BUDGETING, ACCOUNTING AND REPORTING SYSTEM (BARS)

For

For Classified Port Districts

Washington
State Auditor
Brian Sonntag

CLASSIFIED PORT DISTRICTS

Copies of this manual will be furnished
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INTRODUCTION

This system of accounting is consistent with the accounting principles, fund classifications, and concepts recommended by the Governmental Accounting Standards Board (GASB). Additions have been made to comply with state and federal requirements.

The chart of accounts and procedures contained in this manual must be used by local governmental units as prescribed by the State Auditor's Office (RCW 43.09.200).

Districts are categorized into two groups as follows:

> **Classified** - Districts having $2,000,000 or more in combined annual gross operating revenues. These entities are required to prepare financial statements in conformity with generally accepted accounting principles (GAAP). The prescription in the Classified Port Districts BARS manual satisfies this requirement.
>
> **Unclassified** - Districts having less than $2,000,000 in combined annual gross operating revenues. Entities in this classification may follow single-entry accounting and cash-basis reporting procedures which are not intended to reflect financial condition and results of operations in conformance with GAAP. These entities may use the Unclassified Port Districts BARS manual.

The BARS accounting procedures consist of prescribed rules for handling financial transactions that have general application for Washington municipalities. They are not intended to deal with all situations or circumstances and must be supplemented from a variety of other sources:

1. Subsystems and other prescribed systems of accounts.

2. Statutes, regulations, and local rules.

3. Generally accepted accounting principles (GAAP). These encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time.

DESIGN AND PRESCRIPTION

Applicability

The *Budgeting, Accounting and Reporting System* (BARS) must provide a complete record of financial transactions to ease preparation of the prescribed financial reports.

The prescribed chart of accounts represents an orderly means of classifying transactions. Only the accounts applicable to a particular entity should be used. This 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 following policies will govern the application of this accounting system by proprietary districts with annual gross operating revenue of $2,000,000 or more.

1. Double-entry method of accounting will be employed. This includes maintaining general ledgers and subsidiary ledgers (e.g., journals) to reflect the flow of financial transactions from the original source to the final posting. 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.

2. The full-accrual basis of accounting is prescribed.

3. Revenues and expenses will be classified according to operation using the prescribed chart of accounts.

4. The prescribed chart of accounts must be used for detail reporting of revenues and expenses. If a different system of numbers is used for internal accounting, it must contain equivalent detail throughout the budgeting, accounting, and reporting processes. It is permissible to add more detailed accounting for control and reporting purposes.

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. (One exception: In the general ledger, the subelement digit is left for local applications; it will not be assigned.)

In addition to this seven digit Account Number, the Organizational Number includes a field of three digits which is reserved for the fund code, three digits for the local option code, and another three digits for more local option code, for a total code structure of 16 digits. THE PARTICULAR CODES IN THE FUND, LOCAL OPTION FIELDS ARE AVAILABLE FOR EACH LOCAL GOVERNMENT TO USE AS THEY CONSIDER NECESSARY.

The account structure is designed to provide for complete identification of each transaction.

1	2	3	4 5	6	7
L 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 municipal corporation.

The first part of the account code is an 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/Subaccount (BASUB)	xx
Element/Subelement	xx
Object/Subobject	xx

DESIGN AND PRESCRIPTION

1 **FUND CODE** - Used to identify separate funds created and maintained for a particular purpose and having transactions subject to legal or administrative restrictions.

2 **LOCAL OPTION CODE** – Numbers are determined by each district. They may be used to identify a group of interdependent, closely related activities contributing to a common objective or group of allied objectives. If used, they must have three digits, so "1" should be "001".

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

4 **PRIME DIGIT** - The first figure in the seven digit Account Number used to identify the type of transaction.

1 (One) denotes an asset account.

2 (Two) denotes a liability or net assets (fund equity) account.

6 (Six) denotes a revenue account.

7 (Seven) denotes an expense account.

3 (Three), 8 (Eight) and 9 (Nine) are not being used as prime digits.

5 **BASIC/SUB (BASUB) CODES**

Revenue - The numbers assigned to identify the general types of revenues related to the different operations.

Expense - The numbers assigned to identify the general types of expenses related to the different operations.

6 **ELEMENT/SUBELEMENT CODES**

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

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

7 **OBJECT/SUBOBJECT**

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.

Expense – 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.

Balance Sheet/General Ledger BASUB/ELEMENT CODES - The numbers assigned to identify accounts which classify, in summary form, all transactions of the accounting unit. The subelement digit is left for local use throughout the general ledger.

DESIGN AND PRESCRIPTION

MINIMUM LEVELS FOR REPORTING EXPENSES AND REVENUES

The following chart summarizes the amount of detail required:

Item Description	Example	Expenses
Fund	401	Optional
Local Option	000	Optional
Local Option	000	Optional
Prime Digit	700	X
Basic Account	710	X
Subaccount	711	X
Element	711.20	X
Subelement	711.23	X
Object	711.23.0	Optional[1/]
Subobject	711.23.00	Optional[1/]

Item Description	Example	Revenues
Fund	401	Optional
Local Option	000	Optional
Local Option	000	Optional
Prime Digit	600	X
Basic Account	630	X
Subaccount	631	X
Element	631.80	X
Subelement	631.81	Optional[1/]
Object	631.81.0	Optional[1/]
Subobject	631.81.00	Optional[1/]

1/ Except when specifically prescribed in the BARS manual.

DESIGN AND PRESCRIPTION

Revenue Account Coding - 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 port furnished electricity to users of the marine terminal premises. 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 5, REVENUE ACCOUNTS)

610.00	AIRPORT
620.00	MARINA
630.00	MARINE TERMINAL
640.00	LOCAL OPTION
650.00	LOCAL OPTION
660.00	PROPERTY LEASE/RENTAL
670.00	LOCAL OPTION
680.00	GENERAL AND ADMINISTRATIVE
690.00	NONOPERATING

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

630.00 MARINE TERMINAL

631.00	USER CHARGES
632.00	USER CHARGES
633.00	OPERATING GRANTS
634.00	REAL PROPERTY RENTALS - LAND
635.00	REAL PROPERTY RENTALS - FACILITIES
636.00	REAL PROPERTY RENTALS - FACILITIES
637.00	PERSONAL PROPERTY RENTALS WITH PORT OPERATOR
638.00	PERSONA L PROPERTY RENTALS WITHOUT PORT OPERATOR
639.00	OTHER

Revenue Account Coding (cont.)

Step 3: From the elements shown under the subaccount, 631.00 selected in Step 2, select the revenue element which describes the service rendered.

631.10	DOCKAGE
631.20	WHARFAGE
631.30	SERVICE AND FACILITIES
631.40	STORAGE
631.50	LOADING AND UNLOADING
631.60	HANDLING
631.70	LABOR
631.80	UTILITIES
631.90	RESERVED

Step 4: From the subelements shown under the elements, 631.80 selected in Step 3, select the revenue subelement which defines the service rendered.

631.81	WATER
631.82	ELECTRICITY
631.83	SEWER
631.84	STEAM
631.85	SURFACE WATER TAX
631.86	GARBAGE COLLECTION
631.87	NATURAL GAS/PROPANE/OIL
631.88	TELECOMMUNICATIONS
631.89	OTHER

The proper account number is 631.82.

DESIGN AND PRESCRIPTION

Expense Account Coding - EXAMPLE

A similar procedure is used to classify expenses. For example, assume that the information to be classified is the regular salaries of employees for services rendered in connection with marine terminal operations. The following steps show the procedures used to locate the proper account number.

Step 1: Select the basic account which describes the use of the expense.
(See Part 1, Chapter 6, EXPENSE ACCOUNTS)

710.00 AIRPORT

720.00 MARINA

730.00 MARINE TERMINAL

740.00 LOCAL OPTION

750.00 LOCAL OPTION

760.00 PROPERTY LEASE/RENTAL

770.00 OTHER

780.00 GENERAL AND ADMINISTRATIVE (UNALLOCATED)

790.00 NONOPERATING

Step 2: Select a subaccount which describes the type of activity.

730.00 MARINE TERMINAL

731.00 OPERATIONS
732.00
733.00 MAINTENANCE
734.00
735.00 GENERAL AND ADMINISTRATIVE (ALLOCATED)
736.00
737.00 DEPRECIATION
738.00
739.00 OTHER

Expense Account Coding (cont.)

Step 3: Select the element which classifies the activity function being performed.

731.00	OPERATIONS
731.10	SALARIES/LABOR
731.20	BENEFITS
731.30	OUTSIDE SERVICES
731.40	SUPPLIES
731.50	EQUIPMENT RENTALS
731.60	FACILITY RENTALS
731.70	GENERAL AND ADMINISTRATIVE (DIRECT)
731.80	UTILITIES
731.90	OTHER

Step 4: Select the subelement which describes the purpose of the expense.

731.10	SALARIES/LABOR
731.11	REGULAR (STRAIGHT-PAY)
731.12	OVERTIME

The proper account number is 731.11.

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

As explained in Chapter 1 of this part, the specific account numbers contained in this chapter are not prescribed, as long as equivalent detail is maintained. However, this general ledger has been carefully designed to meet several needs:

First, the accounts provide for detailed identification of each type of asset, liability, and fund net asset (equity) that any proprietary fund might acquire. Throughout the general ledger, the fifth and subsequent digits (called the subelement, object and subobject) have been left for port districts to use in establishing more detailed breakdowns where needed. Chapter 3 of this part of the BARS manual offers a complete detailed chart of capital asset subaccounts which districts may optionally adopt or modify to meet their needs.

Second, the general ledger has been designed to permit logical summarization of the detailed accounts at various levels. The table which follows on the next few pages illustrates in detail the structure of the general ledger. In general, the outline is as follows:

100-19X			**ASSETS**	**200-27X**		**LIABILITIES**
	100-13X		Current Assets		210-23X 24X 250-27X	Current Liabilities Payable from Restricted Assets Noncurrent Liabilities
		100-10X 110-12X 13X	Cash and Investments Receivables Other Current Assets			
	14X		Restricted Assets	**28X**		**NET ASSETS/FUND EQUITY**
	150-18X		Capital Assets		281 282 283	Invested in Capital Assets, Net of Related Debt Restricted Net Assets Unrestricted Net Assets
		150-16X 170-18X	Property, Plant and Equipment Accumulated Depreciation, Depletion, or Amortization			
	19X		Other Noncurrent Assets			

Third, the comprehensiveness of the general ledger combined with the uniform summarization outlined above is designed to make the preparation of balance sheets a simple matter of extracting the balances at the same BASUB level. The presentation of the statement of net assets (or balance sheet) is structured in the same manner as the general ledger accounts.

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

The headings on the chart which begins on the next page identify which digits to sort or summarize by for reporting purposes:

- The PRIME (first) digit identifies whether the account is an asset, liability, or net asset (equity) account. (e.g., 1 or 2)

- The BASIC (second) digit is used to categorize the major classification of assets, liabilities, and net assets (equities). The outline on the previous page identifies these major classifications, which are used as subheadings on balance sheets.

- The SUBACCOUNT (third) digit defines the reporting level for all assets and liabilities.

- The ELEMENT (fourth) digit defines the additional accounting detail in the BARS general ledger. Ordinarily, this level of detail is not shown on the financial statements.

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
ASSETS:	100.			
CURRENT ASSETS:	101-139			
CASH AND INVESTMENTS:	101-109			
CASH AND CASH EQUIVALENTS		101		
Cash			101.10	
Treasury Pool Investments			101.40	
Other Cash Equivalents			101.50	
Petty Cash			101.70	
Change Funds				101.71
Advance Travel				101.74
Other Imprest Funds				101.77
INVESTMENTS		102		
RECEIVABLES (NET OF ALLOWANCES FOR UNCOLLECTIBLES):	110-129			
TAXES RECEIVABLE		111		
ACCOUNTS RECEIVABLE (NET)		112		
Accounts Receivable			112.10	
Unbilled Receivable			112.40	
Allowance for Uncollectibles (Credit)			112.90	
INTEREST RECEIVABLE		113		
NOTES RECEIVABLE (CURRENT PORTION)		114		
CONTRACTS RECEIVABLE (CURRENT PORTION)		115		
OTHER RECEIVABLES (CURRENT PORTION)		116		
DUE FROM OTHER GOVERNMENTS		124		

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
OTHER CURRENT ASSETS:	13X			
INVENTORIES		131		
PREPAIDS		133		
Insurance (Unexpired Portion)			133.10	
Operating Supplies			133.40	
Other Prepaids			133.70	
OTHER CURRENT ASSETS		139		
RESTRICTED ASSETS:	14X			
CASH AND CASH EQUIVALENTS		141		
INVESTMENTS		142		
INTEREST RECEIVABLE		143		
OTHER RESTRICTED ASSETS		149		
CAPITAL ASSETS:	150-189			
PROPERTY, PLANT, AND EQUIPMENT	150-169		See Part 1, Chapter 3, Listing of Element and Subelement Detail	
LAND		151		
BUILDINGS AND STRUCTURES		152-153		
MACHINERY AND EQUIPMENT			154-161	
CAPITAL LEASES		162		
LEASEHOLD IMPROVEMENTS		163		
OTHER IMPROVEMENTS		164-167		
CONSTRUCTION IN PROGRESS		168-169		

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION	170-189			
LAND		171		
BUILDINGS AND STRUCTURES		172-173		
MACHINERY AND EQUIPMENT		174-181		
CAPITAL LEASES		182		
LEASEHOLD IMPROVEMENTS		183		
OTHER IMPROVEMENTS		184-187		
OTHER NONCURRENT ASSETS:	19X			
INTANGIBLE ASSETS		191		
OTHER PROPERTY AND INVESTMENTS (NET)		193		
Property Held in Trust or for Future Use			193.40	
Investment in Joint Venture (Net)			193.50	
Capital Assets Held for Resale			193.70	
Accumulated Depreciation and Amortization (Credit)			193.90	
NOTES RECEIVABLE (LONG-TERM)		194		
CONTRACTS RECEIVABLE (LONG-TERM)		195		
DEFERRED CHARGES		196		
Preliminary Surveys and Investigations			196.10	
Unamortized Debt Issuance Costs			196.30	
Other			196.90	
OTHER		199		

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
LIABILITIES AND NET ASSETS (FUND EQUITY)	200			
LIABILITIES	210-279			
CURRENT LIABILITIES	210-239			
WARRANTS PAYABLE		211		
ACCOUNTS PAYABLE		212		
ACCRUED EXPENSES		213		
Accrued Accounts Payable			213.10	
Arbitrage Rebate Tax Payable			213.20	
Accrued Wages			213.30	
Accrued Employee Benefits			213.50	
Accrued Taxes			213.70	
Other			213.90	
ACCRUED INTEREST PAYABLE		214		
G.O. Bonds			214.10	
Revenue Bonds			214.20	
Notes Payable			214.30	
Contracts Payable			214.40	
Other			214.90	
NOTES PAYABLE (CURRENT PORTION)		215		
CONTRACTS PAYABLE (CURRENT PORTION)		216		
Contracts Payable			216.10	
Retainage Payable			216.40	
Interest on Retainage Payable			216.70	
DEFERRED CREDITS (CURRENT PORTION)		217		
LONG-TERM OBLIGATIONS (CURRENT PORTION)		235		
G.O. Bonds			235.10	
Revenue Bonds			235.20	
Leases and Installment Purchases			235.50	
Other Obligations			235.90	
OTHER CURRENT LIABILITIES		239		
Customer Deposits			239.10	
Customer Prepayments			239.30	
Anticipation Warrants/Notes			239.60	
Due to Other Governments			239.80	
Other			239.90	

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
PAYABLE FROM RESTRICTED ASSETS	24X			
DEBT PRINCIPAL		241		
G.O. Bonds			241.10	
Revenue Bonds			241.20	
Notes and Warrants			241.30	
DEBT INTEREST		242		
DEPOSITS AND OTHER PAYABLES		245		
NONCURRENT LIABILITIES	250-279			
G.O. BONDS PAYABLE (NET)		251		
G.O. Bonds at Face Value			251.10	
Unamortized Premium on G.O. Bonds (Credit)			251.20	
Unamortized Discount on G.O. Bonds (Debit)			251.30	
Deferred Amount on Refunding			251.40	
REVENUE BONDS (NET)		252		
Revenue Bonds at Face Value			252.10	
Unamortized Premium on Revenue Bonds (Credit)			252.20	
Unamortized Discount on Revenue Bonds (Debit)			252.30	
Deferred Amount on Refunding			252.40	
CAPITAL LEASES		253		
NOTES PAYABLE (LONG-TERM)		255		
CONTRACTS PAYABLE (LONG-TERM)		256		
EMPLOYEE LEAVE BENEFITS		259		
OTHER POSTEMPLOYMENT BENEFITS (OPEB)		262		
OTHER NONCURRENT LIABILITIES		263		
Claims and Judgments Payable			263.10	
Arbitrage Rebate Tax Payable			263.70	
Due to Other Governments			263.80	
DEFERRED CREDITS (LONG-TERM)		270		

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
NET ASSETS (or FUND EQUITY)	28X			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT		281		
NET ASSETS, RESTRICTED FOR_____ Net Assets, Restricted for ____, Permanent Restriction Net Assets, Restricted for ____, Temporary Restriction		282	 282.10 282.20	
NET ASSETS, UNRESTRICTED		283		

101-13X. CURRENT ASSETS:

Those assets which will be used up or converted into cash within the next operating cycle (e.g., twelve months).

101. CASH AND CASH EQUIVALENTS:

101.10 CASH

Money, negotiable money orders and checks, and balances on deposit with financial institutions after deducting outstanding checks. Include deposits in transit. Do not include petty cash items (see below). Also, for reporting purposes, do not include cash that may be used only for noncurrent purposes (see Restricted Assets - account 140). Do not include time deposits or pass book savings accounts. Compensating balances should be disclosed parenthetically or in a note.

101.40 TREASURY POOL INVESTMENTS

This account provides for optional segregation of those amounts of money not invested for a specific fund but included in treasury surplus and invested on behalf of the municipality.

101.50 OTHER CASH EQUIVALENTS

Short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition (e.g., Treasury bills, commercial paper, CDs, MMFs).

Also, see Investments (account 102).

101.70 PETTY CASH

Any sum of money or other resources set aside for minor disbursements.

101.71 Change Funds
101.74 Advance Travel
101.77 Other Imprest Funds

102. INVESTMENTS:

Include all securities and other assets acquired primarily for the purpose of obtaining income or profit. Investments should be reported at **fair value** (for exceptions see the GASB Statement 31).

Investments with original maturities of three months or less may be considered cash equivalents and accounted for in the G.L. account 101.

Do not include investments restricted for specific purpose (see G.L. account 140). Accrued interest should be debited to the revenue account 699.10.

You may use unassigned element/subelement (fourth and fifth digits) to establish more detailed breakdowns for the accounting purposes.
(Example:

102.10	Investment at Cost
102.20	Adjustment for Fair Value, etc.)

111. TAXES RECEIVA BLE:

The uncollected portion of taxes which a municipal corporation has levied (e.g., property, sales).

112. ACCOUNTS RECEIVABLE (NET):

112.10 ACCOUNTS RECEIVABLE

Amounts due from customers on open account for goods and services furnished. If collections will be deferred beyond one year, such amounts should be offset by a deferred revenue entry.

112.40 UNBILLED RECEIVABLES

Amounts earned for goods or services furnished for which billings have not been prepared at the end of the reporting period.

112.90 ALLOWANCE FOR UNCOLLECTIBLES (CREDIT)

That portion of accounts receivable estimated not to be collectible. The balance in this account is reported as a deduction from accounts receivable to indicate net accounts receivable.

113. INTEREST RECEIVABLE:

Interest earned on investments, notes, contracts and miscellaneous receivables.

114. NOTES RECEIVABLE (CURRENT PORTION):

An unconditional written promise, signed by the maker, to pay a certain sum on demand or at a fixed or determinable future time, either to the bearer or to the order of a person designated therein. Use this account for that portion due within the next twelve months.

115. CONTRACTS RECEIVABLE (CURRENT PORTION):

Current amounts due from private individuals or organizations evidenced by a written contract. Use this account for that portion due within the next twelve months.

116. OTHER RECEIVABLES (CURRENT PORTION):

Other current amounts due.

124. DUE FROM OTHER GOVERNMENTS:

Amounts due the reporting municipal corporation from another government. These amounts may represent intergovernmental grants, loans, and charges for services rendered by the reporting unit for another government. Receivables for services that are part of normal operations should be accounted for in account 112 (e.g., moorage, hanger building).

131. INVENTORIES:

Materials and supplies on hand purchased primarily for future consumption in connection with construction, maintenance, and operations.

133. PREPAIDS:

133.10 INSURANCE (UNEXPIRED PORTION)

Unexpired portion of insurance premiums.

133.40 OPERATING SUPPLIES

Cost of stationery and office supplies held for use in routine operations.

133.70 OTHER PREPAIDS

139. OTHER CURRENT ASSETS:

Current intangible assets and other assets not previously classified. Appropriately descriptive account titles should be used for these items.

14X. RESTRICTED ASSETS:

Restricted assets are those monetary assets which have their use limited by statute, bond covenant, or other contractual or trust relationship. For reporting purposes, restricted assets must be shown in the account 140 format, although they may be accounted for during the year in separate funds, using current asset accounts (101, 102, etc.). Separate funds are not required for restricted assets, even though bond covenants may stipulate a "bond reserve fund," "construction fund," 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. Most restricted assets are offset by a current liability (account 240) or by net assets (account 282).

Assets restricted for debt service should include money set aside to pay principal and interest on outstanding debt and money earmarked for deficiencies or contingencies and normally not used until the final retirement of the debt issue. "Deposits" include customer deposits. "Replacement" accounts include renewal, replacement and emergency money that covenants or agreements require to be set aside.

141. CASH AND CASH EQUIVALENTS

142. INVESTMENTS

143. INTEREST RECEIVABLE

149. OTHER RESTRICTED ASSETS

15X-18X. CAPITAL ASSETS:

15X-16X. PROPERTY, PLANT, AND EQUIPMENT:

Those assets acquired by the port district for its own use through donation, purchase, lease, or self-construction, with a life expectancy of more than one year. In addition to land, buildings and equipment, capital assets also include land and air rights, depletable resources such as minerals or timber and improvements made to rented property.

Within these modes, the assets are segregated into categories of land, buildings, equipment, and other improvements. In the BARS manual, this scheme is reversed so that all the capital assets of a government can be classified the same way. In the optional detail accounts, the 5th digit can be used by utilities to identify plant-in-service modes. The same digit (and the 6th and 7th digits) may be used for other proprietary funds and for general government capital assets to segregate them by function or purpose. For further explanation and for definition of specific capital asset categories, see Part 1, Chapter 3.

151. LAND

152-153. BUILDINGS AND STRUCTURES

154-161. MACHINERY AND EQUIPMENT

162. CAPITAL LEASES

163. LEASEHOLD IMPROVEMENTS

164-167. OTHER IMPROVEMENTS

168-169. CONSTRUCTION IN PROGRESS:

The cost of construction undertaken but not yet completed.

17X-18X. ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION:

The accumulation of systematic and rational allocations of the estimated cost of using property, plant, and equipment, on an historical cost basis, over the useful lives of the property, plant, and equipment.

171. LAND

172-173. BUILDINGS AND STRUCTURES

174-181. MACHINERY AND EQUIPMENT

182. CAPITAL LEASES

183. LEASEHOLD IMPROVEMENTS

184-187. OTHER IMPROVEMENTS

19X. OTHER NONCURRENT ASSETS:

Noncurrent intangible assets and other assets not previously classified. Appropriately descriptive account titles should be used for these items.

191. INTANGIBLE ASSETS

193. OTHER PROPERTY AND INVESTMENTS (NET):

193.40 PROPERTY HELD IN TRUST OR FOR FUTURE USE

For nonmonetary property acquired by distraint, foreclosure or default, record at the amount of the tax lien. Use the purchase price for land acquired for a future plant site.

193.50 INVESTMENT IN JOINT VENTURE (NET)

Investments and subsequent allocations of earnings or losses for joint ventures reported using the equity method of accounting.

193.70 CAPITAL ASSETS HELD FOR RESALE

Capital assets which have been declared surplus but are still owned by the government until they can be sold, traded, or otherwise disposed of.

193.90 ACCUMULATED DEPRECIATION AND AMORTIZATION (CREDIT)

194. NOTES RECEIVABLE (LONG-TERM):

Noncurrent amounts due from private individuals or organizations evidenced by a written promise to pay.

195. CONTRACTS RECEIVABLE (LONG-TERM):

Noncurrent amounts due from private individuals or organizations evidenced by a written contract.

196. DEFERRED CHARGES:

196.10 PRELIMINARY SURVEYS AND INVESTIGATIONS

This account is used to account for all expenses for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, the appropriate capital asset account should be charged. If the work is abandoned, the appropriate operating or nonoperating expense account should be charged.

196.30 UNAMORTIZED DEBT ISSUANCE COSTS

Those costs incurred for the issuance of long-term debt, such as legal fees, printing costs and other related costs. Debt issue cost related to defeased or refunded debt should be expensed. Use accounts 251 and 252 for recording unamortized premium and discount on bonds sold.

196.90 OTHER

199. OTHER:

All debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts.

21X-23X. CURRENT LIABILITIES:

Liabilities which are payable within the next operating cycle (e.g., twelve months).

211. WARRANTS PAYABLE:

Amount of noninterest bearing warrants issued and outstanding. This account will be credited when warrants are issued and debited when warrants are redeemed or canceled.

212. ACCOUNTS PAYABLE:

Amounts owed for goods and services furnished (but not including amounts due to other governments).

213. ACCRUED EXPENSES:

Amounts of expenses that have been incurred by the end of the fiscal period but will become payable at a future date.

213.10 ACCRUED ACCOUNTS PAYABLE

213.20 ARBITRAGE REBATE TAX PAYABLE

The interest earnings accrued as of the end of the 5th year that will be due and payable to the U.S. Treasury within the next twelve months. Also, see account 263.70.

213.30 ACCRUED WAGES

Wages earned by employees since the last payroll. Include the current portion of the unpaid liability for employee absences (vacation and other accruable leave). Use account 259 to record the long-term liability for compensated absences.

213.50 ACCRUED EMPLOYEE BENEFITS

Estimated benefits associated with accrued wages, account 213.30. Include payroll taxes.

213.70 ACCRUED TAXES

Estimated taxes that are not directly associated with other specific liability accounts, such as B&O taxes or excise taxes. Do not include payroll taxes (see account 213.50).

213.90 OTHER

214. ACCRUED INTEREST PAYABLE:

Interest costs related to the current period and prior periods, but not due until a later date.

214.10 G.O. BONDS

214.20 REVENUE BONDS

214.30 NOTES PAYABLE

214.40 CONTRACTS PAYABLE

214.90 OTHER

215. NOTES PAYABLE (CURRENT PORTION):

Current portion of amounts due on notes within the next twelve months.

216. CONTRACTS PAYABLE (CURRENT PORTION):

216.10 CONTRACTS PAYABLE

Current amounts due on contracts for goods or services furnished. May include amounts of progress payments due for construction of buildings and other improvements. If the amounts earned by contractors at the end of the fiscal period are material, they should be estimated and accrued if a progress billing is not available.

216.40 RETAINAGE PAYABLE

Amounts due on construction contracts, representing a percentage of the progress billings. These amounts are paid in accordance with RCW 50.24.130 and RCW 60.28. Do not include deposits to escrow accounts.

216.70 INTEREST ON RETAINAGE PAYABLE

Use this account to accumulate interest on retainage when requested by the contractor (RCW 60.28.010).

217. DEFERRED CREDITS (CURRENT PORTION):

Current amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met. Also, see account 270.

235. LONG-TERM OBLIGATIONS (CURRENT PORTION):

The unmatured portion of all long-term debt which will become due within the next twelve months and which will require current assets to redeem. Do not include any portion of debt refunded since 1977. Special rules apply to certain types of intermediate-length financing (see account 239.60). For explanations of the other specific types of debt, see accounts 251, 252, 253 and 263.

235.10 G.O. BONDS

235.20 REVENUE BONDS

235.50 LEASES AND INSTALLMENT PURCHASES

235.90 OTHER OBLIGATIONS

239. OTHER CURRENT LIABILITIES:

239.10 CUSTOMER DEPOSITS

Liability for deposits made by customers.

239.30 CUSTOMER PREPAYMENTS

Amounts received for services not yet rendered.

239.60 ANTICIPATION WARRANTS/NOTES

These are intermediate-length financing instruments (Chapter 39.50 RCW). Include the entire principal of those notes and warrants unless the instruments were authorized in anticipation of a bond issue (see account 255). This debt should be treated as fund debt.

239.80 DUE TO OTHER GOVERNMENTS

Amounts due to other governments. These amounts may represent intergovernmental grants or entitlements, loans, and charges for services rendered by another government. Payables for services that are part of normal operations should be accounted for in account 212.

239.90 OTHER

24X. PAYABLE FROM RESTRICTED ASSETS:

Include the amounts of current liabilities and customer deposits for which the assets have been set aside as restricted in account 140. Do not include matured bonds or progress payments due to contractors; instead, the related assets should be treated as current and nonrestricted.

241. DEBT PRINCIPAL

241.10 G.O. BONDS

241.20 REVENUE BONDS

241.30 NOTES AND WARRANTS

242. DEBT INTEREST

245. DEPOSITS AND OTHER PAYABLES

25X-27X. NONCURRENT LIABILITIES:

251. GENERAL OBLIGATION BONDS PAYABLE (NET):

251.10 G.O. BONDS AT FACE VALUE

The face value of all noncurrent bonds for which the government has pledged its full faith and credit.

251.20 UNAMORTIZED PREMIUM ON G.O. BONDS (CREDIT)

251.30 UNAMORTIZED DISCOUNT ON G.O. BONDS (DEBIT)

251.40 DEFERRED AMOUNT ON REFUNDING

This account is used to amortize the difference between the reacquisition price and net carrying value of the refunded (old) debt in the debt refunding transactions. If the reacquisition price exceeds the net carrying value of the old debt, debit this account.

252. REVENUE BONDS (NET):

252.10 REVENUE BONDS AT FACE VALUE

The face value of all noncurrent bonds for which debt service is made dependent on earnings of an income-producing enterprise.

252.20 UNAMORTIZED PREMIUM ON REVENUE BONDS (CREDIT)

252.30 UNAMORTIZED DISCOUNT ON REVENUE BONDS (DEBIT)

252.40 DEFERRED AMOUNT ON REFUNDING

This account is used to amortize the difference between the reacquisition price and net carrying value of the refunded (old) debt in the debt refunding transactions. If the reacquisition price exceeds the net carrying value of the old debt, debit this account.

253. CAPITAL LEASES:

Noncurrent portion of the discounted present value of total future stipulated payments on lease agreements that are capitalized.

255. NOTES PAYABLE (LONG-TERM):

Noncurrent portion of amounts due on notes.

256. CONTRACTS PAYABLE (LONG-TERM):

Noncurrent portion of amounts due on contracts for goods or services furnished.

259. EMPLOYEE LEAVE BENEFITS:

This account is used to record the noncurrent liability for employee absences. Such compensation should be recorded for all accrued vacation and for that portion of other leave, such as sick leave, for which the employee would be paid on termination. Use account 213.30 and 213.50 to record the current portion of these kinds of leave.

262. OTHER POST EMPLOYMENT BENEFITS (OPEB):

Post employment benefits other than pension benefits (e.g., medical insurance coverage).

263. OTHER NONCURRENT LIABILITIES:

263.10 CLAIMS AND JUDGMENTS PAYABLE

Noncurrent portion of amounts owed as compensation or payment for injury or damages.

263.70 ARBITRAGE REBATE TAX PAYABLE

The interest earnings accrued in years 1-4 that will be due to the U.S. Treasury at the end of the 5th year. Also, see account 213.20.

263.80 DUE TO OTHER GOVERNMENTS

The long-term portion of intergovernmental payables.

270. DEFERRED CREDITS (LONG-TERM):

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met. Examples are amounts recognized as receivables, including amounts due from other governments, which cannot be classified as revenues. Include amounts collected that will not become revenues during the next fiscal year. Also, see account 217.

28X. NET ASSETS/FUND EQUITY:

281. INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The component of the difference between assets and liabilities that consists of capital assets less both accumulated depreciation and the outstanding balance of debt (e.g., bonds, mortgages, notes) that is directly attributable to the acquisition, construction, or improvement of those assets.

282. NET ASSETS, RESTRICTED FOR _____

The component of the difference between assets and liabilities that consists of assets with constraints placed on their use by either external parties (e.g., creditors or grantors) or through constitutional provisions or enabling legislation.

282.10 Net Assets, Restricted for _____, Permanent Restriction. Net assets that may never be spent (e.g., endowments, etc.).

282.20 Net Assets, Restricted for _____, Temporary Restriction. Net assets that may be spent at some time, either in the present or future.

283. NET ASSETS, UNRESTRICTED

The difference between the assets and liabilities that is not reported as *Invested in Capital Assets, Net of Related Debt* or *Restricted Net Assets*.

Chapter 3. Capital Assets Accounts

The accounts contained in this chapter provide supplemental detail (optional) for the general ledger accounts in Chapter 2.

Using the BARS structure, these account numbers will consist of at least six digits up to a maximum of sixteen digits; and, depending on the use of these digits, information can be summarized by any of the specific characteristics in these fields. A sample of the coding and sorting applications are illustrated in this chapter.

Requirements and suggested procedures for implementing and maintaining a capital assets accounting system are contained in Part 3, Chapter 1, Section 10.

BARS UNIFORM CHART OF ACCOUNTS
CAPITAL ASSET ACCOUNTS

Capital Assets Account Coding Structure

An integral part of the overall capital asset accounting structure is the numbering system available for capital asset accounting. A diagram of this system is provided below. The BARS structure uses sixteen digits in six fields. Two of these fields use a total of five digits for the required general ledger account and the optional capital asset detail. One to three additional digits are needed for fund identification provided the district has more than one proprietary type fund. This leaves three fields (eight digits) which can be used by your government for additional capital asset detail. These unassigned fields can supply all the additional detail most local governments need without separate or subsidiary accounting systems for capital assets. Fields that are unassigned or for optional use with capital asset fields can be designated for whatever purpose the district chooses, regardless of the "labels" attached. For example, the local option field can be used to identify location of an asset, and the element field can be used to identify make and model.

R R R	U U U	U U U	R R R	O O	U U
Fund field (if applicable)	Local Option field	Local Option field	Prime and BASUB field	Element/ Subelement field	Object/ Subobject field

R = Minimum required BARS accounting for capital assets
O = Optional capital asset account detail
U = Unassigned fields in BARS capital asset system, available to districts for additional detail

The following section represents a sample application of the numbering scheme that ultimately appears on individual capital asset records. It is up to your district to decide what, if any, significance will be assigned to the various optional or unassigned fields. Whatever alternative is chosen or developed, it should be documented and included in port's capital asset accounting manual.

Local Option Fields

A combination of these two three-digit unassigned fields can be used to identify departments, divisions, functions, and locations within districts. For instance, in a district there are multiple parking areas, these fields could identify each specific parking lot. By assigning further detail to these fields, your district can identify specific functions and locations for assets. The following table illustrates this type of location/function application.

Assume that the local option coding assignments are:

Local Option Code	Local Option Code
001 = Parking Lot #1	Shipping Terminal = 100
002 = Parking Lot #2	General Administrative Building = 200
003 = Parking Lot #3	Passenger Terminial = 300
Etc.	Etc.

The coding for an improvement to the parking lot would be:

Asset Account:

0 0 0	0 0 2	3 0 0	1 6 6	4 0	0 0
Fund field	Local Option field	Local Option field	Prime and BASUB field	Element/ Subelement field	Object/ Subobject field
Not Used	Parking Lot #2	Passenger Terminal	Other Improvements	Parking Lot	Not Used

Careful consideration of your district's management and informational needs and your data processing capacity will determine the sophistication of your coding system.

Capital Asset Detail Chart of Accounts

The complete chart of capital asset detail accounts follows. In addition, the account definitions for each of the main asset categories are included. Complete definitions for all the capital asset detail accounts, including descriptions of peripheral costs related to those assets and examples of the types of assets to include in specific accounts, are available upon request.

