

**BUDGETING,
ACCOUNTING
AND REPORTING
SYSTEM (BARS)**

for

Conservation Districts

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WASHINGTON
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STATE AUDITOR



Washington State
**Conservation
Commission**

RESOURCES

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

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**Overview of Changes
(2006 Update)**

Chapter	Page	Description
	Cover page	Added Conservation Commission logo; updated phone numbers
All	All	Revised footer
2	6	Revised definition of 337.09.XX
4	3	Revised filing methods
4	15	Added paragraph about EIN
4	16	Added paragraph regarding Homeland Security grants

**Overview of Changes
(2007 Update)**

Chapter	Page	Description
	Cover page	Revised phone number
0	4	Added <i>2007 Overview of Changes</i>
3	2	Added example to account 531.19
4	4	Corrected phone number; revised MCAG listing
4	8	Revised line 3
4	10	Corrected example
4	15	Revised third paragraph, second and sixth bullet
4	16	Corrected font size; added <i>USDA Interim Financing</i> ; moved some text to next page
4	17	Moved from previous page; added <i>Matching/Cost Sharing</i> ; moved some text to next page (this required adding extra page)
4	18	Moved from/to previous/next page; revised <i>Column 6</i>
4	19	Moved from/to previous/next page; added definitions of <i>subrecipient</i> and <i>vendor</i> ; added last tip
4	20	Corrected typographical error; added <i>Notes 3 and 4</i>
4	21-24	Changed page numbers
4	26	Corrected misspelling
4	28-29	Corrected typographical errors

**Overview of Changes
(2008 Update)**

Chapter	Page	Description
0	1	Updated <i>Table of Contents</i>
0	5	Added <i>Overview of Changes</i>
2	1	Removed account 363
2	2	Added account 398
2	3	Added <i>Caution</i> ; revised second paragraph under account 331; revised footnote
2	4	Removed last sentence in account 333
2	5	Change name of the Interagency Committee for Outdoor Recreation; revised footnote
2	6	Revised account 341.70
2	7	Removed account 363 (replaced with account 398)
2	9	Added account 398; revised accounts 395.20 and 395.30
4	3	Added footnote to list of schedules
4	4	Updated listing
4	15	Added <i>Caution</i> ; revised fourth paragraph; added second bullet; revised second and sixth bullets
4	16	Added <i>Loans Advances, Reimbursement Basis and Indirect Costs</i> ; added note to <i>Program Income</i>
4	17	Added last paragraph in <i>Revolving Loans</i> ; revised title of <i>Homeland Security Property</i>
4	20	Revised first, second, fifth and sixth bullets
4	23	Revised first paragraph
4	28	Revised first paragraph in <i>b. Basis of Accounting</i>
4	31	Added <i>Short-Term Debt</i> note
5	1-2	Revised internal control requirements
5	7	Revised bullet 6
5	3-14	Changed page numbers

**Overview of Changes
(2009 Update)**

Chapter	Page	Description
0	1	Updated table of contents
0	6	Added <i>Overview of Changes</i>
2	1	Revised account 310
2	3	Removed account 319.80 (see account 361.50); revised definition of 331
2	4	Revised description of account 333
2	6	Revised description of account 338; removed account 341.50 (use appropriate account in 341.70)
2	7	Added accounts 361.50, 361.52 and .56
2	8	Revised account 368.50
3	1	Corrected title of account 598
3	3	Corrected title of account 598; revised title of account 598.31
4	3	Updated listing of statements and schedules; moved some text to next page
4	4	Moved text from previous page; added number for Grant Conservation District
4	16-17	Updated instruction
4	27-36	Added Schedule 21
4	27-32	Changed page numbers
5	1-4	Updated <i>Internal Control</i> Section
5	17	Added <i>Risk Management Principles</i>

**Overview of Changes
(2010 Update)**

Chapter	Page	Description
	Cover	Updated e-mail address
0	1	Updated table of contents
0	7	Added <i>Overview of Changes</i>
2	1	Removed <i>net</i> from <i>beginning net cash and investments</i> ; added accounts 332 and 339
2	2	Added account 338
2	3	Removed <i>net</i> from <i>beginning net cash and investments</i> in account 308
2	4	Added accounts 332.21.10, 332.21.20 and 332.93.10; moved some accounts to next page
2	5	Moved accounts to next page
2	6	Moved accounts to next page ; added account 339
2	7	Moved accounts to next page
2	8	Moved accounts to next page; added account 388.80; corrected formatting
2	9-10	Moved accounts to next page
3	1	Removed <i>net</i> from <i>beginning net cash and investments</i> in account 508; added account 588
3	2	Removed <i>net</i> from <i>beginning net cash and investments</i> in account 508
3	3	Added account 588.80
3	4	Updated references in object 10
4	1	Updated page numbers; added Schedule 09
4	3	Added Schedule 09 to listing
4	4	Updated electronic filing requirements
4	5	Updated certification page
4	7-8	Removed <i>net</i> from <i>beginning net cash and investments</i> ; added line for prior periods adjustments
4	9-11	Revised instructions and Schedule 04
4	12-14	Revised instructions and Schedule 05
		Added Schedule 09
4	15-24	Revised Schedule 16; changed page numbers in the rest of this chapter
4	27	Updated instructions to Schedule 21
4	38	Removed <i>net</i> from <i>net cash and investments</i> in note c
5	1-4	Updated internal controls
5	7	Revised title
5	9	Update language of certification
5	11	Added paragraph regarding ARRA
5	17	Removed <i>Risk Management Principles</i> (included now in instructions to Schedule 21)

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Overview of Changes (2011 Update)

Part	Ch.	Page		Remove	Insert
			BARS manual was rearranged to comply with the format of others BARS manuals. The following overview refers to page numbers in the reformatted manual.	Entire manual	Entire manual
0	0	1	Updated table of contents		
0	0	9-10	Added <i>Overview of Changes</i>		
1	1	3	Added paragraph under funds' numbers		
1	2	1-16	Removed summary accounts		
1	2	1	Revised title of accounts 332 and 369		
1	2	3	Revised account 308		
1	2	5	Revised title of account 332; added account 332.21.30		
1	2	13	Corrected account 369.40		
1	2	14	Revised account 389		
1	3	1-6	Removed summary accounts; removed reference to subobjects		
1	3	1	Revised title of account 598		
1	3	2	Revised account 508		
1	3	3	Revised title of account 598		
1	3	4-6	Revised footnote		
2	1	1	Updated table of contents		
2			Added new chapter 1; changed numbers of existing chapters		
2	1	3-6	Added <i>basis of accounting, funds types</i> and other accounting policies		
2	1	10	Added new chapter 11, <i>Original Supporting Documentation</i>		
2	3	3	Revised <i>Petty Cash</i> ; revised title		
2	4	1	Added references to chapter 1, section C		
2	6	1	Added guidance for cellular phones		
3	1	1	Updated table of contents		
3	1	2	Revised listing of statements and schedules		
3	1	6	Revised MCAG instructions		
3	1	9	Revised listing of statements and schedules		
3	2	1-2	Revised reporting requirements		
3	2	11-14	Revised Schedule 09		
3	2	20	Updated federal agency listing		
3	2	22-23	Updated Schedule 16 and notes		
3	2	29-31	Updated Schedule 21		
3	2	33-48	Added Schedule 22		

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<u>EFF DATE</u>	<u>SUPERSEDES</u>	<u>CONSERVATION DISTRICTS</u>	<u>PT</u>	<u>CH</u>	<u>PAGE</u>
01-01-11	None		0	0	10

Overview of Changes (2012 Update)

Part	Ch.	Page (2011 version)		Remove	Insert
		Back of cover page	Revised web addresses; added new phone number	Cover page	Cover page
0	0		Added <i>Overview of Changes (2012)</i>		11-12
1	1	3	Corrected fund number in first paragraph	3-4	3-4
1	2	4	Changed coding for federal direct grants	3-10	3-10
1	2	5	Revised account 332.21.20; removed account 332.21.30		
1	2	7	Updated grants from Commission		
1	2	9	Corrected example in coding federal ARRA grants		
2	1	1	Updated table of contents	1-2	1-2
2	1	5-6	Revised fiduciary fund numbers	5-8	5-8
2	1	8	Revised last two bullets		
2	1	11	Updated first paragraph	11-12	11-12
2	2	3	Revised bullet 1 b	3-4	3-4
2	5	1	Revised first and fourth paragraphs	1-2	1-2
2	6	1	Added guidelines for credit cards	1-2	1-2
2	6	2	Added <i>Reimbursements</i>		
3	1	1	Updated table of contents	1-10	1-8
3	1	3-5	Revised title of Schedules 04/05 and 09; revised filing instructions; removed empty page; changed numbers of remaining pages in this chapter		
3	1	6	Revised contact information		
3	1	9	Revised title of Schedules 04/05, 09		
3	2	1	Revised references to Schedules 04/05	1-48	1-46
3	2	3-10	Combined Schedules 04 and 05; revised standard record layout for combined Schedule 04/05; changed numbers of remaining pages in this chapter		
3	2	11-13	Revised Schedule 09 to include short-term debt and liabilities; revised description for compensated absences; added filing instructions		
3	2	15-23	Revised guidelines for reporting loans on Schedule 16; added filing instructions		
3	2	30	Clarified lines 1iv and 1v in Schedule 21		
3	2	33-48	Revised Schedule 22		
3	3	4	Revised Notes 3 and 4	3-6	3-6
3	3	5-6	Revised <i>Other Disclosures</i>		

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<u>EFF DATE</u>	<u>SUPERSEDES</u>	<u>CONSERVATION DISTRICTS</u>	<u>PT</u>	<u>CH</u>	<u>PAGE</u>
01-01-12	None		0	0	12

Part 1. Chart of Accounts
Chapter 1. Design and Prescription

The chart of accounts and procedures contained in this manual are prescribed for all conservation districts by the State Auditor’s Office (RCW 43.09.200).

Conservation districts follow single-entry accounting and cash-basis reporting procedures which do not conform with Generally Accepted Accounting Principles (GAAP).

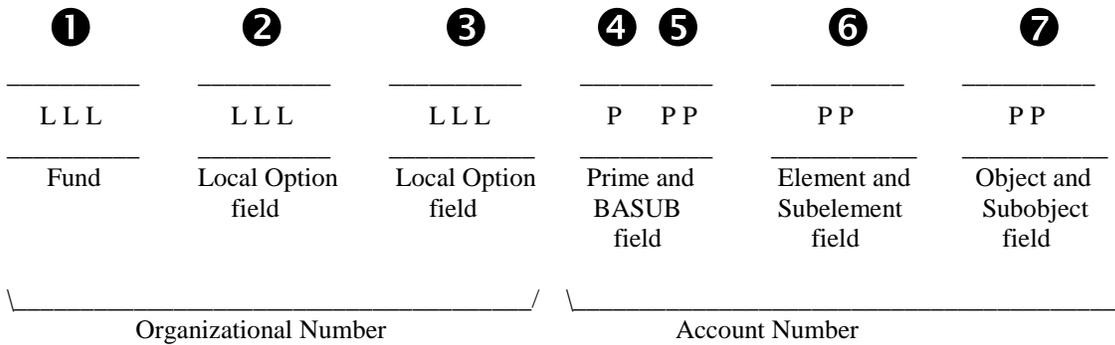
1. The single-entry cash-basis accounting consists of a listing and classification of cash transactions without the formality of double-entry accounting. For that reason, it is not in compliance with generally accepted accounting principles (GAAP). However, single-entry accounting requires full compliance with all legal requirements.
2. Revenues and expenditures are classified according to operation using the prescribed chart of accounts.
3. The prescribed chart of accounts must be used for detail reporting of revenues and expenditures. If a different system of accounts 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.

Account Code Structure

In the BARS structure a 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 accounting may be prescribed in the future which will supplant your local applications.

In addition to this seven digit account code, a field of three digits is reserved for fund code, another three-digit field for the program code, and another three-digit field for the department code, for a total code structure of 16 digits. **The particular codes in the fund, local option fields are available for each district to use as they consider necessary.**

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



- 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 district.

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

	<u>Digits</u>
Fund	xxx
Local Option	xxx
Local Option	xxx

You may use the unassigned numbers (L) for additional coding.

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

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

The account code structure has the following components:

1 FUND NUMBER – Used to identify funds created and maintained for a particular purpose and having transactions subject to legal or administrative restrictions. Since counties account for conservation districts in their accounting systems as agency funds, they often provide the districts with reports showing assigned fund codes 630-699. These codes refer to the fund from the county perspective. A district has to “reassign” the county code to the code appropriate to the fund type it is reporting (e.g., if the district’s general fund is coded in the county records as 663, the district in its annual report has to code this fund as 001).

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

3 LOCAL OPTION CODE – Numbers are determined locally. They may be used to identify distinct units or departments. Also may be used in grant accounting to sequence grants from a single source. If used, they must have three digits; so “1” or “23” should be “001” or “023”.

4 PRIME DIGIT – The first figure in the seven digit Account Number, assigned as follows:

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

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

5 BASIC/SUB (BASUB) CODES

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

Expenditures – The numbers assigned to identify different categories of expenditures incurred.

6 ELEMENT/SUBELEMENT CODES

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

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

7 OBJECT/SUBOBJECT CODE

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

Expenditure – The numbers assigned to identify expenditures according to the character and the type of items purchased or services obtained.

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EFF DATE SUPERSEDES
01-01-11 01-01-03

CONSERVATION DISTRICTS

PT CH PAGE
1 1 4

Part 1. Chart of Accounts
Chapter 2. Revenue Accounts

The 300 series of accounts designate all inflows by source. Most revenue and nonrevenue codes are limited to five (5) digits. Although a total of seven (7) digits are reserved for BARS information, the district may use the undesignated digits for accounting purposes.

- 308 BEGINNING CASH AND INVESTMENTS**
- 310 RESERVED**
- 320 RESERVED**
- 330 INTERGOVERNMENTAL REVENUES**
 - 331 DIRECT FEDERAL GRANTS**
 - 332 FEDERAL ENTITLEMENTS, IMPACT PAYMENTS, BOND INTEREST
 SUBSIDIES, AND IN-LIEU TAXES**
 - 333 INDIRECT FEDERAL GRANTS**
 - 334 STATE GRANTS**
 - 337 INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS, AND IN-
 LIEU TAXES**
 - 338 INTERGOVERNMENTAL SERVICE REVENUES**
 - 339 ARRA GRANTS**
- 340 CHARGES FOR GOODS AND SERVICES**
 - 341 GENERAL GOVERNMENT**
 - 343 UTILITIES AND ENVIRONMENT**
- 350 RESERVED**
- 360 MISCELLANEOUS REVENUES**
 - 361 INTEREST AND OTHER EARNINGS**
 - 362 RENTS, LEASES AND CONCESSIONS**
 - 367 CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES**
 - 369 MISCELLANEOUS REVENUES**
- 370 RESERVED**

- 380 NONREVENUES**
 - 384 PROCEEDS FROM SALES OF INVESTMENTS**
 - 386 AGENCY TYPE DEPOSITS**
 - 388 OTHER INCREASES IN CASH AND INVESTMENTS**
 - 389 OTHER NONREVENUES**
- 390 OTHER FINANCING SOURCES**
 - 391 DEBT PROCEEDS**
 - 395 CAPITAL ASSETS PROCEEDS**
 - 398 INSURANCE RECOVERIES**

308 BEGINNING CASH AND INVESTMENTS

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

308.10 **RESERVED**

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

308.80 **UNRESERVED**

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

330 INTERGOVERNMENTAL REVENUES

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

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

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

332.21.10 COBRA Payroll Tax Credit

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

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

Use this account for a direct federal subsidy payment for a portion of the borrowing cost related to Build America, Clean Renewable Energy, Qualified Energy Conservation, Recovery Zone Economic Development and other ARRA bonds. These payments are not considered a federal award subject to OMB Circular A-133 and should not be reported on the Schedule of Expenditures of Federal Awards (Schedule 16).

