AUTHORITY.

PUBLIC CORPORATION. See MUNICIPAL CORPORATION and QUASI-MUNICIPAL CORPORATION.

PURCHASE ORDER. A document which authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

PURCHASES METHOD. The method under which inventories are recorded as expenditures when acquired. See CONSUMPTION METHOD.

QUALIFIED OPINION. An auditor's opinion stating that *except for* the effect of the matter to which the qualification relates, the financial statements present fairly the financial position, results of operations and (when applicable) its cash flows in conformity with GAAP.

QUASI-MUNICIPAL CORPORATION. An agency established by the state primarily for the purpose of helping the state to carry out its functions. Some agencies ordinarily classified as quasi-municipal corporations have been granted the powers of municipal corporations by the state. See MUNICIPAL CORPORATION and SPECIAL DISTRICT.

RATE BASE. The value of utility property used in computing an authorized rate of return as authorized by law or a regulatory commission.

REBATES. See ABATEMENT or REFUND.

RECEIPTS. Cash received.

RECOUPMENT (COURTS). A recovery made from a convicted defendant for costs incurred by local government paid to third parties such as jurors, witnesses, interpreters, or attorneys.

REFUND. (Noun) The recovery of an item previously expensed or the repayment of an item previously recorded as revenue. Such refunds should be included in revenues, expenditures, or expenses of the current accounting period. (Verb) To pay back or allow credit for an amount because of an over collection or because of the return of an object sold. Such charges or credits should be made to the account where the original transaction was recorded. (Verb) To provide for the payment of an obligation through cash or credit secured by a new obligation.

REFUNDING BONDS. Bonds issued to retire bonds already outstanding. The refunding bonds may be sold for cash and outstanding bonds redeemed in cash, or the refunding bonds may be exchanged with holders of outstanding bonds. See ADVANCE REFUNDING BONDS.

REGISTER. A record for the consecutive entry of a certain class of events, documents or transactions, with proper notation of all the required particulars. The form of registers varies from a one-column to a multi-columnar sheet of special design whereon the entries are distributed, summarized, and aggregated for convenient posting to the accounts. See JOURNAL.

REGISTERED WARRANT. A warrant which is registered by the paying officer for future payment due to a present lack of monies and which is to be paid in the order of its registration. In some cases, such warrants are registered when issued; in others, when first presented to the paying officer by the holders. See WARRANT.

REIMBURSEMENTS. Reimbursements are transactions that reduce expenditures or expenses in the fund that is reimbursed. These transactions include refunds of expenditures, internal prorations of costs, and payments received for others' share of pooled purchases.

There is one major exception to this definition: frequently, internal service funds are created to account for cost prorations and purchasing. In those funds, cost prorations and payments for pooled purchases are treated as revenues rather than reimbursements.

Reimbursements do not include recoveries for damages, whether from insurance or from private sources, contractual payments from the state or from other local governments, or impact payments, or shared costs of providing services.

Examples of transactions that qualify as reimbursements include: The distribution of utility and telephone bills among the departments and funds of a government, after one department has paid the bill; similar allocations of insurance premiums and payrolls among various departments and funds; jury duty pay and disability pay returned to an employer; and rebates of part of an insurance premium.

Examples of transactions that should not be accounted for as reimbursements include: State payments for public health services, for expert witnesses, or for police salaries while attending criminal justice training; federal/state/interlocal payments for the care and custody of prisoners and for election costs; interlocal payments for data processing services, police/sheriff services, street maintenance, etc.; private payments for street repairs, culvert installations, weed control, demolition of dangerous property, etc., or payments received on subleases. See also INTERFUND TRANSACTIONS.

RELATED ORGANIZATION. An organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) even though the primary government appoints a voting majority of the organization's governing board.

REPORT OF EXAMINATION. See AUDIT REPORT.

REPURCHASE AGREEMENT. A generic term for an agreement in which a government entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities or for different securities.