BARS UNIFORM CHART OF ACCOUNTS
CAPITAL ASSET ACCOUNTS

Account Names	3 Report Accounts (Subdigit)	4 Optional Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
LAND			
Land	151.	151.1X	
Improvements to Land		151.2X	
Easements and Other Rights		151.3X	
Depletable Resources		151.5X	
BUILDINGS AND STRUCTURES	152-153.		
Wharves, Docks, Piers, and Floats		152.1X	
Shipping Terminals		152.3X	
Warehouses		152.4X	
Passenger Stations and Terminals		152.5X	
Hangars and Tiedowns		152.6X	
Shops, Garages and Engine Houses		152.7X	
Other Transportation Facilities, Including Roadway Buildings		152.8X	
General Administration Buildings		153.1X	
Fire Stations		153.2X	
Stadiums and Auditoriums		153.3X	
Exhibition Halls and Convention Centers		153.4X	
Community and Recreation Centers		153.5X	
Libraries		153.6X	
Other Buildings and Structures		153.8X	
MACHINERY AND EQUIPMENT	154-161.		
Steam Engines and Prime Movers		154.1X	
Turbogenerators and Other Generators		154.2X	
Accessory Generator and Substation Equipment		154.3X	
Boiler and Reactor Plant Equipment		154.4X	
Compressors and Vacuum Equipment		154.6X	
Batteries, Transformers and Regulators		154.7X	
Meters, Gauges, Other Testing Devices and Laboratory Equipment		154.8X	

BARS UNIFORM CHART OF ACCOUNTS
CAPITAL ASSET ACCOUNTS

Account Names	3 Report Accounts (Sub-Digit)	4 Optional Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
Steam Pumping Equipment		155.1X	
Hydraulic Pumping Equipment		155.2X	
Electric Pumping Equipment		155.3X	
Diesel Pumping Equipment		155.4X	
Other Pumps		155.5X	
Purification and Filtering Equipment		155.7X	
Other Shop and Garage Equipment and Tools		155.8X	
Locomotives, Aircraft, Boats and Special Terrain Vehicles		156.1X	
Vans, Buses and Other Revenue Vehicle		156.2X	
Police Special Vehicles		156.3X	
Automobiles and Motorcycles		156.4X	
Rail and Transit Yard and Way Equipment		156.5X	
Vehicle Movement and Traffic Control Systems		156.7X	
Parking and Pedestrian Movement Equipment		156.8X	
Excavation and Loading Trucks		157.1X	
Pavement Maintenance Trucks		157.2X	
Street Sanitation and Storm Sewer Cleaning Trucks		157.3X	
Fire and Rescue Trucks		157.4X	
Ambulance, Aid Cars and Vans		157.5X	
Field Service, Refuse Compactor and Other Special Purpose Trucks		157.6X	
General Purpose Trucks		157.7X	
Cranes		157.8X	

Account Names	3 Report Accounts (Subdigit)	4 Optional Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
Tractors		158.1X	
Excavation and Loading Equipment (Self-Propelled)		158.2X	
Grading, Compaction and Paving Equipment (Self-Propelled)		158.3X	
Paving and Earthwork Equipment (Not Self-Propelled)		158.4X	
Sweepers, Grounds Maintenance and Forestry Equipment		158.5X	
Materials Handling and Other Self-Propelled Equipment		158.6X	
Trailers and Freight Cars		158.7X	
Stores and Materials Handling Equipment (Not Self-Propelled)		158.8X	
Office Furniture, Safes and Files		159.3X	
Word Processing Equipment		159.4X	
Printing and Duplicating Equipment		159.5X	
Data Processing Equipment		159.6X	
Other Office Machines		159.7X	
Radio and Television Transmitters and Receivers		159.8X	
Radio and Television Transmitters and Receivers		160.1X	
Other Communications, Alarm and Dispatch Equipment		160.2X	
Audio-Visual Equipment		160.3X	
Library and Training Resources, Museum and Art Collections, Zoo Animals		160.4X	
Revenue Collection and Other Trade Equipment		160.6X	
Restaurant Equipment and Kitchen Appliances		160.8X	

Account Names	3 Report Accounts (Sub-Digit)	4 Optional Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
Law Enforcement Weapons and Protective Gear		161.1X	
Firefighting Tools and Equipment		161.2X	
Rescue, Emergency and Medical Equipment		161.3X	
Recreation and Playground Equipment		161.6X	
Other Machinery and Equipment		161.8X	
CAPITAL LEASES	162.		
LEASEHOLD IMPROVEMENTS	163.		
OTHER IMPROVEMENTS	164-167.		
Reservoirs, Dams and Waterways		164.1X	
Breakwaters and Retaining Walls		164.2X	
Intakes and Gravity Sewers		164.3X	
Wells and Springs		164.4X	
Infiltration Galleries and Tunnels		164.5X	
Utility Towers and Poles		164.6X	
Electric Conduit, Conductors, Etc.		164.7X	
Water and Sewer Mains		165.1X	
Fire Mains and Sewer Outfall and Other Lines		165.2X	
Hydrants		165.3X	
Service Connections		165.4X	
Meter Installations		165.5X	
Area, Street and Airfield Lighting		165.6X	

BARS UNIFORM CHART OF ACCOUNTS
CAPITAL ASSET ACCOUNTS

Account Names	3 Report Accounts (Sub-Digit)	4 Optional Detail Accounts (Element Digit)	5 Optional Detail Accounts (Subelement Digit)
Roads		166.1X	
Bridges and Trestles		166.2X	
Tunnels and Subways		166.3X	
Parking Areas		166.4X	
Trackage		166.5X	
Landing Fields, Runways and Aprons		166.6X	
Fuel Handling and Storage Facilities		166.7X	
Sidewalks, Paths and Trails		167.1X	
Ball Courts, Playing Fields, Golf Courses		167.2X	
Swimming Pools and Beaches		167.3X	
Other Conservation and Recreation Facilities		167.4X	
Cemeteries		167.5X	
Other Improvements		167.8X	

151.XX LAND

This account includes the cost of land acquired by a government for its own use. If land is purchased, this account is to include the purchase price and incidental costs incurred to put the land in condition for its intended use, such as legal fees and excavation costs. If land is acquired by gift, the account is to include its fair market value at the time of acquisition. Site improvements (paving, fencing, landscaping, etc.) acquired with the land need not be accounted for separately from the land unless depreciation is required. See the definition of OTHER IMPROVEMENTS. If improvements acquired with the land are removed or wrecked in order to put the land into condition for its intended use, the costs of removal or wrecking must be charged and any salvage credited to this account. Land held for future building sites, as an investment, or in trust, and land acquired through foreclosure and pending resale should be accounted for as OTHER PROPERTY AND INVESTMENTS. Depletable resources acquired with land should be accounted for separately as subaccounts within the land account. Land that is rented under terms that meet the criteria of a capital lease may be separately classified in account 162 or included in this account.

152-153. BUILDINGS AND STRUCTURES

This account should reflect the cost of freestanding facilities acquired by a government for its own use. There are two principal categories of "buildings and structures": (l) Structures used to house governmental operations and services (this category encompasses most separate buildings); and (2) other freestanding facilities, such as wharves, grain elevators, asphalt plants, and marinas. Outdoor facilities, including infrastructure, that incorporate land as part of their structural support or that are frequently installed underground are classified as OTHER IMPROVEMENTS. Facilities housed within a building are generally classified as EQUIPMENT. Facilities that are rented under terms that meet the criteria of a "capital lease" may be separately classified in account 162 or included in this account.

Lighting, plumbing, heating, floorcovering and other systems and installations may be included in the cost of a building or accounted for as separate components. Even though some systems or installations are accounted for separately and are readily removable from the structure to which they are attached, such components should be accounted for as BUILDINGS if they are integral to the structure, which would be inoperative or incomplete without the system. There are two exceptions: use account 154.4X for furnaces to produce steam heat and use account 160.2X for communications systems.

154-161. MACHINERY AND EQUIPMENT

These accounts should reflect the costs of acquiring tangible personal property, including incidental costs such as sales tax, freight, and installation. This category includes office equipment and furniture, motor vehicles, and machine tools. Equipment may be attached to a structure for purposes of securing the item but unless it is permanently attached to or an integral part of the building or structure, it should be classified as equipment and not as buildings.

162.XX CAPITAL LEASES

Use this classification for capital assets which a government is renting or leasing when 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 municipality 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.

Assets acquired through capital leases should be recorded at the lesser of: (a) the fair market value of the leased asset (its "cash" price) or (b) the present value of the minimum lease payments required by the agreement. (See FASB Statement 13 and its amendments for further details).

It is permissible to charge the costs of capital leases directly to LAND, BUILDINGS, etc., instead of using this account. The same rules for capitalization and valuation apply. If an asset is acquired outright during or at the expiration of the lease, the cost of that asset and related depreciation should be transferred to the appropriate land, building, etc., account(s).

163.XX LEASEHOLD IMPROVEMENTS

Leasehold improvements are additions to the property made by the lessee. They become the property of the lessor when affixed to the property. If the leasehold improvement has a life longer than the current fiscal year, it is proper for the lessee to spread its cost over its useful life as is the case with any capital asset. Useful life to the lessee cannot be longer than the remaining life of the lease unless the lessee has a right to renew the lease. If the lessee has the right to renew and is likely to do so, then the useful life of the improvement is limited by the renewal terms of the lease. If the lease expires before the physical usefulness is gone, the remaining usefulness belongs to the lessor.

164-167. OTHER IMPROVEMENTS

These accounts should include the cost of site improvements that have a limited life (where replacement will be required in the future), such as paving, fencing, water and sewer lines, and landscaping. These items are to be segregated from the cost of land and depreciated.

This category includes all capitalized infrastructure and other facilities that incorporate land as part of their structural support or that are permanently installed underground. This category also includes the cost of transmission and distribution lines and related poles, etc., in providing electric and telephone service.

Frequently, assets in this category will consist of an entire facility with many components, such as foundations, superstructures, services, utilities, landscaping, and perimeter fencing. The items included in the definition are intended to suggest other specific kinds of related costs to include. Access and service roads should be accounted for separately (account 166.1X) if their cost is material. Moveable equipment associated with these facilities should be accounted for in the 154 through 161 series.

GRANT SOURCE CODES

To be used in the element, subelement, object and subobject fields

Coding Instructions

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

For further information about revenue account coding, see Part 1, Chapter 5.

Federal Grants

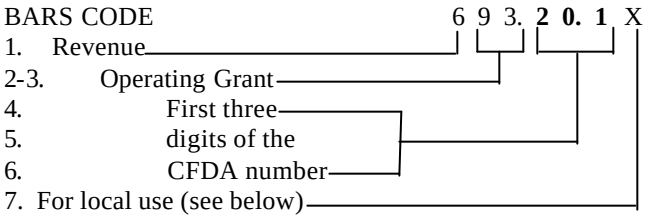
All codes for federal grants are abbreviated versions of the numbers assigned by the federal government itself in the Catalog of Federal Domestic Assistance (CFDA). There are two strategies: one for Department of Health and Human Services grants and one for all other federal grants.

If a local government receives a grant from a federal source not included in the following listing you should consult the most current edition of the catalog for proper coding following the strategy described herein.

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

Grants from all federal agencies except the Department of Health and Human Services will be coded using the first three digits of the number assigned that program in the Catalog of Federal Domestic Assistance (CFDA).

Example: Port district receives a grant from the Federal Aviation Administration (FAA). The title of the grant is Airport Improvement Program. The CFDA number is 20.106. The BARS code for this grant is 693.20.1X.



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

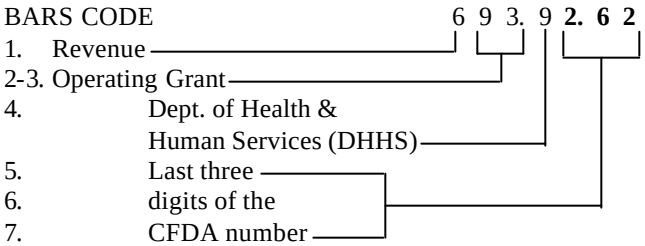
GRANT SOURCE CODES

To be used in the element, subelement, object and subobject fields

Federal Grants – Department Of Health And Human Services

Grants from the federal Department of Health and Human Services (DHHS) will be coded using the last three digits of the Catalog of Federal Domestic Assistance number preceded by a "9". The catalog number of all DHHS grants begins with 93. Since there are numerous DHHS grants to distinguish and since the BARS structure is limited to seven digits, we substituted the one digit number 9 for the 93.

Example: Port district receives a grant from DHHS for its marine terminal operations. The title of the grant is Occupational Safety and Health Research Grant. The CFDA number is 93.262. The BARS code for this grant is 693.92.62.



GRANT SOURCE CODES

To be used in the element, subelement, object and subobject fields

State Grants

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

Example: Port district receives a state grant from the Department of Transportation for its airport operations. The BARS code for the grant is 693.03.6X.

BARS CODE 6 9 3. **0 3. 6** X

1. Revenue
2-3. Operating Grant
4. BARS Grant
5. Code
6. Listing
7. For local use (see below)

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.

GRANT SOURCE CODES

To be used in the element, subelement, object and subobject fields

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 General Administration
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
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	Interagency Committee for Outdoor Recreation
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 Community, Trade and Economic Development
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

For grants from local governments (counties, cities, and other districts) use 07.0X – 09.99.

600.00* REVENUE ACCOUNTS

The 600 series of revenue accounts designate all inflows by the type of operation (function) and activities within these operations. These accounts represent an orderly means of classifying transactions.

The operations have been divided into Airport, Marina, Marine Terminal, Property Lease and Rentals, General and Administrative, and Nonoperating functions.

The activities defined within each of these functions include user charges, real property rentals (land), real property rentals (facilities), personal property rentals (with port operator), and personal property rentals (without port operator).

Throughout the operations and activity sections of the revenue accounts, various account numbers have not been defined or reserved. These open accounts are available for use in providing additional detail at the port's discretion. However, as the BARS manual is updated due to changing environments, it may be necessary to define these accounts.

The 660 series accounts have been provided for those districts that prefer to segregate property lease and rental activities from other operations. Thus, ports may account for these revenues within the various operations, or as a separate function. However, a port should be consistent in their application by using ONLY one of the methods available.

BASIC ACCOUNTS

610.00	AIRPORT	660.00	PROPERTY LEASE/RENTAL
620.00	MARINA	670.00	LOCAL OPTION
630.00	MARINE TERMINAL	680.00	GENERAL and ADMINISTRATIVE
640.00	LOCAL OPTION	690.00	NONOPERATING
650.00	CAPITAL CONTRIBUTIONS		

* Most of the revenue and nonrevenue codes are limited to five (5) positions; however, a total of seven (7) positions are reserved for BARS information, i.e., 600.00.00. If these digits are undefined, ports may use them to code additional detail.

BARS UNIFORM CHART OF ACCOUNTS
REVENUE ACCOUNTS
Basic and Subaccounts

610.00 AIRPORT

611.00 USER CHARGES
612.00 USER CHARGES
614.00 REAL PROPERTY RENTALS - LAND
615.00 REAL PROPERTY RENTALS - FACILITIES
616.00 REAL PROPERTY RENTALS - FACILITIES
617.00 PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR
618.00 PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR
619.00 OTHER

620.00 MARINA

621.00 USER CHARGES
622.00 USER CHARGES
624.00 REAL PROPERTY RENTALS - LAND
625.00 REAL PROPERTY RENTALS - FACILITIES
626.00 REAL PROPERTY RENTALS - FACILITIES
627.00 PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR
628.00 PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR
629.00 OTHER

630.00 MARINE TERMINAL

631.00 USER CHARGES
632.00 USER CHARGES
634.00 REAL PROPERTY RENTALS - LAND
635.00 REAL PROPERTY RENTALS - FACILITIES
636.00 REAL PROPERTY RENTALS - FACILITIES
637.00 PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR
638.00 PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR
639.00 OTHER

640.00 LOCAL OPTION*

* This account number is available for additional port operations. However, the activities defined within this function should be consistent with the other operations.

BARS UNIFORM CHART OF ACCOUNTS
REVENUE ACCOUNTS
Basic and Subaccounts

650.00 CAPITAL CONTRIBUTIONS

651.00 CAPITAL CONTRIBUTIONS – FEDERAL/STATE/LOCAL
652.00 CAPITAL CONTIRBUTIONS – OTHER

660.00 PROPERTY LEASE/RENTAL

661.00 USER CHARGES
662.00 USER CHARGES
664.00 REAL PROPERTY RENTALS - LAND
665.00 REAL PROPERTY RENTALS - FACILITIES
666.00 REAL PROPERTY RENTALS - FACILITIES
667.00 PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR
668.00 PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR
669.00 OTHER

670.00 LOCAL OPTION*

680.00 GENERAL AND ADMINISTRATIVE

681.00 USER CHARGES
682.00 USER CHARGES
684.00 REAL PROPERTY RENTALS - LAND
685.00 REAL PROPERTY RENTALS - FACILITIES
686.00 REAL PROPERTY RENTALS - FACILITIES
687.00 PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR
688.00 PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR
689.00 OTHER

690.00 NONOPERATING

691.00 USER CHARGES
692.00 USER CHARGES
693.00 OPERATING GRANTS
694.00 REAL PROPERTY RENTALS - LAND
695.00 REAL PROPERTY RENTALS - FACILITIES
696.00 REAL PROPERTY RENTALS - FACILITIES
697.00 PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR
698.00 PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR
699.00 OTHER

*See Page 2

61X.XX AIRPORT REVENUES

611/612 AIRPORT - USER CHARGES

611.10 **LANDING FEES**: Revenue derived from charges for aircraft landing fees of general aviation, charter flights, and other non-tenant aircrafts (refer to accounts 615/616 for long-term landing arrangements).

611.20 **VEHICLE PARKING FEES**: Revenue derived from parking fees received from the public using the garage and other public parking.

611.30 **AIRCRAFT PARKING FEES**: Revenue derived from charges for transient parking of general aviation, charter flights, and other non-tenant aircrafts (refer to accounts 615.11 and 615.12 or 665.11 and 665.12 for arrangements over 30 days or more than $250 annually).

611.40 **MISCELLANEOUS FEES AND PERMITS**: Revenue derived from all miscellaneous fees and permits which are not specifically provided for in other accounts.

611.80 **UTILITIES**: Revenue derived from charges for water, electricity, heat, steam, etc., furnished to users of airport premises.

611.81 **WATER**
611.82 **ELECTRICITY**
611.83 **SEWER**
611.84 **STEAM**
611.85 **SURFACE WATER TAX**
611.86 **GARBAGE COLLECTION**
611.87 **NATURAL GAS/PROPANE/OIL**
611.88 **TELECOMMUNICATIONS**
611.89 **OTHER**

611.90 **RESERVED**

612.80 **RESERVED**

612.90 **OTHER**: Revenue derived for all miscellaneous services which are not specifically provided for in other accounts.

61X.XX AIRPORT REVENUES

614.XX REAL PROPERTY RENTALS - LAND: (i.e., Port owned land, tenant owned facility)

614.10 **UNIMPROVED LAND**: Revenue derived from the rental/lease of land at the airport terminal.

614.20 **INDUSTRIAL PARK**: Revenue derived from the rental/lease of land for industrial park.

614.50 **FREE TRADE ZONE**: Revenue derived from the rental/lease of land with tenant owned facility where trade tariffs do not apply.

614.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land which are not specifically provided for in other accounts.

61X.XX AIRPORT REVENUES

615/616 REAL PROPERTY RENTALS - FACILITIES: (i.e., Port owns both land and facility)

615.10 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of airport operations (e.g., hangars, warehouse).

615.11 **PERMANENT AIRCRAFT PARKING**: Leasehold agreement for an indefinite period (over 30 days or more than $250 annually). Includes tie downs, hangars, floats, etc.. For transient parking, refer to account 611.30.

615.12 **TEMPORARY AIRCRAFT PARKING**: Leasehold agreement for a specified period (over 30 days). Includes tie downs, hangars, floats, etc.. For transient parking, refer to account 611.30.

615.20 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of airport operations (e.g., hangars, warehouse).

615.30 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of airport operations (e.g., hangars, warehouse).

615.40 **JOINT USE AREAS**: Revenue derived from the rental of areas (cubic ft., square ft., linear ft., or concession sales), under the direction of airport operations, used jointly by all airline tenants, such as baggage claim and handling areas.

615.90 **RESERVED**

616.30 **FUEL FLOWAGE FEES** : Revenue derived from providing fuel to airport users.

616.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land and facilities, under the direction of airport operations, which are not specifically provided for in other accounts.

61X.XX AIRPORT REVENUES

617.XX PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR

617.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment with port operators which are not specifically provided for in other accounts.

618.XX PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR

618.10 **LOADING BRIDGES** : Revenue derived from the rental of loading bridges without port operators.

618.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment without port operators which are not specifically provided for in other accounts.

619.XX **OTHER**: Revenue derived from other sources not otherwise included in accounts 611 thru 618.

62X.XX MARINA REVENUES

621/622 MARINA USER CHARGES

621.10 **MOORAGE**: Revenue derived from charges to fishing vessels or pleasure craft for use of berthage space alongside of dock/pier, access for sustenance and supplies over the pier for the vessel.

621.11 **PERMANENT**: Leasehold agreement for an indefinite period (over 30 days or more than $250 annually).

621.12 **TEMPORARY**: Leasehold agreement for a specified period (over 30 days). This account is normally used by marinas not filled to capacity.

621.13 **TRANSIENT**: No leasehold agreement (under 30 days and less than $250 annually)

621.80 **UTILITIES** : Revenue derived from charges for water, electricity, heat, steam, etc., furnished to fishing vessels or pleasure crafts.

621.81 **WATER**
621.82 **ELECTRICITY**
621.83 **SEWER**
621.84 **STEAM**
621.85 **SURFACE WATER TAX**
621.86 **GARBAGE COLLECTION**
621.87 **NATURAL GAS/PROPANE/OIL**
621.88 **TELECOMMUNICATIONS**
621.89 **OTHER**

621.90 **RESERVED**

622.80 **RESERVED**

622.90 **OTHER**: Revenue derived for all miscellaneous services which are not specifically provided for in other accounts.

62X.XX MARINA REVENUES

624.XX REAL PROPERTY RENTALS - LAND: (i.e., Port owned land, tenant owned facility)

624.10 **UNIMPROVED LAND**: Revenue derived from the rental/lease of land at the marina.

624.20 **INDUSTRIAL PARK**: Revenue derived from the rental/lease of land for industrial park.

624.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land which are not specifically provided for in other accounts.

62X.XX MARINA REVENUES

625/626 REAL PROPERTY RENTALS - FACILITIES : (i.e., Port owns both land and facility)

625.10 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of and space (cubic ft., square ft., linear ft., or concession sales) under the direction of marina operations (e.g., net sheds, marina store, lockers, etc.).

625.20 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of marina operations (e.g., net sheds, marina store, lockers, etc.).

625.30 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of marina operations (e.g., net sheds, marina store, lockers, etc.).

625.40 **JOINT USE AREAS**: Revenue derived from the rental of areas (cubic ft., square ft., linear ft., or concession sales), under the direction of marina operations, used jointly by all marina tenants.

625.90 **RESERVED**

626.40 **FUEL DOCK**: Revenue derived from providing fuel to marina users.

626.50 **BOAT STORAGE**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales), under the direction of marina operations, for boat storage (e.g., dry dock).

626.51 **PERMANENT**: Leasehold agreement for an indefinite period (over 30 days or more than $250 annually).

626.52 **TEMPORARY**: Leasehold agreement for a specified period (over 30 days).

626.53 **TRANSIENT**: No leasehold agreement (under 30 days and less than $250 annually).

626.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land and facilities, under the direction of marina operations, which are not specifically provided for in other accounts.

62X.XX MARINA REVENUES

627.XX PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR

627.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment with port operators which are not specifically provided for in other accounts.

628.XX PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR

628.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment without port operators which are not specifically provided for in other accounts.

629.XX **OTHER**: Revenue derived from other sources not otherwise included in accounts 621 thru 628.

63X.XX MARINE TERMINAL REVENUES

631/632 MARINE TERMINAL - USER CHARGES

631.10 **DOCKAGE**: Revenue derived from charges assessed against vessels for berthing at a wharf, piling structure, pier, bulkhead structure, or bank, or for mooring to a vessel so berthed.

631.20 **WHARFAGE**: Revenue derived from charges assessed against all cargo passing or conveyed over, onto, or under wharves or between vessels (to or from barge, lighter, or water), when berthed at wharf, piling structure, pier, bulkhead structure or bank. Wharfage does not include charges for any other service.

631.30 **SERVICE AND FACILITIES**: Revenue derived from the charge assessed against a vessel for the use of terminal working areas in the receipt and delivery of cargo and for documentation services in connection with the receipt, custody, and delivery of cargo.

631.40 **STORAGE**: Revenue derived from the charges for the safekeeping of goods in warehouse or other repository.

631.50 **LOADING AND UNLOADING**: Revenue derived from the charges for services, specific to shore side activities, performed in loading and unloading cargo on or off railroad cars, trucks, etc. The services include ordinary breakdown, sorting and stacking.

631.60 **HANDLING**: Revenue derived from the charges made against vessels for physically moving cargo to/from ship's tackle to/from the first point of rest on the terminal facility.

631.70 **LABOR**: Revenue derived from the charges assessed against a customer for all labor (e.g., standby, overtime, penalty cargo).

63X.XX MARINE TERMINAL REVENUES

631/632 MARINE TERMINAL - USER CHARGES

631.80 **UTILITIES** : Revenue derived from charges for water, electricity, heat, steam, etc., furnished to vessels, and users of terminal premises.

631.81 **WATER**
631.82 **ELECTRICITY**
631.83 **SEWER**
631.84 **STEAM**
631.85 **SURFACE WATER TAX**
631.86 **GARBAGE COLLECTION**
631.87 **NATURAL GAS/PROPANE/OIL**
631.88 **TELECOMMUNICATIONS**
631.89 **OTHER**

631.90 **RESERVED**

632.80 **RESERVED**

632.90 **OTHER**: Revenue derived for all miscellaneous services which are not specifically provided for in other accounts.

63X.XX MARINE TERMINAL REVENUES

634.XX REAL PROPERTY RENTALS - LAND: (i.e., Port owned land, tenant owned facility)

634.10 **UNIMPROVED LAND**: Revenue derived from the rental/lease of land at the marine terminal.

634.20 **INDUSTRIAL PARK**: Revenue derived from the rental/lease of land for industrial park.

634.30 **LOG STORAGE**: Revenue derived from the rental/lease of land for storage of logs.

634.40 **GRAIN ELEVATOR**: Revenue derived from the rental/lease of land with tenant owned grain elevator.

634.50 **FREE TRADE ZONE**: Revenue derived from the rental/lease of land with tenant owned facility where trade tariffs do not apply.

634.60 **COLD STORAGE**: Revenue derived from the rental/lease of land with tenant owned cold storage warehouse for freeze cargo.

634.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land which are not specifically provided for in other accounts.

63X.XX MARINE TERMINAL REVENUES

635/636 REAL PROPERTY RENTALS - FACILITIES : (i.e., Port owns both land and facility)

635.10 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and facility (cubic ft., square ft., linear ft., or concession sales) under the direction of marine terminal operations (e.g., warehouse).

635.20 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and facility (cubic ft., square ft., linear ft., or concession sales) under the direction of marine terminal operations (e.g., warehouse).

635.30 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and facility (cubic ft., square ft., linear ft., or concession sales) under the direction of marine terminal operations (e.g., warehouse).

635.40 **JOINT USE AREAS**: Revenue derived from the rental of areas (cubic ft., square ft., linear ft., or concession sales), under the direction of marine terminal operations, used jointly by all terminal tenants.

635.50 **FREE TRADE ZONE**: Revenue derived from the rental/lease of land and facilities, under the direction of marine terminal operations where trade tariffs do not apply.

635.60 **INDUSTRIAL PARK**: Revenue derived from the rental/lease of land and facilities, under the direction of marine terminal operations, for industrial park.

635.70 **LOG STORAGE**: Revenue derived from the rental/lease of land and facilities, under the direction of marine terminal operations, for storage of logs.

635.80 **GRAIN ELEVATOR**: Revenue derived from the rental/lease of land and facilities, under the direction of marine terminal operations, with a grain elevator.

635.90 **RESERVED**

63X.XX MARINE TERMINAL REVENUES

635/636 REAL PROPERTY RENTALS - FACILITIES

636.10 **COLD STORAGE**: Revenue derived from the rental/lease of land and facilities, under the direction of marine terminal operations, with a cold storage warehouse for freeze cargo.

636.20 **CONTAINER TERMINAL**: Revenue derived from the rental/lease of land and facilities, under the direction of marine terminal operations, with a container for cargo.

636.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land and facilities, under the direction of marine terminal operations, which are not specifically provided for in other accounts.

63X.XX MARINE TERMINAL REVENUES

637.XX PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR

637.10 **CRANES**: Revenue derived from rental of cranes with port operators.

637.20 **FORK LIFTS**: Revenue derived from rental of lift trucks with port operators.

637.30 **LOG HANDLERS**: Revenue derived from rental of log handlers with port operators.

637.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment with port operators which are not specifically provided for in other accounts.

638.XX PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR

638.10 **CRANES:** Revenue derived from rental of cranes without port operators.

638.20 **FORK LIFTS**: Revenue derived from rental of lift trucks without port operators.

638.30 **LOG HANDLERS**: Revenue derived from rental of log handlers without port operators.

638.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment without port operators which are not specifically provided for in other accounts.

639.XX **OTHER**: Revenue derived from other sources not otherwise included in accounts 631 thru 638.

65X.XX CAPITAL CONTRIBUTIONS

651.XX **CAPITAL CONTRIBUTIONS - FEDERAL/STATE/LOCAL**: Use grant source coding in the element/subelement and object/subobject field. See coding instructions for grants in Part 1, Chapter 4 of this manual.

652.XX **CAPITAL CONTRIBUTIONS - OTHER**: Financial resources for capital purposes provided by private contributors.

66X.XX PROPERTY LEASE/RENTAL REVENUES

661/662 PROPERTY LEASE/RENTAL - USER CHARGES

661.80 **UTILITIES** : Revenue derived from charges for water, electricity, heat, steam, etc., furnished to customers.

661.81 **WATER**
661.82 **ELECTRICITY**
661.83 **SEWER**
661.84 **STEAM**
661.85 **SURFACE WATER TAX**
661.86 **GARBAGE COLLECTION**
661.87 **NATURAL GAS/PROPANE/OIL**
661.88 **TELECOMMUNICATIONS**
661.89 **OTHER**

661.90 **RESERVED**

662.80 **RESERVED**

662.90 **OTHER**: Revenue derived for all miscellaneous services which are not specifically provided for in other accounts.

66X.XX PROPERTY LEASE/RENTAL REVENUES

664.XX REAL PROPERTY RENTALS - LAND: (i.e., Port owned land, tenant owned facility)

664.10 **UNIMPROVED LAND**: Revenue derived from the rental/lease of land under the direction of airport, marina, or marine terminal operations.

664.20 **INDUSTRIAL PARK**: Revenue derived from the rental/lease of land, under the direction of airport, marina, or marine terminal operations for industrial park.

664.30 **LOG STORAGE**: Revenue derived from the rental/lease of land, under the direction of airport, marina, or marine terminal operations for storage of logs.

664.40 **GRAIN ELEVATORS**: Revenue derived from the rental/lease of land, under the direction of airport, marina, or marine terminal operations, with tenant owned grain elevator.

664.50 **FREE TRADE ZONE**: Revenue derived from the rental/lease of land, under the direction of airport, marina, or marine terminal operations, with tenant owned facility where trade tariffs do not apply.

664.60 **COLD STORAGE**: Revenue derived from the rental/lease of land, under the direction of airport, marina, or marine terminal operations, with tenant owned cold storage warehouse for freeze cargo.

664.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land, under the direction of airport, marina, or marine terminal operations, which are not specifically provided for in other accounts.

66X.XX PROPERTY LEASE/RENTAL REVENUES

665/666 REAL PROPERTY RENTALS - FACILITIES : (i.e., Port owns both land and facility)

665.10 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of airport, marina, or marine terminal operations (e.g., warehouse, net sheds, marina store, lockers).

665.11 **PERMANENT AIRCRAFT PARKING**: Leasehold agreement for an indefinite period (over 30 days or more than $250 annually). Includes tie downs, hangars, floats, etc.. For transient parking, refer to account 611.30

665.12 **TEMPORARY AIRCRAFT PARKING**: Leasehold agreement for a specified period (over 30 days). Includes tie downs, hangars, floats, etc.. For transient parking, refer to account 611.30

665.20 **SPACE RENTAL - GENERAL:** Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of airport, marina, or marine terminal operations (e.g., warehouse, net sheds, marina store, lockers).

665.30 **SPACE RENTAL - GENERAL**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales) under the direction of airport, marina, or marine terminal operations (e.g., warehouse, net sheds, marina store, lockers).

665.40 **JOINT USE AREAS**: Revenue derived from the rental of areas (cubic ft., square ft., linear ft., or concession sales) under the direction of airport, marina, or marine terminal operations, used jointly by all tenants.

665.50 **FREE TRADE ZONE**: Revenue derived from the rental/lease of land and facilities, under the direction of airport, marina, or marine terminal operations, where trade tariffs do not apply.

665.60 **INDUSTRIAL PARK**: Revenue derived from the rental/lease of land and facilities, under the direction of airport, marina, or marine terminal operations, for industrial park.

665/666 REAL PROPERTY RENTALS - FACILITIES

665.70 **LOG STORAGE**: Revenue derived from the rental/lease of land and facilities, under the direction of airport, marina, or marine terminal operations, for storage of logs.

665.80 **GRAIN ELEVATOR**: Revenue derived from the rental/lease of land and facilities, under the direction of airport, marina, or marine terminal operations, with a grain elevator.

665.90 **RESERVED**

666.10 **COLD STORAGE**: Revenue derived from the rental/lease of land and facilities, under the direction of airport, marina, or marine terminal operations, with a cold storage warehouse for freeze cargo.

666.20 **CONTAINER TERMINAL**: Revenue derived from the rental/lease of land and facilities, under the direction of airport, marina, or marine terminal operations, with a container for cargo.

666.30 **FUEL FLOWAGE FEES** : Revenue derived from providing fuel to airport users.

666.40 **FUEL DOCK**: Revenue derived from fuel to marina users.

666.50 **BOAT STORAGE**: Revenue derived from the rental/lease of land and space (cubic ft., square ft., linear ft., or concession sales), under the direction of marina operations, for boat storage (e.g., dry dock).

666.51 **PERMANENT**: Leasehold agreement for an indefinite period (over 30 days or more than $250 annually).

666.52 **TEMPORARY**: Leasehold agreement for a specified period (over 30 days).

666.53 **TRANSIENT**: No leasehold agreement (under 30 days and less than $250 annually).

666.90 **OTHER**: Revenue derived for all the miscellaneous rental/lease of land and facilities, under the direction of airport,marina, or marine terminal operations, which are not specifically provided for in other accounts.

66X.XX PROPERTY LEASE/RENTAL REVENUES

667.XX PROPERTY LEASE/RENTAL REVENUES

667.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment with port operators which are not specifically provided for in other accounts.

668.XX PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR

668.90 **OTHER**: Revenue derived for all the miscellaneous rental of equipment without port operators which are not specifically provided for in other accounts.

669.XX **OTHER**: Revenue derived from other sources not otherwise included in accounts 661 thru 668.

68X.XX GENERAL AND ADMINISTRATIVE REVENUES

681/682 GENERAL AND ADMINISTRATIVE - USER CHARGES:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

681.80 RESERVED

681.90 RESERVED

682.80 RESERVED

682.90 OTHER

684.XX REAL PROPERTY RENTALS - LAND:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

684.90 OTHER

68X.XX GENERAL AND ADMINISTRATIVE REVENUES

685/686 REAL PROPERTY RENTALS - FACILITIES :
(Account is not commonly used, although space has been provided for use at the port's discretion.)

685.90 RESERVED

686.90 OTHER

687.XX PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

687.90 OTHER

688.XX PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

688.90 OTHER

689.XX OTHER: Revenue derived from other sources not otherwise included in accounts 681 thru 688.

69X.XX NONOPERATING REVENUES

691/692 NONOPERATING - USER CHARGES:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

691.80 RESERVED

691.90 RESERVED

692.80 RESERVED

692.90 OTHER

693.XX 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. See Part 1, Chapter 4 for additional coding instructions.

694.XX REAL PROPERTY RENTALS - LAND:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

694.90 OTHER

695/696 REAL PROPERTY RENTALS - FACILITIES :
(Account is not commonly used, although space has been provided for use at the port's discretion.)

695.90 RESERVED

696.90 OTHER

697.XX PERSONAL PROPERTY RENTALS - WITH PORT OPERATOR:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

697.90 OTHER

69X.XX NONOPERATING REVENUES

698.XX PERSONAL PROPERTY RENTALS - WITHOUT PORT OPERATOR:
(Account is not commonly used, although space has been provided for use at the port's discretion.)

698.90 OTHER

699.XX OTHER: Revenue derived from other sources not otherwise included in accounts 691 thru 698.

699.10 INTEREST: Revenue derived from interest earned on investments, contracts, securities, notes, loans, accounts receivable, special deposits, tax refunds, and all other interest-bearing assets.

699.20 AD VALOREM TAXES: Revenue derived from tax assessments levied for the support of the government, including Industrial Development District (IDD).

699.30 MISCELLANEOUS TAXES: Revenue derived from taxes, excluding ad valorem and Industrial Development District (IDD).

699.40 GAINS AND LOSSES (OTHER THAN ON INVESTMENTS): Revenue derived from the gain or loss on disposition of land, facilities, equipment, debt retirement, etc.

699.50 EXTRAORDINARY/SPECIAL ITEMS

699.51 EXTRAORDINARY ITEMS: Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. They are also not within control of management (e.g., environmental or natural disasters, etc.). Also use this account to record transactions which are unusual and infrequent but within control of management.

699.52 SPECIAL ITEMS: Special items are transactions or other events within control of management that are either unusual in nature or infrequent in occurrence (e.g., sales of capital assets, significant forgiveness of debt, etc.).

699.60 GAINS (LOSSES) ON INVESTMENTS

699.61 REALIZED GAINS (LOSSES) ON INVESTMENTS: Gain (loss) on sale of investment. Do not include interest earnings (see account 699.10).

699.62 UNREALIZED GAINS (LOSSES) ON INVESTMENTS: Gain (loss) on investment held due to changes in fair value of investment. Do not include any interest earnings (see account 699.10).

699.90 OTHER: Revenue derived for all miscellaneous items properly includible in the revenue account and not provided for elsewhere.

700.00 EXPENSE ACCOUNTS

The 700 series of expense accounts designates all outflows by the type of operation (function), activity, and classification. These accounts represent an orderly means of classifying transactions.

The operations have been divided into Airport, Marina, Marine Terminal, Property Lease and Rentals, General and Administrative, and Nonoperating functions.

The activities defined within each of these functions include operating, maintenance, general and administrative, and depreciation.

The classifications within each of the activities have been defined as salaries, benefits, outside services, supplies, equipment rentals, facilities rentals, general and administrative, and utilities.