332.93.10 Medicare Retiree Drug Subsidy (RDS)
U.S. Department of Health and Human Services – Center for Medicare and Medicaid Services

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

333 INDIRECT FEDERAL GRANTS

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

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

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

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

To code indirect federal grants, follow instructions for direct federal grants. Make sure to use 333 instead of 331 if the federal grant is indirect.

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

334 STATE GRANTS

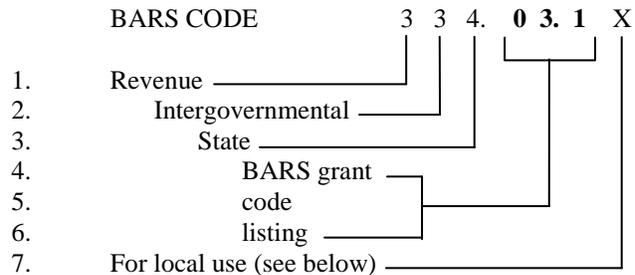
Cash or other assets furnished by the state government to districts directly or indirectly, through another local government, under contractual arrangements that provide aid or reimburse the district for costs incurred. Do not confuse state grants with grants received from the state but originating with the federal government; when the state is acting as an agent of the federal government, the grants should be classified as indirect federal grants, account 333.

Coding Instructions

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

Code state grants by the state agency which provides the grant using the three digit code listed below.

Example: A district receives a state grant from the Department of Ecology (03.1X). The BARS code is 334.03.1X.



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

STATE AGENCIES¹

- 02.1X Department of Agriculture
- 02.3X Department of Natural Resources
- 02.5X Department of Fish and Wildlife
- 02.7X Recreation and Conservation Funding Board
- 03.1X Department of Ecology
- 03.2X Other Environmental Agencies (e.g., Puget Sound Action Team)
- 03.3X Conservation Commission
 - 03.31 General Fund Grants (implementation, engineering, basic allocation, tsp state match)
 - 03.32 Capital Fund Grants (livestock, CREP)
 - 03.33 Special Allocations (SCC pass-through funding)
- 03.6X Department of Transportation
- 05.4X Universities and Four-Year Colleges
- 06.9X Other Agencies

¹ For a complete list of state agencies, see the GAAP or Cash Basis BARS Manual, Part 1, Chapter 3.

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

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

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

337.07.XX Money Furnished by a County

337.08.XX Money Furnished by a City

337.09.XX Money Furnished by Other Governments (e.g., other districts, etc.)

338 INTERGOVERNMENTAL SERVICE REVENUES

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

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

338.83 Environmental Protection Services

339 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS

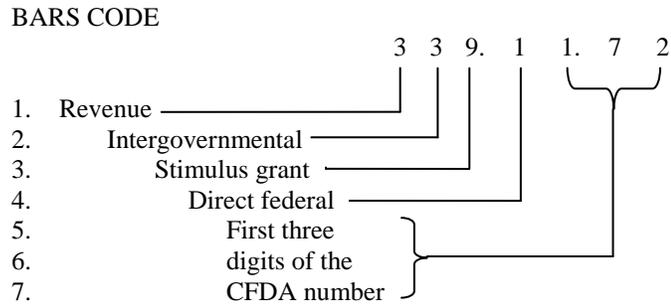
Use this account to record ARRA grants. Include here all operating and capital related grants. Continue to use account codes 331 and 333 for federal revenues that are not part of the Recovery Act.

Use the following elements for direct and indirect grants:

- 339.1X.XX for direct stimulus grants, and
- 339.2X.XX for indirect stimulus grants.

Grant revenues will be coded using the first three digits of program's Catalog of Federal Domestic Assistance (CFDA) number.

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



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

340 CHARGES FOR GOODS AND SERVICES

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

GENERAL GOVERNMENT

Use this category only for services not included in any other specific function or activity of the conservation district. If the charges are made to another government, see the account 338 to determine whether to use 338 or 341.

FINANCIAL SERVICES

341.43 Administrative Services

(E.g., collection fees for burning permits, 10 percent county/landowner intermediary fee, etc.)

341.49 Other Financial Services

341.60 WORD PROCESSING, PRINTING AND DUPLICATION SERVICES

(E.g., copier, phone, fax use charges, etc.)

SALES OF MERCHANDISE

Include rain gauges, district logo t-shirts, hats, etc.

341.71 Sales of Taxable Merchandise.

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

341.75 Sales of Nontaxable Merchandise

341.90 OTHER SERVICES

UTILITIES AND ENVIRONMENT

NATURAL RESOURCE CONSERVATION AND CONTROL

CONSERVATION FEES

- 343.11.1X Sale of Plant Materials
(E.g., tree sales, etc.)

- 343.11.2X Sale of Products
(E.g., gravel, soil, bark, fertilizer, compost, firewood, Bentonite, gabions, etc.)

- 343.11.3X Fees for Scientific Testing
(E.g., nutrient, soil, water testing, etc.)

- 343.11.4X Recycling Program
(E.g., manure brokering, etc.)

- 343.11.9X Other (E.g., contest entry fees, etc.)

- 343.19 Other Environment Preservation Fees

360 MISCELLANEOUS REVENUES

INTEREST AND OTHER EARNINGS

Interest earned on investments, contracts, notes, and loans, etc.

INVESTMENT INTEREST

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

- 361.11.1X Interest on Checking Account
- 361.11.2X Interest on Savings Account
- 361.11.3X Interest on Money Market
- 361.11.4X Interest on Certificates of Deposit
- 361.11.9X Other Investment Interest

361.30 GAINS (LOSSES) ON INVESTMENTS

Include gain or loss on sale of investments. Do not include any earnings attributable to interest.

361.40 INTEREST ON CONTRACTS, NOTES, LOANS AND ACCOUNTS RECEIVABLE

INTEREST AND PENALTIES ON ASSESSMENTS

- 361.52 Penalties on Operating Assessments
- 361.56 Interest on Operating Assessments

RENTS, LEASES AND CONCESSIONS

(E.g., rentals, leases, percent of concession proceeds, commissions, royalties, etc.) Sales and leasehold taxes collected on these items should be posted to account 386.

- 362.10 EQUIPMENT AND VEHICLE RENTALS SHORT-TERM (less than one year)
- 362.20 EQUIPMENT AND VEHICLE RENTALS LONG-TERM (over one year)
- 362.40 SPACE AND FACILITIES RENTALS SHORT-TERM (less than one year)
- 362.50 SPACE AND FACILITIES RENTALS LONG-TERM (over one year)
- 362.90 OTHER RENTS AND USE CHARGES
(E.g., utility rentals, royalties for use of property, etc.)

CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES

- 367.11 Gifts, Pledges, Grants and Bequests from Private Sources
- 367.19 Other

SPECIAL ASSESSMENTS – OPERATING

An assessment levied by a local government to support a particular operation. The basis of allocation may be other than real property value. Penalties and interest of delinquent special operating assessment should be coded 361.50.

- 368.51 Operating Special Assessments

MISCELLANEOUS REVENUES

- 369.10 SALES OF SCRAP OR JUNK
- 369.20 UNCLAIMED MONEY AND PROCEEDS FROM SALES OF UNCLAIMED PROPERTY
Include sale of intangible property, unclaimed for more than two years (RCW 63.29.130).
- 369.40 JUDGMENTS AND SETTLEMENTS
Include revenue from claims determined by legal judgment or mutual consent. Include liquidated damages. See 395 and 398 for claims related to insurable losses.
- 369.80 CASH ADJUSTMENTS (E.g., cashier's overages or shortages, etc.)
- 369.90 OTHER
Include recovery of NSF fees, corrections of minor errors and reimbursements for prior year expenditures, etc.

380 NONREVENUES

Include receipts which do not meet revenue criteria. Unless specifically prescribed by the BARS manual, element, subelement, object and subobject codes may be assigned locally.

384.00 PROCEEDS FROM SALES OF INVESTMENTS

Include proceeds derived from the sale of investments. Exclude any interest or other earnings.

386.00 AGENCY TYPE DEPOSITS

Include amounts collected on behalf of state or other entity. (E.g., sales and leasehold excise taxes, etc.) Use account 586 when remitting those amounts to appropriate state agency or local government.

OTHER INCREASES IN CASH AND INVESTMENTS

388.80 PRIOR YEAR(S) CORRECTIONS

This account should be used only for material errors in prior periods that would distort current operations. This account should never be used for refunds or canceled warrants both of which should be posted to the expenditure account. The correction of minor errors should be posted to 369.90.

389.00 OTHER NONREVENUES

Subdivide this account as necessary to identify nonrevenue receipts which are not included in other nonrevenue accounts (e.g., receipt of unidentified money pending identification and posting, etc.) This account may also be used for receipt of refunds and canceled warrants pending their posting to expenditure accounts.

390 OTHER FINANCING SOURCES

DEBT PROCEEDS

391.50 CAPITAL LEASES/INSTALLMENT PURCHASES PROCEEDS

391.70 NOTE/CONTRACT PROCEEDS

391.80 INTERGOVERNMENTAL LOAN PROCEEDS

391.90 PROCEEDS OF OTHER DEBT

CAPITAL ASSETS PROCEEDS

395.10 PROCEEDS FROM SALES OF CAPITAL ASSETS
(E.g., real estate (land and buildings), equipment, street vacations, timber sales, etc.)

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

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

398 INSURANCE RECOVERIES

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

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

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CONSERVATION DISTRICTS

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Part 1. Chart of Accounts
Chapter 3. Expenditure Accounts

The 500 series of accounts designate all outflows by function, activity and character.

All expenditure and nonexpenditure codes include five (5) digits. An additional 2 digits (objects/subobjects) is required to complete the coding. The object/subobject codes are listed immediately following the expenditure accounts.

- 508 ENDING CASH AND INVESTMENTS**
- 510 RESERVED**
- 520 RESERVED**
- 530 UTILITIES AND ENVIRONMENT**
- 540 RESERVED**
- 550 RESERVED**
- 560 RESERVED**
- 570 RESERVED**
- 580 NONEXPENDITURES**
 - 584 PURCHASE OF INVESTMENTS**
 - 586 AGENCY TYPE DISBURSEMENTS**
 - 588 OTHER DECREASES IN CASH AND INVESTMENTS**
 - 589 OTHER NONEXPENDITURES**
- 590 OTHER EXPENDITURES AND FINANCING USES**
 - 591-592 DEBT SERVICE**
 - 594 CAPITAL EXPENDITURES**
 - 598 OTHER OPERATING EXPENDITURES**

EXPENDITURE ACCOUNTS
Account Definitions

508 ENDING CASH AND INVESTMENTS

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

508.10 RESERVED

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

508.80 UNRESERVED

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

530 UTILITIES AND ENVIRONMENT

SOIL AND WATER CONSERVATION

531.11 ADMINISTRATION

Activities of a general nature, not associated directly with a specific service function. This category may include administrative staff salaries, planning, research, development, staff training, membership dues, election cost, etc.

531.15 MAINTENANCE

Include cost of ordinary repairs and upkeep of land, buildings, and equipment.

531.16 CONTRACTED PROCESSING AND OPERATIONS

This category is used when a district contracts out a major portion of its activities. This category is not intended for consultant contracts or minor amounts of professional services.

531.17 CUSTOMER SERVICES AND MARKETING

Include advertising costs (except for election related advertising – see account 531.11), customer information and education activities.

531.18 GENERAL OPERATIONS

Include expenditures related to the primary service of the district. (E.g., technical assistance, tree sales, etc.)

531.19 OTHER

This category is provided for other expenditures not otherwise included in above accounts (e.g., penalties for late payments, etc.).

EXPENDITURE ACCOUNTS

Account Definitions

580 NONEXPENDITURES

Include disbursements which do not meet the expenditure criteria. Unless specifically prescribed by the BARS manual, element, subelement, object and subobject codes may be assigned locally.

584.00 PURCHASE OF INVESTMENTS

Include amounts paid for investments.

586.00 AGENCY TYPE DISBURSEMENTS

Use this account for remittance of amounts collected on behalf of the state or other entity and recorded in 386. (E.g., sales and leasehold excise taxes, etc.)

OTHER DECREASES IN CASH AND INVESTMENTS

588.80 PRIOR YEAR(S) CORRECTIONS

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

589.00 OTHER NONEXPENDITURES

Use this account for all other nonexpenditure not included in other specific 580 accounts. (E.g., disbursement of unidentified money pending identification, etc.) This account may also be used for refunds of revenues collected in error, pending their posting to a revenue account.

DEBT SERVICE

591.31 REDEMPTION OF DEBT

592.31 INTEREST AND OTHER DEBT SERVICE COSTS

CAPITAL EXPENDITURES

594.31 SOIL AND WATER CONSERVATION
(E.g., vehicles, machinery, buildings, etc.)

OTHER OPERATING EXPENDITURES

598.31 INTERGOVERNMENTAL AND OTHER PAYMENTS Include district's disbursements of money to other governmental and nongovernmental entities based on interlocal or other agreements. Include disbursements related to pass-through grants.

598.96 FINANCIAL ASSISTANCE – COST SHARING PROGRAMS.
A conservation district's share of expenditures related to land owners' installation of best management practices.

OBJECT/SUBJECT CODES

ONLY THE OBJECT (FIRST DIGIT) IS REQUIRED FOR REPORTING PURPOSES. THE SUBJECT (SECOND DIGIT) IS OPTIONAL FOR ACCOUNTING/MANAGERIAL PURPOSES.

OBJECT. As used in expenditure classification, this term applies to goods purchased or services obtained as distinguished from the results obtained from expenditures.

NOTE: When received a reimbursement or refund, reverse the original expenditure transaction using the same BARS account code (including the same object/subject) like when the original transaction was posted.

If the reimbursement applies to expenditures from the previous period(s) and reversing of transaction(s) is not possible, post the amount of reimbursements/refunds as miscellaneous revenue or, if the amount is material, adjust the beginning net cash and investment and provide an explanation in the notes to the financial statements.

10¹ SALARIES AND WAGES

Amounts paid for personal services rendered by employees in accordance with the rates, hours, terms and conditions authorized by law or stated in employment contracts. This category also includes overtime, hazardous duty or other compensation construed to be salaries and wages. Subdivide this account as necessary for local purposes (i.e., regular pay, overtime pay, sick pay (employee related), sick pay (non-employee related), vacation pay, shift differential, and other taxable compensation).

Note: Personal services do not include fees and out-of-pocket expenditures for professional or consultant services performed on assignments. Such services are properly classified as Services.

20¹ PERSONNEL BENEFITS

Those benefits paid by the employer as part of the conditions of employment. Subdivide as needed for local purposes. (E.g., insurance, unemployment compensation, OASI (FICA) – employer-paid portion, uniforms and clothing, pension retirement, and workers’ compensation.)

30¹ SUPPLIES

Amounts paid for articles and commodities purchased for consumption or resale.

31 Office and Operating Supplies. Articles purchased directly and consumed by operating departments. (E.g., chemicals, forms, cleaning and sanitation supplies, clothing, office supplies, construction materials and supplies, laboratory supplies, publications, etc.)

32 Fuel Consumed. Include fuel used to generate power, fuel for heating, and fuel for operating engines and vehicles. Use subobject 34 for fuel purchased for resale. Use subobject 47 for electricity and natural gas. (E.g., coal, diesel fuel, fuel oil, gasoline, propane gas, wood, etc.)