REQUISITION. A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

RESERVE. (1) An account used to segregate a portion of fund balance to indicate that it is not available for expenditure; and (2) an account used to segregate a portion of fund equity as legally set aside for a specific future use.

RESERVE FOR UNCOLLECTED TAXES. This use of the term *reserve* is no longer acceptable under NCGA Statement 1. See DEFERRED REVENUES.

RESTITUTION (COURTS). A monetary amount ordered paid to a third party for loss or damage.

RESTRICTED ASSETS. Monies or other resources, the use of which is restricted by legal or contractual requirements. In governmental accounting, special treatments are applied to restricted assets arising out of revenue bond indentures in enterprise funds. These are sometimes also called restricted *funds* but such terminology is not preferred.

RESTRICTED RESOURCES. Resources which are subject to constraints that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

RETIREMENT FUND. See PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUND.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

REVENUE ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of revenues to be received at a later date. The note is retired from the revenues to which it is related.

REVOLVING FUND. (1) An internal service fund. (2) An imprest account which is accounted for as an asset of a fund.

SANCTION (COURTS). A monetary amount imposed by the court for noncompliance, usually imposed on the attorney rather than the party - not part of a judgment.

SCHEDULES. See SUPPORTING SCHEDULES.

SECURITIES. Bonds, notes, mortgages or other forms of negotiable or nonnegotiable instruments. See INVESTMENTS.

SEGMENT. An identifiable activity (or grouping of activities) required to be accounted for separately which is reported as or within an enterprise fund or other stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets and liabilities that can be identified.

SELF-SUPPORTING or LIQUIDATING DEBT. Debt obligations whose principal and interest are payable solely from the earnings of the enterprise for the construction or improvement of which they were originally issued. See REVENUE BONDS.

SERIAL BONDS. Bonds whose principal is repaid in periodic installments over the life of the issue.

SHARED REVENUES. Revenues levied by one government but shared on a predetermined basis, often in proportion to the amount collected at the local level, with another government or class of governments.

SHARED TAXES. See SHARED REVENUES.

SHORT-TERM DEBT. Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes contracts and accounts payable, bond anticipation notes, and interim warrants.

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1984 (as amended) and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies.

SINKING FUND. See DEBT SERVICE FUND.

SOURCE. The origin of revenues, not necessarily the payor.

SPECIAL ASSESSMENT. A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

SPECIAL ASSESSMENT BONDS. Bonds payable from the proceeds of special assessments. These bonds are payable only from the collections of special assessments, and occur in Local Improvement Districts (LIDs) and Road Improvement Districts (RIDs).

SPECIAL ASSESSMENT LIENS RECEIVABLE. Claims which a government has upon properties until special assessments levied against them have been paid. The term normally applies to those delinquent special assessments for the collection of which legal action has been taken through the filing of claims.

SPECIAL ASSESSMENT ROLL. The official list showing the amount of special assessments levied against each property presumed to be benefited by an improvement or service.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single governmental function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, school districts, transit authorities, port authorities, public utility districts and irrigation districts.

SPECIAL JOURNAL. A journal containing all entries of a particular type. Examples include cash receipts journals, cash disbursement journals, purchases journals, etc. See JOURNAL and GENERAL JOURNAL.

SPECIAL REVENUE FUND. Funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

SPENDING MEASUREMENT FOCUS. See FLOW OF CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS.

STATE-COLLECTED LOCALLY SHARED TAX. See SHARED REVENUES.

STATEMENTS. See BASIC FINANCIAL STATEMENTS.

SUBFUNCTION. A grouping of related activities within a particular governmental function. For example, *police* is a subfunction of the function *public safety*.

SUBOBJECT. The seventh digit of all BARS account numbers. The number assigned to identify revenues and expenditures/expenses according to the character and the type of items purchased/sold or services obtained/rendered.

SUBRECIPIENT. An entity that is a secondary or ultimate recipient of federal (grantor) financial assistance. These federal funds are distributed, under contract, by a state or local government (grantee) to the secondary recipient and are used by it in order to carry out federal assistance programs. (These funds are not to be confused with pass-through resources received as an agency that are forwarded to a provider of services.) See PASS-THROUGH RESOURCES.