Throughout the operations, activity, and classification sections of expense accounts, various account numbers have not been defined or reserved. These open accounts are available for use at the port's discretion. However, as the BARS manual is updated, it may be necessary to define these accounts.

Most of the illustrations of coding expenses include only five (5) digits or positions. An additional 1-2 digits is available for additional detail. If these digits are not defined or reserved, ports may use them at their own discretion. Only the accounts applicable to a particular district should be used.

BASIC ACCOUNTS

710.00	AIRPORT	760.00	PROPERTY LEASE/RENTALS
720.00	MARINA	770.00	OTHER
730.00	MARINE TERMINAL	780.00	GENERAL AND ADMINISTRATIVE
740.00	LOCAL OPTION	790.00	NONOPERATING
750.00	LOCAL OPTION		

NOTE. 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 districts.

BARS UNIFORM CHART OF ACCOUNTS
EXPENSE ACCOUNTS
Basic Accounts and Subaccounts

710.00	AIRPORT
711.00	OPERATIONS
712.00	
713.00	MAINTENANCE
714.00	
715.00	GENERAL AND ADMINISTRATIVE (ALLOCATED)
716.00	
717.00	DEPRECIATION
718.00	
719.00	OTHER
720.00	MARINA
721.00	OPERATIONS
722.00	
723.00	MAINTENANCE
724.00	
725.00	GENERAL AND ADMINISTRATIVE (ALLOCATED)
726.00	
727.00	DEPRECIATION
728.00	
729.00	OTHER
730.00	MARINE TERMINAL
731.00	OPERATIONS
732.00	
733.00	MAINTENANCE
734.00	
735.00	GENERAL AND ADMINISTRATIVE (ALLOCATED)
736.00	
737.00	DEPRECIATION
738.00	
739.00	OTHER
740.00	LOCAL OPTION*

* This account number is available for additional port operations. However, the activities defined within this function should be consistent with the other operations.

BARS UNIFORM CHART OF ACCOUNTS
EXPENSE ACCOUNTS
Basic Accounts and Subaccounts

750.00 LOCAL OPTION*

760.00 PROPERTY LEASE/RENTALS

761.00 OPERATIONS
762.00
763.00 MAINTENANCE
764.00
765.00 GENERAL AND ADMINISTRATIVE (ALLOCATED)
766.00
767.00 DEPRECIATION
768.00
769.00 OTHER

770.00 LOCAL OPTION*

780.00 GENERAL AND ADMINISTRATIVE

781.00 OPERATIONS
782.00
783.00 MAINTENANCE
784.00
785.00 GENERAL AND ADMINISTRATIVE (ALLOCATED)
786.00
787.00 DEPRECIATION
788.00
789.00 OTHER

790.00 NONOPERATING

791.00 RESERVED
792.00 RESERVED
793.00 RESERVED
794.00 RESERVED
795.00 RESERVED
796.00 RESERVED
797.00 RESERVED
798.00 RESERVED
799.00 OTHER

* This account number is available for additional port operations. However, the activities defined within this function should be consistent with the other operations.

71X.XX AIRPORT EXPENSES

711.XX OPERATING (DIRECT COSTS): Expenses which are directly related to the port's primary service activities.

711.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with airport operations, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

711.11.XX REGULAR (Straight-Pay)
711.12.XX OVERTIME

711.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

711.21.XX SOCIAL SECURITY (FICA)
711.22.XX WORKERS' COMPENSATION (L&I)
711.23.XX UNEMPLOYMENT COMPENSATION
711.24.XX PENSION (PERS/LEOFF)
711.25.XX INSURANCE (health, life, disability)
711.26.XX LEAVE (vacation, sick, etc.)

711.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services in connection with airport operations (e.g., Community Assessment Study, Return on Investment Study, legal, appraisers, engineering, risk management (insurance), custodial, accounting).

711.31.XX LEGAL

711.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with airport operations (e.g., office, computer, janitorial, fuel, lubricants).

711.41.XX OFFICE/COMPUTER
711.42.XX JANITORIAL
711.43.XX FUEL AND LUBRICANTS

711.XX AIRPORT - OPERATING EXPENSES

711.50.XX **EQUIPMENT RENTALS:** Cost of operating rented equipment used in connection with airport operations.

711.60.XX **FACILITY RENTALS:** Cost of operating rented facilities used in connection with airport operations.

711.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with airport operations (e.g., promotional hosting, travel, advertising, memberships, training, trade promotions, subscriptions/publications, community relations).

711.71.XX **PROMOTIONAL HOSTING**
711.72.XX **TRAVEL**
711.73.XX **INSURANCE**
711.74.XX **ADVERTISING**
711.75.XX **MEMBERSHIPS/DUES**
711.79.XX **OTHER**

711.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with airport operations.

711.81.XX **WATER**
711.82.XX **ELECTRICITY**
711.83.XX **SEWER**
711.84.XX **STEAM**
711.85.XX **SURFACE WATER TAX**
711.86.XX **GARBAGE COLLECTION**
711.87.XX **NATURAL GAS/PROPANE/OIL**
711.88.XX **TELECOMMUNICATIONS**
711.89.XX **OTHER**

711.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the operations of the airport.

711.99.XX **RESERVED**

71X.XX AIRPORT EXPENSES

713.XX MAINTENANCE: Expenses which are directly related to the port's upkeep of physical properties in condition for use or occupancy. NOTE: Repairs to specific equipment and facilities may be included in these accounts using the sixth and succeeding digits available within each category.

713.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with airport maintenance, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

713.11.XX REGULAR (Straight-Pay)
713.12.XX OVERTIME

713.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]-employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

713.21.XX SOCIAL SECURITY (FICA)
713.22.XX WORKERS' COMPENSATION (L&I)
713.23.XX UNEMPLOYMENT COMPENSATION
713.24.XX PENSION (PERS/LEOFF)
713.25.XX INSURANCE (health, life, disability)
713.26.XX LEAVE (vacation, sick, etc.)

713.30.XX OUTSIDE SERVICES: Costs incurred for services in connection with airport maintenance (e.g., custodians, plumbers, electricians, legal).

713.31.XX LEGAL

713.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with airport maintenance (e.g., paint, small tools, lumber, office, computer, janitorial).

713.41.XX OFFICE/COMPUTER
713.42.XX JANITORIAL
713.43.XX FUEL AND LUBRICANTS

713.XX AIRPORT - MAINTENANCE EXPENSES

713.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment used in connection with airport maintenance.

713.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities used in connection with airport maintenance.

713.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with airport maintenance.

713.71.XX **RESERVED**
713.72.XX **TRAVEL**
713.73.XX **INSURANCE**
713.74.XX **ADVERTISING**
713.75.XX **MEMBERSHIPS/DUES**
713.79.XX **OTHER**

713.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with airport maintenance.

713.81.XX **WATER**
713.82.XX **ELECTRICITY**
713.83.XX **SEWER**
713.84.XX **STEAM**
713.85.XX **SURFACE WATER TAX**
713.86.XX **GARBAGE COLLECTION**
713.87.XX **NATURAL GAS/PROPANE/OIL**
713.88.XX **TELECOMMUNICATIONS**
713.89.XX **OTHER**

713.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the maintenance of the airport.

713.99.XX **RESERVED**

71X.XX AIRPORT EXPENSES

715.XX GENERAL AND ADMINISTRATIVE: Expenses which are not chargeable directly to a particular operating function or to other accounts.

715.00.XX GENERAL AND ADMINISTRATIVE (ALLOCATED): Costs incurred for General and Administrative costs allocated in connection with airport operations.

715.10.XX **RESERVED** (use 715.00)

715.20.XX **RESERVED** (use 715.00)

715.30.XX **RESERVED** (use 715.00)

715.40.XX **RESERVED** (use 715.00)

715.50.XX **RESERVED** (use 715.00)

715.60.XX **RESERVED** (use 715.00)

715.70.XX **RESERVED** (use 715.00)

715.80.XX **RESERVED** (use 715.00)

715.90.XX **RESERVED** (use 715.00)

71X.XX AIRPORT EXPENSES

717.XX DEPRECIATION: Portion of the cost of a capital asset which is charged as an expense during a particular period.

717.00.XX DEPRECIATION: Costs of depreciation expense, for all classes of depreciable property, incurred in connection with airport operations.

717.10.XX RESERVED (use 717.00)

717.20.XX RESERVED (use 717.00)

717.30.XX RESERVED (use 717.00)

717.40.XX RESERVED (use 717.00)

717.50.XX RESERVED (use 717.00)

717.60.XX RESERVED (use 717.00)

717.70.XX RESERVED (use 717.00)

717.80.XX RESERVED (use 717.00)

717.90.XX RESERVED (use 717.00)

71X.XX AIRPORT EXPENSES

719.XX OTHER: Expenses incurred from other uses not otherwise included in accounts 711 thru 718.

719.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, not otherwise defined in the airport, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

719.11.XX REGULAR (Straight-Pay)
719.12.XX OVERTIME

719.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment, not otherwise defined in the airport. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

719.21.XX SOCIAL SECURITY (FICA)
719.22.XX WORKERS' COMPENSATION (L&I)
719.23.XX UNEMPLOYMENT COMPENSATION
719.24.XX PENSION (PERS/LEOFF)
719.25.XX INSURANCE (health, life, disability)
719.26.XX LEAVE (vacation, sick, etc.)

719.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services which are not applicable to a particular function of the airport.

719.31.XX LEGAL

719.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption, not otherwise defined in the airport functions.

719.41.XX OFFICE/COMPUTER
719.42.XX JANITORIAL
719.43.XX FUEL AND LUBRICANTS

719.XX AIRPORT - OTHER EXPENSES

719.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment, not otherwise defined in the airport functions.

719.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities, not otherwise defined in the airport functions.

719.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred, not otherwise defined in the airport functions.

719.71.XX **RESERVED**
719.72.XX **TRAVEL**
719.73.XX **INSURANCE**
719.74.XX **ADVERTISING**
719.75.XX **MEMBERSHIPS/DUES**
719.79.XX **OTHER**

719.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed, not otherwise defined in the airport functions.

719.81.XX **WATER**
719.82.XX **ELECTRICITY**
719.83.XX **SEWER**
719.84.XX **STEAM**
719.85.XX **SURFACE WATER TAX**
719.86.XX **GARBAGE COLLECTION**
719.87.XX **NATURAL GAS/PROPANE/OIL**
719.88.XX **TELECOMMUNICATIONS**
719.89.XX **OTHER**

719.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in airport functions.

719.99.XX **RESERVED**

72X.XX MARINA EXPENSES

721.XX OPERATING (DIRECT COSTS): Expenses which are directly related to the port's primary service activities.

721.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees in connection with marina operations, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

721.11.XX REGULAR (Straight-Pay)
721.12.XX OVERTIME

721.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

721.21.XX SOCIAL SECURITY (FICA)
721.22.XX WORKERS' COMPENSATION (L&I)
721.23.XX UNEMPLOYMENT COMPENSATION
721.24.XX PENSION (PERS/LEOFF)
721.25.XX INSURANCE (health, life, disability)
721.26.XX LEAVE (vacation, sick, etc.)

721.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services in connection with marina operations (e.g., Community Assessment Study, Return on Investment Study, legal, appraisers, engineering, risk management (insurance), custodial, accounting).

721.31.XX LEGAL

721.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with marina operations (e.g., office, computer, janitorial, fuel, lubricants).

721.41.XX OFFICE/COMPUTER
721.42.XX JANITORIAL
721.43.XX FUEL AND LUBRICANTS

721.XX MARINA - OPERATING EXPENSES

721.50.XX **EQUIPMENT RENTALS:** Cost of operating rented equipment used in connection with marina operations.

721.60.XX **FACILITY RENTALS:** Cost of operating rented facilities used in connection with marina operations.

721.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with marina operations (e.g., promotional hosting, travel, advertising, memberships, training, trade promotions, subscriptions/publications, community relations).

721.71.XX **PROMOTIONAL HOSTING**
721.72.XX **TRAVEL**
721.73.XX **INSURANCE**
721.74.XX **ADVERTISING**
721.75.XX **MEMBERSHIPS/DUES**
721.79.XX **OTHER**

721.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with marina operations.

721.81.XX **WATER**
721.82.XX **ELECTRICITY**
721.83.XX **SEWER**
721.84.XX **STEAM**
721.85.XX **SURFACE WATER TAX**
721.86.XX **GARBAGE COLLECTION**
721.87.XX **NATURAL GAS/PROPANE/OIL**
721.88.XX **TELECOMMUNICATIONS**
721.89.XX **OTHER**

721.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the operations of the marina.

721.99.XX **RESERVED**

72X.XX MARINA EXPENSES

723.XX MAINTENANCE: Expenses which are directly related to the port's upkeep of physical properties in condition for use or occupancy. NOTE: Repairs to specific equipment and facilities may be included in these accounts using the sixth and succeeding digits available within each category.

723.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with marina maintenance, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

723.11.XX REGULAR (Straight-Pay)
723.12.XX OVERTIME

723.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

723.21.XX SOCIAL SECURITY (FICA)
723.22.XX WORKERS' COMPENSATION (L&I)
723.23.XX UNEMPLOYMENT COMPENSATION
723.24.XX PENSION (PERS/LEOFF)
723.25.XX INSURANCE (health, life, disability)
723.26.XX LEAVE (vacation, sick, etc.)

723.30.XX OUTSIDE SERVICES: Costs incurred for services in connection with marina maintenance (e.g., custodians, plumbers, electricians, legal).

723.31.XX LEGAL

723.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with marina maintenance (e.g., paint, small tools, lumber, office, computer, janitorial).

723.41.XX OFFICE/COMPUTER
723.42.XX JANITORIAL
723.43.XX FUEL AND LUBRICANTS

723.XX MARINA - MAINTENANCE EXPENSES

723.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment used in connection with marina maintenance.

723.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities used in connection with marina maintenance.

723.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with marina maintenance.

723.71.XX **RESERVED**
723.72.XX **TRAVEL**
723.73.XX **INSURANCE**
723.74.XX **ADVERTISING**
723.75.XX **MEMBERSHIPS/DUES**
723.79.XX **OTHER**

723.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with marina maintenance.

723.81.XX **WATER**
723.82.XX **ELECTRICITY**
723.83.XX **SEWER**
723.84.XX **STEAM**
723.85.XX **SURFACE WATER TAX**
723.86.XX **GARBAGE COLLECTION**
723.87.XX **NATURAL GAS/PROPANE/OIL**
723.88.XX **TELECOMMUNICATIONS**
723.89.XX **OTHER**

723.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the maintenance of the marina.

723.99.XX **RESERVED**

72X.XX MARINA EXPENSES

725.XX GENERAL AND ADMINISTRATIVE: Expenses which are not chargeable directly to a particular operating function or to other accounts.

725.00.XX GENERAL AND ADMINISTRATIVE (ALLOCATED): Costs incurred for General and Administrative costs allocated in connection with marina operations.

725.10.XX **RESERVED** (use 725.00)

725.20.XX **RESERVED** (use 725.00)

725.30.XX **RESERVED** (use 725.00)

725.40.XX **RESERVED** (use 725.00)

725.50.XX **RESERVED** (use 725.00)

725.60.XX **RESERVED** (use 725.00)

725.70.XX **RESERVED** (use 725.00)

725.80.XX **RESERVED** (use 725.00)

725.90.XX **RESERVED** (use 725.00)

72X.XX MARINA EXPENSES

727.XX DEPRECIATION: Portion of the cost of a capital asset which is charged as an expense during a particular period.

727.00.XX DEPRECIATION: Costs of depreciation expense, for all classes of depreciable property, incurred in connection with marina operations.

727.10.XX RESERVED (use 727.00)

727.20.XX RESERVED (use 727.00)

727.30.XX RESERVED (use 727.00)

727.40.XX RESERVED (use 727.00)

727.50.XX RESERVED (use 727.00)

727.60.XX RESERVED (use 727.00)

727.70.XX RESERVED (use 727.00)

727.80.XX RESERVED (use 727.00)

727.90.XX RESERVED (use 727.00)

72X.XX MARINA EXPENSES

729.00 OTHER: Expenses incurred from other uses not otherwise included in accounts 721 thru 728.

729.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, not otherwise defined in the marina, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

729.11.XX REGULAR (Straight-Pay)
729.12.XX OVERTIME

729.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment, not otherwise defined in the marina. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment and postemployment benefits).

729.21.XX SOCIAL SECURITY (FICA)
729.22.XX WORKERS' COMPENSATION (L&I)
729.23.XX UNEMPLOYMENT COMPENSATION
729.24.XX PENSION (PERS/LEOFF)
729.25.XX INSURANCE (health, life, disability)
729.26.XX LEAVE (vacation, sick, etc.)

729.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services which are not applicable to a particular function of the marina.

729.31.XX LEGAL

729.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption, not otherwise defined in the marina functions.

729.41.XX OFFICE/COMPUTER
729.42.XX JANITORIAL
729.43.XX FUEL AND LUBRICANTS

729.XX MARINA - OTHER EXPENSES

729.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment, not otherwise defined in the marina functions.

729.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities, not otherwise defined in the marina functions.

729.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred, not otherwise defined in the marina functions.

729.71.XX **RESERVED**
729.72.XX **TRAVEL**
729.73.XX **INSURANCE**
729.74.XX **ADVERTISING**
729.75.XX **MEMBERSHIPS/DUES**
729.79.XX **OTHER**

729.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed, not otherwise defined in the marina functions.

729.81.XX **WATER**
729.82.XX **ELECTRICITY**
729.83.XX **SEWER**
729.84.XX **STEAM**
729.85.XX **SURFACE WATER TAX**
729.86.XX **GARBAGE COLLECTION**
729.87.XX **NATURAL GAS/PROPANE/OIL**
729.88.XX **TELECOMMUNICATIONS**
729.89.XX **OTHER**

729.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in marina functions.

729.99.XX **RESERVED**

73X.XX MARINE TERMINAL EXPENSES

731.XX OPERATING (DIRECT COSTS): Expenses which are directly related to the port's primary service activities.

731.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with marine terminal operations, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

731.11.XX REGULAR (Straight-Pay)
731.12.XX OVERTIME

731.20.XX BENEFITS: Employee benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

731.21.XX SOCIAL SECURITY (FICA)
731.22.XX WORKERS' COMPENSATION (L&I)
731.23.XX UNEMPLOYMENT COMPENSATION
731.24.XX PENSION (PERS/LEOFF)
731.25.XX INSURANCE (health, life, disability)
731.26.XX LEAVE (vacation, sick, etc.)

731.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services in connection with marine terminal operations (e.g., Community Assessment Study, Return on Investment Study, legal, appraisers, engineering, risk management (insurance), custodial, accounting).

731.31.XX LEGAL

731.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with marine terminal operations (e.g., office, computer, janitorial, fuel, lubricants).

731.41.XX OFFICE/COMPUTER
731.42.XX JANITORIAL
731.43.XX FUEL AND LUBRICANTS

731.XX MARINE TERMINAL - OPERATING EXPENSES

731.50.XX **EQUIPMENT RENTALS:** Cost of operating rented equipment used in connection with marine terminal operations.

731.60.XX **FACILITY RENTALS:** Cost of operating rented facilities used in connection with marine terminal operations.

731.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with marine terminal operations (e.g., promotional hosting, travel, advertising, memberships, training, trade promotions, subscriptions/publications, community relations).

731.71.XX **PROMOTIONAL HOSTING**
731.72.XX **TRAVEL**
731.73.XX **INSURANCE**
731.74.XX **ADVERTISING**
731.75.XX **MEMBERSHIPS/DUES**
731.79.XX **OTHER**

731.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with marine terminal operations.

731.81.XX **WATER**
731.82.XX **ELECTRICITY**
731.83.XX **SEWER**
731.84.XX **STEAM**
731.85.XX **SURFACE WATER TAX**
731.86.XX **GARBAGE COLLECTION**
731.87.XX **NATURAL GAS/PROPANE/OIL**
731.88.XX **TELECOMMUNICATIONS**
731.89.XX **OTHER**

731.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the operations of the marine terminal.

731.99.XX **RESERVED**

73X.XX MARINE TERMINAL EXPENSES

733.XX MAINTENANCE: Expenses which are directly related to the port's upkeep of physical properties in condition for use or occupancy. NOTE: Repairs to specific equipment and facilities may be included in these accounts using the sixth and succeeding digits available within each category.

733.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with marine terminal maintenance, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

733.11.XX REGULAR (Straight-Pay)
733.12.XX OVERTIME

733.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

733.21.XX SOCIAL SECURITY (FICA)
733.22.XX WORKERS' COMPENSATION (L&I)
733.23.XX UNEMPLOYMENT COMPENSATION
733.24.XX PENSION (PERS/LEOFF)
733.25.XX INSURANCE (health, life, disability)
733.26.XX LEAVE (vacation, sick, etc.)

733.30.XX OUTSIDE SERVICES: Costs incurred for services in connection with marine terminal maintenance (e.g., custodians, plumbers, electricians, legal).

733.31.XX LEGAL

733.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with marine terminal maintenance (e.g., paint, small tools, lumber, office, computer, janitorial).

733.41.XX OFFICE/COMPUTER
733.42.XX JANITORIAL
733.43.XX FUEL AND LUBRICANTS

733.XX MARINE TERMINAL - MAINTENANCE EXPENSES

733.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment used in connection with marine terminal maintenance.

733.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities used in connection with marine terminal maintenance.

733.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with marine terminal maintenance.

733.71.XX **RESERVED**
733.72.XX **TRAVEL**
733.73.XX **INSURANCE**
733.74.XX **ADVERTISING**
733.75.XX **MEMBERSHIPS/DUES**
733.79.XX **OTHER**

733.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with marine terminal maintenance.

733.81.XX **WATER**
733.82.XX **ELECTRICITY**
733.83.XX **SEWER**
733.84.XX **STEAM**
733.85.XX **SURFACE WATER TAX**
733.86.XX **GARBAGE COLLECTION**
733.87.XX **NATURAL GAS/PROPANE/OIL**
733.88.XX **TELECOMMUNICATIONS**
733.89.XX **OTHER**

733.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the maintenance of the marine terminal.

733.99.XX **RESERVED**

73X.XX MARINE TERMINAL EXPENSES

735.XX GENERAL AND ADMINISTRATIVE: Expenses which are not chargeable directly to a particular operating function or to other accounts.

735.00.XX GENERAL AND ADMINISTRATIVE (ALLOCATED): Costs incurred for General and Administrative costs allocated in connection with marine terminal operations.

735.10.XX **RESERVED** (use 735.00)

735.20.XX **RESERVED** (use 735.00)

735.30.XX **RESERVED** (use 735.00)

735.40.XX **RESERVED** (use 735.00)

735.50.XX **RESERVED** (use 735.00)

735.60.XX **RESERVED** (use 735.00)

735.70.XX **RESERVED** (use 735.00)

735.80.XX **RESERVED** (use 735.00)

735.90.XX **RESERVED** (use 735.00)

73X.XX MARINE TERMINAL EXPENSES

737.XX **DEPRECIATION:** Portion of the cost of a capital asset which is charged as an expense during a particular period.

737.00.XX **DEPRECIATION:** Costs of depreciation expense, for all classes of depreciable property, incurred in connection with marine terminal operations.

737.10.XX **RESERVED** (use 737.00)

737.20.XX **RESERVED** (use 737.00)

737.30.XX **RESERVED** (use 737.00)

737.40.XX **RESERVED** (use 737.00)

737.50.XX **RESERVED** (use 737.00)

737.60.XX **RESERVED** (use 737.00)

737.70.XX **RESERVED** (use 737.00)

737.80.XX **RESERVED** (use 737.00)

737.90.XX **RESERVED** (use 737.00)

73X.XX MARINE TERMINAL EXPENSES

739.XX OTHER: Expenses incurred from other uses not otherwise included in accounts 731 thru 738.

739.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, not otherwise defined in the marine terminal, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

739.11.XX REGULAR (Straight-Pay)
739.12.XX OVERTIME

739.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment, not otherwise defined in the marine terminal. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

739.21.XX SOCIAL SECURITY (FICA)
739.22.XX WORKERS' COMPENSATION (L&I)
739.23.XX UNEMPLOYMENT COMPENSATION
739.24.XX PENSION (PERS/LEOFF)
739.25.XX INSURANCE (health, life, disability)
739.26.XX LEAVE (vacation, sick, etc.)

739.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services which are not applicable to a particular function of the marine terminal.

739.31.XX LEGAL

739.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption, not otherwise defined in the marine terminal functions.

739.41.XX OFFICE/COMPUTER
739.42.XX JANITORIAL
739.43.XX FUEL AND LUBRICANTS

739.XX MARINE TERMINAL - OTHER EXPENSES

739.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment, not otherwise defined in the marine terminal functions.

739.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities, not otherwise defined in the marine terminal functions.

739.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred, not otherwise defined in the marine terminal functions.

739.71.XX **RESERVED**
739.72.XX **TRAVEL**
739.73.XX **INSURANCE**
739.74.XX **ADVERTISING**
739.75.XX **MEMBERSHIPS/DUES**
739.79.XX **OTHER**

739.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed, not otherwise defined in the marine terminal functions.

739.81.XX **WATER**
739.82.XX **ELECTRICITY**
739.83.XX **SEWER**
739.84.XX **STEAM**
739.85.XX **SURFACE WATER TAX**
739.86.XX **GARBAGE COLLECTION**
739.87.XX **NATURAL GAS/PROPANE/OIL**
739.88.XX **TELECOMMUNICATIONS**
739.89.XX **OTHER**

739.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in marine terminal functions.

739.99.XX **RESERVED**

76X.XX PROPERTY LEASE/RENTAL EXPENSES

761.XX OPERATING (DIRECT COSTS): Expenses which are directly related to the port's primary service activities.

761.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with property lease/rental operations, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

761.11.XX REGULAR (Straight-Pay)
761.12.XX OVERTIME

761.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

761.21.XX SOCIAL SECURITY (FICA)
761.22.XX WORKERS' COMPENSATION (L&I)
761.23.XX UNEMPLOYMENT COMPENSATION
761.24.XX PENSION (PERS/LEOFF)
761.25.XX INSURANCE (health, life, disability)
761.26.XX LEAVE (vacation, sick, etc.)

761.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services in connection with property lease/rental operations (e.g., Community Assessment Study, Return on Investment Study, legal, appraisers, engineering, risk management (insurance), custodial, accounting).

761.31.XX LEGAL

761.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with property lease/rental operations (e.g., office, computer, janitorial, fuel, lubricants).

761.41.XX OFFICE/COMPUTER
761.42.XX JANITORIAL
761.43.XX FUEL AND LUBRICANTS

761.XX PROPERTY LEASE/RENTAL - OPERATING EXPENSES

761.50.XX **EQUIPMENT RENTALS:** Cost of operating rented equipment used in connection with property lease/rental operations.

761.60.XX **FACILITY RENTALS:** Cost of operating the rented facilities used in connection with property lease/rental operations.

761.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with property lease/rental operations (promotional hosting, travel, advertising, memberships, training, trade promotions, subscriptions/publications, community relations).

761.71.XX **PROMOTIONAL HOSTING**
761.72.XX **TRAVEL**
761.73.XX **INSURANCE**
761.74.XX **ADVERTISING**
761.75.XX **MEMBERSHIPS/DUES**
761.79.XX **OTHER**

761.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with property lease/rental operations.

761.81.XX **WATER**
761.82.XX **ELECTRICITY**
761.83.XX **SEWER**
761.84.XX **STEAM**
761.85.XX **SURFACE WATER TAX**
761.86.XX **GARBAGE COLLECTION**
761.87.XX **NATURAL GAS/PROPANE/OIL**
761.88.XX **TELECOMMUNICATIONS**
761.89.XX **OTHER**

761.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the operations of property lease and rentals.

761.99.XX **RESERVED**

76X.XX PROPERTY LEASE/RENTAL EXPENSES

763.XX MAINTENANCE: Expenses which are directly related to the port's upkeep of physical properties in condition for use or occupancy. NOTE: Repairs to specific equipment and facilities may be included in these accounts using the sixth and succeeding digits available within each category.

763.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with property lease/rental maintenance, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

763.11.XX REGULAR (Straight-Pay)
763.12.XX OVERTIME

763.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

763.21.XX SOCIAL SECURITY (FICA)
763.22.XX WORKERS' COMPENSATION (L&I)
763.23.XX UNEMPLOYMENT COMPENSATION
763.24.XX PENSION (PERS/LEOFF)
763.25.XX INSURANCE (health, life, disability)
763.26.XX LEAVE (vacation, sick, etc.)

763.30.XX OUTSIDE SERVICES: Costs incurred for services in connection with property lease/rental maintenance (e.g., custodians, plumbers, electricians, legal).

763.31.XX LEGAL

763.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with property lease/rental maintenance (paint, small tools, lumber, office, computer, janitorial).

763.41.XX OFFICE/COMPUTER
763.42.XX JANITORIAL
763.43.XX FUEL AND LUBRICANTS

763.XX PROPERTY LEASE/RENTAL - MAINTENANCE EXPENSES

763.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment used in connection with property lease/rental maintenance.

763.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities used in connection with property lease/rental maintenance.

763.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with property lease/rental maintenance.

763.71.XX **RESERVED**
763.72.XX **TRAVEL**
763.73.XX **INSURANCE**
763.74.XX **ADVERTISING**
763.75.XX **MEMBERSHIPS**
763.79.XX **OTHER**

763.70.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with property lease/rental maintenance.

763.81.XX **WATER**
763.82.XX **ELECTRICITY**
763.83.XX **SEWER**
763.84.XX **STEAM**
763.85.XX **SURFACE WATER TAX**
763.86.XX **GARBAGE COLLECTION**
763.87.XX **NATURAL GAS/PROPANE/OIL**
763.88.XX **TELECOMMUNICATIONS**
763.89.XX **OTHER**

763.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the maintenance of property lease and rentals.

763.99.XX **RESERVED**

76X.XX PROPERTY LEASE/RENTAL EXPENSES

765.XX GENERAL AND ADMINISTRATIVE: Expenses which are not chargeable directly to a particular operating function or to other accounts.

765.00.XX GENERAL AND ADMINISTRATIVE (ALLOCATED): Costs incurred for General and Administrative costs allocated in connection with property lease/rental operations.

765.10.XX **RESERVED** (use 765.00)

765.20.XX **RESERVED** (use 765.00)

765.30.XX **RESERVED** (use 765.00)

765.40.XX **RESERVED** (use 765.00)

765.50.XX **RESERVED** (use 765.00)

765.60.XX **RESERVED** (use 765.00)

765.70.XX **RESERVED** (use 765.00)

765.80.XX **RESERVED** (use 765.00)

765.90.XX **RESERVED** (use 765.00)

76X.XX PROPERTY LEASE/RENTAL EXPENSES

767.00 **DEPRECIATION:** Portion of the cost of a capital asset which is charged as an expense during a particular period.

767.00.XX **DEPRECIATION:** Costs of depreciation expense, for all classes of depreciable property, incurred in connection with property lease/rental operations.

767.10.XX **RESERVED** (use 767.00)

767.20.XX **RESERVED** (use 767.00)

767.30.XX **RESERVED** (use 767.00)

767.40.XX **RESERVED** (use 767.00)

767.50.XX **RESERVED** (use 767.00)

767.60.XX **RESERVED** (use 767.00)

767.70.XX **RESERVED** (use 767.00)

767.80.XX **RESERVED** (use 767.00)

767.90.XX **RESERVED** (use 767.00)

76X.XX PROPERTY LEASE/RENTAL EXPENSES

769.XX OTHER: Expenses incurred from other uses not otherwise included in accounts 761 thru 768.

769.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees not otherwise defined in the property lease/rental, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

769.11.XX REGULAR (Straight-Pay)
769.12.XX OVERTIME

769.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment, not otherwise defined in the property lease/rental. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

769.21.XX SOCIAL SECURITY (FICA)
769.22.XX WORKERS' COMPENSATION (L&I)
769.23.XX UNEMPLOYMENT COMPENSATION
769.24.XX PENSION (PERS/LEOFF)
769.25.XX INSURANCE (health, life, disability)
769.26.XX LEAVE (vacation, sick, etc.)

769.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services which are not applicable to a particular function of the property lease/rental.

769.31.XX LEGAL

769.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption, not otherwise defined in the property lease/rental functions.

769.41.XX OFFICE/COMPUTER
769.42.XX JANITORIAL
769.43.XX FUEL AND LUBRICANTS

769.XX PROPERTY LEASE/RENTAL - OTHER EXPENSES

769.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment, not otherwise defined in the property lease/rental functions.

769.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities, not otherwise defined in the property lease/rental functions.

769.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred, not otherwise defined in the property lease/rental functions.

769.71.XX **RESERVED**
769.72.XX **TRAVEL**
769.73.XX **INSURANCE**
769.74.XX **ADVERTISING**
769.75.XX **MEMBERSHIPS/DUES**
769.79.XX **OTHER**

769.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed, not otherwise defined in the property lease/rental functions.

769.81.XX **WATER**
769.82.XX **ELECTRICITY**
769.83.XX **SEWER**
769.84.XX **STEAM**
769.85.XX **SURFACE WATER TAX**
769.86.XX **GARBAGE COLLECTION**
769.87.XX **NATURAL GAS/PROPANE/OIL**
769.88.XX **TELECOMMUNICATIONS**
769.89.XX **OTHER**

769.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in property lease/rental functions.

769.99.XX **RESERVED**

78X.XX GENERAL AND ADMINISTRATIVE (G&A) EXPENSES - The sum of accounts 781 and 783 less 785 should be shown separately in the operating expenses of the financial statements. Account 787 is combined with other operations.

781.XX OPERATING G&A (DIRECT COSTS): Expenses which are directly related to the port's primary service activities (e.g., Accounting/Finance Department).

781.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with general and administrative operations, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

781.11.XX REGULAR (Straight-Pay)
781.12.XX OVERTIME

781.20.XX BENEFITS: Employee benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

781.21.XX SOCIAL SECURITY (FICA)
781.22.XX WORKERS' COMPENSATION (L&I)
781.23.XX UNEMPLOYMENT COMPENSATION
781.24.XX PENSION (PERS/LEOFF)
781.25.XX INSURANCE (health, life, disability)
781.26.XX LEAVE (vacation, sick, etc.)

781.30.XX OUTSIDE SERVICES: Costs incurred for professional consultants and others for services in connection with general and administrative operations (e.g., Community Assessment Study, Return on Investment Study, legal, appraisers, engineering, risk management (insurance), custodial, accounting, regional cooperative efforts).

781.31.XX LEGAL

781.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with general and administrative operations (e.g., office, computer, janitorial, fuel, lubricants).

781.41.XX OFFICE/COMPUTER
781.42.XX JANITORIAL
781.43.XX FUEL AND LUBRICANTS

781.XX GENERAL AND ADMINISTRATIVE - OPERATING EXPENSES

781.50.XX **EQUIPMENT RENTALS:** Cost of operating rented equipment used in connection with general and administrative operations.

781.60.XX **FACILITY RENTALS:** Cost of operating the rented facilities used in connection with general and administrative operations.

781.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with general and administrative operations (e.g., promotional hosting, travel, advertising, memberships, training, trade promotions, subscriptions/publications, community relations).

781.71.XX **PROMOTIONAL HOSTING**
781.72.XX **TRAVEL**
781.73.XX **INSURANCE**
781.74.XX **ADVERTISING**
781.75.XX **MEMBERSHIPS/DUES**
781.79.XX **OTHER**

781.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with general and administrative operations.

781.81.XX **WATER**
781.82.XX **ELECTRICITY**
781.83.XX **SEWER**
781.84.XX **STEAM**
781.85.XX **SURFACE WATER TAX**
781.86.XX **GARBAGE COLLECTION**
781.87.XX **NATURAL GAS/PROPANE/OIL**
781.88.XX **TELECOMMUNICATIONS**
781.89.XX **OTHER**

781.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the general and administrative operations.

781.99.XX **RESERVED**

78X.XX GENERAL AND ADMINISTRATIVE (G&A) EXPENSES - The sum of accounts 781 and 783 less 785 should be shown separately in the operating expenses of the financial statements. Account 787 is combined with other operations.

783.XX MAINTENANCE G&A (DIRECT COSTS): Expenses which are directly related to the port's upkeep of physical properties in condition for use or occupancy. NOTE: Repairs to specific equipment and facilities may be included in these accounts using the sixth and succeeding digits available within each category.

783.10.XX SALARIES/LABOR: Costs incurred for personal services rendered by employees, in connection with general and administrative maintenance, 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 compensations construed to be salaries and labor. Subdivide this account as necessary for local purposes (e.g., regular pay, overtime pay, sick pay, vacation pay, shift differential, and other taxable compensation).

783.11.XX REGULAR (Straight-Pay)
783.12.XX OVERTIME

783.20.XX BENEFITS: Employees benefits incurred by the employer as part of the conditions of employment. Subdivide as needed for local purposes (e.g., insurance, OASI [FICA]–employer portion, retirement, unemployment compensation, uniforms and clothing, workers' compensation, medical, leave accruals, and other postemployment benefits).

783.21.XX SOCIAL SECURITY (FICA)
783.22.XX WORKERS' COMPENSATION (L&I)
783.23.XX UNEMPLOYMENT COMPENSATION
783.24.XX PENSION (PERS/LEOFF)
783.25.XX INSURANCE (health, life, disability)
783.26.XX LEAVE (vacation, sick, etc.)

783.30.XX OUTSIDE SERVICES: Costs incurred for services in connection with general and administrative maintenance (e.g., custodians, plumbers, electricians, legal).