34 Supplies Purchased for Inventory or Resale. (E.g., code books, concession supplies, fuel, maps, trees, etc.)

35 Small Tools and Minor Equipment

¹ Only the object (first digit) is required for reporting purposes. The subject (second digit) is optional for accounting/managerial purposes.

OBJECT/SUBJECT CODES

40¹ SERVICES

Amounts paid for services other than personal services which are needed by the district. Such services may be provided by another government or by private business organizations.

- 41 Professional Services.** (E.g., accounting and auditing, computer programming, scientific testing and monitoring, custodial and cleaning, engineering and architectural, management consulting, special legal services, investment, etc.)
- 42 Communication.** (E.g., facsimile, postage, on-line charges, telephone, shipping, etc.)
- 43 Travel.** (E.g., lodging, mileage, meals, per diem, etc.)
- 44 Advertising**
- 45 Operating Rentals and Leases**
- 46 Insurance.** (E.g., bonds, other casualty, fire, theft, liability, etc.) Note: Use object 20 for insurance applicable to personnel benefits.
- 47 Utility Services.** (E.g., cable television, electricity, gas, sewer, waste disposal, water, etc.)
- 48 Repairs and Maintenance.** Contracted (external) labor and supplies furnished by the contractors. See object 60 for construction contracts. (E.g., buildings, equipment, improvements, structures, etc.)
- 49 Miscellaneous.** (E.g., judgments and damages, dues, subscriptions, memberships, etc.)

50¹ INTERGOVERNMENTAL SERVICES

Amounts paid for intergovernmental services.

- 51 Intergovernmental Professional Services.** Amounts paid to other governments for services rendered. Intergovernmental services are limited to those normally provided by governments and not by private businesses. Do not include amount paid to another government for services that are not governmental in nature, such as insurance, utility charges, rentals, repairs and supplies. Include election expenditures.
- 52 Intergovernmental Payments from Federal, State, or Local Funds.** Use this subobject for disbursements of state or local revenues to other governments. Also use this subobject with pass-through grants.

¹ Only the object (first digit) is required for reporting purposes. The subobject (second digit) is optional for accounting/managerial purposes.

OBJECT/SUBJECT CODES

60¹ CAPITAL OUTLAYS

Amounts paid for capital assets. Include incidental costs such as legal, appraisal and brokerage fees, land preparation and demolishing buildings, fixtures and delivery costs.

61 Land

62 Buildings and Structures

63 Other Improvements

64 Machinery and Equipment. Note: Exclude small tools and minor equipment. (See subobject 35.)

66 Capital Leases. Use this subobject with the Basub 591 (for principal) and 592 (for interest) to code the initial and subsequent payments for capital assets purchased under executory conditional sales contracts (RCW 39.30.010), lease-purchase agreements, installment purchase agreements, and similar arrangements that defer payment for capital outlays over a period of times.

Lease payments that are not considered a capital lease should be charged to subobject 45, *Operating Rentals and Leases*.

70¹ DEBT SERVICE: PRINCIPAL

Use with Basub 591.

77 Notes/Contracts

78 Intergovernmental Loans

79 Other Debt

80¹ DEBT SERVICE: INTEREST AND RELATED COSTS

Use with Basub 592.

81 Interest on Short-Term External Debt

83 Interest on Long-Term External Debt

84 Debt Issue Costs

89 Other Interest and Debt Service Costs

¹ Only the object (first digit) is required for reporting purposes. The subobject (second digit) is optional for accounting/managerial purposes.

FINANCIAL REPORTING

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Chapter 1. General Accounting Principles
Section A. Fund Types and Accounting Principles

The following principles are basic rules of accounting and financial reporting for conservation districts.

ACCOUNTING AND REPORTING CAPABILITIES

1. A governmental accounting system must make it possible to determine and demonstrate compliance with finance-related legal and contractual provisions.

FUND ACCOUNTING SYSTEMS

2. Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

BASIS OF ACCOUNTING

3. Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements.

Revenues are recognized only when cash is received and expenditures are recognized when chargeable against the report year's budget appropriations as required by state law. This generally results in revenues being recognized when delivered to the government or government's agent and expenditures being recognized when paid. Warrants and checks are considered *paid* when issued. An exception to expenditure recognition would be during any open period after the close of the fiscal year when expenditures can be charged against the previous period for claims incurred in the previous period. Open periods are required by statute for cities (RCW 35.33.151 and RCW 35A.33.150) and allowed for counties (RCW 36.40.200). Special purpose districts which use the county or a city as their treasurer may use the same open-period as their treasurer. If a district acts as its own treasurer, no open period is allowed by statute.

Revenues and expenditures should be reported at gross amounts by account and not netted against each other.

Revenues and expenditures should be recognized for all receipts and payments of a government's resources, including those where the cash is handled by an agent (such as a bank, underwriter, etc.) on behalf of the government rather than handled directly by the local government. For example, debt proceeds wired directly to an escrow account, payments by the State Treasurer's Office to vendors for items purchased with LOCAL resources, etc. Interest earned on investments should generally be recognized when interest is received - that is, when interest is credited to the government's account, which may happen at different times depending on the investment instrument or fiscal agent. However, governments may establish a different accounting policy for recognizing interest earnings so long as it results in a rational and reasonable treatment of interest and is disclosed in the notes to the financial statements.

In addition, revenue and expenditures should also be recognized when the government agrees to forgo revenue in exchange for reduction of expenses (offsetting agreement) or receipt of an asset (e.g., acquiring an asset in exchange for reduced permit fees, etc.). In such cases, the transaction should be recorded as if the cash was received and expended in order to reflect the legal transaction.

This basis results in no reported assets other than cash and investments and no reported liabilities. For example, purchases of capital assets are expensed during the year of acquisition without any capitalization of capital assets or allocation of depreciation expense. However, please be aware that certain liabilities should be reported on Schedule 09 and in the notes in financial statements.

TYPES OF FUNDS

4. Presented below is a system to classify all funds used by conservation districts and the assignment of code numbers to identify each type of fund. A three digit code is used: the first digit identifies the fund type and the next two digits will be assigned by the conservation district to identify each specific fund.

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

For reporting purposes conservation districts are required to follow the described below fund structure. However, the districts may create other funds for accounting or managerial purposes. When preparing external financial reports, those *accounting* or *managerial* funds should be rolled to appropriate fund types (e.g., there should be only one general fund).

Governmental Funds

Code

- 000 General (Current Expense) Fund – should be used to account for and report all financial resources not accounted for and reported in another fund. For reporting purposes the district can have only one general fund.

Although a local government has to report only one general fund in its external financial reports, the government can have multiple general *subfunds* for its internal managerial purposes. These managerial subfunds have to be combined into one general fund for external financial reporting.

- 100 Special Revenue Funds – should be used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. *Restricted* revenues are resources externally restricted by creditors, grantors, contributors or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. *Committed* revenues are resources with limitations imposed by the highest level of the government (i.e. board of supervisors), through a formal action (resolution, ordinance) and where the limitations can be removed only by a similar action of the same governing body. Revenues do not include other financing sources (long-term debt, transfers, etc.).

The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be foundation for a special revenue fund. They should be expected to continue to comprise a substantial portion of the inflows reported in the fund. It is recommended that at least 20 percent to be a reasonable limit for restricted and committed revenues to be considered substantial portion of inflows. Districts need to consider factors such as past resource history, future resource expectations and unusual current year inflows such as debt proceeds in their analysis.

They may use the calculation below to determine whether an activity would qualify for reporting as a special revenue fund.

$$\text{Substantial portion of inflows} = \frac{\text{restricted revenues} + \text{committed revenues}}{\text{total resources* reported in the fund}}$$

*Total resources would include all revenues and other financing sources.

Other resources (investment earnings and transfers from other funds, etc.) also may be reported in the fund if these resources are restricted, committed, or assigned (intended) to the specific purpose of the fund.

Districts should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the district no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

All revenues should be recognized in the special revenue fund. If the resources are initially received in another fund, such as the general fund, and subsequently remitted to a special revenue fund, they should not be recognized as revenue in the fund initially receiving them. They should be recognized as revenue in the special revenue fund from which they will be expended. So, the conservation district can either receive resources directly into the special revenue fund, or account for the resources as agency deposits in the receiving fund and, after remitting them, recognize them as revenue to the special revenue fund.

Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

The special revenue funds can be used as **reserve** funds only if they meet the above requirements. If they do not meet these requirements, the district should utilize *reserved fund balance* to segregate the reserved amounts.

- 200 Debt Service Funds – should be used to account for and report financial resources that are restricted, committed, or assigned (intended) to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.
- 300 Capital Projects Funds – should be used to account for and report financial resources that are restricted, committed, or assigned (intended) to expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets.
- 700 Permanent Funds – should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens (public-purpose). Permanent funds do not include private-purpose trust funds which account for resources held in trust for individuals, private organizations, or other governments.

Fiduciary Funds

- 600 Fiduciary Funds – should be used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) investment trust funds (600-609); (b) pension (and other employee benefit) trust funds (610-619); (c) private-purpose trust funds (620-629); and (d) agency funds (630-699).

- 620-629 Private-Purpose Trust Funds – should be used to report trust arrangement under which principal and income benefit individuals, private organizations and other governments.
- 630-699 Agency Funds – should be used to report resources held by the district in a purely custodial capacity (assets and liabilities).

NUMBER OF FUNDS

- 5. Districts should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. Using numerous funds results in inflexibility, undue complexity and inefficient financial administration.

Districts should periodically undertake a comprehensive evaluation of their fund structure to ensure that individual funds that became superfluous are eliminated from accounting and reporting.

Elected officials should be educated to the fact that accountability may be achieved effectively and efficiently by judicious use of department, program and other available account coding or cautious use of managerial (internal) funds.

BUDGETING, BUDGETARY CONTROL, AND BUDGETARY REPORTING

- 6. Per RCW 89.08.220(7), each district is required to prepare a *Comprehensive Long-Range Program* and an *Annual Work Plan*, each approved by the board and submitted to the Conservation Commission, describing all of the activities and planned activities of the district.

TRANSFER, REVENUE AND EXPENDITURE ACCOUNT CLASSIFICATIONS

- 7.
 - a. Interfund transfers, proceeds of long-term debt, and material proceeds of capital asset disposition should be classified separately from fund revenues and expenditures.
 - b. Governmental fund revenues should be classified by fund and by the sources indicated in Part 1, Chapter 2. Expenditures should be classified by fund and by the categories indicated in Part 1, Chapter 3.

COMMON TERMINOLOGY AND CLASSIFICATION

- 8. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

INTERIM AND ANNUAL FINANCIAL REPORTS

- 9.
 - a. Appropriate interim financial statements and reports of operating results and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes.
 - b. Annual reporting requirements are prescribed by the State Auditor’s Office. See Part 3 for details.

Chapter 1. General Accounting Principles
Section B. Internal Control

Purpose and Definition of Internal Controls

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

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

Management and the governing body are responsible for the government’s performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as “management” throughout the rest of this section.

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

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

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

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

Determining what specific controls to implement

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

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

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

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

Controls over Compliance

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

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

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

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

Controls over Financial Reporting

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

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

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

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

Limitations of Internal Control

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

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

- Control override – Personnel with responsibility to resolve issues identified by controls may decide to ignore or override prescribed policies or procedures. *This limitation, when applicable, can be mitigated by a good control environment and adequate monitoring of controls.*
- Mistakes – Although internal controls may be designed in such a way as to reduce the likelihood of mistakes, is it always possible that a mistake may be made. *This limitation can be mitigated by a good control environment, redundant controls, automated controls, supporting controls such as check-figures or exception reports, and adequate monitoring of controls.*
- Unforeseen circumstances – Controls may operate incorrectly when faced with unforeseen situations or permutations. *This limitation can be mitigated by thorough risk assessment and adequate monitoring of controls.*
- External factors – Achievement of operational performance objectives (efficiency and effectiveness) may depend on factors outside of the government’s control, such as regulation, resource limitations, environmental change, decisions made by service recipients or stakeholders, actions of key suppliers, customers or program partners. etc. *This limitation can be mitigated by thorough risk assessment.*

Although controls are not an absolute guarantee of success, effective internal controls are expected to consistently and reliably achieve objectives, year after year. However, even well-designed controls have a remote possibility of failure. This possibility increases with the number and primacy of uncontrollable factors, as may be the case for operational performance objectives.

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

Chapter 1. General Accounting Principles
Section C. Original Supporting Documentation

Local governments are responsible for establishing, obtaining, and ensuring the integrity and retention of the original vouchers, receipts, and other documents, regardless of physical form, necessary to isolate and prove the validity of every transaction relating to the receipt, use and disposition of public funds or property. This requirement extends to all interfund transactions, including the allocation of overhead costs across local governments' funds.

Electronic Documentation

Electronic supporting documentation for transactions is appropriate where safeguards exist to ensure that the documentation cannot be changed or altered and that the documentation will be properly maintained as a public record. In cases where the source documents are initiated electronically and the local government's accounting system does not have sufficient controls to ensure the integrity of the data, the electronic records should be printed, reviewed and signed by a knowledgeable person, in addition to the Auditing Officer certification. The printed records then become the official source document supporting the transaction.

Internal controls ensuring the integrity of data supporting public transactions shall include policies and procedures ensuring the completeness, accuracy and availability of the data. This would include, but is not limited to, establishing an audit trail and/or system for identification of changes made and users making subsequent modification to the source documents to ensure a proper chain of custody.

Scanned Documentation

Scanned original documents are acceptable to support the receipt; use and disposition of public funds given the above mentioned controls are in place to ensure their integrity, completeness and accuracy. The original imaged source records cannot be destroyed unless the Secretary of State has approved the local government's application requesting early destruction of records after electronic imaging. See Chapter 434-663 WAC.

Authorization of Transactions

Local governments are responsible for ensuring transactions are properly authorized and have the appropriate type of signature approval.

Physical Signature

If there is a legal requirement for a signature on an electronic document (i.e. contract, etc.), it can have a digital signature. If a local government chooses to use a digital signature, they are responsible for complying with Chapter 19.34 RCW.

Facsimile Signature

Instruments of payments (i.e. check/warrant) can have a legal facsimile signature. A facsimile signature is a reproduction of a signature by engraving, imprinting, stamping or other means. If a local government chooses to use a facsimile signature, they are responsible for complying with Chapter 39.62 RCW.

Non-Legal Facsimile Signature

Documents that do not require a legal signature can be authorized by a non-legal facsimile signature. A non-legal facsimile signature is a reproduction of a signature by engraving, imprinting, stamping, or other means.

Log-in Identification

A number of accounting applications have been developed to use an individual's log-in identification to authenticate an approval. This can be acceptable if there is no legal requirement for a written signature and there are controls in place over the accounting process to ensure the appropriate authorization of the individual transactions and assure the integrity of the transaction population.

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Chapter 2. Revenue and Receipts
Section A. Electronic Funds Transfer

Electronic funds transfer (EFT) is the deposit to or disbursement from a bank account by means of wire or other electronic communication. RCW 39.58.750 governs the circumstances under which electronic fund transfers may be used. The following accounting procedures are recommended:

1. Receiving money by EFT:

- a) Prepare a receipt upon receiving notice from the payer that the funds have been transferred to the conservation district's bank account. Do not wait for the bank to notify the conservation district of receipt of the funds.

However, you may want to contact your bank to confirm the expected funds have arrived.