SUBSIDIARY ACCOUNT. One of a group of related accounts supporting in detail the debit and credit summaries recorded in a control account (e.g., the individual property taxpayers' accounts for the taxes receivable control account in the general ledger).

SUBSIDIARY LEDGER. A group of subsidiary accounts, the sum of the balances of which should equal the balance of the related control account. See GENERAL LEDGER and SUBSIDIARY ACCOUNT.

SUPPORTING SCHEDULES. Financial presentations that: (1) demonstrate compliance with finance-related legal and contractual provisions; (2) present information spread throughout the basic financial statements that can be brought together and shown in greater detail (e.g., schedule of taxes receivable); (3) present greater detail for information reported in the basic financial statements (e.g., detail of revenues and expenditures by element and object); and (4) present information not disclosed in GAAP basic financial statements (e.g., operation of cash).

TAP FEES. Fees charged to join or to extend an existing utility system. Also referred to as *system development fees* or *connection fees.*

TAX ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

TAXES. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those who pay, for example, sewer service charges.

TEMPORARY LOANS. Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable or warrants payable. They may be unsecured or secured by specific revenues to be collected.

TRADE DISCOUNT. An allowance, usually varying in percentage with the volume of transactions, made to those engaged in certain businesses and allowable without respect to the time when the account is paid. These discounts are commonly considered a reduction of the sales or purchase price and not earnings. The term is not to be confused with CASH DISCOUNT.

TRANSFERS. See INTERFUND TRANSACTIONS.

TRANSFER VOUCHER. A voucher authorizing transfers of cash or other resources between funds.

TRIAL BALANCE. A list of the balances of the accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or their net balance agrees with a control account, the ledger from which the figures are taken is said to be *in balance*.

UNEARNED INCOME. See DEFERRED CREDITS.

UNENCUMBERED APPROPRIATION. That portion of an appropriation not yet expended or encumbered.

UNEXPENDED APPROPRIATION. That portion of an appropriation not yet expended.

UNIT COST. A term used in cost accounting to denote the cost of producing a unit of product or rendering a unit of service; for example, the cost of treating and purifying 1,000 gallons of sewage.

UNQUALIFIED OPINION. An auditor's opinion which states that the basic financial statements of a specified entity are fairly presented in conformity with GAAP applied on a basis consistent with the prior year.

UTILITY FUND. See ENTERPRISE FUND.

VOUCHER. A written document which evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.

VOUCHER SYSTEM. A system which calls for the preparation of vouchers for transactions involving payments and for the recording of such vouchers in a special book of original entry, known as a voucher register, in the order in which payment is approved.

VOUCHERS PAYABLE. Liabilities for goods and services evidenced by vouchers which have been preaudited and approved for payment but which have not been paid.

WARRANT. An order drawn by the legislative body or an officer of a government upon its treasurer directing the latter to pay a specified amount to the person named or to the bearer. It may be payable upon demand, in which case it usually circulates the same as a bank check; or it may be payable only out of certain revenues when and if received, in which case it does not circulate as freely. See REGISTERED WARRANT.

WARRANTS PAYABLE. The amount of warrants outstanding and unpaid.

WASTING ASSETS. Mines, timberlands, quarries, oil fields and similar assets which diminish in value by the removal of their contents.

WORK IN PROCESS. The cost of partially completed products manufactured or processed, such as a partially completed printing job. Sometimes referred to as *work in progress*. See CONSTRUCTION IN PROGRESS.

WORK IN PROGRESS. See CONSTRUCTION IN PROGRESS and WORK IN PROCESS.

WORKING CAPITAL FUND. See INTERNAL SERVICE FUND.

WORKING CASH FUND. See INTERNAL SERVICE FUND.

YELLOW BOOK. A non-technical term commonly used to describe the General Accounting Office's publication *Government Auditing Standards*.

YIELD. See EFFECTIVE INTEREST RATE.