783.31.XX LEGAL

783.40.XX SUPPLIES: Costs incurred for articles and commodities purchased for consumption in connection with general and administrative maintenance (e.g., paint, small tools, lumber, office, computer, janitorial).

783.41.XX OFFICE/COMPUTER
783.42.XX JANITORIAL
783.43.XX FUEL AND LUBRICANTS

783.XX GENERAL AND ADMINISTRATIVE - MAINTENANCE EXPENSES

783.50.XX **EQUIPMENT RENTALS:** Costs incurred for rented equipment used in connection with general and administrative maintenance.

783.60.XX **FACILITY RENTALS:** Costs incurred for rented facilities used in connection with general and administrative maintenance.

783.70.XX **GENERAL AND ADMINISTRATIVE (DIRECT):** Costs incurred in connection with general and administrative maintenance.

783.71.XX **RESERVED**
783.72.XX **TRAVEL**
783.73.XX **INSURANCE**
783.74.XX **ADVERTISING**
783.75.XX **MEMBERSHIPS/DUES**
783.79.XX **OTHER**

783.80.XX **UTILITIES:** Costs incurred for heat, light, power, and water consumed in connection with general and administrative maintenance.

783.81.XX **WATER**
783.82.XX **ELECTRICITY**
783.83.XX **SEWER**
783.84.XX **STEAM**
783.85.XX **SURFACE WATER TAX**
783.86.XX **GARBAGE COLLECTION**
783.87.XX **NATURAL GAS/PROPANE/OIL**
783.88.XX **TELECOMMUNICATIONS**
783.89.XX **OTHER**

783.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in the general and administrative maintenance.

783.99.XX **RESERVED**

78X.XX **GENERAL AND ADMINISTRATIVE (G&A) EXPENSES** - The sum of accounts 781 and 783 less 785 should be shown separately in the operating expenses of the financial statements. Account 787 is combined with other operations.

785.XX **GENERAL AND ADMINISTRATIVE:** Expenses which are not chargeable directly to a particular operating function or to other accounts.

785.00.XX **GENERAL AND ADMINISTRATIVE (ALLOCATED):** Costs incurred for General and Administrative expenses allocated in connection with operations (e.g., Airport, Marina, Marine Terminal, etc.). The credit balance in this account should equal the sum of accounts 715, 725, 735, and 765.

785.10.XX **RESERVED** (use 785.00)

785.20.XX **RESERVED** (use 785.00)

785.30.XX **RESERVED** (use 785.00)

785.40.XX **RESERVED** (use 785.00)

785.50.XX **RESERVED** (use 785.00)

785.60.XX **RESERVED** (use 785.00)

785.70.XX **RESERVED** (use 785.00)

785.80.XX **RESERVED** (use 785.00)

785.90.XX **RESERVED** (use 785.00)

78X.XX **GENERAL AND ADMINISTRATIVE (G&A) EXPENSES** - The sum of accounts 781 and 783 less 785 should be shown separately in the operating expenses of the financial statements. Account 787 is combined with other operations.

787.XX **DEPRECIATION:** Portion of the cost of a capital asset which is charged as an expense during a particular period.

787.00.XX **DEPRECIATION:** Costs of depreciation expense, for all classes of depreciable property, incurred in connection with general and administrative operations.

787.10.XX **RESERVED** (use 787.00)

787.20.XX **RESERVED** (use 787.00)

787.30.XX **RESERVED** (use 787.00)

787.40.XX **RESERVED** (use 787.00)

787.50.XX **RESERVED** (use 787.00)

787.60.XX **RESERVED** (use 787.00)

787.70.XX **RESERVED** (use 787.00)

787.80.XX **RESERVED** (use 787.00)

787.90.XX **RESERVED** (use 787.00)

78X.XX GENERAL AND ADMINISTRATIVE EXPENSES

789.XX **OTHER:** Expenses incurred from other uses not otherwise included in accounts 781 thru 788.

789.10.XX **RESERVED**

789.20.XX **RESERVED**

789.30.XX **RESERVED**

789.40.XX **RESERVED**

789.50.XX **RESERVED**

789.60.XX **RESERVED**

789.70.XX **RESERVED**

789.80.XX **RESERVED**

789.90.XX **RESERVED**

79X.XX NONOPERATING EXPENSES

799.XX **OTHER:** Expenses incurred from other uses not otherwise included in accounts 791 thru 798.

799.10.XX **RESERVED** (use 799.90)

799.20.XX **RESERVED** (use 799.90)

799.30.XX **RESERVED** (use 799.90)

799.40.XX **RESERVED** (use 799.90)

799.50.XX **RESERVED** (use 799.90)

799.60.XX **RESERVED** (use 799.90)

799.70.XX **RESERVED** (use 799.90)

799.80.XX **RESERVED** (use 799.90)

799.90.XX **OTHER:** Costs incurred for other uses not otherwise defined in nonoperating functions.

799.91.XX **INTEREST EXPENSE:** Costs incurred in connection with interest issued or assumed (e.g., G.O. Bonds, Revenue Bonds)

799.92.XX **ELECTION EXPENSE:** Costs incurred in connection with elections of officials, and bond or other propositions submitted to the voters.

799.98.XX **ENVIRONMENTAL EXPENSE:** Costs incurred in connedtion with remedial environmental impacts. Nonremedial costs will be charged to the proper expense accounts.

799.99.XX **RESERVED**

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The following principles of accounting and financial reporting are based on those set forth in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The BARS manual permits accounting and financial reporting that conforms to these principles in all respects and requires classified port districts to account and report in conformity with these principles, except that the required annual report is not as extensive as the Comprehensive Annual Financial Report (CAFR).

ACCOUNTING AND REPORTING CAPABILITIES

1. A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the financial position and results of financial operations of the funds of the government in conformity with generally accepted accounting principles; and (b) 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. Fund financial statements should be used to report detailed information about primary government, including its blended component units. The focus of proprietary fund financial statements is on major funds.

TYPES OF FUNDS

3. Presented below is a system to classify all funds used by port districts. (The governmental funds, since not used by the districts, are omitted from the list.)

Proprietary Funds

Enterprise Funds – an enterprise fund may be used to report any activity for which a fee is charged to external users for goods or services. An enterprise fund is also required for any activity whose principal revenue sources meet any of the following criteria:

- Debt backed solely by fees and charges. If issued debt is backed solely by fees and charges, an enterprise fund must be used to account for the activity.
- Legal requirement to recover cost. An enterprise fund must be used if the cost of providing services for an activity (including capital costs such as depreciation or debt service) must legally be 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 of providing services (including capital costs such as depreciation or debt service).

NOTE: Separate funds are not required even though bond covenants stipulate a *bond reserve fund*, *bond construction fund*, 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. (See account 140 in the general ledger chart of accounts.)

Internal Service Funds - to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by one government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include (a) private-purpose trust funds, (b) pension (and other employee benefit) trust funds, (c) investment trust funds, and (d) agency funds.

NUMBER OF FUNDS

4. The governments should establish and maintain the minimum number of funds consistent with legal and operating requirements. Unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

ACCOUNTING FOR CAPITAL ASSETS AND LONG-TERM LIABILITIES

5. a. Capital assets related to specific proprietary funds or trust funds should be accounted for in those funds.

   b. Long-term liabilities of proprietary funds and trust funds should be accounted for in those funds.

VALUATION OF CAPITAL ASSETS

6. Capital assets should be accounted for at historical cost or, if the cost is not practicably determinable, at estimated cost. The cost of capital asset should include ancillary charges necessary to place the asset into its intended location and condition to use. Donated capital assets should be recorded at their estimated fair value at the time received plus ancillary charges, if any.

DEPRECIATION OF CAPITAL ASSETS

7. Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets using the modified approach. Inexhaustible assets such as land and land improvements should not be depreciated. Depreciation expense should be reported in the proprietary fund statement of revenues, expenses, and changes in fund net assets; and the statement of changes in fiduciary net assets.

ACCRUAL BASIS IN GOVERNMENTAL ACCOUNTING

8. The accrual basis of accounting should be used in measuring financial position and operating results.

   a. Proprietary fund revenues and expenses should be recognized on the accrual basis. Revenues should be recognized in the accounting period in which they are earned; expenses should be recognized in the period in which the related liability is incurred.

   b. Transfers should be recognized in the accounting period in which the interfund receivable and payable arise.

BUDGETING

9. An annual budget must be adopted by every district.

TRANSFER, REVENUE, AND EXPENSE ACCOUNT CLASSIFICATIONS

10. a. Interfund transfers, proceeds of long-term debt (and material proceeds of capital asset disposition) should be classified separately from fund revenues and expenses.

    b. Revenues and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.

COMMON TERMINOLOGY AND CLASSIFICATION

11. A common terminology and classification should be used consistently throughout the budgeting, accounting, and financial reporting.

ANNUAL FINANCIAL REPORTS

12. a. General purpose external financial reports should be prepared and published. Governments engaged only in business-type of activities should present only the financial statements required for enterprise funds. They should include:

    (1) Management's discussion and analysis (MD&A)
    (2) Enterprise fund financial statements consisting of:
        a. Statement of net assets, or balance sheet
        b. Statement of revenues, expenses, and changes in fund net assets
        c. Statement of cash flows
    (3) Notes to the financial statements
    (4) Required supplementary information (RSI) other than MD&A, if applicable.

    b. The statements and reports listed above establish <u>national standards</u> of financial reporting. They should not be confused with <u>legal reporting requirements</u>, which are prescribed by the State Auditor's Office for local governments in Washington State. The legal requirements are consistent with these national standards, but they are not identical. Specific legal reporting requirements are contained in the Part 4.

    c. A comprehensive annual financial report may be prepared and published, covering all activities of the primary government (including its blended component units) and providing an overview of all discretely presented component units of the reporting entity - including introductory section, management's discussion and analysis (MD&A), basic financial statements, required supplementary information other than MD&A, combining and individual fund statements, schedules, narrative explanations, and statistical section. The reporting entity is the primary government (including its blended component units) and all discretely presented component units.

    d. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) 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 basic financial statements to be misleading or incomplete. The reporting entity's fund financial statements should present the primary government's (including its blended component units, which are, in substance, part of the primary government) major funds individually and nonmajor funds in the aggregate. Funds and component units that are fiduciary in nature should be reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

    e. 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, joint venture, jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements. For all of these entities, the

provisions the GASB Statement 14 should be applied in layers "from the bottom up". At each layer, the definition and display provisions should be applied before the layer is included in the financial statements of the next level of the reporting government.

There are three primary authoritative sources of generally accepted accounting principles (GAAP) for local governments:

1. GASB - Governmental Accounting Standards Board

2. AICPA - American Institute of Certified Public Accountants

3. FASB - Financial Accounting Standards Board

AICPA's Statement on Auditing Standards (SAS) 69 promulgates the GAAP hierarchy for state and local governments.

The GAAP hierarchy, as prescribed by the SAS 69, has four categories of sources of accounting principles:

a. GASB Statements and Interpretations, AICPA and FASB pronouncements specifically made applicable to state and local governmental entities by GASB Statements and Interpretations.

b. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the AICPA and cleared by the GASB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

c. AICPA Accounting Standards Executive Committee Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB, and Consensus Positions of the GASB Emerging Issues Task Force.

d. Implementation guides ("Qs and As") published by the GASB and practices that are widely recognized and prevalent in state and local government.

In the absence of established pronouncements, the state and local governments may consider other accounting literature. Other accounting literature includes, for example, GASB Concept Statements; pronouncements establishing accounting principles for nongovernmental entities when not specifically made applicable to state and local governments; Accounting Principal Board (APB) Statements; FASB Concepts Statements; AICPA Issues Papers; International Accounting Standards Committee (IASC) Statements; pronouncements of other professional associations or regulatory agencies; AICPA *Technical Practice Aids*; and accounting textbooks, handbooks, and articles.

GAAP for Proprietary Activities

GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides additional guidance for establishing a GAAP hierarchy for proprietary activities.

Proprietary funds or entities using proprietary accounting should apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

FASB Statements and Interpretations;
APB Opinions; and
Accounting Research Bulletins (ARBs).

In addition, a proprietary activity has the option to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Accordingly, a proprietary activity should apply all or none of the nonconflicting FASB pronouncements issued after November 30, 1989. The same application of FASB pronouncements is encouraged to be used for all proprietary activities, including component units, in the general purpose financial reports of the financial reporting entity. (Refer to the GASB Statement 20 for additional details.)

Ordering Information

The GASB publications are available from:

GASB Order Department
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

The two major FASB publications are:

Two-volume Current Text and five-volume Original Pronouncements

The FASB Current Text is an integration of current accounting and reporting standards. Material in the Current Text is drawn from AICPA Accounting Research Bulletins, Accounting Principles Board (APB) Opinions, FASB Statements of Financial Accounting Standards, and FASB Interpretations. It also incorporates the supplemental guidance provided by FASB Technical Bulletins and AICPA Accounting Interpretations. The FASB Original Pronouncements contain original texts of: Accounting Research Bulletins, APB Opinions and Statements, AICPA Interpretations, Accounting Terminology Bulletins, and FASB Statements, Interpretations, Concepts and Technical Bulletins.

Both publications are updated annually and are available from:

FASB Order Department
PO Box 888-B
Stanford, CT 06904

(Some of the FASB publications are available through the AICPA with membership discounts.)

The AICPA publications are available from:

AICPA Order Department
PO Box 2209
Jersey City, NJ 07303-2209

INTRODUCTION

This section contains the internal control standards to be followed by local governments in establishing and maintaining systems of internal control. Internal control systems are to reasonably ensure that the following objectives are achieved:

- Expenses and commitments comply with applicable law.
- Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
- Transactions are recorded properly so that reliable financial and statistical reports can be prepared and accountability for assets is maintained.

The following concept of internal control is useful in understanding and applying the internal control standards set forth and discussed on succeeding pages:

> An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The ultimate responsibility for good internal controls rests with management. Internal controls should not be looked upon as separate, specialized systems. Rather, they should be recognized as an integral part of each system that management uses to regulate and guide its operations. In order to ensure the proper conduct of government business, management must periodically review its internal control systems. This review should be sufficient in scope to provide the answers to several basic questions:

- Are the systems we have in place adequate to manage and account for our resources, meet our goals and objectives, and insure compliance with state and federal regulations?
- Is there an audit trail from our reports to our source documents or will we have to rely on someone to "remember" the facts?
- Are all our departments properly using the systems we have in place and are they complying with our internal policies and procedures?
- Have we strengthened our system of internal control by segregating duties among our employees to provide crosschecks and by providing for the physical security of our assets (e.g., official prenumbered receipts, locking cash drawers, regular inventories, etc.) to the maximum extent practicable?

These are the broad questions the auditor will also seek to answer through the course of his/her audit. If you are satisfied with the results of the review, then there is a much greater likelihood that the auditor will also be satisfied. If you identify problem areas, then you have an opportunity to discuss them with the auditor and to correct them before he/she is obliged to comment on the problems in the audit.

The following internal control standards, based on those established by the U.S. General Accounting Office, define the minimum level of quality acceptable for internal control systems in operation and constitute the criteria against which systems will be evaluated. These internal control standards apply to all operations and administrative functions but are not intended to limit or interfere with duly granted authority related to development of legislation, rulemaking, or other discretionary policymaking in an entity.

INTERNAL CONTROL STRUCTURE

Introduction

These internal controls policies are based on the 1994 report issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and standards adopted by the American Institute of Certified Public Accountants and the federal Office of Management and Budget.

Internal control is defined in the COSO report as follows:

> Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
>
> - Effectiveness and efficiency of operations
> - Reliability of financial reporting
> - Compliance with applicable laws and regulations

What does this mean for local entities?

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Basic internal control requirements

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

An internal control system should provide *reasonable assurance* that an entity will accomplish its objectives. The concept of reasonable assurance recognizes that the cost of an internal control activity should not exceed the benefit derived from it. Reasonable assurance equates to a satisfactory level of confidence given considerations of costs, benefits, and risks.

The entity's management must identify and analyze the own risks to determine how those risks should be managed. Management defines the level of risk that the entity is willing to accept and strives to maintain risks within those levels.

Each entity should adopt methods to assess risk and review control activities. The methods developed should address each entity's own specific needs.

Components of internal controls

The five components of good internal controls within a management control system are:

1. **Control environment** - The control environment sets the tone of an entity. It influences the control consciousness of its people and it is the foundations for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values, and competence of the entity's staff; management's philosophy and operating style; the way management assigns authority and responsibility; the way management organizes and develops its staff; and the attention and direction provided by the board.

2. **Risk Assessment -** Every entity faces a variety of risks from external and internal sources, all of which must be assessed. Risk assessment is the identification and analysis of relevant risks to achieving the objectives and forms a basis for determining how risks should be managed. Because economic, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

3. **Control Activities** - Control activities are the internal policies and procedures that help ensure management directives are carried out. They help ensure necessary actions are taken to address risks to achieving the government's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, review of operating performance, security of assets and segregation of duties.

4. **Information and Communication** - Pertinent information must be identified, captured, and communicated in a form and time frame that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial, and compliance related information, making it possible to run and control the entity.

   Effective communication is also essential with external parties, such as taxpayers, vendors, legislators and other interested parties.

5. **Monitoring** - Management systems and internal activities need to be monitored to assess the quality of their performance over time. Assessment is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs in the course of operations, including regular management and supervisory activities and other action personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Deficiencies should be reported upstream, with serious matters reported to top management.

Answers to some common questions about internal control

What is a risk assessment?

A risk assessment is an ongoing process to identify, analyze, and manage risk. An entity needs a plan to identify both external and internal risks. The plan will help management understand how those risks affect their activities, assess their significance, manage their effect and provide for continuous monitoring. The following are some examples of external and internal risks:

- External risks arise from activities outside the entity. Technological developments, changing public expectations, legislative directives, natural catastrophes and economic changes all have the potential for creating external risks in a entity.

- Internal risks are less predictable and arise from activities inside the entity. Disruption of the computer systems or telephone systems causes obvious operational problems. When new managers are hired, changes in management style can affect internal control objectives.

How do you identify risks?

Identification of risks can start from existing systems. The budget process, audits, strategic planning, and other chapters included in this manual all provide opportunities for managers to conduct quantitative and qualitative reviews and to identify and prioritize. More informal opportunities include management planning meetings, meetings with auditor, and everyday interaction with staff.

More important than the specific method used to identify risks is management's careful consideration of factors unique to the entity. Some key factors, such as an entity's past experience in failing to meet objectives, staff quality, statutory framework, or the significance and complexity of activities in relation to the entity's mission, should receive management's careful consideration.

By analyzing organizational activities, managers apply risk assessment to functions. Successfully managing risk at the activity level is vital to maintaining an acceptable level of risk for the organization.

What is risk analysis?

Risk analysis involves a careful, rational process of estimating the significance of a risk, assessing the likelihood of its occurrence and considering what actions and controls need to be taken to manage it. Risk analysis also involves estimating the cost to the entity if something goes go wrong. That analysis is based on the entity's assumptions about the risk and costs associated with reducing it. Sometimes an actual risk may appear to require one set of actions, but the perceived risk coupled with media reaction to that risk, requires a more expensive set of actions.

It is also important to recognize the distinction between risk assessment (a part of a management control system) and actually managing risk (part of an organization's operations). Limitations on resources will define the level to which risks can be managed.

How do you control or minimize risk?

Control of risk starts with management deciding on the actions necessary to reduce the potential occurrence and significance and the monitoring conditions to remain aware of changing circumstances. Management tools for an early warning system include information systems and ensuring appropriate data is captured, processed, and reported.

If an entity builds its components of a management control system into its planning efforts as well as its daily activities, it is more likely to avoid unnecessary costs; make quick responses as needs arise; and adapt to decreasing resources and changing political and economic climates.

Do control activities increase staffing requirements?

Although control activity procedures are not intended to increase staffing levels, acceptable procedures are to be established and followed which may require changes in existing workloads and/or additional staff position(s). However, a periodic thorough internal review of control activities may identify policies and procedures that are no longer required. It is recognized that some small to medium entities may not be able to institute internal controls on the same level as larger, more complex entities. In those cases where staffing may prohibit or restrict the appropriate segregation of duties, management must either have more active oversight of operations or utilize personnel from other organizational units to the extent possible as compensating controls.

More about control activities

The control activities presented in this section are intended to provide management and other staff with an overview, the use and potential limitations of control activities to manage the risk of achieving the entity's objectives.

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to the achievement of an entity's objectives. Control activities occur throughout the entity at all levels and in all functions.

Control activities are actions taken to minimize risk. The need for a control activity is established in the risk assessment process. When the assessment has identified a significant risk to the achievement of an objective, a corresponding control activity should be determined. If control activities are in place for each significant operation and if management makes sure those activities are carried out properly, staff can be reasonably confident the management control system will provide the necessary assurances.

Control activities and procedures should be considered to ensure the entity is in compliance with the BARS Manual, the Revised Code of Washington, the Code of Federal Regulations, the Washington Administrative Code and other applicable regulatory policies. Generally, those activities and procedures may be categorized into one of the following areas and completed by personnel at various levels:

- **Top-level performance reviews** - Performance reviews should be made of actual performance versus budgets, forecasts, and performance in prior periods. Major initiatives should be tracked and management actions taken to analyze and follow up where appropriate.
- **Direct functional or activity management reviews** - Performance reviews should be made of specific functions or activities. The reviews may focus on compliance, financial, or operational issues.
- **Informational processing -** A variety of control activities should be performed to check the accuracy and completeness of information as well as the authorization of transactions. Development of new systems, and changes to existing ones should be controlled. Additionally, access to programs and data should be restricted.
- **Physical controls** - Equipment, inventories, cash and other assets should be secured physically and periodically counted and compared with amounts shown on control records.
- **Performance indicators -** Certain operating results can be anticipated. By investigating unexpected results or unusual trends, circumstances that jeopardize the achievement of objectives can be identified.
- **Segregation of duties** - Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For example, responsibilities for authorizing transactions, recording them and handling the related assets should be separated.

What are some potential limitations of control activities?

Control activities, no matter how well designed and executed, can provide only reasonable assurance regarding achievement of objectives. The likelihood of achievement is affected by limitations inherent in all control systems. These limitations include the following:

- **Judgment** - The effectiveness of controls will be limited by the fact that decisions must be made with human judgment in the time available, based on information at hand, and under the pressures to conduct business.
- **Breakdowns** - Even if control activities are well designed, they can break down. Personnel may misunderstand instructions or simply make mistakes. Errors may also stem from new technology and the complexity of computerized information systems.
- **Management override -** Even in effectively controlled organizations, high level personnel may be able to override prescribed policies or procedures for personal gain or advantage. This should not be confused with management intervention, which represents management actions to depart from prescribed policies or procedures for legitimate purposes.
- **Collusion** - between two or more individuals can result in control failures. Individuals acting collectively often can alter financial data or other management information in a manner that cannot be identified by the control system.
- **Cost vs. benefit** - In determining whether a particular control activity should be established, the risk of failure and the potential effect must be considered along with the cost of establishing the control. Excessive control is costly and counterproductive. Too little control presents undue risk. Entities should make a conscious effort to strike an appropriate balance.

Electronic Funds Transfer (EFT) is the deposit to or disbursement from a bank account by means of wire or other electronic communication. RCW 39.58.150 governs the circumstances under which electronic fund transfers may be used. The following procedures are necessary for proper accounting:

1. Receiving money by the EFT:

   a. Prepare a treasurer's receipt upon receiving a notice from the payor that the money has been transferred to the district's bank account. Do not wait for the bank to notify you of receipt of the money. However, you may want to contact your bank to confirm the expected amount has arrived.

      Enter the following information on the receipt:

      Date of receipt.
      Name of person, company or agency transferring money into the district's account.
      BARS revenue account number.
      Notation that funds were received by the EFT.

   b. A file must be maintained of those payors who have agreed in writing to transfer money to the district's 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 expense account number.
      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 agreed to have money transferred to accounts electronically.

   c. The treasurer should notify the disbursing bank that access to files, records and documentation of all EFT transactions involving the district should be provided to the State Auditor when required for the audit.

1. Accounting For State Unemployment Tax Or Claims (RCW 50.44.030)

Method A — 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 will depend on the estimate of future unemployment claims. The estimates should be adjusted periodically, based on an experience factor. There may be different rates for departments and funds within the same government. The periodic cash contributions from operating funds will be charged to the functional expense accounts in the operating funds in the same manner as premium payments paid to the Department of Employment Security (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 internal service fund (thereby reducing charges to the operating funds) per RCW 35.39.034. A resolution must govern this choice.

Method B — The district 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 port should be charged as expenses 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 factor of each participant.

2. Deferred Compensation Plans – Internal Revenue Code (IRC) – 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 the IRC, Section 457.

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 the IRC, Section 457.

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 IRC, Section 457, effective August 20, 1996[1] and obtain approval of the chosen plan by the district.

[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.

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 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. However, if the administering company provides such a record to the district, a copy of that record may be maintained in lieu of the district creating such a record.

The participating employees must complete and sign joinder agreements stipulating the amount of their gross salaries or wages to be deferred. The district 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 the IRC, Section 457 could cause the entire deferred compensation plan for all employees to be considered in violation and invalid by the IRS.

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 the IRC, Section 457, will be permitted.

d. Maximum Contribution

Beginning January 2002, employees may defer the less of either 50 percent of their gross annual compensation (reduced by other tax-deferred retirement contributions and pre-tax salary reduction) or $11,000 annually. The new contribution limit will increase by $1,000 a year until it reaches $15,000 in 2006. After 2006, the annual contribution limit will be indexed to inflation in $500 increments.

Employees age 50 or older can invest an additional $1,000. This additional contribution amount will increase by $1,000 every year until it reaches $5,000 in 2006. After 2006, the annual contribution limit will be indexed to inflation in $500 increments.

During the last three years prior to retirement, the employee may use the catch-up limitation which starting January 2002 is $22,000 annually and will be increased by $2,000 a year until it reaches $30,000 in 2006.

e. Budget Salaries And Wages In Year Earned

All districts should budget the gross salaries and wages including the deferred compensation amounts as expenses of the year in which the salaries or wages are earned.

f. Establish Plan As 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. Accordingly, the GASB Statement 32[1], *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, requires the governments to report their plans as pension (and other employee benefit) trust funds in their financial reports. This requirement applies only to the local governments which administer the deferred compensation plan by themselves.

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.

[1] As amended by the GASB Statement 34, *Basic Financial Statements - And Management Discussion and Analysis - for State and Local Governments*.

Chapter 1. General Accounting Procedures
Section 6. Petty Cash [1]

Petty cash includes change funds, working funds, revolving, advance travel, stamp funds, check cashing funds, etc.; in other words, any sum of money or other resources set aside for such specific purposes as minor disbursements, making change, and similar uses (i.e., imprest fund). If the petty cash is disbursed, it is periodically restored to its original amount by a warrant. The amount of the warrant should equal the aggregate of the disbursements.

The following are minimum requirements for the establishment and operation of petty cash accounts.

1. The legislative body must authorize cash account by a resolution. This applies also to all subsequent increases or decreases in the imprest amount.

2. The legislative 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 or district's 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 legislative 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 bank reconciliation add controls when complete segregation of duties is not possible.

3. The legislative body or its delegate should assure that the amount in petty cash is periodically counted and reconciled by someone other than the custodian.

4. The custodian should assure the petty cash is kept in a safe place.

5. The imprest amount may be established by treasurer's check or by warrant. If established by warrant the transaction is a nonbudgetary item.

6. The authorized amount of all such petty cash should be included in the district's balance sheet.

7. If petty cash is disbursed, it must be replenished at least monthly by warrant or check payable to the custodian. No other receipts may be deposited to the petty cash account.

   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 imprest amount.

8. The imprest amount of petty cash should not exceed one month's salary or the surety bond covering the custodian.

9. The fund may not be used for personal cash advances even if secured by check or other IOUs.

10. Petty cash should always be replenished at the end of the fiscal year so that expenses will be reflected in the proper accounting period.

11. 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.

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[1] See RCW 53.36.060.

All claims against a district must be preaudited by the district's auditing officer 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 district's 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 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, 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 and that the claim is a just, due and unpaid obligation against the (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 the (district), and that I am authorized to certify to said claim.*

The certification by the auditing officer in no manner relieves members of the district's legislative body from the responsibility and liability for each voucher approved. It is the district's legislative body 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 member and the district.

To indicate the district's legislative 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 numbers: _____through_____ $_____

If the district's legislative body authorizes the procedure, districts may issue warrants before the legislative body approves claims. To do this the district 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 should 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; 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 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 should not be paid before the body has reviewed the supporting documentation and approved the issue of checks or warrants in payment of those claims.

The original copy of all vouchers should be filed with the auditing officer of the district. The detailed accounts to which the expenses are to be posted must be clearly designated. Supporting documentation must be retained and either attached to the vouchers or canceled by the auditing officer to prevent reuse.

Districts that do not issue their own warrants may send original vouchers or other supporting documentation (e.g., a listing of approved vouchers, etc.) to the county auditor.

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 the 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.

Interlocal Agreements (RCW 39.34)

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. The agreement must specify duration, organization, purpose, manner of financing and methods of termination. Funds of this separate entity would be subject to an 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.

Each interlocal agreement must be separately evaluated for each member agency to determine what accounting treatment is applicable. If joint venture treatment is applicable, see the accounting treatment as recommended below. If joint venture treatment is not applicable, interlocal agreement should be footnoted and accounted for appropriately. 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*).

Accounting Procedures for Joint Ventures

The GASB Statement 14, *The Financial Reporting Entity* defines joint venture as a legal entity or other organization that results from a contractual agreement and 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 an ongoing financial interest or an ongoing financial responsibility.

> Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.
>
> Ongoing financial interest means an equity interest or any other arrangement that allows a participating government to have access (directly or indirectly) to joint venture's resources.

Ongoing financial responsibility means that the participating government is obligated in some manner for the debts or the funding of the joint venture.

Lack of the ongoing financial interest or the ongoing financial responsibility designates the entity as a jointly governed organization, subject to different disclosure requirements.

When the number of participants in a joint venture increases their financial responsibility may decrease. The Statement 14 does not establish any break point for the determination if the participant is financially responsible or not. A decision, in the marginal cases, is left to the professional judgment of the government.

For financial reporting purposes there are two types of joint ventures:

1. joint ventures whose participants have equity interest,
2. joint ventures whose participants do not have equity interest.

The indication of an equity interest is an ownership of shares of the joint venture's stock or other explicit and measurable rights to net resources (usually based on investment of financial or capital resources in the joint venture). To be considered explicit and measurable the rights to the present or future claims to the joint venture's resources and the methods to determine the amounts have to be clearly defined in the joint venture agreement. If equity interest in the joint venture is implied rather than explicitly stated the joint venture participants should consider modifying the agreement to clarify its intent.

Reporting Equity Interest in Joint Venture

The equity interest should be reported in the *Investment in Joint Venture* account. The initial amount recorded is the cost of the equity interest determined according to the joint venture agreement. During the duration of the joint venture the *Investment in Joint Venture* account should be adjusted for the participant's share of the joint venture's net income or loss (in the manner described in the agreement) regardless of whether the amount was actually remitted or not. The calculation of net income or loss should exclude any profit from operating transactions between the proprietary fund and the joint venture. Any nonoperating transactions should increase or decrease the equity interest. The equity interest should be reported on the statement of net assets (or balance sheet) as a single amount, also the district's share of the joint venture's income or loss should be reported in its operating statement as a single amount.

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, 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, 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, 43.84.080)

- Federal Home Loan Bank notes and bonds. (RCW 36.29.020, 43.84.080)

- Federal Land Bank bonds. (RCW 36.29.020, 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, 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, 43.84.080)

- Bankers' acceptances purchased on the secondary market. (RCW 36.29.020, 43.84.080)

- Negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business with the United States. The investment should meet the criteria set by the State Investment Board. (RCW 36.29.020, 43.84.080)

- Commercial paper. The investment should meet the criteria set by the State Investment Board. (RCW 36.29.020, 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)

NOTE: Per an Attorney General Memorandum dated February 8, 1991, cities and towns have the authority to invest in out-of-state CDS via RCW 35.39.030(6) and RCW 43.84.080(6). Restrictions on investments contained in RCW 39.59.020 do not apply to investment authority existing prior to the enactment of that statute (1988). Accordingly, local governments other than cities or towns would be restricted to investment in in-state CDS since they did not possess this authority prior to the enactment of RCW 39.59.020(4).

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.

PUBLIC DEPOSITORIES

Except for funds deposited pursuant to a fiscal agency contract with the state fiscal agent or its correspondent bank, no public funds may be deposited in demand or investment deposits except in a qualified public depository or as otherwise permitted by statute. Total deposits of a treasurer in a depository may not exceed that depository's net worth (RCW 39.58.130).

A financial institution receives designation as a public depository from the Public Deposit Protection Commission (PDPC). This designation is readily verified, either from the institution (a letter of authority from the Commission) or from the PDPC. The PDPC publishes a quarterly list of each qualified depository and its net worth. This list will be furnished upon request by writing to:

Public Deposit Protection Commission
Office of State Treasurer
General Administration Building
PO Box 40206
Olympia, WA 98504-0206

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 Covers Losses As Provided By Statute

All public deposits in qualified public depositories are protected from loss as provided in Chapter 39.58 RCW, but there are some limitations. In the event of a loss due to default of a qualified public depository, the PDPC would:

a. Determine the net deposit liability of the defaulting institution after FDIC coverage.

b. Make assessments against all bank depositories or all thrift depositories, depending on whether the defaulting institution was a bank or a thrift institution:

- First, against the defaulting institution to the full extent of securities pledged as collateral.

- Second, against all other bank or thrift depositories, for their proportionate share of the loss, up to a maximum of 10 percent of each institution's public deposits. (RCW 39.58.060(3); 39.58.010(6).)

c. Represent all public treasurers for liquidation of the defaulting institution's assets to recover the remaining net deposit liability, if any exists after assessments against all bank or thrift depositories.

Treasurers should be aware that in the event of a default of a qualified depository, the funds in that institution could be tied up until deposit balances are certified and assessments are collected (RCW 29.58.060). 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.

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.

CAPITAL ASSET SYSTEM REQUIREMENTS

DEFINITIONS

Capital assets are tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Examples of capital assets are:

- Land and improvements to land (includes right-of-way and easements),
- Buildings and building improvements,
- Parking lots,
- Vehicles,
- Machinery and equipment,
- Works or art and historical treasures,
- Infrastructure assets, and
- All other tangible or intangible assets that are used in operations.

Land costs typically include:

- the purchase price,
- closing costs, such as title to the land, attorney's fees, and recording fees,
- assumption of any liens, mortgages, or encumbrances on the property,
- costs incurred in getting the land in condition for its intended use, such as excavation, grading, filling, draining, clearing; removal, relocation or reconstruction of property of others (e.g., railroads, phone and power lines); retaining walls, parking lots, fencing, and landscaping,
- any additional land improvements.

Any proceeds obtained in the process of getting the land ready for its intended use, such as salvage receipts on the demolition of an old building or the sale of cleared timber, are treated as a reduction in the price of the land.

Works of art, historical treasurers, and similar assets are considered to be capital assets and as such they should be capitalized at their historical cost or fair market value at date of donation. The exhaustible assets should be depreciated over their estimated useful lives. Governments should not report depreciation for collections or items that are inexhaustible (i.e., the individual works of art or historical treasurers that have extraordinarily long useful lives). Distinctions of exhaustible and inexhaustible items or collections, or their useful lives need to be made by each government. Depreciation is not required for inexhaustible items or collections.

Collections which meet the following requirements, are not capitalized or depreciated:

1. They are held for public exhibition, education, or research in furtherance of public service rather than financial gain;
2. They are protected, kept unencumbered, cared for, and preserved; and
3. They are subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

Districts should disclose information about their works of art and historical collections.

Districts may use different capitalization policies for different type of assets and different thresholds for compliance with different laws and regulations. The capitalization policy should be disclosed in the notes to the financial statements.

To report capital assets, districts need to divide assets into two categories:

- Assets that are depreciated (they become worn out or obsolete when used up),
- Assets that are not depreciated (inexhaustible or infrastructure using the modified approach). Inexhaustible capital assets are defined as one whose economic benefit or service potential is not used up or is used up so slowly that its estimated useful life is extraordinarily long (e.g., land, certain land improvements, certain infrastructure, construction in progress, etc.).

If the district has a significant amount of nondepreciable capital assets, it should report them in the statement of net assets separately.

The term *accounting* is limited to the procedures of keeping books and preparing financial reports; accounting is one way, but by no means the only way, of demonstrating accountability.

The term *accountability* means the obligation to demonstrate good management of or control over those matters for which a person or agency is responsible. The districts are accountable for a lot more capital assets than they may ever account for.

A *capital assets management system* is the set of policies and procedures used to control district's capital assets. It should satisfy accounting/reporting requirements and it should demonstrate accountability for the district's capital assets. The policies and procedures must be documented.

GENERAL REQUIREMENTS

Accountability for capital assets is required of all local governments, regardless of size, including any governmental enterprise (such as an airport or a water utility) or special purpose district (library, fire district, water or sewer district, etc.).

Specific requirements of the State Auditor's Office are contained in subsequent sections of this chapter. In addition, the federal government has issued property management requirements which apply to all governments that receive federal assistance. Each federal agency has published a *Federal Agency Implementation of the Common Rule*. Note that these requirements involve broad stewardship responsibilities and specific accounting records.

RATIONALE

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 public officials. For some types of local governments, the statutes are quite specific about the things that public officials have to do to demonstrate their stewardship of public property. But regardless of whether or not the statutes for your particular government identify any specific duties, public officials have several broad responsibilities with respect to capital assets; these are custody, insurance, maintenance and planning.

Custody

The responsibility for custody means having the answers to such questions as:

- What property and equipment does this district own?
- Where is it?
- What condition is it in?
- Is it protected from loss and unauthorized use?