Enter the following information on the receipt:

- ◆ Date of receipt
 - ◆ Name of entity transferring money into the district's account
 - ◆ Grant number, if applicable
 - ◆ BARS account number
 - ◆ Notation that funds were received by EFT
- b) A file must be maintained of those payers who have agreed in writing to add money to the conservation 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 or other accounting system expenditure account number.
 - ◆ Name and number of funds (s).
 - ◆ Disbursing bank's unique transaction identification number, if available.
 - ◆ Receiving bank or financial institution's identification number.
- b) A file must be maintained of authorizations signed by payees who have thereby agreed to have money added to their accounts electronically.
- c) The conservation district should notify the disbursing bank that access to files, records and documentation of all EFT transactions involving the conservation district should be provided to the State Auditor when required for the conduct of the statutory post audit.

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Chapter 2 Revenue and Receipts
Section B. Cash Receipting

Cash receipting is a very important function of the conservation district. Listed below are requirements for deposits and receipt forms. Also provided are recommended internal control procedures for cash receipts. Internal controls are the responsibility of a conservation district's board of supervisors.

1. Deposits
 - a) Deposit checks and money collected and/or received promptly (once every 24 hours, if possible)
 - b) The daily deposits must be intact, and the composition of checks and cash must match the bank deposit slip and related receipts.
 - c) Checks must be restrictively endorsed *For Deposit Only* immediately upon receipt.
2. Receipt Forms (manual or automated)
 - a) Receipt forms must be pre-printed, pre-numbered, duplicate. (Receipt books are available upon request from the Conservation Commission office)
 - b) Receipt forms must include the following information:
 - ◆ Name of payer (address if feasible)
 - ◆ Amount received
 - ◆ Mode of payment (cash, check, EFT, other)
 - ◆ Purpose of payment
 - ◆ Name of employee who prepares receipt
 - c) If a receipt is voided, the original and any copies of that receipt must be retained.
3. Internal Controls
 - a) Receipt all district revenues.
 - b) Ideally, two employees should prepare a list of cash and checks received. However, since conservation districts have limited staff, as a minimum, a system of supervisory review of the remittance list and bank deposits should be in place.
 - c) The deposit should be prepared by someone other than the person who received the payment. However, as noted above, because of limited staffing, this may not be feasible. In such cases, the conservation district should implement a system of supervisory review of the remittance list and bank deposits.
 - d) Checks received in the mail should be reviewed for accuracy (e.g. proper payee, date, signature of payer, etc.). Checks with obvious inaccuracies should not be included in the deposit. In such a case, the conservation district should contact the payer and request that the payment be corrected or reissued.
 - e) The remittance list should be compared (reconciled) to deposit slips and to the cash receipts (or check register) on a regular basis.
 - f) A monthly Treasurers Report should be prepared and reviewed at every monthly conservation district board meeting, approved by the board, and included as part of the district meeting minutes.
 - g) Cash receipts should be properly protected during the operating day and, if they cannot be deposited that day, secured overnight.

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Chapter 3. Expenditures and Disbursements
Section A. District Powers and Duties

1. The treasurer of the county in which a conservation district is located is ex officio treasurer of the district. If the district does not utilize the county as the ex officio treasurer, the board must appoint some other person having experience in financial or fiscal matters as treasurer of the conservation district.
2. The district must appoint an auditor of the conservation district.
3. The treasurer and auditor must be bonded in an amount determined by the board, but not less than fifty thousand dollars.
4. The premium on the bond will paid by the district.
5. All district funds must be disbursed only on checks signed by the district auditor and one other board authorized signer.
6. All district funds will be disbursed only after authorization by the board of supervisors, which is responsible for all record keeping of the district as well as for the annual audit of those records as required by state law (RCW 89.08.210).
7. If the treasurer of the county acts as the district treasurer, all district funds must be deposited with the county depositories under the same restrictions, contracts, and security as provided for county depositories. Otherwise, all funds must be deposited in an approved depository authorized to do business in this state as determined by the Public Deposit Protection Commission. RCW 39.58.040
8. A district may provide and require a reasonable bond of any other person handling moneys or securities of the district, if the district pays the premium.

Chapter 3. Expenditures and Disbursements
Section B. Travel

For the purpose of the BARS, travel expenses include 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 board of supervisors of each conservation district must pass a resolution establishing rules and regulations regarding reimbursement of travel expenses for district officials and employees. The resolution should discuss the district's policy on tipping, charging expenses to the district, and it should prohibit reimbursement for personal expenses and entertainment.

If a conservation district utilizes credit cards for travel related expenses, the board of supervisors must pass a resolution establishing rules and regulations that satisfy provisions of Chapter 42.24 RCW, including:

1. Limiting the use of credit cards to authorized travel expenses only
2. Submission of a fully itemized travel expense voucher by the employee or district board member
3. Settlement by the employee or board member within 30 days of the billing date
4. The establishment of a lien against a 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."

(It is recommended that the state's Travel Expense Voucher [Form A-20A] be used)

Note: If travel expenses are reimbursed as part of a state grant, the district must follow state travel guidelines found in the State Office of Financial Management, *State Administrative and Accounting Manual*.

Chapter 3. Expenditures and Disbursements
Section C. Imprest, Petty Cash and Change Funds

For the purpose of BARS, petty cash includes change funds, working funds, revolving, advance travel, stamp funds, change funds, or any other funds set aside for such specific purposes as minor disbursements, making change, and similar uses. If the petty cash is disbursed, it is periodically restored to its original amount by a warrant drawn and charged to the applicable operating fund.

The following are minimum requirements for the establishment and operation of such funds.

1. The governing body must authorize each petty cash account in the manner that local legislation is officially enacted, i.e., resolution or ordinance. This applies also to all subsequent increases or decreases in the imprest amount. The original authorized balance and any subsequent increase may be established by treasurer's check.
2. The governing body or its delegate must appoint one custodian of each petty cash account who should be independent of invoice processing, check signing, general accounting and cash receipts functions. As part of the appointment, the custodian should render a receipt for the imprest amount to the treasurer, clerk-treasurer or auditor from whom he/she receives it. When it is not practical to hire additional personnel or to reallocate these duties among existing personnel, the governing body must establish some mechanism of review that accomplishes the objectives of the segregation of duties. For example, periodic monitoring of cash receipts and/or independent performance of the reconciliation may be adequate compensating controls for when complete segregation of duties is not possible.
3. The authorized balance should not exceed one month's salary or the surety bond covering the custodian.
4. On a monthly basis, the fund should be reconciled to the authorized balance and to the actual balance per bank statements or a count of cash on hand. If this reconciliation is done by the custodian, it should be checked or re-performed periodically by someone other than the custodian.
5. For funds on hand (i.e., petty cash or change funds), the custodian must ensure cash is kept in a secured place, such as a locked drawer or box.
6. Whenever disbursements are made, the fund must be replenished at least monthly by warrant or check. The replenishment should be subject to the same review and approval as processed invoices.

The replenishment must be by voucher with the appropriate receipts attached. The receipts should show the date, recipient, purpose, and amount of each cash disbursement. These receipts must be signed by the person receiving the money, stamps, etc. The receipts should be perforated or canceled by some other appropriate means to prevent reuse. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized balance.

7. No receipts may be deposited to the fund other than approved replenishments and increases to the authorized balance as described above.
8. The fund may never be used for personal cash advances, loans or expenditures.
9. Funds may also never be used to provide check-cashing services for employees or others. Governments should avoid cashing checks out of (from) cash receipts because this destroys the intactness of deposits. See the separate procedures applicable to advances for travel expenses.
10. Whenever an individual's appointment as custodian is terminated, the fund must be replenished and the imprest amount turned over to the treasurer or other disbursing officer.

Chapter 3. Expenditures and Disbursements
Section D. Voucher Certification and Approval

Claims Certification

All claims against the district must be preaudited and certified by the district board treasurer. This certification may be made on each individual claim voucher, or subject to the acceptance and approval of the board of supervisors. 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 board treasurer of the responsibility and liability for each individual voucher so certified. The certification must be signed and dated by the treasurer.

For all claims, except expenditure reimbursement claims certified by district employees or board members, the certification must include the following language:

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against _____ Conservation District, and that I am authorized to authenticate and certify to said claim.

Employee Reimbursement Certification

The treasurer's certification for employee/district supervisor expenditure 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 _____ Conservation District, and that I am authorized to certify to said claim.

The certification by the treasurer in no manner relieves members of the board of supervisors from the responsibility and liability for each voucher approved. It is the district board's responsibility to ensure that the system of auditing and certifying vouchers is operating in a manner to provide the greatest possible protection.

Approval Methods

To indicate board of supervisor's approval for payment of those vouchers audited and certified by the treasurer, the following statement must be entered in the minutes of the board meeting:

The following voucher/warrants are approved for payment:

Voucher (check) numbers: _____ through _____ and totaling \$ _____

Payroll check numbers: _____ through _____ and totaling \$ _____

If the board of supervisors authorizes the procedure, the district may issue checks before the board approves claims. To do this, the district must enact the following policies and procedures (required in Chapter 42.24 RCW and RCW 89.08.215):

1. The treasurer and the board designee designated to sign the checks must have an official bond. The amount should be determined by the board of supervisors but cannot be less than fifty thousand dollars.
2. The board must adopt contracting, hiring, purchasing, and disbursing policies that implement effective internal controls.
3. The board must review and approve the claims paid at its next regularly scheduled public meeting.
4. If the board disapproves some claims, the auditor and the board designee designated to sign the checks must recognize these claims as receivables of the district and pursue collection diligently until the amounts are either collected or the board is satisfied and approves the claims.

The board may stipulate that certain expenditures will not be paid before the board has reviewed the supporting documentation and approved the issue of checks in payment of those expenditures. For example, the board may allow the district's staff to pay normal, recurring claims such as phone, payroll, utility bills, etc. But the board may reserve for itself the discretion to approve major equipment purchases.

The original copy of all vouchers or receipts must be filed in the conservation district office. The detailed accounts to which the expenditures are to be posted must be clearly designated. Supporting documentation must be retained and attached to the vouchers, and cancelled by the treasurer to prevent reuse. See page Part 2, Chapter 1, Section C for information regarding original supporting documentation.

Vouchers and supporting documentation must be filed in a manner that allows rapid identification and retrieval of all the vouchers of a particular fund, program, or account code.

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Chapter 4. Grant Accounting

Section A. Accounting for Grants

The requirements and procedures described below apply to conservation districts with programs funded with federal funds and/or federal funds that are passed through the state and/or a local government to the conservation district.

Excerpts from U.S. Office of Management and Budget (OMB) Circular A-133, Circular A-87, and the Common Rule are provided in this section. Please note that there are many additional federal laws and regulations that may apply to a conservation district's grants. Copies of these circulars and other federal documents can be obtained from the OMB website: www.whitehouse.gov/omb.

American Recovery and Reinvestment Act (ARRA) of 2009

Transparency and accountability are popular terms used to describe the expectations for state and local governments that are spending ARRA funds. It is important for all recipients of ARRA funds to have an accounting system that enables them to identify how they spent the funding.

Title 2 Code of Federal Regulations Section 176.210 states:

- (a) To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21, *Uniform Administrative Requirements for Grants and Agreements* and OMB Circular A-102 Common Rules provisions, **recipients agree to maintain records that identify adequately the source and application of Recovery Act funds.**

The Common Rule

The Common Rule (an attachment to OMB Circular A-102) sets forth uniform administrative requirements for grants and cooperative agreements. The financial management systems of a conservation district must meet the following standards:

1. **Financial reporting.** Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
2. **Accounting records.** The conservation district must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
3. **Internal control.** Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. The conservation district must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
4. **Budget control.** Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant.
5. **Allowable cost.** Applicable OMB cost principles, agency program regulations, and the terms of the grant and subgrant agreements must be followed in determining the reasonableness, allowability, and allocability of costs.
6. **Source documentation.** Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. See Part 2, Chapter 1, Section C for information regarding original supporting documentation.

OMB Circular A-87

Expenditures of federal funds and costs claimed for reimbursement or used for matching must be determined in accordance with OMB Circular A-87, *Cost Principles for State and Local Governments*. This circular provides criteria for determining whether costs are necessary, reasonable, and allocable. It also lists specific types of costs and expenditures that are allowable and unallowable.

OMB Circular A-133

The Single Audit Act of 1984 (and Amendment of 1996 and 2003) sets forth uniform requirements for audits of federal financial assistance provided to state and local governments. Single audit requirements are provided in OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

According to OMB Circular A-133 ". . . non-federal entities that expend \$500,000 or more in a year in federal awards will have a single audit conducted . . . except when they elect to have a program-specific audit . . ."

Circular A-133 outlines specific responsibilities for the auditee:

1. Identify, in the accounting records, all federal awards received and expended, including the name of the federal grantor agency and pass-through agency (if applicable), the Catalog of Federal Domestic Assistance (CFDA) title and number, and the award number and year.
2. Maintain internal control over federal programs that provides reasonable assurance that the grantee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that have a material effect on the federal program.
3. Comply with laws and regulations and the provisions of contracts or grant agreements related to the federal program.
4. Prepare appropriate financial statements and Schedule of Expenditures of Federal Awards (see Schedule 16).
5. Ensure audits are performed and submitted when due.
6. Follow up and take corrective action on audit findings, including preparation of a Summary Schedule of Prior Audit Findings and a Corrective Action Plan.
7. Submit a Data Collection Form and a reporting package to the federal clearinghouse (refer to the OMB Circular A-133 for details).

Conservation districts that expend less than \$500,000 in a year in federal awards are exempt from federal audit requirements for that year, but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and General Accounting Office.

Chapter 5. Inventories and Capital Assets

Section A. Capital Asset System Requirements

Definition

The term *capital assets* means real and personal property (e.g., land and land rights; buildings, their furnishings, fixtures, furniture; equipment, machinery, vehicles, tools, etc.) the conservation district intends to use or keep for more than one year and which value is above the capitalization threshold.

Accountability means the obligation to demonstrate good management of or control over those matters for which a conservation district is responsible.

A *capital assets management system* is the set of written policies and procedures used to control a conservation district's capital assets, and demonstrate accountability.

General Requirements

Specific requirements of the State Auditor's office are contained in subsequent sections. 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*. Excerpts from the Common Rule have been included in this section. Note that these requirements involve broad stewardship responsibilities and specific accounting records. However, the stewardship responsibilities are not limited only to capital assets. Districts are accountable for all their assets regardless if they were capitalized or not (e.g., small and attractive assets, etc.).

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 conservation district supervisors. District supervisors have several broad responsibilities with respect to capital assets:

1. 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?
2. 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.
3. Maintenance and Repair. The third major responsibility is maintenance. As a steward of public property, a district supervisor has the obligation not only to safeguard assets from loss but also to ensure that they are not neglected or wasted.
4. Planning. The fourth general category of responsibility is planning for future asset needs, both short and long term. Here a district supervisor needs answers to questions such as:
 - ◆ How well is the conservation district using the facilities and equipment it already has?
 - ◆ Which items must be replaced, when and at what cost?
 - ◆ When will additional facilities or equipment be needed 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?

Establishing the Capital Asset System

Designing and establishing a capital asset system requires systematic planning activities:

1. Establish the objectives of the capital asset system and make permanent policy decisions which will shape both the initial establishment of capital asset inventory and maintenance of the system.
2. Design the plan for taking the initial inventory, for verifying and testing the data, and for establishing a value for each recorded asset.
3. Determine 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.