Insurance

The second 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. In addition, when a district has elected to self-insure to some degree, the officials should obtain an independent evaluation of the extent of the risk that has been assumed, which cannot be done without knowing what assets are at risk.

Maintenance and Repair

The third major responsibility is maintenance. As a steward of public property, an official has the obligation not only to safeguard assets from loss but also to ensure they are not neglected or wasted. The district should not find itself surprised by building or equipment repair or maintenance requirements or by predictable problems with down time and availability of spare parts.

The basic requirements for demonstrating stewardship in maintaining public property are evidence that, first, the district knows what maintenance is required to preserve its assets and that it schedules that maintenance; and, second, that needed repairs are promptly identified and performed. In the area of maintenance, record keeping requirements vary according to the kind of asset and its durability. The district should have adequate historical data to make informed decisions about the costs of certain levels of maintenance or intentional neglect.

Planning

The fourth general category of responsibility is planning for future asset needs, both short and long term. Here the district needs answers to questions such as:

- How well is the district using the facilities and equipment it already has?
- What does the district already own that could be transferred to another facility instead of purchasing additional equipment?
- Which items must be replaced, when and at what cost?
- When will additional facilities or equipment be needed, where and at what cost?
- Which facilities or equipment will not be needed, and what cost reductions in maintenance, insurance, and security will result from liquidating them?

The extent and nature of capital planning will vary a great deal, depending on such factors as the size of the district, whether demand for its services is stable or changing, whether its functions are capital intensive (like public works and utilities) or labor intensive (like education and welfare services), and how capital outlays are funded (through rates, general taxes, special bond issues, or grants).

ESTABLISHING THE CAPITAL ASSET SYSTEM

Designing and establishing capital asset accounting system requires systematic planning. These plans fall into three basic areas:

1. Establishing the objectives of the capital asset system and making permanent policy decisions which will shape both the initial establishment of your capital asset inventory and maintenance of the system.

2. Designing the plan for taking the initial inventory, for verifying and testing the data, and for establishing a value for each recorded asset.

3. Determining when and how to implement controls over additions and deletions to the capital asset inventory.

A detailed guide for establishing a capital asset system is available on request from the State Auditor's Office.

INDIVIDUAL CAPITAL ASSET RECORD

An adequate capital asset accounting system should enable the district to meet statutory requirements, to produce adequate records and reports, and to safeguard assets properly.

The basis of a capital asset accounting system is the individual capital asset record. It is necessary to apply careful thought to designing the capital asset record so that the system can accumulate the information the district will need later on. Generally it is too late and too costly to reconstruct this data at a later date. The sample format illustrated here has been designed to collect most of the important data about capital assets; however, not all of this information is mandatory. The following minimum information is required for all capital assets. Sections below identify additional requirements.

1.	Category of asset, custody and general ledger asset account.	(Boxes 1 - 5)
2.	Acquisition information, including reference to source documents and acquisition dates.	(Boxes 6a - 6c)
3.	Changes in custody or use.	(Boxes 2 and 7)
4.	Source of payment (fund, grants, etc.), historical cost, and account numbers.	(Boxes 6d - 6f)
5.	Description of asset, including legal descriptions where applicable.	(Box 7)
6.	Disposition information.	(Box 14)

Other information that is desirable, but not mandatory, includes the following:

1. Brief directions on where/how to locate the asset.
2. Special insurance, maintenance, and repair instructions.
3. Class code or location code if used.
4. Physical inspection dates and condition of asset when it was inspected.

The areas left blank on the sample format (items 8, 12 and 13) are used in different ways depending on the type of asset recorded. Specific formats for various types of assets are available on request from the State Auditor's Office.

This format can be used for two different purposes:

1. In a small system the individual records can serve as the subsidiary ledger to support capital asset accounts as well as providing the other data needed for proper management of capital assets. These records are designed for use as a subsidiary ledger. Account number and name, cost and depreciation information are all in the same place on each form for ease in sorting and totaling. If the records are used as a subsidiary ledger, they must be numerically controlled.

2. For automated systems, these records can be used as input documents or as a guide for the data fields to design into a computerized capital asset subsidiary ledger.

1. ASSET TYPE:	2. CUSTODY/ASSIGNMENT:
ID No.	3. FUND
4. ASSET ACCOUNT NAME:	5. ASSET ACCOUNT NUMBER:

6. CUMULATIVE COST HISTORY

a. ACQ/Disposal Date	b. Doc. Date	c. Doc. No.	d. Funding Source	e. Acct. No.	f. Cost

7. GENERAL DESCRIPTION/USE

8.

9. SPECIAL INSURANCE, MAINTENANCE, REPAIR, ETC., INSTRUCTIONS

10. CUMULATIVE DEPRECIATION/DEPLETION

(Estimate Asset Life = _____ years)

a. Date	b. Doc. No.	c.	d. Cumulative

11. PHYSICAL VERIFICATION					
a. Date	b. Comments	c. Conditions	a. Date	b. Comments	c. Conditions

12.

13.

14. ASSET DISPOSAL INFORMATION

a. Sold/Traded to:

b. Disposition Date:

c. Receipt No.:

d. Disposition Authorization:
(1) Date (2) Source

e. Proceeds of Sale/Insurance Claim

f. Less: Net Book Value (_____)

g. Gross Gain (Loss)

h. Less: Amount Due to Grants (_____)

i. Net Gain (Loss)
==========

j. Grantor Notification Date:

k. Grantor Disposal Instructions:

UPDATING THE CAPITAL ASSET SYSTEM: ACCOUNTING

Once the capital asset system is in operation, the district needs to make sure that assets which should be capitalized are properly recorded and that records are brought up to date when assets are disposed. Use of a standard form assures that the information needed for recording capital asset transactions is promptly collected and processed. In addition, periodic physical inventories must be taken to verify the existence and condition of the assets. These inventories must be reconciled to capital asset records and reports.

TRANSACTIONS TO RECORD

Each time the district acquires or disposes of a capital asset, transfers an asset between locations, charges depreciation expense or makes an adjustment in capital assets, an entry must be made on the individual capital asset record. Internal controls must be established to insure that these transactions are properly and promptly recorded. If capital asset disposals or transfers are numerous, a capital asset journal should be used to record and control these changes. It is a good idea to write detailed explanations of these entries, especially for disposals of assets, because it is difficult to reconstruct the circumstances of a transaction at a later date. If a capital asset journal is used, the general ledger and subsidiary capital asset accounts should be posted from this journal.

1. Capitalization policy defines what assets should be added to the system by specifying dollar limits: that policy should also specify the treatment of capital leases, procedures for accumulating costs for self-constructed assets, requirements for controlling small attractive assets that are not capitalized and accounting for infrastructure. Personnel should be thoroughly familiar with and trained to recognize and code capital outlays properly and to understand the district's capitalization policy.

2. For additions, procedures must be implemented to assure that the property systems accountant automatically receives a copy of the receiving report or the invoice. He/she should also receive a copy of all lease agreements, progress billings on construction contracts, and worksheets that itemize the costs of assets constructed in-house.

3. For deletions, procedures must be implemented to assure that the property systems accountant automatically receives all board resolutions that declare property surplus, all property insurance claims, and itemized invoices for acquisitions that involve trade-ins. Oversights are difficult to avoid entirely, but they will be detected and corrected when physical inventories are taken.

4. For small attractive assets that are not capitalized, the policies and procedures manual should contain instructions for adding and deleting these assets from the control lists used to monitor them.

5. Procedures must be established to account for transfers whenever an asset changes location or custody. These procedures should list the steps for preparing and approving of transfer documents and notifying the accountant responsible for maintaining the capital asset records.

6. The property accountant must perform several different reconciliations and analyses:

   a. Reconcile physical inventory to individual capital asset records;

   b. Reconcile individual capital asset records to general ledger accounts;

   c. Analyze subobject detail for additions to lists of uncapitalized small attractive assets;

   d. Analyze proceeds from insurance claims and sales or auction lists, claims reports, etc., to total capital asset disposals;

   e. Reconcile capital assets transferred to other locations or custody with capital assets transferred from other locations or custody.

COST

Original cost (historical cost) is the amount spent to acquire an asset. This cost is based on the actual price, including related taxes, commissions, installation costs and any other costs related to acquiring the asset or preparing the asset for use. The actual price should approximate fair market value. If the information regarding original cost is not available, the district needs to estimate the original cost.

The following are the more frequent accounting problems related to *cost*, but the discussion is not meant to be all inclusive.

Excess Costs

A basic accounting concept is that capital assets should be recorded at cost. However, GAAP does provide that expenses which do not add to the utility of an asset should not be capitalized. For example, an expense to repair a piece of equipment that was damaged during shipment should be charged to expense. Each capital asset purchase should be analyzed carefully to determine which portions of the cost should be capitalized.

Capitalization of Interest

Interest costs incurred during the period an asset is under construction should be capitalized. If the asset is being constructed with proceeds of a debt issue, and these proceeds are invested, interest earned during the construction period should be offset against interest costs incurred and only the difference between the interest earned and interest incurred should be capitalized. Interest earned on related special assessments may also be used to offset interest incurred in making this calculation. If interest earned exceeds interest incurred, no interest would be capitalized and the remaining earnings should be reported as revenue. The interest should not be capitalized for outlays financed by capital grants (and related interest earnings) externally restricted for the acquisition of specific assets.

Donated Assets

If the asset contributed is other than cash, the district should determine its estimated fair market value at the time of donation and record it as revenue.

Improvement/Repair/Maintenance Expenses

Routine repair and maintenance costs should be expensed as they are incurred. Improvements/betterments should be capitalized[1]. The difficulty arises in the case of capital outlays that are partly replacements and partly betterments/improvements. To the extent that the project replaces the "old" part of a capital asset, outlays should not be capitalized; and to the extent that the project is betterment/improvement, outlays should be capitalized. The distribution of the total cost in such a case is a matter of managerial determination. When the distinction between replacement and betterment/improvement is not easily determinable, the district should expense the entire cost of the project.

When the cost of improvement is substantial or where there is a change in the estimated useful life of an asset, depreciation charges for future periods should be revised based on the new book value and the new estimated remaining useful life. No adjustment should be made to prior periods.

[1] Cost of preservation should be either expensed or capitalized depending if the infrastructure is accounted for using modified approach or depreciated (respectively).

UPDATING THE CAPITAL ASSET SYSTEM: PHYSICAL INVENTORY

A physical inventory of the capital assets is necessary to verify that the assets still exist; it also provides updates on the condition of the assets. This information demonstrates that the district is exercising its custodial responsibility for the asset and is beneficial when establishing an insurance claim because it substantiates both the existence and the condition of the asset near the time of loss or damage.

The simplicity or complexity of inventory taking will depend on entity size, the sophistication of the capital asset accounting system and the level of automation. Whatever approach the district takes, the following procedures are required:

1. Policies and Procedures. Policies and procedures governing the taking of regular physical inventories must be documented. These inventories must be taken not less often than once a year. The district's policy should state who will conduct the physical inventories, at what time of year, and what training is required for the inventory takers.

2. Work Plan. The district must centralize control over the inventory taking process and reconcile inventory records to *book values*. An inventory supervisor should be assigned the responsibility for developing the work plan and training and coordinating the inventory takers.

   a. The work plan should include instructions for using prelistings of existing assets. In an on-going system, this listing should be up-to-date and reasonably complete and should include both capitalized assets and small attractive assets that are not capitalized. (Variances between the prelisting and the actual inventory will be reconciled. See item 4 below.) Unless the district is very small, these prelistings should be sorted by location rather than asset type, because it is more efficient and accurate to count all assets in one location before proceeding to the next location. For larger districts, inventory takers should have building floor plans and maps to aid in identifying sites to inventory. By crossing off rooms or areas as they are completed, inventory takers can better assure that all assets were inventoried and that there have not been any duplications.

   b. The inventory takers should be trained in inventorying procedures, including what to do about items located but not on the prelisting and items on the prelisting that cannot be located. (Reconciling these add-ons/deletions must be done by the inventory supervisor or accounting department after the inventory is taken. See item 4 below.) The procedures should also explain how to evaluate and record observations about the physical conditions of assets.

   c. Districts that are using individual capital asset records as their subsidiary ledger may sort these records by location and use them as the prelisting. The inventory takers also need the listing by location of small attractive assets that are not capitalized.

3. Choice of Inventory Takers

   Ideally, the person(s) assigned custody for assets should not be the inventory taker, although the custodian should review the completed inventory. If using the custodian is the only practical means of taking inventory, then either the inventory supervisor or someone from the accounting department should spot check the inventory to test its validity. It will help assure that the inventory is carefully taken if the employees are aware that their work will be checked.

4. Reconciliations

   Once the physical inventories are complete, they must be reconciled to the individual capital asset records or the listings of small attractive assets. Since the prelistings are generated from these records, the reconciliation is limited to: (1) identifying those assets that were purchased or transferred-in but not added to or changed on the individual capital asset records or listings of small attractive assets, and (2) investigating the disposal or transfer-out of assets not located.

   There are several other reconciliations that need to be made.

DEPRECIATION/MODIFIED APPROACH

General Requirements

1. Except for land, some collections and infrastructure using modified approach, all capital assets of proprietary funds must be depreciated. For quarries, timberlands, and mineral rights, depletion expenses must be recorded.

2. Scrap value can be ignored in establishing the amount to depreciate, unless it is expected to exceed 10 percent of cost.

3. Depreciation must be based on a reasonable estimate of expected useful life; that is, the number of years, miles, service hours, etc., that the district expects to use that asset in operations. An asset that is surplus or that is held for possible future use is an investment and should not be depreciated.

4. Whether group-life or individual asset depreciation is used, the amount of depreciation charged must be constant for each time period (called straight-line depreciation) or for each unit of service (such as quantity of output, hours or miles of operation, etc.)

   a. Depreciation must be based on the entire cost of the asset, including any amounts contributed or donated. Depreciation rates may be set for groups of related assets (see the paragraphs on group-life depreciation) or for individual assets.

   b. When depreciation charges are based on time periods, charges should be made for each month that an asset is in service. Exceptions such as the half-year convention or excluding depreciation in the first year of service are acceptable, unless capital asset additions to a fund in one year exceed 50 percent of net capital assets before the addition. When such large additions are made in one year, depreciation must be charged for no less than each whole month the additions are in service, because it is likely that material distortions in operating income would result from applying more approximate methods.

5. When assets are depreciated individually, each asset may contain components which will have an estimated useful life considerably shorter than the asset taken as a whole. (The most common example is a building, where the roof and flooring will need replacement long before the entire structure.) While not required, the use of component depreciation for such assets is much more accurate and simpler to maintain.

6. As the district uses its capital assets, it needs to revise its estimate of the useful lives of some of them. Any such changes should be applied prospectively; that is, the rate should be recalculated based on the remaining useful life at the time of the revision, and the new rate should be applied in the present and future accounting periods. No changes should be made to financial records of previous years for revised estimates.

Group-Life Depreciation

The group-life depreciation is applied to a set of very similar assets acquired at about the same time, such as a fleet of cars or a suite of office furniture. For this type of group-life depreciation, the group of assets should be treated as a single asset; any gain or loss on disposal is deferred until the entire group has been retired. When some items within the group are retired ahead of schedule, the original cost of the items is removed from both the asset account and the accumulated depreciation account. Depreciation continues to be charged only for the remaining assets at the original rate. This defers any gain or loss until the entire group has been retired. When some items in the group require major repair, the book value of the group should be adjusted and the periodic depreciation recalculated for the remaining life of the group.

Depreciation of Donated Assets

Depreciation of assets acquired from contributions is calculated in the same manner as for other assets and is reported in the same way on the operating statement.

Modified Approach to Infrastructure

Districts are allowed to report infrastructure assets using the modified approach, provided certain requirements are met. The port may use the modified approach for all of its infrastructure assets or only a portion of its infrastructure assets either at the network or subsystem level.

There are two requirements for using the modified approach:

- the district must maintain the eligible in frastructure assets using an asset management system (requirements below), and

- there must be documentation that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the district.

Under this approach only expenses for additions and improvements to eligible infrastructure assets should be capitalized on the statement of net assets. The maintenance and preservation cost (preservation extends the useful life of an asset beyond the originally estimated, but does not increase its capacity or efficiency) of eligible infrastructure is expensed.

Depreciation is not calculated and reported for infrastructure assets using modified approach.

An asset management system must possess the following minimum features:

1. Have an up-to-date inventory of eligible infrastructure assets,
2. Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale,
3. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed in the financial statements.

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 the districts.

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] A district may require the affidavit to be signed by a notary public.

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.

1. Amounts returned from fiscal agencies should be accounted for in the debt servicing fund. Concurrent entries should be recorded in the fiscal agency account to reflect the return of that money. If the bonds or coupons are subsequently presented for payment, they should be paid from the money so held.

2. 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 servicing funds according to the following procedures:

    a. In the case of general obligation bonds, such interest earnings should be retained in the debt servicing funds, and currently required additions to such a fund should be reduced accordingly.

    b. In the case of revenue bonds, such interest earnings may be retained, thereby reducing currently required amounts to such a fund from operating revenues, or such interest earnings may be placed into the operating fund.

The state or local treasurer should remain obligated for the final redemption of the unredeemed bonds and coupons pursuant to RCW 43.80.160.

Any government in the state of Washington may extinguish debt prior to the debt maturity date. The refunding is authorized by Chapter 39.53 RCW also known as the Refunding Bond Act.

An advance refunding occurs when previously issued debt is retired as it matures or at a call date at least in part by a new debt issue. Usually refunding is done to take advantage of lower interest rates or to modify debt service requirements. Often the proceeds from the sale of new debt with a lower interest rate are used to pay off old debt with a higher interest rate. Refunding is financially worthwhile when the present value of the savings from lower interest rates on the refunding debt plus any income from the investment of the refunding debt proceeds pending redemption of debt to be refunded are greater than the present value of the fees, sales discounts, redemption premiums and other costs of refunding.

There are two ways to structure the advance refunding of debt: the regular method and the crossover method.

The following definitions apply to the terms used in this section:

> Refunding debt (sometimes referred to as "new" debt) - debt issued to provide funds to replace the refunded debt at specified dates.
>
> Refunded debt (sometimes referred to as "old" debt) - debt for which payment at specified dates has been provided by the issuance of refunding debt.

Regular Method of Advance Refunding

Under the regular method of advance refunding there can be either a legal or an in-substance defeasance.

A **legal defeasance** occurs when debt is legally satisfied based on certain provisions in the debt instrument, even though the debt is not actually paid. A legal defeasance is rare in the government environment and generally occurs only when an amount sufficient to pay both principal and interest at the time of deposit is placed in an irrevocable trust with an independent escrow agent. A district is released from its legal status as the primary obligor on outstanding indebtedness after an escrow account is established (the district is only contingently liable).

In an **in-substance defeasance** debt is considered to be extinguished for financial reporting purposes even though a district has not met the legal requirements for a defeasance and so legally remains the primary obligor on the indebtedness. The proceeds from the sale of refunding (new) debt together with any other funds the district may set aside for payment of refunded debt must be irrevocably placed with an escrow agent in a trust. The escrow agent invests the proceeds so that the cash realized from the maturing investments together with interest earned will meet the debt service requirements of the refunded (old) debt and redeem the balance of the old debt when it becomes callable or matures. Cash or other assets used for refunding must qualify as *essentially risk-free as to amount, timing and collection of principal and interest* and they must provide cash flows that are sufficient and timed to match the scheduled interest and principal payments on the debt that is being extinguished. Also, the chance of the district being required to make any additional future payments must be remote.

Generally, the requirement for *essentially risk-free* securities may be accomplished through the purchase of U.S. government securities, securities guaranteed by the U.S. government, or U.S. government backed securities.

The district does not budget or report any refunded (old) debt. However, it is responsible for verifying the amounts reported by the trustee. The amount of the old debt should be disclosed in a note to financial statements.

The provisions of the Refunding Bond Act (Chapter 39.53 RCW) satisfy the criteria for in-substance defeasance, except for the requirement to place cash and assets in an irrevocable escrow. If the irrevocable trust fund is not established, both the refunded (old) and the refunding (new) debt must be recorded and reported in the district's financial statements.

Journal Entries

25X.30	Unamortized Discount on Refunding (new) Debt *
25X.00	Bonds Payable (old)
214.X0	Accrued Interest Payable (old)
196.30	Deferred Charge - Issuance Cost (new)
25X.40	Deferred Amount on Refunding ***
25X.20	Unamortized Premium on Refunded (old) Debt

25X.20	Unamortized Premium on Refunding (new) Debt *
25X.00	Bonds Payable (new)
14X.00	Restricted Assets **
196.30	Deferred Charge - Issuance Cost (old)
25X.30	Unamortized Discount on Refunded (old) Debt

To record issuance of refunding (new) bonds and extinguishment of refunded (old) debt.

799.91.XX Interest Expense

25X.40 Deferred Amount on Refunding

To record amortization of deferred amount on refunding.

* Use either account depending if the refunding (new) debt was issued at premium or discount.

** Use this entry if there are funds available in various restricted assets accounts for payment of refunded (old) debt.

*** *Deferred Amount on Refunding* is the difference between:

1. reacquisition price (amount placed in escrow account - excluding issuance cost and premium/discount on refunding (new) debt), and

2. net carrying value of refunded (old) debt (adjusted for issuance cost and unamortized premium/discount on refunded (old) debt).

The difference should be amortized over the **shorter** of 1) the life of the refunding (new) debt or 2) the remaining life of the refunded (old) debt.

Crossover Method of Advance Refunding

In this type of refunding the proceeds from issuance of refunding (new) debt are placed in the escrow account. The escrow account does not immediately make payments on the refunded (old) debt principal and interest. Instead, it pays all or a portion of the refunding (new) debt's principal and interest until a crossover date when the refunded (old) debt can be called or it matures and the amount accumulated in escrow is sufficient to repay it. Until the crossover date, both the refunded (old) and refunding (new) debt would be reported in the financial statements.

The new debt is not to be included in the computation of indebtedness for the purpose of any constitutional or statutory debt limit.

Journal Entries

101.00 Cash with Fiscal Agent
25X.30 Unamortized Discount on Refunding (new) Debt *
196.30 Deferred Charge - Issuance Cost (new)

25X.00 Bonds Payable (new)
25X.20 Unamortized Premium on Refunding (new) Debt *
101.10 Cash **

To record issuance of refunding (new) debt.

25X.00 Bond Payable (old)
214.X0 Accrued Interest Payable (old)
25X.20 Unamortized Premium on Refunded (old) Debt
25X.40 Deferred Amount on Refunding ***

196.30 Deferred Charge - Issuance Cost (old)
25X.30 Unamortized Discount on Refunded (old) Debt
101.00 Cash with Fiscal Agent

To remove the refunded (old) debt at the crossover date.

* Use either account depending if the refunding (new) debt was issued at premium or discount.

** Transfer of resources other than proceeds of the refunding debt (e.g., excess of cash available for the refunding transaction).

*** See journal entry for the defeasance method for description of this account.

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 district once every twenty-four 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. 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 district.

   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, the district's 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 port should implement a system of supervisory review of the remittance list and bank deposits.

   b. The daily deposit should be prepared by someone other than the person who received the payment. As noted above, this control may not be feasible at departments/governments having limited staff. In such a case, the port should implement a system of supervisory review of the remittance list and bank deposits.

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 port 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 port utilizes cash registers, there should be only one change fund and one cash register (or drawer) per cashier. This enables the district 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.

Chapter 2. Specific Issues
Section 1. Promotional Hosting

Promotional hosting means furnishing customary meals, refreshments, lodging, transportation or any combination of those items in connection with:

business meetings,
social gatherings, and
ceremonies honoring persons or events,

relating to the authorized business promotional activities of a port. Hosting may also include reasonable, and customary entertainment, and souvenirs of nominal value, all incidental to such events.

Promotional hosting must be explicitly related to promoting trade and industrial development.

RCW 53.36.120 authorizes expenditures for industrial development, trade promotion, and promotional hosting and requires that such expenditures be "... pursuant to specific budget items as approved by the port commission...." Section 53.36.130 limits funds for promotional hosting expenses to a formula based upon total gross operating revenues. Section 53.36.140 requires the port commission to adopt written rules and regulations governing promotional hosting expenses, and RCW 53.36.150 directs the State Auditor to audit promotional hosting expenses and to promulgate appropriate rules and definitions as a part of its uniform system of accounts.

Promotional hosting expenses should include not only money spent directly by the port officers and employees, but also money spent by contractors or consultants when a contract explicitly or by clear implication calls for contractors or consultants to engage in promotional hosting with the funds they received from the port.

Ports may host a variety of people: private individuals, union officials, foreign or U.S. government dignitaries, officials from local, Washington and other states, officials from out-of-state or in-state ports. In all cases, to correctly categorize the incurred costs as promotional hosting expenses, the port must reasonably believe that a particular individual or a group of people could sufficiently influence trade or industrial development. The indiscriminate hosting of people who have no conceivable influence in that area is a violation of the statute.

Ports should also exercise a caution regarding hosted officials and the legality of accepting gifts and gratitudes (e.g., the federal employees may be prohibited from doing that). Also representatives from state or local governments are often reimbursed for expenses incurred in connection with such port events. However, if those costs are unreimbursable or when they are inseparable as practical matter from otherwise promotional activities, they can be treated correctly as appropriate promotional hosting expenditures. Above rule may also apply to the port's own officials or employees participating in the promotional event.

If a port official or employee is authorized by the port commissioners to make expenses for promotional hosting and if such hosting is done while in travel status, then that cost may be paid with moneys advanced from the *Advance Travel Expense Account.*

Chapter 2. Specific Issues
Section 2. Employee Travel (Chapter 42.24 RCW)

RCW 53.08.175 and .176 authorize port districts to reimburse their employees for necessary and reasonable travel and other business expenses.

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 port commission must pass a resolution to establish rules and regulations for the reimbursement of travel expense. The rules should cover all district officials and employees. The resolution should establish procedure for approving travel expenses, purchase of transportation forms of the voucher, discuss the policy on tipping, and it should prohibit reimbursement for personal expenses and entertainment.

If any district wishes to issue credit cards for travel related expenses, the port commission must pass a 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; [1]

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 district employees and, if not, who they were and what connection they had with district business.

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 district business was being carried out when the expenses were incurred.

If a district 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 district 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 and documented to determine whether or not the rate continues to reflect actual costs.

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[1] When the travel requires overnight lodging, port officials or employees may be reimbursed per diem in lieu of actual expenses. The payment should not exceed $25.00 per day.

If the above procedures are not followed, the reimbursement for use of personal automobiles may be treated as additional compensation. According to the Internal Revenue Service, districts 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 district 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 a 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 should be maintained to record 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 port commission 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 fifteenth 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 <u>less</u> than the amount of the advance received, his/her expense voucher will be accompanied by the unexpended portion of the advance. The expense voucher and original request for the advance should then be used to support the custodian's claim for a warrant replenishing the account for travel expenses reported. Expense vouchers containing expenses in <u>excess</u> of the amount advanced should 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 should then be used to support the custodian's claim for a warrant replenishing the account. The other copy of the expense claim should 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 port commission 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.

Chapter 2. Specific Issues
Section 3. Suspected Loss Of Public Funds

RCW 43.09.185 states in part:

"State agencies and local governments shall immediately report to the state auditor's office know or suspected loss of public funds or assets or other illegal activity."

Any suspected or known loss of public funds should be immediately reported to the State Auditor's Office.

Correction of the loss without reporting to appropriate authorities or destruction of any pertinent records should not be attempted. All original records should be secured in a safe place, such as a safe or locked file cabinet until the State Auditor completes the investigation.

Chapter 2. Specific Issues
Section 4. 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 Generals 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.

Chapter 2. Specific Issues
Section 5. 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 one 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.

Cellular Phones

- Local governments are responsible for controlling managing and the usage of their cellular telephones. It is the decision of entity management whether to allow employees personal use of their cellular telephones. If personal use is allowed, the entity needs to establish a system to ensure individuals are responsible for the payment of their non-business or personal calls. Such a system for example, may be a signed agreement that allows the entity to deduct the cost of unpaid calls from the employee's paycheck or an initial deposit to cover those costs.

- Additionally, when personal use of cellular telephones is allowed, a system also needs to be established that requires the employee to review the telephone bill statement and identify personal calls made. The employee should be required to submit payment or their portion of the bill at that time.

Pre-paid Phone Cards

- Before pre-paid phone cards are used, management should be able to tract:

  - Who made the phone calls.
  - The cost of the calls.
  - The purpose of the calls.

- If these items cannot be tracked, the use of these cards is not advisable.

Chapter 2. Specific Issues
Section 7. Redeemed Warrants/Canceled 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.

We 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 or office requesting these documents during an audit.

Chapter 2. Specific Issues
Section 8. Salary Increases For Elected Officials And The Consumer Price Index

Many questions have arisen over the years about whether salaries for city council members or county commissioners can be increased by typing them to an index, such as the Consumer Price Index (CPI). However, we have consistently concluded that this sort of salary increase is needed a violation of the State Constitution. We have stated, and continue to advise, that unless the increase can be foreseen at the beginning of the term, salary increases connected to an index violate the constitutional restriction. This conclusion has been supported by a Superior Court decision, Telford v. Thurston County Commissioners and Thurston County and informal opinion by the Office of the Attorney General.

Applicable References:

Article 2, section 25 (amend. 35) of the Washington Constitution provides that the compensation of a public officer shall not be increased during his or her term of office.

Article 2, section 25 of the Washington Constitution prohibits a public officer or employee from receiving extra compensation after the services for which the compensation is given have been rendered.

The decision to increase the compensation of public utility district commissioners or the manager must be made at an open public meeting. The validity of a meeting under the Open Public Meetings Act is determined by whether notice of the meeting and the opportunity to attend are provided in accordance with RCW 42.30.030 and .070.

(To be issued at a later date.)

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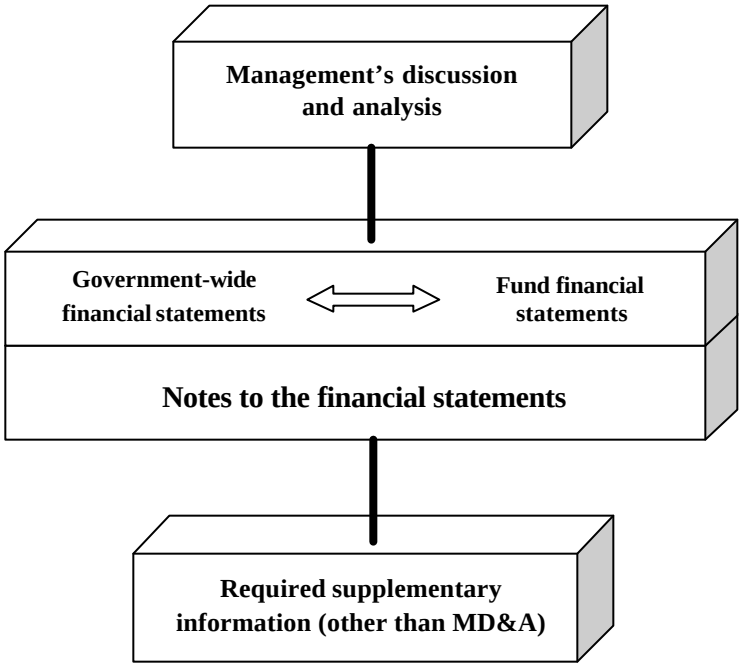
PHILOSOPHY OF REPORTING

The requirements for financial reporting in accordance with generally accepted accounting principles (GAAP) are established by the Governmental Accounting Standards Board (GASB). The GASB has adopted the standards prescribed by its predecessor, the National Council on Governmental Accounting (NCGA), including Statement 1, Principle 12.

The annual financial statements prepared by local governments were revisited and improved substantially by the GASB Statement 34 enacted in June 1999. This BARS manual encompasses those changes.

The following diagram illustrates the minimum requirements for general purpose external financial reports.



1. Management Discussion and Analysis (MD&A)

MD&A should introduce the basic financial statements and provide an analytical overview of the local government's financial activities. It is part of the required supplementary information (RSI), however it should be presented before the basic financial statements. The MD&A should provide an objective and easily readable analysis of the district's financial activities. It should include comparisons of current year to the prior year based on the government-wide information. It also includes information regarding capital assets, long-term debt activity, and a description of currently known facts, decisions, or conditions expected to have a significant effect on financial position or results of operations.

2. Basic Financial Statements

Government-Wide Financial Statements[1]

The government-wide financial statements consist of a s*tatement of net assets* and a s*tatement of activities*. They are prepared using the economic resources measurement focus and the accrual basis of accounting. Each statement distinguishes between the governmental and business-type activities of the primary government and its discretely presented component units.

Fund Financial Statements

Governmental Fund Financial Statements[1]

Governmental funds should be reported using the current financial resources measurement focus and the modified accrual basis of accounting. These funds are presented by general fund; major funds, and aggregated nonmajor funds.

Proprietary Funds Financial Statements

There are three required fund financial statements for proprietary funds:

1. statement of net assets (or balance sheet),
2. statement of revenues, expenses, and changes in fund net assets, and
3. statement of cash flows.

Proprietary funds continue to be presented on the economic resources measurement focus and the full accrual basis of accounting. Internal service funds should be reported as a fund type (aggregated) in a separate column. Major enterprise funds are reported in separate columns and nonmajor enterprise funds are aggregated in a single column.

Fiduciary Fund Financial Statements

The following are required financial statements for fiduciary funds:

1. statement of fiduciary net assets, and
2. statement of changes in fiduciary net assets.

[1] Special purpose districts engaged only in business-type activities should present only the financial statements required for enterprise funds. However, if a special purpose district has a component unit engaged in the governmental activities, it should present the basic financial statements for required for special purpose districts engaged in both governmental and business-type activities.

The fiduciary statements are prepared using the economic resources measurement focus and full accrual basis of accounting (with some exceptions for liabilities for defined benefit pension plans and certain post-employment health care plans).[1]

Agency funds should be reported in the statement of fiduciary net assets. Their fund assets should equal fund liabilities. Agency funds do not have operations and should not be reported in the statement of changes in fiduciary net assets.

3. Notes to the Financial Statements

Notes to the financial statements are essential to fair presentation of the basic financial statements. The notes include the summary of significant accounting policies and summary disclosure of such matters as significant contingent liabilities, significant effects of subsequent events, pension plans, accumulated unpaid employee benefits (such as vacation and sick leave), material violations of finance-related legal and contractual provisions, debt service requirements to maturity, commitments under noncapitalized leases, construction and other significant commitments, and interfund receivables and payables. Any other disclosures necessary in the circumstances should also be included.

The NCGA has discussed the notes to financial statements in more detail in its Interpretation 6, which also provides guidance for presenting notes in a logical order.

4. Required Supplementary Information[2]

Statements, schedules, statistical data, and other information the GASB deem necessary is reported as required supplementary information (RSI). Except for the MD&A, required supplementary information, should be presented immediately following the notes to the financial statements.

The following types of RSI (other than MD&A) must be presented (to the extent they apply):

- infrastructure condition and maintenance data (for districts using the modified approach),
- pension trend data (for certain pension plans and participating employers),
- revenue and claims development trend data (for public-entity risk pools).

[1] There are some exceptions for liabilities of defined benefit pension plan and certain post-employment health care plans. Paragraph 26 of Statement 25 and paragraph 7 of Statement 26 provide guidance on recognition of these liabilities.
[2] Not all RSI requirements may be applicable to ports.

REPORTING ENTITY

In June 1991, GASB issued the Statement 14, *The Reporting Entity*, which is effective for financial statements for periods beginning after December 15, 1992. The Statement 14[1] establishes standards for defining and reporting on the financial reporting entity and applies to financial reporting by primary governments, as well as to separately issued financial statements of governmental component units. The Statement 14[1] defines the financial reporting entity as consisting of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) 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.

In May 2002, the GASB Statement 14 was amended by the Statement 39, *Determining Whether Certain Organizations Are Component Units*. The new statement requires that organizations raising and holding economic resources for the direct benefit of a government to be reported as discretely presented component units.

A primary government is financially accountable for those organizations that make up its legal entity as well as legally separate organizations if the primary government appoints a voting majority of an organization's governing body, and either it can impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

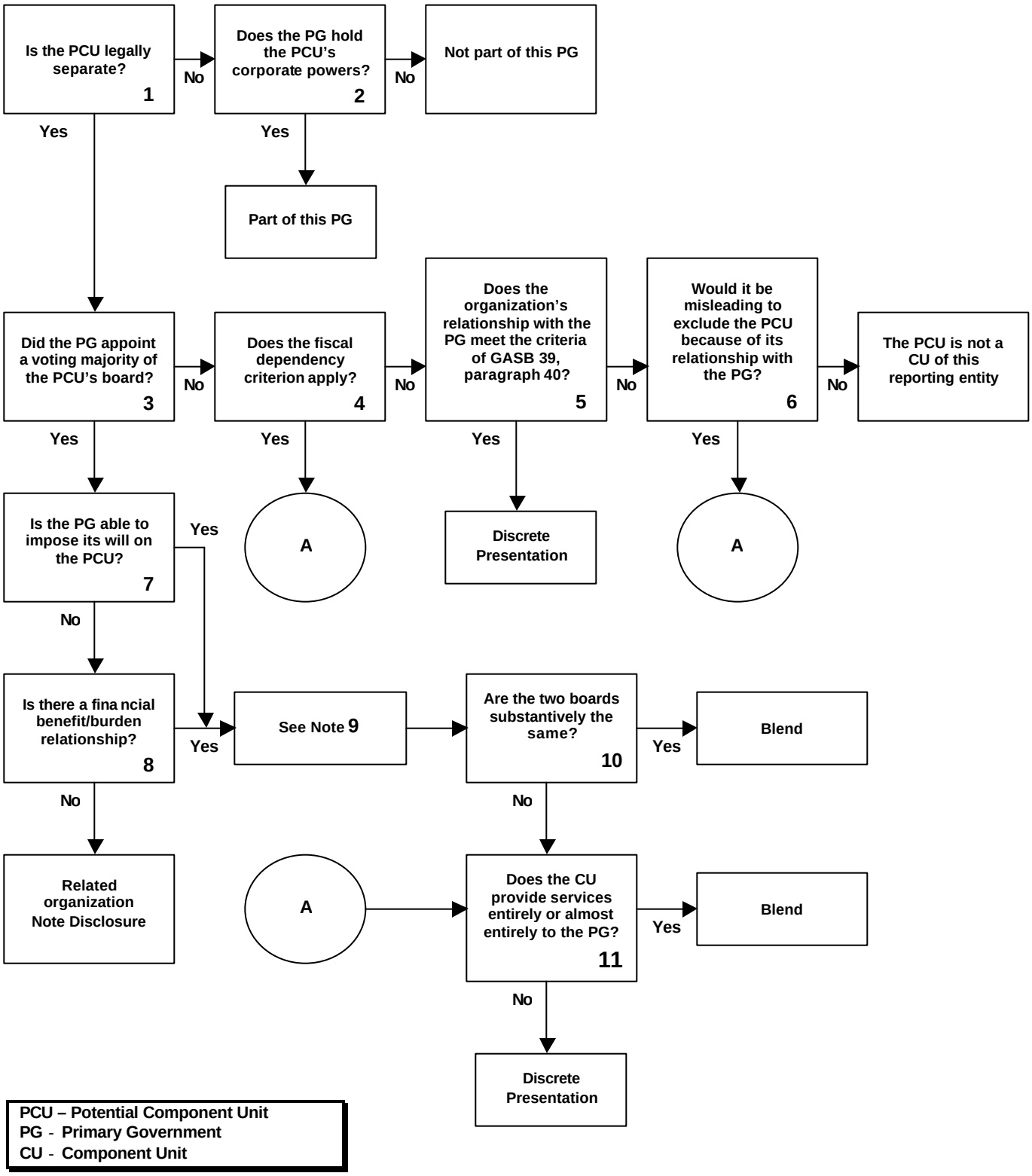
Most organizations determined to be component units under the Statement 14[1] should be included in the financial reporting entity by discrete presentation B that is, by presentation in one or more columns separate from the financial data of the primary government. However, some component units may, in substance, be the same as the primary government and should be reported as part of the reporting entity B that is, the component unit's balances and transactions are reported in a manner similar to those of the primary government, by "blending." It is likely that an organization considered to be a component unit under existing standards and "blended" will continue to be considered a component unit under the Statement 14; however, according to the Statement 14, that component unit will probably be reported by discrete presentation.

The following flowchart will help to determine the reporting status of an organization. Refer to the Glossary for definitions of the various terms.

[1] As amended by the GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*.

Financial Reporting Entity Flowchart

(See notes on next page)



NOTES TO FINANCIAL REPORTING ENTITY FLOWCHART

1. An organization has separate legal standing if it is created as a body corporate or a body corporate and politic, or if it otherwise possesses corporate powers.

2. Corporate powers give an organization the capacity to have a name; the right to sue and be sued in its own name without recourse to the state or local government; and the right to buy, sell, lease, and mortgage property in its own name.

3. The primary government's appointment authority should be substantive. This excludes selections from lists of candidates or confirmations. The requirements apply also to the situation in which the voting majority consists of a primary government officials serving as required by law (and not technically appointed). The primary government is accountable also if it can unilaterally abolish an organization or it has continuing appointment authority.

4. Fiscal dependence does not necessarily mean financial benefit or burden for a primary government. An organization is fiscally dependent if it can not meet all three of the following requirements without substantive approval of a primary government:

   a. determine its budget,

   b. levy taxes or set rates or charges, and

   c. issue bonded debt.

   It is also important to make a distinction between substantive and ministerial (compliance) approval. Ministerial approval is often a result of the general oversight of the respective state or local governments. This may include evaluation of programs, review for compliance with the statutory requirements, etc. Being subject to ministerial approval does not qualify an organization as fiscally dependent. Also a primary government that is temporarily under the fiscal control of another government continues to be fiscally independent.

5. Organizations that are legally separate, tax exempt, and meet all of the following criteria should be shown as discretely presented component units. The primary focus is on non-governmental organizations that contribute endowments and resources to public institutions (e.g. fund raising foundations, athletic associations, research foundations, etc.).

   1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

   2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

   3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are *significant* to that primary government.

   Example: Small booster clubs and parent teacher organizations may meet the first two criteria; however, if their monetary contributions were not significant to the financial position of the primary government they would not be included as a component unit. GASB ultimately places reliance on auditor judgment in determining which entities need to be presented. Further guidance is contained in the GASB Statement 39.

6. Some component units, despite being legally or fiscally independent from the primary government, are so intertwined with the primary government that they are, in substance, the same as primary government. For example, they have substantially identical governing body, or exclusively or almost exclusively provide services or benefit the primary government.

7. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. The existence of <u>any one</u> of the following conditions indicates that the primary government has the ability to impose its will on an organization:

   a. The ability to remove the appointed members of the organization's governing body at will.

   b. The ability to modify or approve the budget of the organization.

   c. The ability to modify or approve the rate or fee changes affecting revenues, such as water usage rate increases.

   d. The ability to veto, overrule, or modify the decisions (other than those in b and c) of the organization's governing body.

   e. The ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the organization.

   There may be other conditions indicating the possibility of imposing will. When assessing them remember to make the distinction between substantive and ministerial approvals.

8. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of a decision made by the primary government or agreements between the primary government and component unit.

   An organization has a financial benefit or burden relationship with the primary government if <u>any one</u> of these conditions exists:

   a. The primary government is legally entitled to or can otherwise access the organization's resources.

   b. The primary government is legally obligated or has otherwise assumed the obligation to finance deficits of, or provide financial support to, the organization.

   c. The primary government is obligated in some manner for the debt of the organization.

   Exchange transactions between organizations and the primary government are not considered a financial benefit or burden relationship.

   The effect of the financial benefits or burdens on the primary government can be either <u>direct</u> or <u>indirect</u>. A direct effect occurs when the primary government itself is entitled to the resources or obligated for the deficits or debts of the organization. An indirect relationship occurs when one or more of the primary government's component units is entitled to the resources and obligated for the deficits or debts of the organization. In <u>both</u> cases the primary government has the benefit/burden relationship with the organization.

9. A potential component unit for which a primary government is financially accountable may be fiscally dependent on another government. An organization should be included as a component unit of <u>only</u> one reporting entity. Professional judgment should be used to determine the most appropriate reporting entity. A primary government that appoints a voting majority of the governing board of a component unit of another government should make the disclosures required for related organizations.

10. Substantively the same means sufficient representation of the primary government's entire governing body on the component unit's governing body to allow complete control of the component unit's activities.

11. The essence of this type of arrangement is much the same as an internal service fund - the goods or services are provided to the government itself rather than to the citizenry.

12. GASB Statement 14 allows flexibility in displaying the component unit's financial data.

BARS REPORTING REQUIREMENTS

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

Annual Report
State Auditor's Office
Local Government Support Team
P.O. Box 40031
Olympia, WA 98504-0031

The legal reporting requirements prescribed by the State Auditor's Office for local governments in Washington State are consistent with, BUT NOT IDENTICAL TO, the national standards of financial reporting prescribed by the GASB. These legal requirements for local governments are of two kinds:

1. Basic Financial Statements including notes and required supplementary information (Chapters 2 or 3, and 4)

2. Supplemental Schedules (Chapter 5)

The remaining chapters of this part give instructions for preparing each required statement and schedule. These chapters are organized so that a preparer will progress from the detailed information in his/her accounting system to the summary level financial reports. There will normally be one or two intermediate summarizing steps, sometimes through informal worksheets and sometimes through formal schedules.

If a bcal government elects to prepare the CAFR recommended by the GASB, the preparer will have to produce additional schedules and statements that are NOT described in the following chapters. However, the statements and schedules required for BARS reporting can be placed directly in the CAFR, and nearly all of the additional financial requirements of the CAFR are readily met by formally preparing the data and worksheets used to satisfy BARS requirements. No duplication of effort is necessary to produce the CAFR from BARS reports.

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, the kinds and amounts of information requested by the forms is generally prescribed. Specific instructions accompanying each statement and schedule identify what detail, if any, is optional.

Electronic Filing Instructions

Electronic reporting is encouraged when filing annual reports. Statements and schedules may be submitted on diskette or via e-mail.

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

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

Acceptable Media: 3½ diskette, Zip disk (no cartridges or tapes)

E-mail files and/or questions can be sent to walzd@sao.wa.gov or call Duane Walz at (360) 664-0906.

MCAG Numbers

The next few pages contain all classified port districts' MCAG identification numbers. Record your district number in the upper left hand corner of all report forms.

Checklist

When you have finished preparing the statements and schedules described in Chapters 2 through 5, use the checklist at the end of this chapter to insure that your report is complete. Please arrange the report contents in the order shown on the checklist. (You may use the checklist as your table of contents.)

Certification/Cover Sheet

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

MCAG INDEX - PORT DISTRICTS (CLASSIFIED)

Pangborn Memorial Airport 1674
Port of Anacortes 1756
Port of Bellingham 1765
Port of Benton 1698
Port of Bremerton 1729
Port of Brownsville 1730
Port of Camas-Washoughal 1702
Port of Chelan County 1700
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Port of Edmonds 1759
Port of Everett 1760
Port of Friday Harbor 1753
Port of Grays Harbor 1723
Port of Kalama 1706
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Port of Kingston 1731
Port of Longview 1707
Port of Moses Lake 1722
Port of Olympia 1761
Port of Pasco 1710
Port of Pend Oreille 0108
Port of Port Angeles 1701
Port of Port Townsend 1727
Port of Quincy 1713
Port of Ridgefield 1704
Port of Seattle 1728
Port of Shelton 1746
Port of Skagit County 1757
Port of Sunnyside 1767
Port of Tacoma 1752
Port of Vancouver 1703
Port of Walla Walla 1764
Port of Willapa Harbor 1749

CHECKLIST OF REPORTING REQUIREMENTS

NOTE: This list is NOT the order in which to prepare these statements and schedules, but it is the order for presenting them in your annual report. Chapters 2-5 of this part give instructions for preparing the statements and schedules in an efficient sequence.

Page Number(s)	Statement Or Schedule	Yes	No	SEE Chapter
	Management Discussion and Analysis (MD&A)			4
	Statement Of Net Assets (or Balance Sheet)			2
	Statement Of Revenues, Expenses And Changes In Fund Net Assets			2
	Statement Of Cash Flows			2
	Notes To The Financial Statements			3
	Required Supplementary Information (RSI)			4
	Schedule 04 Detail Of Revenues And Other Sources			5
	Schedule 05 Detail Of Expenses And Other Uses			5
	Schedule 08 Real And Personal Property Taxes			5
	Schedule 09 Long-Term Debt General Obligation Debt Revenue Debt Refunded Debt			 5 5 5
	Schedule 10 Limitation of Indebtedness			5
	Schedule 16 Expenditures Of Federal Awards And State/Local Financial Assistance Federal Grants State Grants Interlocal Grants			5 5 5
	Schedule 19 Labor Relations Consultant(s)			5

ANNUAL REPORT

_____
(Name of Government)

_____
MCAG No.

Submitted pursuant to RCW 43.09.230

to the

STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____, _____

Certified correct this _____ day of _____, _____

to the best of my knowledge and belief:

NAME_____

TITLE_____

PREPARED BY_____

TELEPHONE NUMBER_____

FAX NUMBER_____

E-MAIL ADDRESS_____

HOME PAGE ADDRESS_____

TABLE OF CONTENTS

Page

Statement Of Net Assets (or Balance Sheet) 3

Statement Of Revenues, Expenses, And Changes In Fund Net Assets 7

Statement Of Cash Flows 9

STATEMENT OF NET ASSETS (OR BALANCE SHEET)

The statement of net assets (or balance sheet) is presented using the economic resources measurement focus and the full-accrual basis of accounting.

Governments have the option of two reporting formats:

1. statement of net assets format (Assets – Liabilities = Net Assets), or

2. balance sheet format (Assets = Liabilities + Net Assets).

The assets and liabilities should be presented in a classified format. This requires reporting assets and liabilities as either current or noncurrent. A one-year cut-off is a typical when determining if assets are expected to be realized in cash or consumed and liabilities are expected to be paid. Current assets include: cash available from current operations, receivables, inventories, prepaid expenses and investments, etc. Current liabilities include accounts payable, notes payable, amounts due to other funds, current portion of long-term debt, current portion of compensated absences, claims and judgments, etc.

Restricted assets are reported as a separate line item. The following assets are required to be reported as restricted:

- Assets that are restricted for use other than current operations.
- Assets that are restricted for the acquisition or construction of noncurrent assets.
- Assets that are restricted for sinking funds or for the liquidation of long-term debts.

Most of the restricted assets are noncurrent. However, restricted assets that will be used in current operations (e.g., certain grants, etc.) should be reported as current assets. Liabilities payable from restricted assets may be reported separately.

The difference between assets and liabilities is called net assets. Net assets (or fund equity) should be reported in three components:

1. Invested in capital assets, net of related debt.
2. Restricted (listed by major restrictions).
3. Unrestricted.

The information for this statement should be taken from the port's general ledger. Prior year presentation is optional. Notes to financial statements may be referenced by number or letter.

The statement should have proper heading, date(s) and must contain a note directing the reader to the accompanying notes to financial statements.

Invested in Capital Assets, Net of Related Debt

The amount should be calculated as follows:

1. capital asset balances in the statement of net assets (including restricted capital assets),
2. minus accumulated depreciation (if capital assets are not reported net), and
3. minus outstanding balances of any bonds, mortgages, notes, or other capital related debt that is attributable to the acquisition, construction, or improvement of those assets.

If there is no capital related debt, the line should be labeled *Invested in Capital Assets*.

All capital assets should be reported as *Invested in Capital Assets, Net of Related Debt*, regardless of restrictions but they should not include any financial resources restricted for capital assets acquisition (e.g., unspent bond proceeds, etc.). The latter would be reported as *Restricted Net Assets.*

If a part of the debt proceeds was spent on assets that have been not capitalized (assuming that part is immaterial), the entire amount of debt should be considered capital related.

The amount of debt should be adjusted for any accumulated amounts of noninterest bearing and/or deep-discount debt discounts.

Capital assets related debt should include debt issued to refund existing capital related debt.

If one government issued debt to finance the capital assets of another government, this debt should not reduce the *Invested in Capital Assets, Net of Related Debt*, unless the capital assets are also reported by the government issuing debt. If they are not reported, the debt should be reported in the *Unrestricted Net Assets*. If the amount is significant, government should disclose details in the notes to the financial statements.

The significant amounts of unspent bond proceeds at the year end should be reported as a reduction of *Restricted Net Assets*, not as a reduction of *Invested in Capital Assets, Net of Related Debt*.

Restricted Net Assets

Net assets should be reported as restricted when constraints placed on net assets use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or

- Imposed by law through constitutional provisions or enabling legislation.

While a district has to distinguish between major categories of restrictions, details about unrestricted net assets should not be displayed on the face of the statement. Designation is the management's plan for the use of the resources and is not equivalent to enabling legislation. The enabling legislation refers to situation when a government passes a law that gives them ability to levy tax or otherwise raise revenues, and in that law, the government commits to using these resources for particular purposes.

Restricted net assets should be reduced by liabilities related to those assets. They need to be reported by the major categories of restrictions (e.g., restricted for capital projects, debt service, etc.). No category of restricted net assets can be negative, if liabilities related to restricted assets exceeds those assets, no balance should be reported. The negative amount should be reported as reduction of unrestricted net assets.

Unrestricted Net Assets

There are no specific criteria for determining when an asset is an unrestricted net asset. It is a default category. If the asset does not meet criteria for *Invested in Capital Assets, Net of Related Debt*, and *Restricted Net Assets*, it should be reported as unrestricted. Designations should not be reported on the face of the statement, but the details can be disclosed in the notes to the financial statements.

It is possible that unrestricted net assets may be a negative number (e.g., significant balances of noncurrent operating liabilities such as compensated absences, net pension obligation, or pension related debt exist, etc.).

PORT OF _____

STATEMENT OF NET ASSETS
For the Year Ended December 31, ____

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$_____
Investments	_____
Taxes receivable	_____
Accounts receivable	
(net of allowance for uncollectibles)	_____
Interest receivable	_____
Notes receivable	_____
Contracts receivable	_____
Other receivables	_____
Due from other governments	_____
Inventory	_____
Prepaids	_____
Other current assets	_____
Total Current Assets	_____
RESTRICTED ASSETS:	
Cash and cash equivalents	_____
Investments	_____
Interest receivable	_____
Other restricted assets	_____
Total Restricted Assets	_____
CAPITAL ASSETS:	
Property, plant and equipment	_____
Construction in progress	_____
Less: Accumulated depreciation	_____
Total Net Capital Assets	_____
OTHER NONCURRENT ASSETS:	
Intangible assets	_____
Other property and investments, net	_____
Notes receivable	_____
Contracts receivable	_____
Deferred charges	_____
Other debits	_____
Total Other Noncurrent Assets	_____
TOTAL ASSETS	$_____

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

LIABILITIES

CURRENT LIABILITIES:	
Warrants payable	$_____
Accounts payable	_____
Accrued interest payable	_____
Notes payable	_____
Contracts payable	_____
Deferred credits	_____
Current portion of long-term obligations	_____
Other current liabilities	_____
Total Current Liabilities	_____
NONCURRENT LIABILITIES:	
General obligation bonds	_____
Revenue bonds	_____
Capital leases	_____
Notes payable	_____
Contracts payable	_____
Employee leave benefits	_____
Other postemployment benefits	_____
Other noncurrent liabilities	_____
Deferred credits	_____
Total Noncurrent Liabilities	_____
Total Liabilities	_____
NET ASSETS:	
Invested in capital assets, net of related debt	_____
Restricted for _____	_____
Unrestricted	_____
TOTAL NET ASSETS	$_____

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (OR FUND EQUITY)

The statement has an all-inclusive format. All transactions (including capital contributions) that affect net assets/fund equity (i.e., "balance sheet transactions") should be included. No amounts may be reported as direct addition to net assets/fund equity or as a "balance sheet transactions" only. All transactions, including capital contributions[1], additions to permanent funds, equity transactions involving joint ventures have to be reported in the statement of changes.

Revenues should be reported by major source. All revenues should be reported net of discounts and allowances (they should be disclosed in parenthesis or in the notes to the financial statements). Uncollectible amounts should not be reported as expense but as adjustments to revenue.

Revenues and expenses should distinguish between operating and nonoperating. Governments should establish their own policy for defining operating and nonoperating revenues and expenses. The policy should be disclosed in the notes to the financial statements.

Although there is not a specific definition for the operating or nonoperating revenues, the following revenues should be considered as nonoperating:

- Operating grants and contributions and grants and contributions that are not restricted to either operating or capital functions.
- Property or other taxes.
- Exchange-like transactions that are restricted for capital or financing purposes.
- Interest and dividends and realized and unrealized gains or losses on investments.
- Interest expense, debt issue expenses, and premium or discount on debt.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. They are also not within control of management (e.g., environmental or natural disasters, etc.). However, transactions which are unusual and infrequent but within control of management should be also reported as extraordinary items.

Special items are significant transactions or other events within control of management that are either unusual in nature or infrequent in occurrence (e.g., sales of certain governmental capital assets, early retirement program, significant forgiveness of debt, etc.). Transactions or other events that are either unusual or infrequent but not within control of management should be disclosed in the notes to the financial statements.

The information for this statement should be taken from revenue and expenses ledgers. Prior year presentations is optional. Notes to financial statements may be referenced by number or letter.

The statement should have proper heading, date(s) and must contain a note directing the reader to the accompanying notes to financial statements.

[1] Capital contribution include revenues received in the form of contributed capital assets, nonexchange grants and contributions restricted to capital purposes, fees and charges restricted to capital assets acquisition.

PORT OF _____

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, _____

OPERATING REVENUES:	
Airport operations	$_____
Marina operations	_____
Marine terminal operations	_____
Property lease/rental operations	_____
General and administrative	_____
Other:_____	_____
Total Operating Revenues	_____
OPERATING EXPENSES:	
General operations	_____
Maintenance	_____
General and administrative (781 + 783 - 785)	_____
Depreciation	_____
Other:_____	_____
Total Operating Expenses	_____
Operating Income (Loss)	_____
NONOPERATING REVENUES (EXPENSES):	
Investment income	_____
Taxes levied for:	
General purposes	_____
Debt service principal/interest	_____
Industrial development district	_____
Gain (loss) on disposition of assets	_____
Interest expense	_____
Election expense	_____
Other nonoperating revenues (expenses)	_____
Total Nonoperating Revenues (Expenses)	_____
Income (loss) before other revenues, expenses, gains, loses, and transfers	_____
Capital contributions	_____
Extraordinary items	_____
Special items	
Transfers	
Increase (decrease) in net assets	_____
Net assets - beginning of period	_____
Net assets - end of period	$_____

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

The only acceptable method of presentation is the direct method. In using the direct method, a reconciliation of operating cash flows to operating income is required.

The statement of cash flows reports the flow of cash in four activities:

- Cash Flows from Operating Activities,
- Cash Flows from Noncapital Financing Activities,
- Cash Flows from Capital and Related Financing Activities, and
- Cash Flows from Investing Activities.

Cash Flows from Operating Activities

In reporting cash flows from operating activities, governments should report major classes of gross cash receipts and gross cash payments and their sum – the net cash flow from operating activities. Cash flows from operations include all cash related to transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in fund net assets. In addition, the operating activities category is used for any cash inflow or outflow that cannot properly be classified in one of the other three categories. Governments should, at a minimum, report separately these classes of operating cash receipts and payments:

a. Cash receipts from customers,
b. Cash receipts from interfund services provided,
c. Other operating cash receipts (if any),
d. Cash payments to employees for services,
e. Cash payments to other suppliers of goods or services,
f. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided,
g. Other operating cash payments (if any).

The cash flows for cash receipts from customers, cash paid to employees and suppliers (item a, d and e above) may be difficult to determine, so the governments may indirectly calculate these amounts. (See the worksheet at the end of this section.)

Further detail of operating cash receipts and payments should be provided if the detail is useful. Interest receipts usually do not qualify to be a part of cash flows from operating activities. Exceptions to this rule are loans that:

1) fulfill government social programs rather than for income or profit; and
2) directly benefit individual constituents of government.

Program loans typically refer to loans that meet both of these exceptions. The collection of principal payments related to program loans is reported as a cash inflow in this section.

Cash Flows from Noncapital Financing Activities

This portion of the cash flows statement include:

- Borrowing and repayments (principal and interest) of debt that is not clearly attributable to capital purposes. Capital purposes include capital acquisition, construction, or improvement, including capital lease repayments.
- Borrowings to finance program loans.
- Grant proceeds not specifically restricted to capital purposes.

- Grant payments (both capital and otherwise) to other governments.
- Transfers to and from other funds (except when a transfer is received for capital purposes).
- Tax receipts not attributable to capital purposes.
- Interest paid on noncapital-related vendor payables.

Cash Flows from Capital and Related Financing Activities

This portion of the cash flows statement include:

- Borrowing and repayment (principal and interest) of debt clearly attributable to capital purposes.
- Proceeds of capital grants and contributions.
- Transfers from other funds for capital purposes.
- Payments related to the acquisition, construction, or improvement of capital assets.
- Sale or involuntary conversion of capital assets (such as insurance proceeds resulting from the loss of a capital asset).
- Capital-type special assessments.
- Taxes levied specifically for capital purposes or related debt service.

Interest capitalization is ignored for purposes of the statement of cash flows. Interest payments should be reported as interest payments rather than as capital acquisition, even though the payments may be capitalized in the statement of fund net assets and not reported as interest expense in the statement of revenues, expenses, and changes in fund net assets.

Cash Flows from Investing Activities

This portion of the cash flows statement include:

- Receipt of interest (except on certain program loans).
- Loan collections (except for certain program loans).
- Proceeds from the sale of investments.
- Receipt of interest on customer deposits.
- Changes in the fair value of investments subject to fair value reporting and classified as cash equivalents.

Cash outflows in the investing activities category include:

- Loans made to others (except for program loans).
- Purchase of investments.

Reconciliation

Governments are required to provide a reconciliation of the difference between cash flows from operating activities and operating income. This reconciliation should be presented either within the statement of cash flows or as an accompanying schedule to the statement.

Noncash investing, capital, or financing transactions

The statement of cash flows is limited to actual inflows and outflow of cash (and cash equivalents). Therefore, financial statement users still need information on certain noncash activities that otherwise would fail to be reported either in the statement of revenues, expenses, and changes in fund net assets or in the statement of cash flows. Specifically, information is needed regarding noncash transactions that meet two criteria:

1. The transaction affects recognized assets or liabilities, and
2. The transaction would not properly have been classified as cash flows from operating activities.

This information can be presented either in a narrative or tabular format on a separate schedule accompanying the statement of cash flows.

PORT OF _____

STATEMENT OF CASH FLOWS
For the Year Ended December 31, _____

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	1
Payments to suppliers	(2)
Payments to employees	(3)
Internal activity - payments to other funds	(5)
Claims paid to outsiders	(5)
Other receipts (payments)	
Net cash provided (used) by operating activities	4
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating subsidies and transfers to other funds	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	
Capital contributions	
Purchases of capital assets	
Principal paid on capital debt	
Interest paid on capital debt	
Other receipts (payments)	
Net cash provided (used) by capital and related financing activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	
Interest and dividends	
Net cash provided by investing activities	
Net increase (decrease) in cash and cash equivalents	
Balances - beginning of the year	
Balances - end of the year	
***Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**	
Operating income (loss)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	
Change in assets and liabilities:	
Receivables, net	
Inventories	
Accounts and other payables	
Accrued expenses	
Net cash provided by operating activities	4

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CASH FLOW WORKSHEET

Cash received from customers:			
	Operating Revenues		
Add:	Customer Receivables - Beginning		
Less:	Customer Receivables - Ending		
Less:	Increase in Bad Debt	_____	
	Net Cash Received from Customers	1	See Statement of Cash Flows
Cash paid to suppliers:			
	Supplies and Materials		
Add:	Repairs and Maintenance		
Add:	Utilities		
Add:	Other Operating Expenses		
Sub total	Total Expenses Requiring Cash		
Add:	Accounts Payable - Beginning		
Less:	Accounts Payable – Ending	_____	
	Net Cash Paid to Suppliers	2	See Statement of Cash Flows
Cash paid to employees:			
	Salaries and Benefits		
Add:	Salaries and Benefits Payable - Beginning		
Less:	Salaries and Benefits Payable - Ending		
Add:	Compensated Absences Payable - Beginning		
Less:	Compensated Absences Payable – Ending	_____	
	Net Cash Paid to Employees	3	See Statement of Cash Flows
Cash flows from operations:			
	Cash Received from Customers	1	
	Other Operating Cash Receipts (Uses)	Add receipts/Less uses	
Less:	Cash Paid to Suppliers	2	
Less:	Cash Paid to Employees	3	
	Net Cash Provided (Used) by Operating Activities	4	See Statement of Cash Flows

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NOTES TO FINANCIAL STATEMENTS

The notes to financial statements are intended to communicate information necessary for a fair presentation of financial position and results of operations that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes are an integral part of the financial statements and should supplement them.

Although notes presented in this chapter are considered the minimum requirement for annual reporting, they are not all inclusive and additional disclosures may be needed due to the districts' unique circumstances. Before including additional information the government should consider its significance for the fair presentation and avoid immaterial and unnecessary disclosures.

Governments submitting their comprehensive annual financial reports (CAFR) for the GFOA Certificate of Achievement for Excellence in Financial Reporting should follow the criteria and required disclosures set forth in the 1999-2000 *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2300.

Each financial note in this chapter contains two parts: (1) Notes to Preparer, and (2) Sample Text.

(1) **Notes to Preparer** - comments and instructions how to write a note. They may include additional versions of the note.

(2) **Sample Text** - the most common version of the note. The *Sample Text* is meant to help write the note, however, it is your responsibility to determine if the entire note or only parts of the note are adequate to your district. DELETE information that is not applicable. INCLUDE any other information necessary for the fair presentation.

The notes to financial statements can be presented in any format (i.e., narratives, tables, schedules, matrixes, etc.) as long as they contain the required information.

Lines in the *Sample Text* are numbered and *Notes to Preparer* refer to those lines. Make sure that each page of the financial statements contains references to the notes.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
4	For "type of government" describe the legal formation of the district.
13	The reporting entity note should: 1. Define the primary government; 2. Describe each component unit of the reporting entity and its relationship to the primary government; 3. Include the criteria used to identify component units; 4. Specify the reporting method used for each component unit (i.e., blending or discrete presentation); and 5. Inform the reader where separate financial statements for individual component units may be obtained.
15	For "major types of services," summarize the functions that your district performs, such as: Marina, airport, marine terminal, public transportation, industrial park, etc.
19	Indicate the number of members on your board.
21-24	Component units are defined in the GASB Statement 14 (see Part 4, Chapter 1 for details). If the district has a component units(s) for which it is financially accountable, further disclosure of the relationship(s) is required. If the district qualifies as a component unit of another government, disclosure of that relationship is also required. In addition, the GASB Statement 14 requires disclosures concerning related organizations, joint ventures, and jointly governed organizations. Refer to the GASB Statements 14 and 39 for further information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financial statements of the (district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, GASB approved Statement 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The (district) is a special purpose government and provides (list major types of services) to the general public and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

The (district) is governed by an elected _____ member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. (The (district) has no component units.) (These financial statements present (district) (the primary government) and its component units. The component units discussed below are included in the district's reporting entity because of the significance of their operational or financial relationships with the district.)

3-5 If another accounting system is used, this paragraph should be replaced with narrative to that effect.

B. Basis Of Accounting And Reporting

The accounting records of the (district) are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The (district) uses the *Budgeting, Accounting and Reporting System for Classified Port Districts* in the State of Washington.

Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net assets (or balance sheets). Their reported fund equity (total net assets) is segregated into invested in capital assets, net of related debt, restricted and unrestricted net assets. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. The (district) discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The (district) uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund(s).

19 You may wish to describe the types of receivables involved. For example: the main types of goods and services rendered.

If you net receivables, you will need to describe the allowance for uncollectible receivables account.

> Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. Estimated uncollectible amounts for other receivables are $_____.

If you do not net receivables, you will need to describe the allowance for uncollectible receivables account.

> Allowance for Uncollectibles consists of the estimated amounts of customer accounts, notes and contracts that will never be collected.

Disclose your policy for estimating and writing off uncollectible accounts.

C. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

It is the (district) 's policy to invest all temporary cash surpluses. At December 31, _____, the treasurer was holding $_____ in short-term residual investments of surplus cash. This amount is classified on the statement of net assets as cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during (year) were approximately $_____.

For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Temporary Investments - See Note (Deposits and Investments Note No.) .

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties. (See Note Property Taxes Note No.). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
1	If you do not include all intergovernmental receivables or payables in these accounts, you will need to modify the SAMPLE TEXT note. For example: All receivables from or payables to other governments are included in these accounts.
25	Eliminate the category if your government does not have any "other" assets or debits category. But you should add the following paragraph to your note if you have other assets such as deferred charges for preliminary surveys or planning costs: These accounts also include preliminary costs incurred for proposed construction projects. If construction results, the related costs become part of the cost of the asset; if the project is abandoned, related costs are charged to expense. Additional examples of other assets include intangible assets such as plant acquisition adjustments (see capital asset note), franchises and leases, computer software, etc. You may want to include a brief description of any material intangible assets.

4. Amounts Due To And From Other Governments

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

5. Inventories

Inventories are valued by the _(FIFO/LIFO/weighted average)_ method (which approximates the market value).

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable. The current portion of related liabilities are shown as *Payables from Restricted Assets*. Specific debt service reserve requirements are described in Note __ _(Long-Term Debt and Leases Note No.)_ .

The restricted assets are composed of the following:

Special Assessments - Current	$_____
Special Assessments - Delinquent	$_____
Cash and Investments - Debt Service	$_____
Cash and Investments - Construction	$_____
_____ _____	$_____

7. Capital Assets and Depreciation See Note___ (Capital Assets and Depreciation Note No.) .

8. Other Property and Investments See Note___ (Investment Note No.) .

9. Other Assets and Debits

(No SAMPLE TEXT is provided. See Notes to Preparer).

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
6	Only sick leave which is a part of retirement or termination benefit should be disclosed in this note (GASB Statement 16). Describe the policy regarding sick leave. For example: (Upon resignation or retirement, any outstanding sick leave is lost.) (If an employee terminates with at least ten years of service, he/she will be paid for sick leave balances up to thirty days, at one-half his/her final pay rate.) (The __(district)__ allows (unlimited/up to _____) accumulation of sick leave. Upon separation or retirement, employees do not receive any payment for unused sick leave. However, employees eligible for full retirement benefits may use their unused sick leave toward determining their length of service for purpose of determining their retirement benefits.)
12	If you have material amounts of other accrued liabilities such as accrued interest on debt, you should also include a brief description of this type of liability.

10. Custodial Accounts

This account reflects the liability for net monetary assets being held by the (district) in its trustee or agency capacity.

11. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The district records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to (maximum days or weeks), is payable upon resignation, retirement, or death. Sick leave may accumulate (indefinitely/up to ____ hours.)

12. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

13. Long-Term Debt See Note (Long-Term Debt and Leases Note No.).

14. Deferred Credits

This account includes amounts recognized as receivables (assets) but not revenues because the revenue recognition criteria has not been met.

15. Other Credits See Note (Deferred Debits (Credits) Note No.)

List all other types of investments made during the fiscal year with a reference to the legal provision for each type of investment made. Authorized investments and legal references listed in Part 3.

15-16 Disclose the following:

a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.

b. The policy for determining which investments, if any, are reported at amortized cost.

c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares.

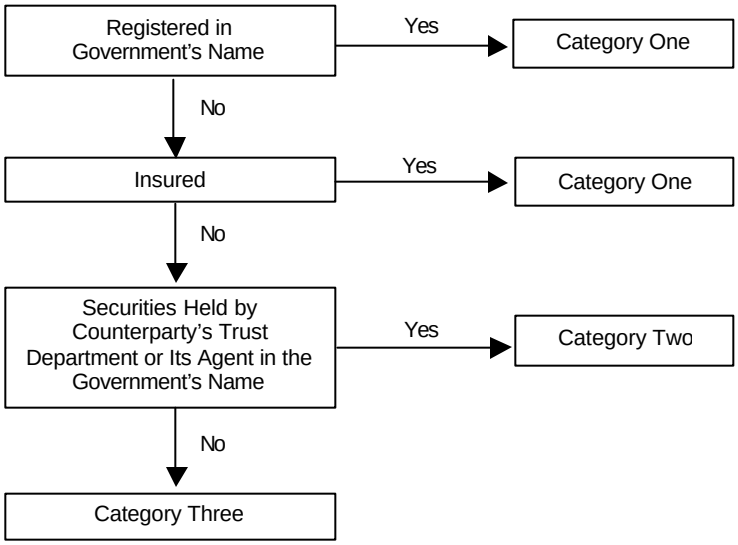
d. Any involuntary participation in an external investment pool.

e. If local government cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate.

f. Any income from investments associated with one fund that is assigned to another fund.

(For more details, see the GASB Statement 31.)

20-38 Categorize the risk of investment as follows:



If the local government's category three investments at any time during the year materially exceeded the amounts categorized as such as of the balance sheet date, this fact should be disclosed and explained.

Disclosures required by the GASB Statement 3 should also be made for securities lending collaterals that are reported on the balance sheet and for the underlying securities.

Include all investments not evidenced by securities that exist in physical or book-entry form.

Also disclose any exception to the district's investment policy.

(Note continued on Page 16.)

NOTE 2 - DEPOSITS AND INVESTMENTS

DEPOSITS

The (district)'s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

INVESTMENTS

As required by state law, all investments of the (district)'s funds (except as noted below) are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, (the State Treasurer's Investment Pool,) (bankers' acceptances,) or certificates of deposit with Washington State banks and savings and loan institutions. (Investments of pension and other employee benefit trust funds are not subject to preceding limitations.) All temporary investments are stated at _____. Other property and investments are shown on the statement of net assets (or balance sheet) at _____.

(Other property consists of real estate held (for the production of (rental) income) ((and/or) for future use).)

The (district)'s investments are categorized to give an indication of the risk assumed at year-end. The following summary shows the (district)'s investments at year end categorized by risk. Category 1 includes investments that are either insured, registered or held by the (district) or its agent in the (district)'s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the (district)'s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent, but not in the (district)'s name.

	Category			Total
	1	2	3	
Repurchase Agreements	$	$	$	$
U.S. Government Securities				
Bankers' Acceptances				
Other Investments - list by type	_____	_____	_____	_____
	$_____	$_____	$_____	
Investments not Subject to Categorization:				
Investment in State Treasurer's Investment Pool				
Reverse Repurchase Agreements				
Other Investments - list by type				_____
Total Investments				$_____

36 If your district uses reverse repurchase agreements, include the following:

State statutes permit the __(district)__ to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contracted rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the __(district)__ or provide securities or cash of equal value, the __(district)__ would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The credit exposure at year-end was $_____.

All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the __(district)'s__ policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreement. Such matching existed at the year end.

1 Derivatives are generally defined as contracts whose value depends on, or *derives* from, the value of an underlying asset, reference date, or index. For more information see the GASB Technical Bulletin 94-1, *Disclosures about Derivatives and Similar Debt and Investment Transactions*.