Chapter 5. Inventories and Capital Assets
Section B. Federal Common Rule

Excerpts for Property Management

1. All federal agencies administering programs that involve grants are to issue a common grants management rule (Common Rule). The excerpts listed below are the general rules; however, some federal agencies may publish deviations from the Common Rule due to statutory requirements.
2. Real Property
 - a) Title. Subject to the obligations and conditions set forth in this section, title to real property acquired under a grant will vest upon acquisition in the conservation district.
 - b) Use. Except as otherwise provided by federal statutes, real property will be used for the originally authorized purpose as long as needed for that purpose and the conservation district will not dispose of or encumber its title.
 - c) Disposition. When real property is no longer needed for the originally authorized purpose, the conservation district will request disposition instructions from the awarding agency. The instructions will provide for one of the following alternatives:
 - (1) Retention of Title. Retain title after compensating the awarding agency. The amount paid to the awarding agency will be computed by applying the awarding agency's percentage of participation in the costs of the original purchase to the fair market value of the property. However, in those situations where a conservation district is disposing of real property acquired with grant funds and acquiring replacement real property under the same program, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.
 - (2) Sale of Property. Sell the property and compensate the awarding agency. The amount due to the awarding agency will be calculated by applying the awarding agency's percentage of participation in the cost of the original purchase to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenditures. If the grant is still active, the net proceeds from the sale may offset against the original cost of the property. When a conservation district is directed to sell property, sales procedures will be followed that provide for competition to the extent practicable and result in the highest possible return.
 - (3) Transfer of Title. Transfer title to the awarding agency or to a third party designated/approved by the awarding agency. The conservation district will be paid an amount calculated by applying the conservation district's percentage in participation in the purchase of the real property to the current fair market value of the property.
3. Equipment
 - a) Title. Subject to the obligations and conditions set forth in this section, title to the equipment acquired under a federal grant will vest upon acquisition in the conservation district.
 - b) Use.
 - (1) Equipment will be used by the conservation district in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a federal agency.
 - (2) The conservation district will also make equipment available for use on other projects or programs currently or previously supported by the federal government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use will be given to other programs or projects supported by the awarding agency.
 - (3) The conservation district must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted by federal statute.

- (4) When acquiring replacement equipment, the conservation district may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.
- c) Management Requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with federal grant funds, until disposition takes place will, at a minimum, meet the following requirements:
- (1) Property records must be maintained that include:
 - (a) A description of the property
 - (b) A serial number or other identification number
 - (c) The source of the property
 - (d) Who holds title
 - (e) The acquisition date and cost of the property
 - (f) Percentage of federal participation in the cost of the property
 - (g) The location, use and condition of the property
 - (h) Any ultimate disposition data including the date of disposal and sales price of the property
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated.
 - (4) Adequate maintenance procedures must be developed to keep the property in good condition.
 - (5) If the conservation district is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- d) Disposition. When original or replacement equipment acquired under a federal grant is no longer needed for the original project or program or for other activities currently or previously supported by a federal agency, disposition of the equipment will be made as follows:
- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
 - (2) Items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency will have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
- e) Federal Equipment. In the event a conservation district is provided federally-owned equipment:
- (1) Title will remain vested in the federal government.
 - (2) Conservation districts will manage the equipment in accordance with federal agency rules and procedures, and submit an annual inventory listing.
 - (3) When the equipment is no longer needed, the conservation district will request disposition instructions from the federal agency.
- f) Right to Transfer Title. The federal awarding agency may reserve the right to transfer title to the federal government or a third party named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers will be subject to the following standards:
- (1) The property will be identified in the grant or otherwise made known to the grantee in writing.
 - (2) The federal awarding agency will issue disposition instructions within 120 calendar days after the end of the federal support of the project for which it was acquired. If the federal awarding agency fails to issue disposition instructions within the 120 calendar-day period, the conservation district will follow the proceeding guidelines provided in Section d, *Disposition*.

4. Supplies
 - a) Title. Title to supplies acquired under a grant will vest, upon acquisition, in the conservation district.
 - b) Disposition. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination of completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the conservation district will compensate the awarding agency for its share.
5. Copyrights. The federal awarding agency reserves a royalty-free, non exclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for federal government purposes:
 - a) The copyright in any work developed under a grant; and
 - b) Any rights of a copyright to which a conservation district or a contractor purchases ownership with grant support.

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Chapter 6. Miscellaneous
Section A. Cellular Phones and Credit Cards

Cellular Phones

Local governments are responsible for the usage of their cellular telephones. They should decide what type of phone service package (call minutes, texting, internet, etc.) to purchase and whether to allow personal use by employees. If personal use is allowed, a policy should be established identifying the parameters for the allowable use of the phone and its service features. In addition, the local government should be monitoring employee compliance with the policy and whether there are non-public related costs incurred that would require reimbursement from employees.

Credit Cards

Under the Washington State Constitution and the laws of this state, including RCW 43.09.2855 and RCW 42.24.115, a local government official or employee should not use a publically-issued credit card for personal purchases, even if the person pays off the card prior to the date that the bill becomes due.

Chapter 6. Miscellaneous
Section B. Reimbursements

For financial reporting purposes, all revenue, expenditures, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the transaction takes place. This means transactions should be presented at gross amounts unless the transaction is a reimbursement or else netting is specifically allowed by BARS Manual.

Interfund Reimbursements

Reimbursements are repayments from the fund responsible for particular expenditures to the fund that initially paid for them. They are adjustments to correct the assignment of the expenditures. Reimbursements reduce expenditures in the fund that is reimbursed and move the expenditures to the fund that ultimately pays for it.

There is one major exception to this definition: frequently, internal service funds are created to account for cost allocation and purchasing. In those funds, cost allocations and payments for pooled purchases are treated as revenues rather than reimbursements.

Examples of reimbursements include: correction of errors, internal allocation of overhead and payments received for others' share of pooled activities (payments for a convenience) such as the distribution of utility and telephone bills among the departments and funds after one department has paid the bill or the allocation of insurance premiums and payrolls among various departments and funds.

Reimbursements do not include recoveries for damages, whether from insurance or from private sources, grants, contractual payments, impact payments, or shared costs of providing services from the federal, state or local governments. Also, do not include expenditures which constitute direct cost of the activity like interfund taxes, utility payments, licenses, interest, etc.

Reimbursements to External Parties

Only corrections of error (including discounts/rebates awarded after the transactions were completed) would qualify as reimbursement and as such, they should be treated in similar manner like interfund reimbursements. If a local government has an ongoing relationship with an external entity (e.g., phone company, etc.) the amounts of reimbursements most likely would be included in the upcoming bill, so no adjusting entry is required. If the reimbursement is related to the expenditure from the previous fiscal year and is immaterial, the amount of reimbursement may be recorded as revenue. If it is material, the government should adjust its beginning cash and investment.

Examples of transactions that should not be accounted for as reimbursements include: state payments for public health services, expert witnesses, police salaries while attending criminal justice training; federal/state/local payments for the care and custody of prisoners and for election costs; local payments for data processing services, police/sheriff services, street maintenance, etc.; private payments for street repairs, culvert installations, weed control, demolition of dangerous property, subleases, etc.

FINANCIAL REPORTING

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Part 3. Reporting
Chapter 1. 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.

The listing which follows indicates the statements and schedules required for your district. All the statements and schedules listed below are prepared on the cash basis.

Statement

C-4 Fund Resources and Uses Arising from Cash Transactions
 Notes to Financial Statements

Schedules

04/05 Revenues and Expenditures
09* Liabilities
16* Financial Assistance
19 Labor Relations Consultant(s)
21 Risk Management
22 Annual Questionnaire for Accountability Audit

*This schedule (if applicable) will be included by the auditor in the audit report.

The remaining pages give instructions for preparing each required statement and schedule.

Filing Instructions

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: www.sao.wa.gov. Acceptable file should adhere to the prescribed record layout and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Actual Amount* column which is numeric. More details are provided on the website.

For questions and/or support e-mail duane.walz@sao.wa.gov or call Duane Walz at (360) 725-5594.

If you cannot provide the annual report in the electronic format mail the report to:

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

The district is also required to submit its report to www.Commission@scc.wa.gov or mail it to:

Washington State Conservation Commission
PO Box 47721
Olympia, WA 98504-7721

Certification/Cover Page

Prepare the certification/cover page and sign and date the certification before submitting your report.

CERTIFICATION/COVER PAGE FOR ANNUAL REPORT – INSTRUCTIONS

A cover page must be included with every annual report submission.

Official Name

Enter the official name of the government. If the government operates under a “DBA” this should also be listed. For example: “Thurston County Fire Protection District No. 5, doing business as Black Lake Fire Department.”

MCAG No.

This is a unique identifying number assigned by the State Auditor’s Office. Your MCAG number can be found on our website at www.sao.wa.gov, choose *Client Support* tab and *Financial Accounting and Reporting* option. If you are unable to locate your number, please call (360) 725.5592.

Fiscal Year Ended

Enter the date (day, month and year) of the end of the 12 month period covered by the annual report. For example, most local governments close their books and report on a calendar year and would report “December 31, 2009” for their 2009 annual report.

Certification

Annual reports are required to be certified by RCW 43.09.230.

Official Address

Enter the legal business address of the government.

Official Website

Enter the official website of the government. If the government does not have a website, then enter *none*.

Preparer

Enter the name and position of the person that the State Auditor’s Office should contact with any questions regarding the entity’s annual report. Enter the phone number where our Office can reach this contact person during regular business hours to discuss the annual report. More than one phone number can be entered, if needed. Enter the e-mail address where our Office can communicate with the contact person. If there is no email address for this person, then enter *none*.

ANNUAL REPORT

(Official Name of Government)

MCAG No.

Submitted pursuant to RCW 43.09.230 to the STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____, 20__

Certified correct this _____ day of _____, 20__, to the best of my knowledge and belief:

GOVERNMENT INFORMATION:

Official Mailing Address _____

Official Website Address _____

PREPARER INFORMATION and CERTIFICATION:

Preparer Name and Title _____

Contact Phone Number _____

Contact Fax Number _____

Contact E-mail Address _____

Signature _____

Annual Report Disclosure Form

MCAG No. _____

(Conservation District)

(This form is NOT required if you are submitting your annual report electronically.)

Please check if the statements/schedules are attached. An unmarked spot will indicate that a schedule is not attached due to lack of activities described in this schedule in reported year.

Certification	
Financial Statements (including notes)	
Schedule 04/05, <i>Revenues and Expenditures</i>	
Schedule 09, <i>Liabilities</i>	
Schedule 16, <i>Expenditures of Federal Awards and State/Local Assistance</i>	
Schedule 19, <i>Labor Relations Consultants</i>	
Schedule 21, <i>Risk Management</i>	
Schedule 22, <i>Annual Questionnaire for Accountability Audit</i>	

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Part 3. Reporting
Chapter 2. Financial Statements and Schedules

STATEMENT C-4 – Fund Resources and Uses Arising from Cash Transactions

To prepare, enter the reserved and unreserved beginning amount of cash and investments (308.10 and 308.80). In line below include any prior period adjustments (388.80 and 588.80). Then summarize Schedule 04/05 by basic revenue account (330, 340, etc.), other financing sources (390), basic current expenditures accounts (530, 598), debt service (591, 592), and capital outlays (594). Next include nonrevenues and nonexpenditures from Schedule 04/05 (excluding accounts 384 and 584). Foot the statement to calculate the reserved and unreserved ending cash and investments (508.10 and 508.80).

Beginning and ending cash and investments on Statement C-4 should equal the beginning cash and investments and ending cash and investments on Schedule 04/05.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 20__

BARS CODE		Actual Amount
Beginning Cash and Investments:		
308.10	Reserved ¹	
308.80	Unreserved ¹	
388.80 or 588.80	Prior Period Adjustments	
Revenues and Other Sources:		
330	Intergovernmental Revenues	
340	Charges for Goods and Services	
360	Miscellaneous	
390	Other Financing Sources	
Total Revenues and Other Financing Sources		
Total Resources		
Operating Expenditures:		
530	Physical Environment	
598	Other Expenditures	
Total Operating Expenditures		
591-592	Debt Service	
594	Capital Outlay	
Total Expenditures		
Excess (Deficit) of Resources Over Uses		
380	Nonrevenues (Except 384)	
580	Nonexpenditures (Except 584)	
Ending Cash and Investments:		
508.10	Reserved ¹	
508.80	Unreserved ¹	

The accompanying notes are an integral part of this Statement.

¹ Disclosure of reserved/unreserved fund balances is required.

SCHEDULE 04/05 - REVENUES AND EXPENDITURES

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor’s website at: www.sao.wa.gov. Acceptable file should adhere to the prescribed record layout (see next page) and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Actual Amount* column which is numeric. More details are provided on the website.

For questions and/or support e-mail duane.walz@sao.wa.gov or call Duane Walz at (360) 725-5594.

If the district has multiple funds, they should be combined for reporting purposes into one fund.

This schedule should include following information:

Column 1: Insert MCAG number.

Column 2: Insert 001.

Column 3: Insert *general* or leave this column blank.

Column 4: Provide BARS code.

- Beginning fund balance: separate reserved (308.10) and unreserved (308.80) fund balance amounts.
- List revenues and other financing sources in numerical order according to the BARS account codes (accounts 330.00-360.90, 380.00-389.00 (except 384.00) and 390.00-398.00).
- All revenues and other financing sources must be reported as a seven digit code. So, you must add 00 if only a five digit code is prescribed.
- List expenditures/expenses and other financing uses in numerical order according to the BARS account codes operating expenditures (531.10-531.19), nonexpenditures (586.00-589.00), debt service (591.00-592.00), capital outlays and other expenditures (594.00, 598.00).
- All expenditures/expenses and other financing uses must be reported as a seven digit code. So, you must add 00 if only a five digit code is prescribed.
- Omit periods separating Prime/Basub from element/subelement and object/subobject digits. Example: account 362.10 should be reported as 3621000.
- Omit subtotals and totals.

Column 5: Provide account title. The *Account Title* for revenues generated from grants should include the name of federal, state or local grantor.

Column 6: Provide actual amounts.

- Round the amounts to the nearest dollar.
- Omit the dollar sign and comas separating thousands. Example: \$12,756.80 should be reported as 12757.
- Negative amounts should be preceded by a minus sign. Example: negative \$15.00 should be reported as -15).

For purposes other than reporting to the State Auditor’s Office you may choose any format for this schedule.

MCAG	Fund Number	Fund Name	Account Code	Account Title	Actual Amount
1234	001	General	3088000	Unreserved Beginning	57545
1234	001	General	3311006	Federal Grant from U.S Department of Agriculture	10200
1234	001	General	3340331	State Grant from Conservation Commission	25000
1234	001	General	3611000	Investment Interest	2100
1234	001	General	3698100	Cashier's Shortages	-15
1234	001	General	5088000	Unreserved Ending Balance	120000
1234	001	General	5311110	Conservation - Salary	56000
1234	001	General	5311120	Conservation - Personnel Benefits	25000
1234	001	General	5311530	Maintenance - Supplies	2000
1234	001	General	5311640	Contracted Services	55000
1234	001	General	5989600	Cost Share Program	1200

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- 263.21 Liabilities for landfills closure and postclosure – report the same amount as reported to the Department of Ecology on your financial assurance analysis annual update. This reporting is required by WAC 173-351-600, WAC 173-350 and WAC 173-304.
- 263.51 Capital leases, lease-purchase agreements, conditional sales and COPS – report the amount of future payments due under the contract.
- 263.61 Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)
- 263.71 Arbitrage rebate tax
- 263.81 Loans and other payments to other governments
- 263.91 Miscellaneous debt/liabilities (e.g., lines of credit, etc.)
- 263.95 Environmental liabilities (pollution remediation, etc.) – report the portion to be paid by the government based on the cost estimate prepared or approved by the Department of Ecology.
- 263.96 LOCAL program

I.D. No. **ASSESSMENT DEBT**

- 253.11 Special assessment bonds with commitments
- 263.43 LID warrants with commitments
- 263.63 LID notes payable with commitments
- 263.98 Miscellaneous assessment debt with commitments
- 253.12 Special assessment bonds without commitments
- 263.44 LID warrants without commitments
- 263.64 LID notes payable without commitments
- 263.99 Miscellaneous assessment debt without commitments

INSTRUCTIONS

Identifying Number Include appropriate number (see the listing on the previous page).