This disclosure is necessary if the district has used, held, or sold any derivatives or similar instruments during the period covered by the financial statements, or if the district participated in an investment pool or mutual fund that used, held, or sold derivatives during the period, regardless of whether the assets or liabilities resulting from those transactions are reported on the balance sheet.

The note should include:

- nature of transaction,
- reason for entering into transaction,
- discussion of district exposure to credit risk, market risk, and legal risk (the discussion of risk should be made only to the extent that these risks are above and beyond those risks that are apparent in the financial statements or are otherwise disclosed in the notes to financial statements),
- if information about derivatives in investment pools or mutual funds is not available, that fact should be disclosed.

6 If in the period covered by the financial statements, the district participated in the securities lending transactions, the following information should be disclosed:

? source of legal or contractual authorization for the securities lending transactions;

? general description of the securities lending transactions;
- type of securities lent,
- type of collateral received,
- whether the district has the ability to pledge or sell collateral securities without a borrower default,
- the amount by which the value of the collateral provided is required to exceed the value of underlying securities,
- any restrictions on the amount of the loans that can be made,
- any loss indemnification (i.e., a securities lending agent's guarantee that it will protect the lender from certain losses),
- fair values of underlying securities at the balance sheet date;

? whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching at the balance sheet date;

? the amount of credit risk, if any, related to the securities lending transactions (if the lender has not credit risk, that fact should be stated);

? the amount of any losses on the securities lending transactions during the period resulting from the default of a borrower or lending agent and amounts recovered from prior period losses, if not separately disclosed in the operating statement.

(For more details, see the GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*)

11 Local government may disclose realized gains and losses computed as the difference between the proceeds of the sale and the original cost of the investments sold. They also should disclose that:

a. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.
b. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

(For more details, see the GASB Statement 31.)

Derivatives And Similar Transactions

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes to Preparer.)

Securities Lending

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes To Preparer.)

Gains And Losses On Investments

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes To Preparer.)

The correct meaning of the term "lien date" is the date on which taxes become an enforceable lien against specific parcels of property or specific taxpayers. This is the definition contained in NCGA Statement 1, in RCW 84.60.020 and in Black's law dictionary. In summary, in the State Washington, taxes are "levied on" and "levied as of", January 1, as well as "levied for" the fiscal year that begins on January 1.

If you estimate uncollectible taxes, use the following paragraph instead:

> Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

16 Insert the maximum legal levy for the district.

20-21 Insert the general levy for taxes levied on January 1 of report year (not the current year).

Insert her property tax valuation in effect for taxes levied on January 1 of the report year.

If the district has any special levies, they should be disclosed separately. A Model note follows:

> Special levies approved by the voters are not subject to the limitations listed above. In (year), the district levied and additional $_____ per $1,000 for (give purpose) for a total additional levy of _____.

NOTE 3 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The district may levy up to $_____ per $1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The district may also levy taxes at a lower rate.

The district's regular levy for (year) was $_____ per $1,000 on an assessed valuation of $_____ (billion/million) for a total regular levy of $_____. In (prior year), the regular tax levy was $_____.

8 Cost of capital assets is presumed to include not only purchase price or construction cost but also ancillary charges to put the asset in its intended location and condition for use. No disclosure of that presumption is required.

If your district does not have adequate records to support the amounts reported for capital assets on the balance sheet, or does not include a material amount of capital assets on the balance sheet, the notes must disclose the nonconformity with GAAP. The auditor will refer to this note when qualifying his/her opinion on the statements.

If your financial statements do not display the various categories of capital assets (land, buildings, equipment, etc.), you will need to add a schedule detailing that information.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. (Obligations under capital leases are disclosed in Note _(Long-Term Debt and Leases Note No.)).

All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets). (Donations by developers [and customers] are recorded at the contract price or donor cost or appraised value).

The __(district)__ has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the _(district)_ has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

(The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.) (However, in the case of the sale of a significant operating unit or system, the original cost is removed from the _(district)_ plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.)

(An allowance for funds used during construction is capitalized as part of the cost of the plant. The procedure is intended to remove the cost of financing construction activity from the operating statements and to treat such cost in the same manner as construction labor and material costs.)

During _(year)_, the _(district)_ capitalized $_____ of net interest costs for funds borrowed to finance the construction of capital assets. Interest costs of $_____ were offset by interest income of $_____.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the _____ method with useful lives of __ to __ years.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
4	Describe the collection(s) and reason(s) for not capitalizing collections. If collections are capitalized, provide same information as for other capital assets.
13-15	Describe the financing arrangements for each project.
19	Provide the same information and level of details about capital assets for the discretely presented component units.

B. Capital assets activity for the year ended December 31, ____ was as follows:

	Beginning Balance 01/01/__	Increases	Decreases	Ending Balance 12/31/__
Capital assets, not being depreciated:				
Land				
Construction in progress				
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Other				
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Other				
Total accumulated depreciation				
Total capital assets, being depreciated, net				

C. Collections Not Capitalized

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes to Preparer.)

D. Construction Commitments

The __(district)__ has active construction projects as of December 31, ____. The projects include: _____.

At year-end the district's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
	$	$
	$	$

(Of the committed balance of $_____ the __(district)__ will be required to raise $_____ in future financing.)

E. Discretely Presented Component Unit(s)

3 If there was a violation of finance-related legal or contractual provisions the district should disclose both the description of the violation(s) and the action(s) taken to address the violation(s).

Example:

> The (district) was not in compliance with (identify the material violations of finance-related legal or contractual provisions, such as bond covenants or grant terms). The (district) has (describe actions, agreements, or other steps taken to resolve the issue).

NOTE 5 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

The SAMPLE TEXT illustrates the disclosures required from an employer reporting participation in a cost-sharing, multiple-employer defined benefit PERS and LEOFF according to GASB Statement 27. The pension trust funds are reported according to GASB Statement 25. Modify applicable sentences and boxes appropriately.

NOTE 6 - PENSION PLANS

Substantially all (district's) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation isbased on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
1	GASB Statement 27 does not require the number of participating employers and members to be presented in the notes to the financial statements. The information has been provided here so it can be included in the notes if desired.
23	Modify this statement appropriately.

There are 1,155 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2001:

Retirees and Beneficiaries Receiving Benefits	62,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	18,412
Active Plan Members Vested	97,777
Active Plan Members Nonvested	55,159
Total	**233,537**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2002, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	1.32%	1.32%	1.32%**
Employee	6.00%	0.65%	***

* The employer rates include the employer administrative expense fee currently set at 0.22%.
** Plan 3 defined benefit portion only.
*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both (district) and the employees made the required contributions. The (district's) required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2002	$	$	$
2001	$	$	$
2000	$	$	$

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

14 GASB Statement 27 does not require the number of participating employers and members to be presented in the notes to the financial statements. The information has been provided here so it can be included in the notes if desired.

36 Modify this statement appropriately.

40 For more details regarding the note disclosure for the pension and other employee benefit trust fund see the GASB Statement 25, Sections 32-40.

A. Plan description

1. Identification of the plan (e.g., single-employer, cost-sharing multiple-employer defined benefit pension plan) and disclosure of the number of participating employers and other contributing entities.

2. Classes of employees covered (e.g., general employees and public safety employees) and the current membership, including the number of retirees and beneficiaries currently receiving benefits, terminated members entitled to but not yet receiving benefits, and current active members. If the plan is closed to new entrants, that fact should be disclosed.

3. Brief description of benefit provisions, including the types of benefits, the provisions or policies with respect to automatic and ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or may be amended.

B. Summary of significant accounting policies

1. Basis of accounting, including the policy with respect to the recognition in the financial statements of contributions, benefits paid, and refunds paid.

2. Brief description of how the fair value of investments is determined.

C. Contributions and reserves

1. Authority under which the obligations to contribute to the plan of the plan members, employer(s), and other contributing entities are established or may be amended.

2. Funding policy, including a brief description of how the contributions of the plan members, employer(s), and other contributing entities are determined (e.g., by statute, through an actuarial valuation, or in some other manner) and how the costs of administering the plan are financed.

3. Required contribution rates of active plan members, in accordance with the funding policy.

4. Brief description of the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date.

5. The balances in the plan's legally required reserves at the reporting date. Amounts of net assets designated by the plan's governing body for a specific purpose(s) also may be disclosed but should be captioned *designations*, rather than *reserves*. Also include a brief description of the purpose of each reserve and designation disclosed and whether the reserve is fully funded.

D. Concentration – Identification of investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent five percent or more of plan net assets.

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 359 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2001:

Retirees and Beneficiaries Receiving Benefits	8,078
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	332
Active Plan Members Vested	10,894
Active Plan Members Nonvested	4,006
Total	**23,310**

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2002, were as follows:

	LEOFF Plan 1	**LEOFF Plan 2**
Employer*	0.22%	2.86%**
Employee	0.00%	4.39%
State	n/a	1.75%

*The employer rates include the employer administrative expense fee currently set at 0.23%.
** The employer rate for ports and universities is 4.61%.

Both (district) and the employees made the required contributions. The (district's) required contributions for the years ending December 31 were as follows:

	LEOFF Plan 1	**LEOFF Plan 2**
2002	$	$
2001	$	$
2000	$	$

Local Governments Pension And Other Employee Benefit Trust Funds

(No SAMPLE TEXT is provided because the circumstances will be unique in each case.)

Supplementary Information

If the financial statements and required schedules are not publicly available in a stand-alone plan financial report, the district should present:

1. Schedule of funding progress;
2. Schedule of employer contributions.

Normally, both schedules should be prepared for six years. But for transition year and the following five years, the schedules should include information for as many years as information according to parameters set by the GASB Statement 25 is available.

1. Schedule of Funding Progress

The schedule should include:

- the actuarial valuation date,
- the actuarial value of plan assets,
- the actuarial accrued liability,
- the total unfunded actuarial liability,
- the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio),
- the annual covered payroll,
- the ratio of the unfunded actuarial liability to annual covered payroll.

2. Schedule of Employer Contributions (and Other Contributing Entities)

- the dollar amount of employer annual required contribution (ARC),
- the percentage of that ARC that was recognized in the plan's statement of changes in net assets for that year as contribution from employer,
- contributions from other sources (e.g., state, etc.), if any.

Notes to schedules should include:

- identification of actuarial method and significant assumptions used for the most recent year (e.g., actuarial cost method, the method(s) used to determine the actuarial value of assets, inflation rate, investment return, projected salary increases, postemployment benefits increases),

- the amortization method and period and whether the period is closed or open.

  (Note: Plans that use the aggregate actuarial cost method should disclose that the method does not identify or separately amortize unfunded actuarial liability.)

- factors that significantly affect the amounts reported in schedules (e.g., changes in benefit provisions, size/population covered by plan, actuarial method/assumptions used).

If the district is a member of a public entity risk pool, insert a note provided to the district by the risk pool.

If the district retains risk (either fully or partially), the following information should be disclosed:

- description of risk to which district is exposed (e.g., torts, thefts, damages, injuries to employees, natural disasters, etc.)
- how those risks are handled (e.g., purchase of commercial insurance, full or partial retention, etc.)

For the self-insurance portion the district should disclose:

- fund(s) used to account for risk management,
- level of risk assumed,
- expected annual level of claims (based on actuarial or historical cost information),
- amount of reserves set aside for potential losses.

For the third party (e.g., commercial insurance) the district should disclose:

- name of insurer(s),
- type of coverage,
- deductible amounts.

NOTE 7 - RISK MANAGEMENT

(No SAMPLE TEXT is provided because the circumstances will be unique in each case.)

The district should provide the information about short-term debt activities (e.g., anticipation notes, use of line of credit and similar loans, etc.) during year, even if no short-term debt is outstanding at the year end.

The district should describe the purpose for which the short-term debt was issued.

NOTE 8 - SHORT-TERM DEBT

Short-term activities for the year ended December 31, _____ were as follows:

Debt	Beginning Balance 01/01/__	Issued	Redeemed	Ending Balance 12/31/__
_____	$_____	$_____	$_____	$_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

If conduit (no-commitment) debt is reported on the balance sheet, it needs to be included in all long-term disclosures.

Although the Schedule of Limitation of Indebtedness (10) shows the detailed calculation of the limitation of indebtedness, note disclosure should identify the amount or percent of debt capacity used or remaining. Be sure to include only the purposes allowable for your district.

* The interest for variable-rate debt should be computed using rate effective at year end. The government should also disclose the terms by which interest rates for variable-debt change.

** Use five-year increments thereafter.

NOTE 9 - LONG-TERM DEBT AND LEASES

A. Long-Term Debt

The _(district)_ issues _(general obligation and/or revenue)_ bonds to finance the purchase of _____ and the acquisition or construction of _____. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. (The _(district)_ is also liable for notes that were entered into for the purchase of _____.)

The general obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
		$
		$
Total		$

The annual debt service requirements to maturity for general obligation bonds are as follows:

	Year Ending December 31	Principal	Interest
*	20__	$	$
	20__		
	20__		
	20__		
	20__		
**	20__ - 20__		
	Total	$	$

The revenue bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
		$
		$
Total		$

The annual debt service requirements to maturity for revenue bonds are as follows:

	Year Ending December 31	Principal	Interest
	20__	$	$
	20__		
	20__		
	20__		
	20__		
**	20__ - 20__		
	Total	$	$

8 The economic gain or loss on a refunding transaction is calculated in the following manner:

- The present value of the debt service payments related to the refunding debt is calculated using the following formula:

```
  Face amount of bonds
+ Premium (or - original issue discount)
+ Accrued interest
- Costs not recoverable through escrow earnings
_____________________________________________
  Present value of debt service payments on
  refunding debt;
```

- A calculation is made to determine what effective interest rate applied to the debt service payments on the *refunding* bonds would result in the present value determined in the previous calculation;

- The effective interest rate calculated for the refunding bonds is then applied to the debt service on the *refunded* bonds to calculate the present value of debt service on the latter;

- The difference between the present value of the two debt service streams (refunding debt and refunded debt) constitutes the economic gain or loss on the transaction.

* Use five-year increments thereafter.

Unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, ____, the _(district)_ has $_____ available in sinking funds and reserves as required by bond indentures.

B. Refunded Debt

The following bond issues have been refunded as of December 31, ____.

Bond Issue	Amount Outstanding
_____	$_____
_____	$_____
_____	$_____
Total Refunded Bonds Outstanding	$_____

The advance refunding was undertaken to (reduce total debt service payments over the next _____ years by $_____, etc.) and resulted in an economic gain of $_____.

Debt service on these bonds is met by cash and investments held by the refunding trustee(s). As of December 31, _____, the trustee(s) was (were) holding cash and investments of $_____ which are expected to fund debt service fully. These refunded bonds constitute a contingent liability of the district but are excluded from the financial statements.

C. Leases

1. Operating Leases

The _(district)_ leases the office building and other equipment under noncancelable operating leases. Total cost for such leases was $_____ for the year ended December 31, ____. The future minimum lease payments for these leases are as follows:

*

Year Ending December 31	Amount
20__	$
20__	
20__	
20__	
20__	
20__ - 20__	
Total	$

12 Include the minimum lease payments if you are not showing them in the table in Section A of this note.

16 *Conduit (no-commitment) debt* obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local government for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. (GASB Interpretation 2)

If conduit debt is reported on the balance sheet, it needs to be included in all long-term disclosures.

Otherwise, the district should disclose:

- General description of transactions.
- Aggregate amount of all conduit debt obligations outstanding at the balance sheet date. If the amount of debt issued prior to January 1, 1996 (or prior to the date of implementation of GASB Interpretation 2) is not determinable or cannot be reasonably estimated, the district may provide the aggregate original issue amount.
- A clear indication that the district has no obligation for the debt beyond the resources provided by related leases or loans.

* Use five-year increments thereafter.

2. Capital Leases

The __(district)__ has entered into a lease agreement for financing _____ with a down payment of $_____.

These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	
	$
Less Accumulated Depreciation	$
Total	$

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, ____ were as follows:

Year Ending December 31	
20__	$
20__	
20__	
20__	
20__	
* 20__ - 20__	
Total Minimum Lease Payments	$
Less: Interest	$
Present Value of Minimum Lease Payments	$

D. Conduit Debt

(No SAMPLE TEXT will be provided because each circumstance will be unique.)

E. Changes in Long-Term Liabilities

During the year ended December 31, ____, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/__	**Additions**	**Reductions**	**Ending Balance 12/31/__**	**Due Within One Year**
Bonds payable: G.O. bonds Revenue Bonds	$	$	$	$	$
Less deferred amounts: For issuance discounts On refunding					
Total bonds payable:					
Capital leases					
Compensated absences					
Claims and judgment					
Total long-term liabilities					

1-14 Litigation is simply one (prevalent) type of contingency. Other types of contingencies include guarantees, the pledge of the government's "full faith and credit" on G.O. debt intended to be financed by enterprise revenues, and various types of uncompleted contracts where your district is obligated to perform. Both the refunded debt and the grant contingencies disclosed in the SAMPLE TEXT are examples of uncompleted contracts. All significant contingencies should be disclosed in the notes. In addition, contingencies for which it is probable that your district will incur a loss should be accrued as liabilities, as should all claims and judgments.

If your district does not have any significant contingencies, replace the first sentence, the entire first paragraph, or the entire note of the SAMPLE TEXT with the following:

> The ___(district)'s___ financial statements include all material liabilities. There are no material contingent liabilities to record.

If a lawsuit has been settled adversely and is not currently under appeal, disclosure of your district's liability belongs in a "claims and judgments" note rather than as a "contingency" note. (Where the number of contingencies and settlements is small, the two notes may be combined under an appropriate title, such as "Judgments and Contingencies" or "Legal Matters.")

Notice that the specific amounts recorded for contingent liabilities are NOT itemized in the SAMPLE TEXT note. Such details are normally not required and may be damaging to your district's case. However, in the case of major individual contingencies, if the recorded estimate does not represent the full range of possible loss, the additional range of loss must be disclosed in the notes. Similarly, if a loss is probable but the amount is not estimable, that fact must be disclosed in the notes.

BE SURE TO CONSULT WITH YOUR ATTORNEY AND AUDITOR FOR APPROPRIATE WORDING OF THE DISCLOSURE.

NOTE 10 - CONTINGENCIES AND LITIGATION

The (district) has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the (district) will have to make payment. In the opinion of management, the (district)'s (insurance policies and/or self-insurance reserves) are adequate to pay all known or pending claims.

As discussed in Note (Long-Term Debt and Leases Note No.), the (district) is contingently liable for repayment of refunded debt.

The (district) participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. (Other than the instances described above,) (district) management believes that such disallowances, if any, will be immaterial.

The need for the entire note depends on your particular circumstances.

NOTE 11 - DEFERRED DEBITS (CREDITS)

In accordance with generally accepted accounting principles for regulated businesses, the _(district)_ has deferred (losses, costs, receipts, etc.) of $_____ in 20__, and $_____ in 20__, (etc.), which will be amortized on the _____ method over _____ years. These (losses, costs, receipts, etc.) resulted from _(give brief description)_.

The district uses proprietary fund accounting and reporting standards to report their activities are required to present segment information for those activities. For purposes of this disclosure, a segment is an identifiable activity or grouping of activities reported as or within an enterprise fund or another stand-alone entity that may one or more bonds or other debt instruments (such as certificates of participation) outstanding with that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. Segment disclosure requirements should be met by providing condensed financial statement in the notes:

a. Type of goods or services provided by the segment.

b. Condensed statement of net assets:
   (1) Total assets-distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or component units should be reported separately.
   (2) Total liabilities-distinguishing between current and long-term amounts. Amounts payable to other funds or component units should be reported separately.
   (3) Total net assets-distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.

c. Condensed statement of revenues, expenses, and changes in net assets:
   (1) Operating revenues (by major source).
   (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
   (3) Operating income (loss).
   (4) Nonoperating revenues (expenses)-with separate reporting of major revenues and expenses.
   (5) Capital contributions and additions to permanent and term endowments.
   (6) Special and extraordinary items.
   (7) Transfers.
   (8) Change in net assets.
   (9) Beginning net assets.
   (10) Ending net assets.

d. Condensed statement of cash flows:
   (1) Net cash provided (used) by:
      (a) Operating activities.
      (b) Noncapital financing activities.
      (c) Capital and related financing activities.
      (d) Investing activities.
   (2) Beginning cash and cash equivalent balances.
   (3) Ending cash and cash equivalent balances.

NOTE 12 - SEGMENT INFORMATION

(See NOTES TO PREPARER.)

The definition of joint ventures and accounting methods are discussed in Part 3.

The note should provide the following information:

1. General description of the joint venture including:

    a. Information about ongoing financial interest and ongoing financial responsibility,

    b. Information regarding the performance of the joint venture to help users evaluate if the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden for the participating district in the future.

2. Information about availability of separate financial statements of the joint ventures (addresses).

The participating district should also disclose information regarding related party transactions.

NOTE 13 - JOINT VENTURES

(No SAMPLE TEXT is provided, because the circumstances will be unique in each case.)

Postemployment Benefits Other Than Pension Benefit

Other postemployment benefits (OPEB) are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income, except for postemployment health care benefits which are always OPEB. In addition to postemployment health care benefits, OPEB may include life insurance, disability income, tuition assistance, legal services, and other assistance programs. OPEB do not include social security benefits financed through FICA payroll taxes. However, if the employer pays postemployment contributions applicable to retirees for additional Medicare benefits, those benefits should be considered postemployment health care benefits and should be included in all relevant disclosures. Whether a particular type of benefits should be consider pension benefits or OPEB depends on how the benefit is provided.

4 Statute, contract, etc.

5 Participants currently eligible for benefits are retirees, terminated employees, and beneficiaries for whom the district is currently responsible for paying all or part of the premiums, contributions, or claims. Covered dependents should be counted as one unit with the participant.

8-10 Describe the district's and participants' obligation to contribute. The information must be quantified (percentage, dollars contributions rates, etc.).

12-14 If OPEB are advance-funded on an actuarially determined basis, the employer should disclose the actuarial cost method and significant actuarial assumptions (including the interest rate, and, if applicable, the projected salary increase and the health inflation assumptions) used to determine funding requirements, and the method used to value plan assets.

16 The amount should be net of participant contributions. If the benefit payments cannot be readily separated from expenses for similar types of benefits provided to active employees and their dependents, the district may use reasonable methods to approximate the OPEB expenses. If this is not possible, the Note should disclose that the OPEB expenses cannot be reasonably estimated.

If OPEB are advance-funded on an actuarially determined basis additional information should be provided in this paragraph:

- the number of active plan participants,
- the district's actuarially required and actual contributions for the period (net of participants contributions),
- the amount of the net assets available for the OPEB,
- the actuarial accrued liability and unfunded actuarial accrued liability for OPEB according to the actuarial cost method in use.

18-19 Describe any significant matters that affected the comparability of the current year data with the previous periods.

Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB should also be disclosed.

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note ___, the ___(district)___ provides postemployment health care benefits, in accordance with __(authority under which the benefit is provided)__ to __(number, category)__ employees who __(description of eligibility for the benefits)__. Currently, ___(number)___ retirees meet those eligibility requirements.

The ___(district)___ reimburses _____ percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. The __(district)__ also reimburses a fixed amount of $_____ per month for a Medicare supplement for each retiree eligible for Medicare.

Employer contributions are financed on pay-as-you-go basis. Expenses for postemployment health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the __(district)__.

During the year, expenses of $_____ were recognized for postemployment health care.

Approximately $_____ of the $_____ increase in expenses over the previous year was caused by the addition of dental benefits, effective __(date)__.

3 Prior Period Adjustments

Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and (b) in enterprise funds only, other material adjustments which meet the criteria for prior period adjustments contained in the prescribed system of accounts. The circumstances surrounding each such adjustment should be separately explained in these footnotes.

7 Accounting and Reporting Changes

Changes in accounting principle, in estimates and in the reporting entity are discussed in this note. The circumstances surrounding each such change should be separately explained.

11 Major Receivables

If a major customer supports a material amount of the district's operations or is a material taxpayer, this should be disclosed here. Material would be defined as 10 percent or more of the operating revenues or taxes levied. For example:

> In 200X, 14.8 percent of the charges for _____ services were billed to the _____ Company. _____ Company also paid $_____ in property taxes which is 21.3 percent of the total tax levy.

NOTE 15 - OTHER DISCLOSURES

A. Prior Period Adjustments

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes To Preparer.)

B. Accounting and Reporting Changes

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes To Preparer.)

C. Major Receivables

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes to Preparer.)

1 Related Party Transactions

The disclosures for this note are required whenever your district transacts a significant amount of business with another closely affiliated entity. Disclosure should include the nature of the relationship between the entities, the nature and dollar amount of transactions, amounts due at year end, and any significant changes in terms. This disclosure could be appropriately combined with other information in a joint venture note or in a reporting entity note. These disclosures are also required should your district transact business with its own officials or employees beyond the limited amounts permitted in Chapter 42.23 RCW.

6 Extraordinary and/or Special Items

Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:

a. Unusual nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the district.

b. Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.

Special items are significant items subject to management's control that meet one but not both of the intent used for identifying extraordinary items.

Descriptive captions and the amounts for individual extraordinary/special events or transactions should be presented, preferably on the face of the operating statement, if practicable; otherwise disclosure in related notes is acceptable. The nature of an extraordinary/special event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.

11 Subsequent Events

Certain events that occur between the date of the financial statements and the date they are issued that have a material effect on the operations of the government must be disclosed. There are two ways that subsequent events may affect the financial statements: (1) When the event affects the valuation of an amount already on the statement of net assets (or balance sheet); and (2) when the event is not associated with any asset or liability that existed at the balance sheet date.

The first type of subsequent event is disclosed by an adjusting entry in the financial statements before they are issued. For example, the settlement of a lawsuit or the filing for bankruptcy of a major debtor requires recording the loss in the year that has already ended. No additional disclosure is required, although it may be helpful to a reader.

The second type of subsequent event does not require adjustment, but must be disclosed in the notes. Examples include losses from fire or flood, the issuance of new debt or its advance retirement, or a change that affects the powers of your district, its scope of services or its revenue structure.

D. Related Party Transactions

(No SAMPLE TEXT is provided because such transactions are rare and the circumstances would be unique in each case. See Notes to Preparer.)

E. Extraordinary and/or Special Items

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes to Preparer.)

F. Subsequent Events

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes to Preparer.)

1 Provide any disclosures which may be needed for a fair presentation of the district's financial position.

Example:

Governments may receive endowments that are subject to donor-imposed restrictions. In these cases the following items need to be disclosed:

- the amount of net appreciation on investments of donor-restricted endowments that are available for expenditure authorized by the governing board, and how these amounts are reported in net assets,
- the state/local law regarding the ability to spend net appreciation;
- the policy for authorizing and spending investment income, such as spending rate or total return policy.

Intergovernmental Assistance Programs

Current authoritative pronouncements do not require disclosure of specifics of intergovernmental assistance programs, but if a participation in such programs is considered a material part of the district operation, note disclosure is suggested.

In the note provide:

- a description of a program,
- the amount of grants, entitlements or shared revenues,
- a description of program requirements and provisions (i.e., cost sharing or matching requirements, etc.).

G. Other

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes to Preparer.)

Chapter 4. Required Supplementary Information (RSI)

Governments have to present the Required Supplementary Information (RSI) to meet the minimum financial reporting requirements. RSI generally includes schedules, statistical data, and other information.

The following types of RSI are required:

Management's Discussion and Analysis (MD&A),
Infrastructure condition and maintenance data (if using the modified approach), [1]
Pension trend data[1] and
Revenue and claims development trend data (for public entity risk pools).[1]

The information presented in RSI should be limited to that which is required.

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) should provide the users with an introductory narrative, overview and analysis of the basic financial statements.

Although it is a part of required supplementary information, it should be presented first – before the basic financial statements. It introduces the basic financial statements and notes and is meant to guide the readers through those statements and notes.

The MD&A should be written by financial managers, the controllers, finance directors, etc. It should be objective and easily readable. The objectivity is a result of being solely based on the information that comes from the basic financial statements and facts that are currently known[2] to the managers. It should discuss both: the positive and negative outcomes of the government's operations. The governments are encouraged to use charts, graphs, and tables to enhance the understandability of the MD&A.

The MD&A should focus on the primary government. The decision whether to address matters related to component units depends on the size of a particular component unit (in comparison with other discretely presented component units) and the nature of its relationship with the primary government. Any discussion in the MD&A involving both the primary government and its discretely presented component units must be distinguishable between the two.

The content of the MD&A is specifically required set of information that the government must address. Since the MD&A is a required portion of the RSI, it should not contain additional topics that are not specified in this section. However, the government is free to provide whatever level of detail it feels is appropriate in addressing each topic. The districts should disclose all the components of MD&A discussed below to the extent they apply:

Discussion of the Basic Financial Statements[1]

The discussion portion of the MD&A should provide a brief explanation of the financial statements presented.

Condensed Comparative Financial Data[1]

The MD&A should provide condensed financial statements for both the current and the prior fiscal period. The following is the requirement of comparative data need for the MD&A:

- Total assets, distinguishing between capital and other assets,
- Total liabilities, distinguishing between long-term liabilities and other liabilities,

[1] If applicable.
[2] Currently known is interpreted as known by the managers as of the date of the auditor's end of audit fieldwork.

- Total net assets, distinguishing between amounts invested in capital assets, net of related debt, restricted and unrestricted net assets,
- Operating revenues, by major source,
- Nonoperating revenues, by major source,
- Total revenues,
- Operating and nonoperating expenses (as presented in the statement of revenues, expenses and changes in fund net assets/equity)
- Total expenses,
- Excess (deficiency) before contributions to term and permanent endowment, special and extraordinary items, and transfers,
- Contributions,
- Special and extraordinary items,
- Transfers,
- Change in net assets,
- Ending net assets.

The above information should be presented in the form of condensed financial statements. The district may use graphs and charts to supplement, or elaborate on those statements, but not in place of them.

Overall Analysis of Financial Position and Result of Operations[1]

The MD&A should discuss and analyze the district's financial position and results of operations. This discussion and analysis needs to address whether the district's overall financial position has improved or deteriorated. The MD&A should provide *reasons* for the significant changes in financial position, not just changes in their size or percentage of change. This discussion should emphasize the current fiscal period.

Fund Analysis[1]

The fund analysis focuses on the analysis of significant balances and operations of individual major funds. The discussion should emphasize the reasons for significant changes in fund net assets. Additional information should be provided on any significant limitation on the future use of fund resources.

Capital Asset and Long-Term Debt Activity[1]

The MD&A should describe significant changes in:

- Capital assets,
- Long-term debt,
- Commitments for capital outlays, and
- Debt limitations that could affect the financing of planned facilities or services.

This section is not intended to repeat information provided in the notes, but should be summarized and references made to the more detailed information provided in the notes.

Infrastructure[1]

Districts that elect the use the modified approach to infrastructure reporting should discuss all of the following in the MD&A:

- Significant changes in the condition levels of infrastructure assets,
- How current condition levels compare with target condition levels established by the district,
- Significant differences between the amount estimated to be necessary for maintaining and preserving infrastructure assets at target condition levels and the actual amounts of expense incurred for the purpose during the current fiscal period.

[1] If applicable.

Other Potentially Significant Matters[1]

The MD&A should also address any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position. This discussion should be based on events or decisions that have already occurred, or have been enacted, adopted, agreed upon, or contracted. In some instances, issues discussed here will also be disclosed in the notes to financial statements as subsequent events or contingencies.

Examples of types of situations for such reporting are:

- Award and acceptance of a major grant,
- Adjudication of significant lawsuit,
- Reassessment of taxable property,
- Completion of an agreement to locate a major manufacturing plant in a city,
- A natural disaster that caused significant damage to infrastructure,
- A renegotiated labor contract with district's employees.

[1] If applicable.

Infrastructure Condition and Maintenance Data[1]

Districts that follow the modified approach have to present the following information for all infrastructure reported using that method:

1. The results of the three most recently[2] completed condition assessments to demonstrate the assets have been maintained at or above the condition level established.

2. The estimated annual amount needed and actual amount expensed to maintain or preserve infrastructure assets at the level established (presented for each of the past five reporting periods). The estimated annual amount must be determined using the assets management system. It should be calculated at the beginning of the fiscal year and documented providing an auditor with information necessary for the comparison of estimated and actual amounts.

These schedules should be accompanied by the following disclosures as notes to the RSI:

- The basis for the condition measurement and the measurement scale used to assess and report condition.

- The condition level at which the district intends to preserve its infrastructure assets (reported using the modified approach).

- Factors that significantly affect trends in the information reported in the required schedules, including any changes in the measurement scale, the basis for the condition measurement, or the condition assessment methods used during the periods covered by the schedules. If there is a change in the condition level at which the district intends to preserve the eligible infrastructure assets, an estimate of the effect of the change on the estimated annual amount to maintain and preserve those assets for the current period also should be disclosed.

Pension Trend Data [3]

Districts that have defined benefit pension plans must present in the RSI:

Schedule of funding progress, and
Schedule of employer contributions.

The schedule of funding progress shows the extent the pension plan has been successful over time in setting aside assets to cover its actuarial accrued liability. The actuarial accred liability for this purpose is the amount calculated using the pension plan's funding method. This schedule is not required for pension plans using the aggregate actuarial cost method because that method does not identify or separately amortize unfunded actuarial liabilities.

If a stand-alone report is issued for the pension plan, that includes the schedule of funding progress, there is no need to include the schedule in the RSI. However, the district should indicate how to obtain a copy of the pension plan report.

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[1] If applicable.
[2] Disclose the dates.
[3] As required by the GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans* and the GASB Statement 27, *Accounting for Pensions by State and Local Governments*.

Defined benefit pension plans are required to present the following data as of the plan's reporting date for the past six consecutive fiscal years:

- actuarial valuation date,
- actuarial value of plan assets,
- actuarial accrued liability (calculated using the cost allocation method selected for funding purposes within the parameters established by the GAAP),
- total unfunded actuarial liability (actuarial accrued liability less actuarial value of plan assets),
- funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability),
- annual covered payroll, and
- ratio of the total unfunded actuarial liability to annual covered payroll.

An abbreviated schedule of funding progress (last three actuarial valuations) is required for employers who sponsor single-employer defined benefit pension plans. The abbreviated schedule also is required of employers who participate in agent multiple-employer defined benefit pension plans.

The schedule of employer contributions shows the extent to which employers have actually funded their actuarially determined annual required contribution over time. The following information must be presented for the past six consecutive fiscal years:

1. Annual required contributions (in dollars) based on the parameters set by the GAAP, and
2. Percentage of annual required contributions recognized as contributions from employers in the plan's statement of changes in plan net assets.

If this information is available in a separate stand-alone report, the district can indicate how to obtain a copy of the report and not duplicate the schedule in the RSI.

Notes should be attached to the schedules to address the following topics:

- actuarial cost method,
- method used to value assets,
- assumed inflation rate,
- assumed investment return,
- assumed projected salary increases,
- assumed postretirement benefit increases,
- amortization method,
- amortization period,
- selection of open or closed amortization approach,
- if the aggregate method is used, a disclosure that the aggregate method does not identify or separately amortize unfunded actuarial liabilities, and
- factors that affect trends.

Revenue and Claims Development Trend Data (for Public-Entity Risk Pools) [1] [2]

Districts should present the following information related to the public-entity risk pools:

1. Premium and investment revenues (past ten fiscal years) presented as follows:

    - gross amounts earned,
    - amounts ceded (e.g., reinsurance),
    - net revenues.

[1] If applicable.
[2] See the GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, Statement 30, *Risk Financing Omnibus* and Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

2. Unallocated claim adjustment expenses and other costs (past ten fiscal years).

3. Incurred claims and allocated claim adjustment expenses as originally reported (past ten fiscal years) presented as follows:

   - gross amounts incurred,
   - amounts ceded (e.g., reinsurance),
   - net revenues.

4. Cumulative payments related to no. 3 above at the end of each policy year.

5. Re-estimated ceded losses and expenses.

6. Re-estimated net incurred claims and claim adjustment expenses at the end of each year.

7. The changes between nos. 3 and 6.

The district should also include a reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses of the current and prior fiscal year.

All information should be in tabular format.

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MATRIX OF STATUTORY REPORTING REQUIREMENTS: Schedules Required by SAO		
Schedule No.	Schedule	
04	Detail Of Revenues And Other Sources	Prepare one schedule for the district
05	Detail Of Expenses And Other Uses	Prepare one schedule for the district
08	Real And Personal Property Taxes	Prepare one schedule for the district
09	Long-Term Debt	Prepare one schedule for each category of debt
10	Limitation Of Indebtedness	Prepare one schedule for the district
6	Expenditures Of Federal Awards And State/Local Financial Assistance	Prepare one schedule for each category of assistance
19	Labor Relations Consultant(s)	Prepare one schedule for each consultant
If you are preparing a CAFR, there are additional statements, schedules, and statistical data that must be included in your report. This matrix does not detail these additional requirements.		

SCHEDULE 04 - DETAIL OF REVENUES AND OTHER SOURCES

The purpose of this schedule is to report the revenues for each port district so that the State Auditor's Office can collect information about the total amounts received by all port districts. Specific account numbers are required, and titles must describe the revenue source clearly.

The level of detail should equal that shown in the BARS manual chart of accounts (Part 1, Chapter 5) to the third digit (BASUB level), except for the nonoperating revenues which should be shown to the forth digit. A subtotal should be calculated after each operating function (second digit level). Please refer to the following example and blank form.

For filing instructions see Part 4, Chapter 1. The schedule should include MCAG number (4 digits), BARS account numbers, and actual amounts received.

DETAIL OF REVENUES AND OTHER SOURCES

For Year Ended December 31, 2003

BARS Revenue Account No.	Description	Actual Revenues
611.00/612.00	Airport User Charges	$1,435,538
614.00	Airport Real Property Rentals -Land	13,318
619.00	Other Airport Revenues	3,488
610.00	Total Airport Revenues	$1,452,344
621.00/622.00	Marina User Charges	120,064
623.00	Marina Operating Grants	101,409
620.00	Total Marina Revenue	$221,473
699.20	Ad Valorem Taxes	50,745
600.00	TOTAL REVENUES	$1,724,562

MCAG NO. _____ **_____** **Schedule 04**

(PORT'S NAME)

DETAIL OF REVENUES AND OTHER SOURCES

For Year Ended December 31, 20__

BARS Revenue Account No.	Description	Actual Revenues

SCHEDULE 05 - DETAIL OF EXPENSES AND OTHER USES

The purpose of this schedule is to report the expenses for each port district so that the State Auditor's Office can collect information about the total amounts expended by all districts. Specific account numbers are required, and titles must describe expenses clearly.

The level of detail should equal that shown in the BARS manual chart of accounts (Part 1, Chapter 6) to the third digit (BASUB level), except for the nonoperating revenues which should be shown to the fifth digit. A subtotal should be calculated after each operating function (second digit level). Please refer to the following example and blank form.

For filing instructions see Part 4, Chapter 1. The schedule should include MCAG number (4 digits), BARS account numbers, and actual amounts expended.

DETAIL OF EXPENSES AND OTHER USES

For Year Ended December 31, 2003

BARS Expense Account No.	Description	Actual Expenses
713.00	Airport Maintenance	$53,120
717.00	Airport Depreciation	10,790
710.00	Total Airport Expenses	$63,910
731.00	Marine Terminal Operations	$189,392
739.00	Other Marine Terminal Expenses	45,248
730.00	Total Marine Terminal Expenses	$234,640
799.91	Interest Expense	$21,250
700.00	TOTAL EXPENSES	$319,800

MCAG NO. _____ **_____** **Schedule 05**

(PORT'S NAME)

DETAIL OF REVENUES AND OTHER SOURCES

For Year Ended December 31, 20__

BARS Revenue Account No.	Description	Actual Revenues

SCHEDULE 08 - REAL AND PERSONAL PROPERTY TAXES

This schedule is used to collect information about tax levies in all taxing districts in Washington State. The amounts reported by counties acting as collection agents are compared with the amounts reported by the recipient districts to verify the accuracy of reporting. It is also used to verify the amount of tax revenues reported on Schedule 04 (Detail of Revenues and Other Sources) and the amount of taxes receivable shown on the statement of net assets (or balance sheet).

Districts should prepare this schedule from the monthly reports of county remittances. It is important to analyze the county reports for any netting, such as election costs. If the county has deducted any charges from its remittances, the district must show the expenditure separately and record the tax revenue at its full amount.

Districts should accrue as revenue the property tax collections received by the county. County remittances that are in transit at the end of the year should be included on this schedule as "taxes collected" in the district reports.

This schedule may be submitted in any format as long as the required information is provided.

Column 1 Prior years' taxes receivable as of January 1 of report year. Districts accruing tax revenue should report the receivable balance as stated by the county at December 31.

Column 2 Indicate whether regular (R) or special (S) levy. Also indicate tax rate expressed in dollars per thousand dollars of assessed valuation ($/1000) at 100 percent of fair market value.

Column 3 Taxes levied for report year collection.

Column 4 Report year collections of current and prior year levies. Districts that provide a balance sheet should accrue the calendar year collections made by the county.

Column 5 Tax adjustments (supplementals) which increase taxes receivable.

Column 6 Tax adjustments (cancellations) which decrease taxes receivable.

Column 7 Total taxes receivable as of December 31 of report year. Districts accruing tax revenue should report the receivable balance as stated by the county at December 31.

PORT OF SAMPLE
(PORT'S NAME)

SCHEDULE OF REAL AND PERSONAL PROPERTY TAXES

For Year Ended December 31, 2003

1	2	3	4	5	6	7
TAXES RECEIVABLE 01/01/2003	TAX RATE $/1,000	TAXES LEVIED REPORT YEAR	TAXES COLLECTED	TAX ADJUSTMENT INCREASES	TAX ADJUSTMENT DECREASES	TAXES RECEIVABLE 12/31/2003 (1+3-4+5-6)
$42,565	0.3776	$383,228	$382,387	$3,533	$288	$46,651
22,994	0.1490	132,091	136,199	1,288	128	20,046
$65,559		$515,319	$518,586	$4,821	$416	$66,697

_____
(PORT'S NAME)

SCHEDULE OF REAL AND PERSONAL PROPERTY TAXES

For Year Ended December 31, _____

1	2	3	4	5	6	7
TAXES RECEIVABLE 01/01/____	TAX RATE $/1,000	TAXES LEVIED REPORT YEAR	TAXES COLLECTED	TAX ADJUSTMENT INCREASES	TAX ADJUSTMENT DECREASES	TAXES RECEIVABLE 12/31/____ (1+3-4+5-6)

SCHEDULE 09 - LONG-TERM DEBT

This schedule provides information about the **long-term debt** of a port district. It also used to corroborate the amounts of long-term debt shown on any balance sheets and the amounts of debt service (principal only) shown on operating statements.

For the Schedule 09, there are three categories of debt: general debt, revenue debt and refunded debt. A separate debt schedule should be prepared for each category of debt. The appropriate category should be indicated at the top of each page.

Any debt category may contain numerous kinds of debt instruments. For example, general debt is not limited to general obligation bonds but can also contain bond anticipation notes, claims and judgments, installment sales contracts, lease-purchase agreements, etc.

As a practical matter, it is permissible to classify capital leases, including lease-purchase agreements, in enterprise funds as "revenue debt" and to classify all other capital leases as general debt. The existence of a fiscal funding clause (which allows termination of a lease if revenue sources become inadequate) has no effect on the classification of a lease as general or revenue debt.

Liability for deferred compensation, and liability for employee leave must be included in the financial statements but is not to be included on the Schedule 09. Detailed instructions for preparing the Schedule 09 follow. There should be a separate schedule for general debt, revenue debt and refunded debt of the reporting entity.

This schedule may be submitted in any format as long as the required information is provided.

IDENTIFYING NUMBER AND DESCRIPTION

The numbers and descriptions below must be used on Schedule 09. Typical debt instruments are listed within each category of debt. The first three digits of the identification numbers correspond to the BARS general ledger accounts, which contains detailed descriptions of these instruments.

NOTE: For the Schedule 09, list all bonded debt at par. Include principal only on all debt. Do not include any interfund debt, liabilities for deferred compensation, employee leave benefits or any short-term debt (less than one year). Generally, construction contracts are not considered debt except to the extent the contractor has performed

I.D. No.	**GENERAL DEBT** - Debt backed by the district's full taxing authority.
251.11	General Obligation Bonds for Capital Purposes - (No Vote Required)
251.12	General Obligation Bonds for Capital Purposes - (Vote Required)
251.15	General Obligation Bonds for Capital Purposes - Advance Refunding - Defeasance Method
251.16	General Obligation Bonds for Capital Purposes - Advance Refunding - Crossover Method
251.41	General Obligation Bonds for M and O Purposes - (No Vote Required)
251.42	General Obligation Bonds for M and O Purposes - (Vote Required)
251.45	General Obligation Bonds for M and O Purposes - Advance Refunding - Defeasance Method
251.46	General Obligation Bonds for M and O Purposes - Advance Refunding - Crossover Method
263.11	Claims and Judgments (Long-Term Only)
263.51	Installment Sales Contracts
263.53	Lease-Purchase Agreements
263.55	Other Capital Leases
263.61	Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.64	Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.66	Other Notes Payable for Capital Purposes
263.68	Other Notes Payable for M and O Purposes
263.81	Due to Other Governmental Units for Capital Purposes (Long-Term Only. An Example is the Amount Due to the State Retirement System for Pension Systems Prior to PERS and LEOFF.)
263.84	Due to Other Governmental Units for M and O Purposes (Long-Term Only)
263.91	Miscellaneous Long-Term General Debt for Capital Purposes
263.94	Miscellaneous Long-Term General Debt for M and O Purposes

I.D. No.	**REVENUE DEBT** - Debt backed by specific revenue sources.
252.11	Revenue Bonds for Capital Purposes - (No Vote Required)
252.12	Revenue Bonds for Capital Purposes - (Vote Required)
252.15	Revenue Bonds for Capital Purposes - Advance Refunding - Defeasance Method
252.16	Revenue Bonds for Capital Purposes - Advance Refunding - Crossover Method
252.41	Revenue Bonds for M and O Purposes - (No Vote Required)
252.42	Revenue Bonds for M and O Purposes - (Vote Required)
252.45	Revenue Bonds for M and O Purposes - Advance Refunding - Defeasance Method
252.46	Revenue Bonds for M and O Purposes - Advance refunding - Crossover Method
263.12	Claims and Judgments (Long-Term Only)
263.41	Revenue Warrants (Coupon Warrants) for Capital Purposes
263.44	Revenue Warrants (Coupon Warrants) for M and O Purposes
263.52	Installment Sales Contracts
263.54	Lease-Purchase Agreements
263.56	Other Capital Leases
263.62	Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.65	Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.67	Other Notes Payable for Capital Purposes
263.69	Other Notes Payable for M and O Purposes
263.82	Due to Other Governmental Units for Capital Purposes (Long-Term Only)
263.85	Due to Other Governmental Units for M and O Purposes (Long-Term Only)
263.92	Miscellaneous Long-Term Revenue Debt for Capital Purposes
263.95	Miscellaneous Long-Term Revenue Debt for M and O Purposes

NOTE: M and O refers to Maintenance and Operation.

I.D. No. **REFUNDED DEBT**

251.90 General Obligation Bonds - Advance Refunded
252.90 Revenue Bond - Advance Refunded
253.90 Special Assessment Bonds - Advance Refunded

IDENTIFYING NUMBER - Include appropriate number (see listing on previous page).

PURPOSE - Describe the purpose(s) for which the debt proceeds were spent. If a refunding issue is partly refinancing and partly new financing, show both purposes. Refunded debt should continue to show the original purpose of the issue. If the purpose is not known, leave this column blank.

DATE OF ORIGINAL ISSUE / DATE OF MATURITY) - These columns are self-explanatory.

(1) BEGINNING OUTSTANDING DEBT This column should include the amount of debt that was owed at the beginning of this period. The amount shown should equal to the last year ending balance. If there is a discrepancy, attach an explanation.

(2) AMOUNT ISSUED - CURRENT PERIOD In this column report the entire amount of any new debt or any additional debt issued (or borrowed) 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) AMOUNT REDEEMED THIS PERIOD In this column, report the amount of debt that was paid this period. Do not include interest paid on the redeemed debt. The total amount in this column should equal to long-term debt payments shown on the Schedule 05.

(4) ENDING OUTSTANDING DEBT In this column, report the amount of debt that is owed at the end of this period.

Ending outstanding debt, column (4), is calculated by adding the amounts in columns (1) and (2) and subtracting redeemed debt in column (3).

$$(1) + (2) - (3) = (4)$$

Total the last five columns for each debt type.

MCAG NO. 9999

PORT OF SAMPLE
(PORT'S NAME)

X G.O. Debt
___ Revenue Debt
___ Refunded Debt

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2003

I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	(1) BEGINNING OUTSTANDING DEBT 01/01/2003 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	(2) AMOUNT ISSUED IN CURRENT YEAR	(3) AMOUNT REDEEMED IN CURRENT YEAR	(4) ENDING OUTSTANDING DEBT 12/31/2003 (1) + (2) - (3)
251.16	Refunding 1983 G.O. Bonds	12/94	12/14	$1,500,000	$300,000	$500,000	$1,300,000
263.51	Equipment	6/00	6/15	$55,000	X	$20,000	$35,000
	Total G.O. Debt			$1,555,000	$300,000	$520,000	$1,335,000

EFF DATE 1/1/03
SUPERSEDES 1/1/02
BARS MANUAL: VOL PT CH PAGE
CLASSIFIED PORTS 1 4 5 16

MCAG NO. 9999

PORT OF SAMPLE
(PORT'S NAME)

___ G.O. Debt
X Revenue Debt
___ Refunded Debt

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2003

I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	(1) BEGINNING OUTSTANDING DEBT 01/01/2003 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	(2) AMOUNT ISSUED IN CURRENT YEAR	(3) AMOUNT REDEEMED IN CURRENT YEAR	(4) ENDING OUTSTANDING DEBT 12/31/2003 (1) + (2) - (3)
252.11	Refunding 1978 Revenue Bonds	1/99	1/19	$1,400,000	X	$450,000	$950,000
263.52	New Main	8/96	8/06	$130,000	X	$30,000	$100,000
	Total Revenue Debt			$1,530,000	X	$480,000	$1,050,000

MCAG NO. _____

Schedule 09
Page ___ of ___

_____
(PORT'S NAME)

___ G.O. Debt
___ Revenue Debt
___ Refunded Debt

SCHEDULE OF LONG-TERM DEBT

For Year Ended December 31, _____

I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	(1) BEGINNING OUTSTANDING DEBT 01/01/____ (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	(2) AMOUNT ISSUED IN CURRENT YEAR	(3) AMOUNT REDEEMED IN CURRENT YEAR	(4) ENDING OUTSTANDING DEBT 12/31/____ (1) + (2) - (3)

SCHEDULE 10 - LIMITATION OF INDEBTEDNESS

When making this calculation, all general obligations of the district and all applicable cash on hand, or its equivalent, available for the payment of general obligations should be included.

General obligations consist of the following:

1. General Obligation Bonds (Voted and Nonvoted), including bond anticipation notes which are to be paid off with the proceeds of the bonds. Include interest that has only matured and is due and payable; exclude accrued interest that has not matured.

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 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 tax supported funds.

6. Compensated absences (e.g., vacation, sick leave), to the extent that they are certain obligations of a determined amount, or employee vested.

7. Other obligations of the general or other tax supported funds, except for loan agreements with agencies of the state of Washington or the United States of America dated on or after April 3, 1987. (RCW 39.36.060 and 39.69.020)

8. Obligations of internal service funds that provide services to the general or other tax supported funds.

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; and

4. Refunded or revenue debt.

5. Loans made under loan agreement under Chapter 39.69 RCW.

6. Any debt of a county-wide district with a population less than twenty-five hundred people when the debt is secured by a mortgage on property leased to the federal government. (RCW 53.36.030(6))

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 governments.

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 53.36.030)

1. Indebtedness For General Purposes Without A Vote Of The People.

   LEGAL LIMIT @ 1/4 of 1 percent of the value of the taxable property in the port district.

2. Indebtedness For Acquisition Of Construction Of A Facility Without A Vote Of The People. *(Applies ONLY to port districts having less than $800 million in the value of the taxable property during 1991.)*

   LEGAL LIMIT @ 3/8 of 1 percent of the value of the taxable property.

3. Indebtedness For General Purposes With A 3/5 Vote Of The People.

   LEGAL LIMIT @ 3/4 of 1 percent of the value of the taxable property in the port district.

   LEGAL LIMIT @ 1 percent of the value of the taxable property in the port district (if the district operates foreign trade zone (RCW 53.08.030)).

4. Indebtedness For Airport Capital Improvement Purposes. *(Applies ONLY to port districts having less that $200 million in the value of the taxable property.)*

   LEGAL LIMIT without a vote @ an additional 1/8 of 1 percent of the value of the taxable property

   LEGAL LIMIT with a vote @ an additional 3/8 of 1 percent of the value of the taxable property.

The value of the taxable property is the actual value of the taxable property in the district, ascertained by the last assessment for state or county purposes. 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 and .015).

By the time this schedule is prepared, assessed valuation data has been updated for next years tax levy. The most current assessed value available should be used.

NOTES TO PREPARER

1. When calculating indebtedness, include all applicable assets and liabilities.

2. If assets equal or exceed liabilities, record zero for indebtedness incurred.

3. Port districts having less than $800 million in the value of the taxable property in 1991 may contract without a vote an indebtedness amount not exceeding, combined with existing indebtedness not authorized by voters, of 3/8 of 1 percent (.375 percent) of the taxable property value for the acquisition or construction of facilities (Section I.B.).

4. The limit for indebtedness with a 3/5 vote depends on the amount of indebtedness incurred without vote. The total indebtedness in Sections I and II cannot exceed 3/4 of 1 percent (.75 percent) of the value of the taxable property in the district.

5. Port districts having less that $200 million in value of the taxable property and operating municipal airport may contract additional indebtedness with or without a vote for airport capital improvements at 1/8 of 1 percent (.125 percent) and 3/8 of 1 percent (.375 percent), respectively (Sections III and IV).

6. The total indebtedness in Sections I, II, III, and IV cannot exceed 1.25 percent of the value of the taxable property in the district.

7. The 1/4 of 1 percent (.25 percent) of indebtedness for general purposes without a vote may be proportionately reduced by indebtedness of the acquisition or construction of a facility, if applicable, or by any indebtedness with a vote.

_____

(PORT'S NAME)
Schedule Of Limitation Of Indebtedness
As Of December 31, _____

Total Taxable Property Value $ _____

I. Indebtedness Without A Vote (Legal Limit .25% or .375% if I.B. applicable) $_____

A. General Purpose Indebtedness Without A Vote (Legal Limit .25%) $ _____

Indebtedness (Liabilities):
G.O. Bonds $ _____
Others $ _____
Less Assets Available $ _____
Indebtedness Incurred - Section A $ _____

Margin Of Indebtedness Available - Section A $ _____

B. Indebtedness For Acquisition Or Construction Of A Facility Without A Vote (Legal Limit .375% including I.A.)* $ _____

Indebtedness (Liabilities):
G.O. Bonds $ _____
Others $ _____
Less Assets Available $ _____
Indebtedness Incurred - Section B $ _____

Margin Of Indebtedness Available - Section B $ _____

Less: Indebtedness Incurred (Section A + B) $_____

Margin Of Indebtedness Available Without A Vote (Section A + B) $_____

* See Note To Preparer No. 3

II.	Indebtedness With A 3/5 Vote*		$_____	
	Indebtedness (Liabilities):	$ _____		
	G.O. Bonds	$ _____		
	Others	$ _____		
	Less Assets Available		$ _____	
	Indebtedness Incurred - Section II			
			$ _____	
	Margin Of Indebtedness Available With 3/5 Vote			
	Total Indebtedness Allowable - Section I and II (Legal Limit .75%)			$ _____
				$ _____
	Less: Indebtedness Incurred - Section I and II			
				$ _____
	MARGIN OF INDEBTEDNESS AVAILABLE			
III.	Additional Indebtedness For Airport Capital Improvement Purposes Without A Vote (Legal Limit .125%)		$ _____	
	Indebtedness (Liabilities):	$ _____		
	G.O. Bonds	$ _____		
	Others	$ _____		
	Less Assets Available		$ _____	
	Indebtedness Incurred - Section III			
			$ _____	
	Margin Of Indebtedness Available - Section III			
IV.	Additional Indebtedness For Airport Capital Improvement Purposes With A 3/5 Vote (Legal Limit .375%)		$ _____	
	Indebtedness (Liabilities):	$ _____		
	G.O. Bonds	$ _____		
	Others	$ _____		
	Less Assets Available		$ _____	
	Indebtedness Incurred - Section IV			
			$ _____	
	Margin Of Indebtedness Available - Section IV			
	Total Indebtedness Allowable - Section I - IV (Legal Limit 1.25%)			$ _____
				$ _____
	Less: Indebtedness Incurred (Section I-IV)			
				$ _____
	MARGIN OF INDEBTEDNESS AVAILABLE			

* See Note to Preparer No. 4.

V. Additional Indebtedness For Foreign Trade Zone With A 3/5 Vote (Legal Limit 1.0%) $_____

Indebtedness (Liabilities):		
G.O. Bonds	$_____	
Others	$_____	
Less Assets Available	$_____	
Indebtedness Incurred - Section V		$_____
MARGINS OF INDEBTEDNESS AVAILABLE		$_____

SCHEDULE 16 - EXPENDITURES OF FEDERAL AWARDS AND STATE/LOCAL FINANCIAL ASSISTANCE

The Schedule of Financial Assistance is an essential document for planning and conducting the audit of your organization. It also serves to provide assurance to those agencies who 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 and (2) Schedule of State/Local Financial Assistance.

Schedule of State/Local Financial Assistance

List on this schedule grants received directly or indirectly from state agencies, grants from other local governments, and program income. State shared revenues, apportionments, entitlements, and loans do not need to be included on this schedule.

List separately awards received from state and local governments. Provide a subtotal for both categories and a total for the entire schedule. In addition, list all financial assistance received from the same state agency together.

Schedule of Expenditures of Federal Awards

Include on this schedule all expenditures of federal awards for the year. AFederal awards expended≅ include the following:

- Expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations;
- Disbursement of funds passed through to subrecipients;
- Receipt of loan proceeds under loan and loan guarantee programs;
- Receipt of federal property and surplus property;
- Receipt or use of program income (see revolving loan exception below);
- Distribution or consumption of food commodities;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

Include federal awards received directly from a federal agency and indirectly from a state agency or local government.

List all financial assistance from the same federal agency together on the schedule (for example, group all HUD awards together). Next, within each federal agency section, list all direct awards first followed by indirect awards.

Provide subtotals for programs with the same Catalog of Federal Domestic Assistance (CFDA) number. Also provide subtotals for assistance received directly and assistance received indirectly. Provide a total for each federal agency.

It is important to note that the "expenses" 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, insurance, or commodities. However, amounts should agree or reconcile to records maintained by finance, budget, and treasury departments.

Valuation of Federal Loans and Noncash Assistance

Use the following guidelines to calculate the value of "federal awards expended" under loan programs:

(1) Amount of new loans received during the fiscal year, plus

(2) Balance of loans from previous years for which the federal government imposes continuing compliance requirements, plus

(3) Any interest subsidy, cash, or administrative cost allowance received.

NOTE: Loans, the proceeds of which were received and expended in prior years, are not considered federal awards expended when the laws, regulations, and the provisions of contracts or grant agreements pertaining to such loans impose no continuing compliance requirements other than to repay the loans

Noncash Assistance: Food Stamps, food commodities, donated property, and donated surplus property 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.

Revolving Loans: According to the federal regulations, repayments of principal and interest are considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purpose of Schedule 16, report only the amount of loan funds expended during the year.

Other preparation hints for both schedules

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/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.*

The funds received as *fee for services* should not be included on the Schedule 16.

Records must agree or reconcile to those in finance, budget and treasury departments.

Example of Schedule of Expenditures of Federal Awards

This schedule should be prepared for the year in which federal awards are expended. Preparation of this schedule should not be based on the date(s) that funds are received (e.g., advances or reimbursement).

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 federal agencies and state agencies with similar names or initials. If you receive federal funds indirectly, identify the state pass-through agency. Identify noncash awards in this column also.

Column 2 List the applicable CFDA number for each program. 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. If the number is not provided on the award agreement or contract, contact the granting agency and request the number. If the grantor indicates this is a new program for which a CFDA number has not yet been assigned, present the program as "Other Federal Assistance" and leave this column blank.

Column 3 Use this column to report grant, contract or award numbers assigned by federal or state agencies, in addition to the CFDA number. Indicate loans or program income, where applicable. If a number is not available, write "N/A."

Column 4 Use this column to report current year expenses (determined on the same basis of accounting as the financial statements). See requirements for valuing loans and noncash assistance above.

NOTE: OMB Circular A-133 has removed the requirement to identify major federal programs on the Schedule of Expenditures of Federal Awards. Instead, the auditor will identify major programs in his/her report.

MCAG NO. _____ _____ Schedule 16

(PORT'S NAME)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, _____

1	2	3	4
Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenses

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

Example - Schedule of State/Local Financial Assistance

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 expenses (determined on the same basis of accounting as the financial statements).

MCAG NO. _____ _____ Schedule 16

(PORT'S NAME)

SCHEDULE OF STATE/LOCAL FINANCIAL ASSISTANCE

For The Year Ended December 31, _____

1	2	3
Grantor/Program Title	Identification Number	Current Year Expenses

The Accompanying Notes To The Schedule Of State and Local Financial Assistance Are An Integral Part Of This Schedule.

Example - Notes to Schedule 16

Include the following notes to Schedule 16 either as an attachment to the schedule or on the face of the schedule (if space permits). The notes should disclose the basis of accounting, definitions of abbreviations and any other information that might be needed by the reader. The following notes are considered examples only. Each district should prepare notes that describe their particular programs and circumstances. Notes may be combined for both schedules.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(AND STATE/LOCAL FINANCIAL ASSISTANCE)

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the (district)'s financial statements. The (district) uses the (describe the basis of accounting used by the district).

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenses represent only (federal/state/local) grant portion of the program costs. Entire program costs, including the (district)'s portion, may be more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The (district) has a revolving loan program for low income housing. Under this federal program, repayments to the (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

The (district) has been approved by the Farm Home Administration to receive a loan totaling $_____ to _____.

The (district) also has prior year federal loans outstanding with balances totaling $_____. Both current and prior year loans are reported on the (district)'s Schedule of Long-Term Debt.

NOTE 5 - NONCASH AWARDS

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.) distributed by the (district) during current year and priced as prescribed by _____.

NOTE 6 - NOT AVAILABLE (N/A)

The (district) was unable to obtain other identification number.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, _____

1	2	3	4
Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenses
U.S. Department of Transportation Direct Programs:			
Airport Improvement Program	20.106	3.52.0156-09	$515,000
Indirect Award from State Dept. of Transportation:			
Aviation Research	20.205	90-145-018	$150,000
Total Department of Transportation			$665,000
TOTAL FEDERAL ASSISTANCE			$665,000

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

SCHEDULE 19 - LABOR RELATIONS CONSULTANT(S)

The 1993 Legislature has required 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 expenses 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.

_____
(PORT'S NAME)

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)

For the Year Ended _____

Has your government engaged labor relations consultants? ___ Yes ___ No

If yes, please provide the following information for each consultant(s):

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 _____, _____ to the best of my knowledge and belief:
Signature
Name
Title

BARS GLOSSARY

ACCOUNT NUMBER. See CODING.

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.

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.

ACTUARIAL BASIS. A basis used in computing the amount of contributions to be made periodically to a fund or account so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund. The factors taken into account in arriving at the amount of these contributions include the length of time over which each contribution is to be held and the rate of return compounded on such contribution over its life. A pension trust fund for a public employee retirement system is an example of a fund concerned with actuarial basis data.

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 opinion stating the auditor's view that financial statements do not present fairly financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles.

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.

BARS GLOSSARY

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.

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 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 have monetary value.

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/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 of the government as appropriate. See UNQUALIFIED OPINION, QUALIFIED 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.

BARS GLOSSARY

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 a 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.

BLUE BOOK. A term commonly used to designate the Government Finance Officers Association's publication *Governmental Accounting, Auditing, and Financial Reporting*.

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 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.

BONDS PAYABLE. The face value of bonds issued and unpaid.

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.

BARS GLOSSARY

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.

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.

BARS GLOSSARY

CAFR. See COMPREHENSIVE ANNUAL FINANCIAL REPORT.

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 also 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 RESOURCES. Resources of a fixed or permanent character, such as land and buildings, which cannot ordinarily be used to meet current expenditures.

CAPITALIZATION THRESHOLD. The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

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.

BARS GLOSSARY

CERTIFICATE OF ACHIEVEMENT IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the Government Finance Officers Association (GFOA) to encourage governments to publish efficiently organized and easily readable CAFRs and to provide peer recognition and technical assistance to the finance officers preparing them.

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.

CLASSIFIED. This term means all proprietary operations which use double entry full-accrual accounting systems which measure revenue and expense, including depreciation. Examples of classified proprietary accounting systems are NARUC Water, MFOA Airports, SAO Ports, etc. See PROPRIETARY FUNDS.

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.

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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONDENSED FINANCIAL STATEMENTS. Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribe the presentation of condensed financial information for the prior fiscal year as part of management's discussion and analysis (MD&A).

CONDUIT DEBT. Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

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 budgets law in Washington State. See PURCHASES METHOD.

BARS GLOSSARY

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.

CORRECTION OF ERRORS. See REFUND.

COST OF SERVICES MEASUREMENT FOCUS. See FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.

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.

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.

CROSSOVER REFUNDING. A type of advance refunding in which the escrow established with the proceeds of the refunding bonds only begins to secure repayment of the refunded debt at some designated future time, known as the "crossover date."

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 ASSETS. (1) In governmental funds, those assets which are available or can be made readily available to finance current operations or to pay current liabilities. (2) In proprietary funds, those assets which will be used up or converted into cash within the next operating cycle (e.g. one year). Some examples are cash, temporary investments, and taxes receivable which will be collected within the next operating cycle (e.g. one year).

CURRENT LIABILITIES. Liabilities which are payable within the next operating cycle (e.g. one year).

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.

BARS GLOSSARY

DATA PROCESSING. (1) The preparation and handling of information and data to obtain results such as classification, problem solution, summarization, and reports. (2) Preparation and handling of financial information wholly or partially by mechanical or electronic means.

DAY LABOR. Use of a government's own personnel to construct or maintain its capital assets. Also called "force account."

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 BONDED DEBT, NOTE PAYABLE, REGISTERED WARRANT, LONG-TERM DEBT, GENERAL OBLIGATION BONDS, and REVENUE BONDS.

DEBT LIMIT. The maximum amount of gross or net debt which is legally permitted.

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 REVENUES. Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEFINED CONTRIBUTION PENSION PLAN. A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account.

DELINQUENT SPECIAL ASSESSMENTS. Special assessments remaining unpaid on and after the date on which a penalty for nonpayment is attached.

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.

DEMURRAGE. A fee charged to the owner of cargo that remains in the terminal area beyond a stipulated period of time after off-loading from the vessel.

DEPARTMENT. See ORGANIZATION UNIT CLASSIFICATION.

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. (NOTE: The BARS manual makes the distinction between the terms depositary and depository. However, the RCWs and certain publications use these terms interchangeably. Where we use depository, the RCWs use depositary.)

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.

DISALLOWED COSTS. Claims for grantor resources that have been rejected by the grantor. Disallowed costs are to be distinguished from *questioned costs,* which are potential disallowed costs that have not yet been rejected by the grantor.

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 has not performed an examination sufficient in scope to enable him/her to form an opinion on the financial statements. A disclaimer of opinion should not be expressed because the auditor believes, on the basis of the examination, that there are material departures from GAAP. In such circumstances, an adverse opinion would be appropriate. Se ADVERSE OPINION and QUALIFIED OPINION.

DISCOUNTED PRESENT VALUE. See PRESENT VALUE.

DISCRETE PRESENTATION (DISCRETELY PRESENTED). The method of reporting financial data of component units in a column(s) separate from the financial data of the primary government.

BARS GLOSSARY

DISTRAIN. To seize and hold (property) to compel reparation or payment of debts.

DOCKAGE. A fee charged against the vessel for the privilege of mooring at a dock.

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.

DRAYAGE. A fee charged by a trucking firm for transportation cargo on or off the terminal, or to or from a warehouse or land transport terminal.

BARS GLOSSARY

EARNINGS. See INCOME and REVENUES.

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.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

ENTITLEMENT. The amount of payment to which a state or local government is entitled as determined by the federal or state 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 an 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; also known as capital maintenance). 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 an 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 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.

EXTERNAL AUDIT. See INDEPENDENT AUDIT and AUDIT.

BARS GLOSSARY

FACE VALUE. As applied to securities, this term designates the amount of liability stated in the security document.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FIDELITY BOND. Insurance against losses from theft, defalcation, and misappropriation of public monies by government officers and employees.

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 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.

FISCAL ACCOUNTABILITY. The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year). This term is used in contrast to *operational accountability*.

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.

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 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 the statement of net assets (or balance sheet), and the operating statement presents "capital maintenance" information (revenues and expenses).

FLOW-THROUGH. See PASS-THROUGH RESOURCES, SUBRECIPIENT

FORCE ACCOUNT. See DAY LABOR.

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.

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.

FUNDED DEBT. Same as BONDED DEBT, which is the preferred term.

FUND TYPE. One of eleven 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.

BARS GLOSSARY

GAAFR. The acronym for *Governmental Accounting, Auditing, and Financial Reporting,* a publication of the Government Finance Officers Association. Also known as the *Blue Book.*

GAAP. See GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

GAAS. See GENERALLY ACCEPTED AUDITING STANDARDS.

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.

GENERAL OBLIGATION BONDS. Bonds for the payment of which the full faith and credit of the issuing government are pledged, including tax revenue.

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 ("Yellow Book").

GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS). Standards established by the GAO in its publication *Standards for Audit of Governmental Organizations, Programs, Activities and Functions* ("Yellow Book") for the conduct and reporting of both financial and performance audits. GAGAS set forth general standards applicable to both types of audits and separate standards of field work and reporting for financial and performance audits. The GAGAS standards of field work and reporting for financial audits incorporate and build upon GAAS.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The authoritative accounting and financial reporting standard-setting body for government entities.

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.

GROSS BOOK VALUE. See BOOK VALUE.

GROSS REVENUE. See REVENUES.

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.

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.

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.

INCOME. A term in proprietary funds 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.

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.

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.

INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT. One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

INVESTMENT TRUST FUNDS. Fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.

BARS GLOSSARY

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) all ongoing financial responsibility.

JOINTLY GOVERNED ORGANIZATIONS. A regional government or other multi-governmental 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.

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.

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.

LIEN DATE. For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises. Generally the lien date is specified in the relevant enabling legislation. Many governments use the term *lien date* even though a lien is not formally placed on the property at that date. Alternatively, the term *assessment date is* used to describe this same date.

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 objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MITIGATION. In environmental management, avoiding, minimizing, rectifying, reducing, and compensating for project-induced resource losses.

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.

BARS GLOSSARY

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 ACTIVITIES. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities.

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 of 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 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 AND EXPENSES. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition.

OPERATIONAL ACCOUNTABILITY. Governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future.

OPERATING SUBSIDY. See OPERATING GRANTS.

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.

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.

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.

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.

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 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.

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.

PRESERVATION. A 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 and efficiency.

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 assets (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. At the end of the fiscal period, inventories on hand are recorded as a balance sheet asset.

QUALIFIED OPINION. A modification of the independent auditor's report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor's general assertion that the financial statements are fairly presented.

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 REFUND.

RECEIPTS. Cash received.

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.

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.

RELATED PARTY TRANSACTION. A transaction that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction. The term often is used in contrast to an *arm's-length transaction.*

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.

BARS GLOSSARY

REQUIRED SUPPLEMENTARY INFORMATION (RSI). Statements, schedules, statistical data, or other information that has been determined necessary to supplement, although not required to be a part of, the basic statements.

REQUISITION. A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

RESERVE FOR UNCOLLECTED TAXES. This use of the term "reserve" is no longer acceptable under the NCGA Statement 1. See DEFERRED REVENUES.

RESTRICTED ASSETS. Moneys 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 NET ASSETS. A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund; i.e., port district. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

REVENUES. Increases in proprietary funds net total assets from other than expense refunds and capital contributions. Under the NCGA Statement 1, transfers-in are classified separately from revenues.

REVOLVING FUND. An imprest account which is accounted for as an asset of a fund.

SCHEDULES. See SUPPORTING SCHEDULES.

SECURITIES. Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments. See INVESTMENTS.

SECURITIES LENDING TRANSACTIONS. Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral-which may be cash, securities, or letters of credit-and simultaneously agree to return the collateral for the same securities in the future.

SEGMENT. An identifiable activity (or grouping of activities) required to be accounted for separately which is reported as or within an enterprise fund or another stand-alone entity for which one or more bonds or other debt instruments (such as certificates of participation) are outstanding with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately.

SELF-INSURANCE. A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets of fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

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.

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, and public utility districts.

SPECIAL ITEMS. Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

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.

STATE-COLLECTED LOCALLY SHARED TAX. See SHARED REVENUES.

STATISTICAL TABLES. Financial presentations included in the Statistical Section of the CAFR which provide detailed data on the physical, economic, social, and political characteristics of the reporting government. They are intended to provide CAFR users with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statements and supporting schedules included in the Financial Section. Statistical tables usually cover more than two fiscal years and often present data from outside the accounting records. In contrast to Financial Section information, therefore, Statistical Section data are not usually susceptible to independent audit.

STEVEDORING. The function of loading and unloading the ship, often done by stevedoring companies who then employ longshore labor for specific tasks.

STORES. Goods subject to requisition and use on hand in storerooms.

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 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.

SUPPLEMENTARY INFORMATION. Financial information presented together with basic financial statements that is not included within the scope of the audit of those statements. When the presentation of certain supplementary information is mandated by the GASB it is referred to as *required supplementary information (RSI)*.

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).

BARS GLOSSARY

TARIFF RATES. In a port, a list or scale of prices and charges for various port services (for example, wharfage and dockage).

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.

TRANSFER VOUCHER. A voucher authorizing transfers of cash or other resources between accounts.

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 Ain balance.≅

BARS GLOSSARY

UNCLASSIFIED. Any operation which uses a modified accrual or cash (single-entry) basis of accounting and therefore does not record depreciation or other noncash expenses. Such operations should be accounted for in the general fund or in special revenue funds. See FUND TYPE.

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.

UNREALIZED GAINS AND LOSSES. Cumulative change in the market value of investments prior to their disposition.

UNRESTRICTED NET ASSETS. That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

UTILITY FUND. See ENTERPRISE FUND.

BARS GLOSSARY

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.

WHARFAGE. A fee charged against the cargo for moving it across a wharf or terminal.

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.

YIELD. See EFFECTIVE INTEREST RATE.

YELLOW BOOK. A non-technical term commonly used to describe the General Accounting Office's publication *Government Auditing Standards.*

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