Description Indicate the type of debt or liabilities. For bonds, notes and other loans, list each debt issue separately providing date of original issuance.

Maturity/Payment Due Date Use this column if there is a fixed payment date for the government debt and liabilities.

- (1) Beginning Balance This column should include the amount that was owed at the beginning of this period. **The amount shown should equal the last year ending balance.** If there is a discrepancy, please attach an explanation.
- (2) Additions In this column report the entire amount of any new debt, any additional debt issued (or borrowed) and any increase in liabilities during the current period. For example, assume a G.O. bond authorized in the previous year at \$5,000,000, with \$4,000,000 issued that year and an additional \$500,000 issued in the report year. Under these circumstances, this column should show \$500,000.
- (3) Reductions In this column, report the amount of debt that was paid or reduction of liabilities during reported period. Do NOT include interest paid on the redeemed debt. The total amount of redeemed debt should equal long-term payments shown on Schedule 04/05 (object code 70).

Bars Code for Redemption (APPLIES TO DEBT ONLY) Include BARS codes (591.XX.70 or 599.XX.70) used for posting of the redemption of the debt.

- (4) Ending Balance In this column, report the amount of debt and other liabilities that were owed at the end of reported period.

Ending outstanding debt (column (4)) is calculated by adding the amounts in columns (1) and (2) and subtracting redeemed debt in column (3).

$$(1) + (2) - (3) = (4)$$

SCHEDULE 16 - EXPENDITURES OF FEDERAL AWARDS AND STATE/LOCAL FINANCIAL ASSISTANCE

Caution: If the government expends \$500,000 or more in federal awards in a year, it must contact the State Auditor's Office and arrange for a single audit under OMB Circular A-133. Further, the government must submit the single audit reporting package to the federal government within nine months after the end of the fiscal year. All governments that need a single audit must prepare financial statements even if they are not otherwise required to under the BARS Manual. If the government received and spent federal funds under only one program, the auditor may be able to conduct a *program specific* audit.

The Schedule of Expenditures of Federal Awards and State/Local Financial Assistance is an essential document for planning and conducting the audit of the government. It also serves to provide assurance to those agencies that award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

Schedule 16 is comprised of two schedules: (1) Schedule of Expenditures of Federal Awards (SEFA) and (2) Schedule of State and Local Financial Assistance.

Schedule of Expenditures of Federal Awards

Include on this schedule all expenditures of federal awards that were received directly from a federal agency and indirectly (pass-through) from a state agency or local government.

The SEFA should be prepared using the same basis of accounting as the financial statements.

Example: A grantee orders supplies and receives the invoice in December 2010. The grantee pays the invoice on March 5, 2011.

- Accrual basis: The expenditure is reported in the 2010 SEFA.
- Cash basis: The expenditure is reported in the 2011 SEFA.

Report grant-related expenditures in the year they take place (even if the government will not be reimbursed by the grantor until the following year). Do not report amounts on this schedule based on the date(s) that funds are received from the grantor (e.g., a cash advance or the date the government receive a reimbursement payment).

Federal awards expended include the following:

- Expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations. (This includes expenditures of CFDA 10.665: Title I – Schools and Roads (332.10.68), Title II – Special Projects on Federal Land (332.10.69), Title III – County Projects (332.10.70));
- Indirect costs claimed for reimbursement using an indirect cost rate or cost allocation plan;
- Disbursement of grant funds that the entity's passed through to subrecipients;
- Use of loan proceeds under loan and loan guarantee programs (refer to loan valuation guidance below);
- Receipt of federal property (e.g., equipment and supplies) and surplus property;
- Receipt or use of program income (refer to program income guidance below);
- Receipt of non-cash assistance such as food commodities and vaccines;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

American Recovery and Reinvestment Act (ARRA) of 2009

Many new Catalog of Federal Domestic Assistance (CFDA) numbers were created under ARRA. The federal government has stated that all expenditures funded by ARRA must be listed in a separate row in the SEFA and the title of the award should begin with the prefix “ARRA”.

Title 2, Code of Federal Regulations, Section 176.210:

. . . (b) For recipients covered by . . . OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) . . . This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA . . . and inclusion of the prefix “ARRA-” in identifying the name of the Federal program on the SEFA

Caution: ARRA Build America Bonds – These subsidy payments are not considered a federal award subject to OMB Circular A-133 and should not be reported on the SEFA.

Indirect Costs

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

Equipment and Supplies

The receipt of federally-funded equipment, materials or supplies that are paid for by another agency is considered a non-cash award that must be reported on the SEFA. The amount to be reported is the fair market value (or other amount designated by the grantor) on the date it is received by the entity.

Other Non-cash Assistance

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

Matching/Cost Sharing

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

Program Income

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

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

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

NOTE: the BARS revenue code for program income should be the same as the code of the grant generating this income. (See next section for accounting for program income related to revolving loans).

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

FEMA Disaster Assistance - CFDA 97.036

Disaster assistance is usually classified by FEMA as either a “small” or “large” project. Some grantees might experience a long delay from the time they incur costs to recover from a disaster and the date they actually are approved to receive federal disaster relief funding for small projects. As with other federal awards, grantees should report the disaster-related costs in the year they are incurred. However, if the grantee’s project cost worksheets for a “small project” are not officially approved by the deadline for submitting its annual report and SEFA to the SAO, it will be acceptable to include these costs in the subsequent year’s SEFA (include a footnote to explain the situation). Example: Disaster costs are paid in December 2010. The 2010 Annual Report is due to the SAO by May 31, 2011. FEMA does not approve the small project worksheet until July 2011. Report the FEMA award in the 2011 SEFA and include a footnote.

Valuation of Federal Loans

Use the following guidelines to calculate the value of *federal awards expended* under loan programs:

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

Question: When do I report the loan on my SEFA?

Answer: Circular A-133, section 205, and guidance from the AICPA state the loan is considered expended “when the loan proceeds are used”.

- Reimbursement Basis: Most loans are funded on a reimbursement basis where the borrower incurs program-related costs and then makes a request to the lender for the loan proceeds. In this case, report the amount expended during the year for which the government will seek loan funding.
- Loan Advances: Some loans are made in advance of any project-related expenditures. Because the federal government is at risk for these loans, the total proceeds received should be reported on the SEFA even if the government has not spent all the funding. Contact the lender to determine if it requires the full amount of proceeds to be reported in the year of receipt.
- Revolving Loans. If the entity receives federal funds and then makes a loan to another party, report the amount of loans the government made during the year. (Refer to additional guidance on revolving loan funds below).

Question: What is a continuing compliance requirement?

Answer: The government is considered to have a *continuing compliance requirement* if the lender continues to impose a requirement over the outstanding loan balance in any one of the following 14 areas in years following receipt of the loan:

1. Activities Allowed or Unallowed
2. Allowable Costs/Cost Principles
3. Cash Management
4. Davis-Bacon Act
5. Eligibility

6. Equipment and Real Property Management
7. Matching, Level of Effort, Earmarking
8. Period of Availability of Federal Funds
9. Procurement and Suspension and Debarment
10. Program Income
11. Real Property Acquisition and Relocation Assistance
12. Reporting
13. Subrecipient Monitoring
14. Grant-Specific Special Tests and Provisions

Examples of continuing compliance requirements:

- A Housing Authority received a federal loan to construct apartments for low income households. As a condition of the loan, the Authority is required to make a certain percentage of apartments available to low income households for the next 15 years. The Housing Authority should report the loan balance on the SEFA for the duration of this requirement. (We recommend consulting with the lender about its expectations for reporting loan balances).
- A University has established a federal revolving loan fund and makes loans to students to help them pay for school expenses. The federal agency sponsoring the loan program requires the University to comply with continuing requirements such as default prevention, billing and collection, deferments, cancellations, fund liquidity, and borrower exit counseling.
- A City purchased equipment with loan funds and is required to maintain capital asset records and conduct physical inventories of the equipment in the years following the purchase.

Exceptions to the Rule:

- **EPA Drinking Water State Revolving Fund (CFDA 66.468) and Clean Water State Revolving Fund (CFDA 66.458).** The EPA has stated in the Circular A-133 Compliance Supplement that subrecipients receiving loans under these two programs do not have continuing compliance requirements. Subrecipients of these loans only report the amount used during the year and do not report the prior year balance.
- **USDA Interim Financing: Water and Waste Disposal Systems for Rural Communities (CFDA 10.760), Community Facilities Loans and Grants (CFDA 10.766).** After the USDA has made a commitment on a loan as evidenced by an approved “request for obligation of funds”, the borrower may obtain interim financing from commercial sources (e.g., a bank loan) during the construction period. Expenditures from these commercial loans which will be repaid from a USDA loan should be considered Federal awards expended, included in determining Type A programs, and reported in the Schedule of Expenditures of Federal Awards.

Question: If my project takes several years to complete, will I have continuing requirements throughout the duration of the project until it is complete?

Answer: Most likely. For example, many lenders will set aside a portion of the funding until all inspections are made and all supporting documentation encompassing the entire project is submitted and approved. Consult with the lender about its expectations over reporting loans for projects that span multiple years.

Question: How do I determine the amount of any interest subsidy I am receiving?

Answer: The OMB has not issued any official guidance on this topic. Typically, an interest subsidy means the federal government is paying or waiving a portion of the interest cost that would ordinarily have to be paid by the borrower. Consult with the lender to determine if any portion of interest is being subsidized.

Question: Are interest subsidies from Build America Bonds reported on the SEFA?

Answer: No. The OMB has excluded Build American Bonds from A-133 single audits.

Question: What if my project is complete and there are no requirements other than to repay the loan?

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

Question: What if our entity makes a loan to another entity or program participant?

Answer: Report the amount of loans made during the year. If the entity administers a **revolving loan program** where federal funds are lent to third parties, repaid, and then lent to again to other parties, the repayment of principal and interest is considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purposes of SEFA presentation, report the amount of loans the government made during the year. This includes all loans that are funded by the original grant and program income. **However, be sure to check the terms of the grant award and discuss with the grantor** because some federal grantors have different rules for presenting revolving loans on the SEFA. For example, the Department of Commerce for its Economic Assistance Revolving Loan Fund requires grantees to report the balance of loans outstanding at year-end, instead of the amounts lent. Similarly, the Department of Education requires colleges and universities to report the balance of their Perkins loan fund on the SEFA in addition to amounts lent during the year. In contrast, some federal agencies only require the original loan to be reported and do not treat any subsequent lending as “federal” funds.

Accounting for Revolving Loans

The original grant for the loan program should be coded as federal direct or indirect grant (331.XX.XX or 333.XX.XX).

A loan to an entity is a *balance sheet* transaction and the government should debit *Loan Receivables* and credit *Cash*. A repayment of the loan requires debiting *Cash* and crediting *Loan Receivables* and *Interest Revenue* (361.40).

There are no BARS codes specifically assigned to grants’ program revenues (neither principal nor interest). Although the repayment of principal is not considered revenue from the GAAP accounting perspective, it has to be considered as such for the purpose of SEFA. The expenditures from the revolving loan grant should include expenditures from the initial grant and subsequent repayments of the loans, including interest generated by the loan.

Employer Identification Number (EIN) for Federal Grant Recipients

Recipients of federal funds must arrange to have a single audit in accordance with OMB Circular A-133 if they expend \$500,000 or more in federal awards in a year. Most federal grantors define a *recipient* according to the federal Employer Identification Number (EIN). That is, the grantor makes its awards to each grantee based on the EIN, rather than entity name. For example, if a small fire district uses the county’s EIN for payroll tax purposes, and also applies for a federal grant using the county EIN, some federal grantors will make the official grant award to the county. As a result, the grantor expects the award to be included in the county’s Schedule of Expenditures of Federal Awards (Schedule 16) and thus subject to audit at the county. Further, at the conclusion of a single audit, the fire district’s audit will be misfiled with the federal clearinghouse because the county’s EIN was listed on the Data Collection Form. This puts the county in a difficult position with the federal government and can cause additional audits. Therefore, it is recommended that all special purpose districts without an EIN make application for this number with the IRS (Form SS-4) and use this number when applying for grants as well as IRS tax purposes. The district also should consult with its county auditor and/or treasurer for the protocol concerning payroll taxes.

Instructions for Preparing the Schedule of Expenditures of Federal Awards

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: www.sao.wa.gov. Governments can manually enter the information or upload an electronic file. Acceptable file should adhere to the prescribed record layout and should be an Excel file. More details are provided on the website.

For questions and/or support e-mail duane.walz@sao.wa.gov or call Duane Walz at (360) 725-5594.

The following are instructions for each column of the schedule. An example of a completed schedule follows the instructions.

Column 1 Provide the name of the federal grantor agency or organization. If the government receives federal funds as a pass-through award, identify the pass-through agency. Please clearly distinguish between federal agencies and state agencies with similar names or initials.

Column 2 Provide the official name of the federal award. Please try to avoid using nicknames. A list of official titles can be obtained from the CFDA website at www.cfda.gov.

Column 3 List the applicable CFDA number for each award. This is a five digit (XX.XXX) identification number assigned by the federal government and published in the Catalog of Federal Domestic Assistance. This number must be provided for all federal awards received either directly from a federal agency or indirectly through a state agency or local government.

Every effort should be made to obtain CFDA numbers. Research the program before the government concludes a CFDA number does not exist. Steps to take:

- Contact the grantor.
- Research the CFDA website (including the Historical Index).
- Contact the local audit team.
- Submit a question to the SAO HelpDesk.

Follow the guidance below if, after researching the number, the government concludes that a CFDA number does not exist.

- In the first two spaces enter the Federal Agency's two digit prefix (see list of agencies on next page).
- Follow the two digit prefix with the contract or grant number.

Example: Assume an entity received an award with no CFDA number from the U.S. Department of Health and Human Services, but had a contract number of "035560A". The government would enter the CFDA number on the SEFA as "93.035560A".

Column 4 Use this column to report contract or grant numbers assigned by federal or state agencies, in addition to the CFDA number. If a number is not available, write **N/A**.

Column 5 Use these columns to report current year expenditures (determined on the same basis of accounting as the financial statements). See requirements for valuing loans and noncash assistance above.

Expenditures from Pass-Through Awards - Enter the amount of expenditures for federal assistance received as a pass-through award from a state agency, local government, etc. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If the government is making a subaward to another entity, these amounts should also be reported as expenditures.

Expenditures from Direct Awards - Enter the amount of expenditures for assistance received directly from a federal agency. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If the government is making a subaward to another entity, these amounts should also be reported as expenditures.

Total Expenditures - Enter the combined total of all federal expenditures from pass-through and direct awards by CFDA number.

Column 6 Notes to the Schedule:

REQUIRED - the notes to the schedule should disclose the basis of accounting and any other significant accounting policies used in preparing the schedule.

HIGHLY RECOMMENDED – to the extent practical, the government should enter any amounts that the entity has passed through to a subrecipient for each federal program listed on the schedule. Circular A-133, section 210 has information on subrecipient designation. Do not list amounts paid to vendors here.

OPTIONAL, BUT RECOMMENDED – provide any information that may be useful to the reader such as the nature of a revolving loan program or the method used to value commodities or other non-cash assistance such as property or vaccines.

An example of these footnotes is provided below.

Frequently Used Federal Agency Two-Digit Prefixes

This list is used for CFDA numbers; if the government does not see the federal agency here, consult the CFDA at www.cfda.gov.

- 07 - Office of National Drug Control Policy
- 10 - Department of Agriculture
- 11 - Department of Commerce
- 12 - Department of Defense
- 14 - Department of Housing and Urban Development
- 15 - Department of Interior
- 16 - Department of Justice
- 17 - Department of Labor
- 20 - Department of Transportation
- 21 - Department of Treasury
- 39 - General Services Administration
- 43 - National Aeronautics and Space Administration
- 47 - National Science Foundation
- 59 - Small Business Administration
- 64 - Department of Veterans Affairs
- 66 - Environmental Protection Agency
- 81 - Department of Energy (includes the Bonneville Power Administration)
- 84 - Department of Education
- 93 - Department of Health and Human Services
- 94 - Corporation for National Service
- 96 - Social Security Administration
- 97 - Department of Homeland Security (includes FEMA)

Characteristics of Subrecipients and Vendors

A **subrecipient** is a non-federal entity (typically a local government or non-profit organization) that receives federal assistance from a pass-through agency (such as the state or another local government) to carry out a program or project of the federal government. Subrecipients receive the federal grant or loan so that it can meet a public need in the community. The amount paid to the subrecipient to reimburse it for the cost of the project or program should be based on actual, allowable costs incurred - that is, a subrecipient cannot earn a profit from its grant agreement. Subrecipients have substantial decision-making responsibility for how the project or program operates. Subrecipients are required to follow all applicable OMB Circulars such as A-102, A-87, A-133, A-110 and A-21. Often subrecipients are required to contribute some of their own funds as a matching share to accomplish the program or project.

Vendors compete with others to provide goods and services needed to operate a project or program. These goods and services are often ancillary to the overall program objectives. Selection of vendors is typically based on the capability to provide the best goods and services at the best price. The scope of work is specified by the grantee and the price is usually based on quotes, formal bids, or requests for proposals. Vendors are often paid a set fee for providing its goods or services where the price allows the vendor to recover its costs and also earn a profit.

Tips for Preparing the Schedule

- Some projects or programs may be funded by a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *Schedule of Expenditures of Federal Awards* and the state or local portion on the *Schedule of State and Local Financial Assistance*. If the state or local portion cannot be identified, list the entire amount on the *Schedule of Expenditures of Federal Awards* and describe the commingled nature of the funds in *the notes to the Schedule of Expenditures of Federal Awards*.
- Funds received as fee for services should not be included on the Schedule 16. For example, if the government is being paid for providing goods or services in a vendor capacity, this vendor payment is not considered a federal grant to the entity.
- List all awards from the same federal agency together on the schedule (for example, group all HUD awards together by CFDA number).
- If the government chooses to report multiple projects/programs that have the same CFDA number as separate line items (e.g., WSDOT highway planning and construction projects), provide a subtotal for the CFDA number.
- It is important to note that the expenditures reported on the Schedule of Expenditures of Federal Awards will not necessarily tie to those reported on the operating statement, especially if the federal awards include loans or non-cash awards (property, supplies, etc.). However, all amounts reported should agree or reconcile to records maintained by finance, budget, and treasury departments.
- The SEFA should be prepared using the same basis of accounting as the financial statements. For example, if the government prepares the financial statements using the cash basis of accounting, the government should report expenditures of federal awards using the cash basis. Explain any departure in the footnotes.
- In the footnotes to the SEFA, it is highly recommended that the government list any amounts that the entity has passed through to a subrecipient for each federal program listed on the schedule. Circular A-133, section 210 has information on subrecipient designation. Do not list amounts paid to vendors in this footnote.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 20__

1 Federal Agency Name/Pass-Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			6 Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Agriculture/Pass-Through from WA State Treasurer	Schools and Roads, Grants to States–Title III	10.665	WA0323	\$125,000		\$125,000	
U.S. Department of Agriculture	Water and Waste Disposal Systems (loan)	10.760	L-03-2345		\$350,000	350,000	4a
U.S. Department of HUD/Pass-Through from WA Dept. of Commerce	Community Development Block Grant–State Program.	14.228	B-04-UC8	50,000		50,000	3, 7, 8
U.S. Department of HUD/Pass-Through from WA Dept. of Commerce	ARRA-Community Development Block Grant State Program	14.255	B-09-RA	25,000		25,000	9
U.S. Department of Justice	Community Policing Grants (COPS)	16.710	CP45-04		179,500	179,500	2
U.S. Department of Transportation/Pass-Through from WSDOT	Highway Planning and Construction	20.205	LA-3777 Selkirk Road LA-6780 Hayes Avenue Subtotal	58,650 <u>65,750</u> 124,400		124,400	
Environmental Protection Agency (EPA)/Pass-Through from WA Public Works Board	Drinking Water State Revolving Fund	66.468	W12345	137,500		137,500	4b
Environmental Protection Agency (EPA)/Pass-Through from WA Public Works Board	ARRA - Drinking Water State Revolving Fund	66.468	W12345	228,000		228,000	4b, 9
U.S. Department of Health and Human Services/Pass-Through from WA DOH	Immunization Grants	93.268	W345690	25,000		25,000	5
U.S. Department of Health and Human Services/Pass-Through from WA DSHS	Child Support Enforcement	93.563	2345STP	101,500		101,500	
U.S. Department of Homeland Security/Pass-Through from Clark County	State Domestic Preparedness Equipment Support	97.004	R8-04	47,950		47,950	6
Total Federal Awards Expended				\$864,350	\$529,500	\$1,393,850	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

SAMPLE DISTRICT, WASHINGTON
(DISTRICT)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 20__

Note 1 is required for all entities. Disclose other notes only if applicable to the government's circumstances.

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the (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 expenditures represent only the federal grant portion of the program costs. Entire program costs, including the (district's) portion, are more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The (district) has a revolving loan program for low income housing renovation. 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

(a) The (district) was approved by the USDA Rural Utilities Service to receive a loan totaling \$_____ to build a sewer treatment plant. The amount listed for this loan includes the proceeds used during the year and the outstanding loan balance from prior years.

(b) The (district) was approved by the EPA and the PWB to receive a loan totaling \$_____ to improve its drinking water system. The amount listed for this loan includes the proceeds used during the year.

Both the current and prior year loans are also reported on the (district's) Schedule of Liabilities.

NOTE 5 - NONCASH AWARDS - VACCINATIONS

The amount of (vaccine/dental items/commodities/surplus property/etc.) reported on the schedule is the value of (vaccine/dental items/commodities/surplus property/etc.) received by the (district) during current year and priced as prescribed by _____.

NOTE 6 - NONCASH AWARDS - EQUIPMENT

The (district) received equipment and supplies that were purchased with federal Homeland Security funds by the state of Washington. The amount reported on the schedule is the value of the property on the date it was received by the (district) and priced by the state of Washington.

NOTE 7 - INDIRECT COST RATE

The amount expended includes \$_____ claimed as an indirect cost recovery using an approved indirect cost rate of ____ percent.

NOTE 8 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is \$_____ that was passed through to a subrecipient that administered its own project.

NOTE 9 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 20__

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
Total Federal Awards Expended							

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

Schedule of State and Local Financial Assistance

List on this schedule expenditures from grants received directly or indirectly from state agencies (334), grants from other local governments (337), and program income. Expenditures from state shared revenues and entitlements (BARS resource codes 335 and 336) do not need to be included on this schedule.

List separately expenditures from state and local governments' grants. Provide a subtotal for both categories and a total for the entire schedule. In addition, list together all expenditures from grants received from the same state agency.

If the government receive state-funded equipment, supplies, or real property, report the fair market value in the year received.

State-funded loans do not need to be reported on this schedule. Be sure that any loans received from state agencies are not actually federal in origin. In such a case, a federal loan passing through a state agency should be reported in the federal schedule.

Any payments that the entity receives as a *fee for services* in a vendor capacity should not be included on the Schedule 16.

Notes to Preparer

Often federal financial assistance received indirectly is a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *Schedule of Expenditures of Federal Awards* and the state or local portion on the *Schedule of State and Local Financial Assistance*. If the state or local portion cannot be identified, list the entire amount on the *Schedule of Expenditures of Federal Awards* and describe the commingled nature of the funds in *the notes to the Schedule of Expenditures of Federal Awards*.

Records must agree or reconcile to those in finance, budget and treasury departments.

- Column 1 Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between agencies with similar names or initials.
- Column 2 Use this column to report grant, contract or award numbers assigned by state or local agencies. If a number is not available, write "N/A".
- Column 3 Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements).

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 20__

1	2	3
Grantor/Program Title	Identification Number	Current Year Expenditures
WA State Energy Office:		
Energy Code Enforcement	1-90-743-09	\$68,822
<u>Total WA State Energy Office</u>		<u>\$68,822</u>
Department of Transportation:		
Division of Aeronautics	GC9434	\$5,692
Street Improvement	8008C011	122,500
<u>Total Department of Transportation</u>		<u>\$128,192</u>
Department of Social and Health Services:		
Child Protective Services	6500-85008	\$22,410
<u>Total Department of Social and Health Services</u>		<u>\$22,410</u>
Department of Health:		
Maternal Child Health	1620-01579	\$75,000
Immunization; vaccine	1620-01579	58,890
Shellfish	2600-02240	8,620
<u>Total Department of Health</u>		<u>\$142,510</u>
<u>TOTAL STATE ASSISTANCE</u>		<u>\$361,934</u>
EMS Regional Council	N/A	\$15,113
City of Sample; Arts Grant	12345-678	3,115
<u>TOTAL LOCAL ASSISTANCE</u>		<u>\$18,228</u>
<u>TOTAL STATE AND LOCAL ASSISTANCE</u>		<u>\$380,162</u>

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 expenditures for labor relations consultants. Disclosure should include identification of each consultant and the terms and conditions of each agreement.

The schedule is required to be filed with the State Auditor's Office whether or not the district has labor relations consultants. Prepare a schedule for each consultant. Alternative formats are acceptable, including spreadsheets, as long as the required information is provided.

(DISTRICT)

**SCHEDULE OF LABOR RELATIONS CONSULTANT(S)
For the Year Ended December 31, 20__**

Has your government engaged labor relations consultants? ___ Yes ___ No

If yes, please provide the following information for each consultant:

Name of firm
Name of consultant
Business address
Amount paid to consultant during fiscal year
Terms and conditions, as applicable, including: Rates (e.g., hourly, etc.) _____ Maximum compensation allowed _____ Duration of services _____ Services provided _____ _____

Certified correct this _____ day of _____, 20__ to the best of my knowledge and belief:
Signature
Name
Title

SCHEDULE 21 – RISK MANAGEMENT

Schedule 21 is required for all local governments. It is used to report self-insurance or assumption of any insurable risk type (liability, property, health and welfare, unemployment compensation, and workers' compensation). Local governments may self-insure their own risks only (an individual self insurance program) or self-insure jointly with other governments pursuant to Chapter 48.62 RCW or other enabling statute.

Schedule 21 is not applicable in the following situations:

- The only risk assumed is an annual deductible of a purchased insurance policy.
- All of the local government's insurable risks are covered through membership in one of the public entity risk pools in the state.

Schedule Instructions

Use the following general instructions when preparing the schedule:

- a. Provide contact information for the self-insurance program manager.
Also, if claims are handled by a third party administrator, include name, telephone number, and address of firm as well as a detail description of services provided by the contractor.
- b. Describe each class of risk the governing body of the local government has decided to assume as well as the appropriate dollar level involved.

Report this information by the following categories:

- (1) Self retention or deductible provision for purchased commercial insurance policies.
 - (2) Self retention or deductible provision for participation in joint self-insurance program.
 - (3) All other known assumed risks.
- c. For each class of risk, disclose the number of claims received by the government during the period (regardless of the current status or disposition of such claims).
 - d. For each class of risk, disclose the number of claims that were paid (in any amount) during the period.
 - e. For each class of risk, disclose the total dollar amount of claims paid during the period.

MCAG NO. _____
(DISTRICT)

Schedule 21

**LOCAL GOVERNMENT RISK-ASSUMPTION
For the Year Ended December 31, 20__**

Program Manager: _____

Address: _____

Phone: _____

Email: _____

1. _____ Does the entity self-insure for any class of risk, including liability, property, health and welfare, unemployment compensation, workers' compensation? (yes/no)

If NO, STOP, you do not need to complete the rest of this Schedule.

If YES, continue below.

- a. Which class of risk does the entity self-insure? Check all that apply.

i. _____ Liability

ii. _____ Property

iii. _____ Health and Welfare (medical, vision, dental, prescription)

iv. _____ Unemployment Compensation (except when using the state program, regardless if using the tax or reimbursement method)

v. _____ Workers' Compensation (except when using the state program)

vi. _____ Other - please describe: _____

- b. _____ Does the entity self-insure as an individual program? (yes/no)

i. _____ If answered YES, does the entity allow another separate legal entity into its self-insurance program(s)? (yes/no) For example, employees of a different organization participate in a health and welfare program of a city.

If so, list the entity or entities: _____

- c. _____ Does the entity self-insure as a joint program? (yes/no)

i. _____ If answered YES, list the other member(s): _____

2. ____ Does the entity administer its own claims? (yes/no)
3. ____ Does the entity contract with a third party administrator for claims administration? (yes/no)
4. ____ Did the entity receive a claims audit in the last three years, regardless of who administered the claims? (yes/no)
5. ____ Were the program's revenues sufficient to cover the program's expenses? (yes/no)
6. ____ Did the program use an actuary to determine its liabilities? (yes/no)

EXAMPLE

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period
Liability (automobile)	354	279	\$104,366

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period

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<u>EFF DATE</u>	<u>SUPERSEDES</u>
01-01-12	01-01-11

CONSERVATION DISTRICTS

<u>PT</u>	<u>CH</u>	<u>PAGE</u>
3	2	30

SCHEDULE 22 – ANNUAL QUESTIONNAIRE FOR ACCOUNTABILITY AUDIT

Reference	Question	Answer
CASH AND INVESTMENTS		
BARS	1. Are county treasurer reports or district treasurer reports reviewed by the board at least monthly?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	2. Are original bank statements and reconciliations reviewed by a board member or an associate supervisor at least monthly?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	3. Are all bank accounts in the name of the district?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	4. Are all authorized signers on the bank accounts current?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	5. Are inactive accounts closed?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 39.58	6. Are all funds held in approved financial institutions?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 39.59	7. Are all investments held in approved legal instruments?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
SAFEGUARDING OF ASSETS		
BARS	8. Does the district have an asset management policy that includes small and attractive assets?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	9. Does the district perform a periodic inventory of capital assets?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	10. Does the district perform a periodic inventory of small and attractive assets?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	11. Has the district reported any missing assets to police or insurance providers during the past year?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 43.09.180	12. Has the district reported all known and suspected losses to the State Auditor's Office?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 39.04	13. Has the district established a policy for procurement or adopted the MRSC guidelines of public works and purchases of equipment, materials and supplies?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
CONFLICT OF INTEREST		
Best Practice	14. If the district does business with a board member is there a policy in place?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 42.23.030	15. Has the district done any business other than cost share with supervisors during the last year?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 42.23.030 & 89.08.2204	16. Do supervisors have any beneficial interest in contracts other than cost-sharing agreements beyond what is allowed by statute?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	17. Do district employees have any beneficial interest in contracts or cost-sharing agreements beyond what is allowed by statute in excess of \$1,500 per month ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	18. Do any district employees supervise relatives?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Constitution Article VIII Section 7	19. Has the district loaned money to any individuals or groups?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 42.23.030	20. If a supervisor has accepted cost share, do district meeting minutes note he/she abstained from authorization, approval, or ratification of the contract?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 42.23.030	21. Are there district contracts exceeding \$1,500 per month (in total for each board member) with associate supervisors, employees, or their spouses or dependent children?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA

RCW 42.23.030	22. Does the district maintain a list of these special contracts as referenced in question 21 ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
REVENUE		
RCW 89.08.220	23. Do the supervisors approve an annual budget which details expected revenue sources?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	24. Do supervisors review the annual budget at the close of the fiscal year and examine revenues that are less than expected?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	25. Is money received from all sources recorded in the receipt book?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	26. Are receipts periodically reconciled to deposits by a person with no cash handling responsibilities?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 43.09.240	27. Are deposits made within 24 hours of receipt?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	28. Is cash on hand, including deposits, physically secured to prevent unauthorized access?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	29. Is the mode of payment noted on the receipt (cash, check, EFT, direct deposit)?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
EXPENDITURES		
Best Practice	30. Are supervisors informed at every regular board meeting , of district activities that result in expenditures?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS and RCW 42.24.180	31. Were conditions of RCW 42.24.180 met for any expenditure made prior to approval by the board?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	32. Are procedures in place to check payroll payments to supporting documents?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	33. Are reports showing leave accruals, usage and the balance reported and reviewed for reasonableness by the board at every regular board meeting ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	34. Is all leave approved?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	35. If the district acts as its own treasurer, does the board review a check register at every meeting?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	36. If the district acts as its own treasurer, does a supervisor, employee, or designee with no independent ability to issue payments trace all checks cleared per bank statements to canceled warrants and the check register presented to the board at every regular board meeting ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	37. If the county acts as the district's treasurer, does the board review a county treasurer warrant register report at every meeting?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
FINANCIAL HEALTH		
Best Practice	38. Is the district currently involved in any lawsuits?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	39. Did the district use any temporary financing sources (registered warrants, lines of credit, or short-term loans) during the course of the year?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
INSURANCE/BONDING (BONDING, SELF- INSURANCE)		
BARS	40. Are all persons who handle public funds or sign checks bonded or insured?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
OPEN PUBLIC MEETINGS AND RECORDS		
RCW 89.08.210	41. Are official minutes of all regular and special board meetings available for review?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 89.08.210	42. Are all motions made, seconded, and passed (or not passed) recorded in minutes?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	43. Are resolutions such as setting your election kept with the minutes?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 42.30.070	44. Does the district keep the public informed of the time and place of all meetings or gatherings of three or more supervisors?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA

RCW 89.08.200	45. Do all official actions of the board occur when a quorum of supervisors is present and in open public meeting?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 42.30.110	46. Does the board follow the Open Public Meeting Act for going into, coming out of and recording time and purpose of executive sessions?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 42.14.250-348	47. Does the district comply with the Public Records Act by providing records requested in accordance with the law including written procedures for handling requests?	<input type="checkbox"/> Yes <input type="checkbox"/> No
SAFEGUARDING DISBURSEMENTS		
BARS	48. Are all checks accounted for (including unused/voided/cancelled checks)?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	49. Are voided checks physically altered and available for inspection?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	50. Do cancelled checks contain at least two approved signatures?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	51. Checks are always filled out before they are signed?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	52. Is at least one signatory on each check a board member?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	53. Are fronts and backs of cancelled checks available for inspection?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	54. Is the check register up-to-date and balanced at least monthly?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	55. Are unexpected and unusual payees analyzed at each board meeting?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	56. Does the district have a travel reimbursement policy for supervisors and employees?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	57. Does the district have policies and procedures for appropriate use of personal credit cards?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	58. Does the district have policies and procedures for appropriate use for district credit cards and do all district credit cards and vendor charge accounts show the name of the district on them?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	59. Are original receipts filed with the district for all credit card purchases?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	60. Are all outstanding loan and district credit card activity reported to the board monthly?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	61. Are credit card account activities reviewed by the board for reasonableness?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	62. If cell phones are provided to employees, are there written policies and procedures for personal usage?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	63. If vehicles are provided to employees, are there written policies and procedures for personal usage?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	64. Are vehicle mileage logs checked for reasonable fuel consumption?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	65. Does your district use a petty cash account or fund as established and maintained by district resolution?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	66. Is there a board resolution on file that authorizes a petty cash account and amount?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	67. Is the petty cash in the box maintained at the amount authorized by the board?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	68. Is petty cash physically secured to prevent unauthorized access?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	69. Is a separate balance book used for petty cash?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	70. Is petty cash reconciled at least monthly per board policy?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	71. Does the cash in the box match the balance in the petty cash balance book?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	72. Are petty cash reimbursements reviewed for reasonableness and for adequate supporting documentation?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA

RCW 43.09	73. Does the district authorize each petty cash amount in which local legislation is officially enacted?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	74. Does the district have an appointed custodian for each petty cash account, and are their actions as custodian subject to review by some other personnel?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	75. Is the amount in petty cash periodically counted and reconciled by someone other than the custodian?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	76. Is petty cash replenished periodically by warrant or check payable to the custodian?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	77. Does the amount of petty cash exceed one month's salary or the surety bond covering of the custodian?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	78. Is petty cash replenished at the end of the fiscal year?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	79. Upon termination of the appointed custodian, is the fund reconciled , and the impress amount turned over to the treasurer or other disbursing officer?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
QUESTIONS FROM COMMISSION'S DOR AND INTERNAL AUDIT		
Best Practice	80. Does the district have an adopted policy manual that covers the district's operations?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Advised	81. Has the board reviewed RCW 89.08, the Conservation Districts Law sec.210 and 220, since the last Schedule 22 ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 89.08.220	82. Is the districts long-range plan current, in the correct format, and on file with the Commission?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 89.08.220	83. Is the district's annual work plan current and on file with the Commission?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 89.08.341	84. Does the district have current written agreements with all Conservation Partners where resources are exchanged and have they been reviewed in the last 12 months ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
RCW 4.96.020	85. Has the district established a claims agent with the county auditor?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Advised	86. Does the district have a training plan for supervisors and employees?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Americans with Disabilities Act	87. Does the district make its offices, meeting and programs accessible to the public?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Advised	88. Has the district addressed any findings, management letters, or exit comments made by the State Auditor's Office during the last audit or action items from the previous year's Schedule 22 ?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Advised	89. Does the district have the required posters as shown on the list on the Labor and Industries website?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Best Practice	90. Is sales tax listed on a separate line on receipts?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	91. Are deposits made by someone other than the person who receipted the money?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
L&I	92. Were quarterly payments filed with the Department of Labor and Industries and match payroll records?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
ESD	93. Was unemployment insurance paid for all employees to Employment Security Dept. and payments match payroll records?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
IRS	94. Were the tax withholding payments made to the Internal Revenue Service and match payroll records?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
IRS	95. Were payments made to Social Security/Medicare or to a qualified retirement plan and match payroll records?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
BARS	96. If sales tax was collected, was it remitted to the State Department of Revenue?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
	97. How many employees do you have as of December 31?	_____

NOTES TO SCHEDULE 22

Please provide explanations to any NO answers.

Question #	Explanation

DISTRICT ACTION PLAN

Include District Action Plan that addresses deficiencies noted above. Action plan must be adopted by the district board.

STATUS OF PRIOR ACTION PLAN

For this year include action plans from the previous Schedule 22.

REPRESENTATIONS

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

- Information given in the annual report, including Schedule 22 and any attachments, is complete, true, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual.
- We acknowledge and understand that management and the governing body are responsible for the design and implementation of policies and procedures to safeguard public resources and ensure compliance with applicable laws and regulations, including internal controls to prevent and detect fraud.
- We acknowledge and understand that management and the governing body are responsible for complying with applicable state and local laws and regulations.
- The district has complied with contract provisions and all applicable state laws, with the following exceptions:

- Reviewed and approved by the board on _____.

Signatures are required on each line item.

Preparer	Name	Date
Board Member	Name	Date
District Auditor	Name	Date
District Treasurer	Name	Date
District Manager	Name	Date
Telephone Number	e-mail	
District Mailing Address		

Definitions:

Best Practices: The processes, practices, and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance and efficiency in specific areas. Successfully identifying and applying best practices can reduce business expenses and improve organizational efficiency (GAO). The best practices outlined in this schedule are not to be confused with required practices or compliance requirements.

Financial Report: The annual reporting requirement prescribed by the State Auditor for reporting financial activities of the district. This schedule is not a part of the district's financial report but is submitted as a required schedule to determine audit risk.

CASH AND INVESTMENTS

1. Are county treasurer reports or district treasurer reports reviewed by the board at least monthly?

The board should be reviewing monthly financial treasurer reports, including petty cash if applicable. These reports need to be reviewed at least monthly by the board for accuracy. Supervisors should review the minutes to ensure the treasurer reports are included in the minutes.

Budgeting, Accounting, and Reporting System (BARS) standards require the treasurer reports to be included with minutes: *"A monthly Treasurers Report should be prepared and reviewed at every monthly conservation district board meeting, approved by the board, and included as part of the district meeting minutes."* Reference: BARS manual, Cash Receipting, Section 3, *Internal Controls*.

2. Are original bank statements and reconciliations reviewed by a board member or an associate supervisor at least monthly?

Original bank statements are required to conduct the audit process. This needs to be performed monthly at all board meetings and initialed by supervisor or associate supervisor.

3. Are all bank accounts in the name of the district?

Public assets should not be held in the name of private individuals or entities. You should review bank statements to be sure all accounts, certificates, and any other financial instruments are listed only in the name of the district, and not in the name of individuals.

4. Are all authorized signers on the bank accounts current?

Making sure only authorized individuals are signers on bank accounts is one internal control to prevent loss. Authorized signers of district accounts should only be current district board member(s) and employees. When a new employee is authorized, or when a previously authorized signer parts with the district, the appropriate financial institutions should be notified immediately and is reflected in the minutes.

5. Are inactive bank accounts closed?

The district should have no open, inactive bank accounts. If an account has a zero balance and no activity for 12 months, it is considered inactive. If accounts are no longer needed then the board should take action to close them and verify their closure. This action should be verified in the minutes.

6. Are all funds held in approved financial institutions?

All public funds must be held in approved financial institutions. www.ost.wa.gov

7. Are all investments held in approved legal instruments?

Investments must be held in approved legal instruments. See Chapter 39.59 RCW.

SAFEGUARDING OF ASSETS

8. Does the district have an asset management policy that includes small and attractive assets?

All assets should be tracked by the district to avoid any loss or misappropriations of items. Define small and attractive assets.

9. Does the district perform a periodic inventory of capital assets?

All assets should be tracked annually by the district to avoid any loss or misappropriations of items as verified in the board minutes. Anything over \$1,000 of value is considered a capital asset.

10. Does the district perform a periodic inventory of small and attractive assets?

Small and attractive assets should be monitored annually to maintain an accurate inventory and to prevent loss or misappropriation.

11. Has the district reported any missing assets to police or insurance providers during the past year?

The board should be aware of all missing assets, and make a report to the police and insurance providers, if necessary. If there was no loss, check N/A.

12. Has the district reported all known and suspected losses to the State Auditor's Office?

RCW 43.09.185 requires districts to report all known and suspected losses to the State Auditor's Office. If there was no loss, check N/A.

13. Has the district established a policy or adopted the MRSC guidelines for procurement of public works and purchases of equipment, materials, and supplies?

The district should have a policy for the procurement of public works and purchases of equipment, materials and supplies. The MRSC guidelines are a minimum policy. This does not restrict the district from having more stringent guidelines.

CONFLICT OF INTEREST

14. If the district does business with a board member is there a policy in place?

In May 2009, the Commission passed policy to allow up to \$1,500 per month to associate supervisors and staff. For additional guidance contact the Conservation Commission. If no business is done with the board, check N/A.

15. Has the district done any business other than cost share with supervisors during the last year?

District supervisors should not do business involving personal matters regarding the district.

16. Do supervisors have any beneficial interest in contracts other than cost-sharing agreements?

Supervisors should never have any personal gain from any other contracts. See RCW 89.08.220(4) for exception.

17. Do any district employees have any beneficial interest in contracts or cost-sharing agreements in excess of \$1,500 per month?

District employees should never have any personal gain from cost-sharing agreements or any other contracts. In May 2009, the Commission passed policy to allow up to \$1,500 per month to associate supervisors and staff. For additional guidance contact the Conservation Commission.

18. Do any district employees supervise relatives?

District employees should never supervise relatives, or offer special benefits that are not offered to other employees. This is important because it creates the perception of favoritism or nepotism and an opportunity of collusion or other improprieties.

19. Has the district loaned money to any individuals or groups?

The board should be aware of all transactions in regards to the district's finances. The loaning of public funds is illegal except as authorized by legislation such as CREP PIP loans and State Revolving Funds (SRF).

20. If a supervisor has accepted cost share, do district meeting minutes note he/she abstained from authorization, approval, or ratification of the contract?

The minutes must reflect the supervisor's recusal from authorization, approval and ratification of the contract. Supervisors should verify by reviewing the minutes annually.

21. Are there district contracts exceeding \$1,500 per month (in total for each person) with associate supervisors, employees, or their spouses or dependent children?

District contracts with associate supervisors, employees, spouses or dependent children should not exceed \$1,500 per month.

22. Does the district maintain a list of these special contracts as referenced in question 21?

The district must maintain a list of these special contracts and the list must be available for review and audit. Any district cost share to district board members or staff constitutes a special contract.

REVENUE (RECEIPTING)

23. Do the supervisors approve an annual budget which details expected revenue sources?

The governing body should approve an annual budget and should have an understanding of all sources of revenue, including donations and miscellaneous sources including grants.

24. Do supervisors review the annual budget at the close of the fiscal year and examine revenues that are less than expected?

The governing body should determine the source of the over and under budgeted funds, in order to avoid fraud or misappropriation of funds.

25. Is money received from all sources recorded in the receipt book?

Your hard-copy receipt book is a go-to resource to determine all district revenues. All revenues should be receipted, including EFT's with an up-to-date receipt book and a current check register, basic accounts can be reconstructed. The receipt book also forms part of the source document chain as it shows how much was received, the source of funds, the date, and who received the funds.

Cash receipts from tree sales must be documented individually by invoice or receipt.

The districts name should be pre-printed, written, or stamped on receipts and receipts in the receipt book should be sequentially numbered.

BARS requires receipting of all district revenues. Reference: Revenues and Receipts, *Cash Receipting*.

26. Are receipts periodically reconciled to deposits by a person with no cash handling responsibilities?

To protect the entity from fraud or misappropriation of funds a person with no cash handling responsibilities is to reconcile the deposits made. The reconciliation can be performed by a supervisor who is designated to be the district auditor.

27. Are deposits made within 24 hours of receipt?

RCW 43.09.240 requires all deposits be made within 24 hours of receipt.

28. Is cash on hand, including deposits, physically secured to prevent unauthorized access?

The district must ensure that cash is physically secured to prevent misuse or theft.

BARS requires: "*Cash receipts should be properly protected during the operating day and, if they cannot be deposited that day, secured overnight.*" Reference: Revenues and Receipts, *Cash Receipting*.

29. Is the mode of payment noted on the receipt (cash, check, EFT, direct deposit)?

Mode of payment should be documented on cash receipts to prevent theft.

EXPENDITURES

30. Are supervisors informed at every regular board meeting, of district activities that result in expenditures?

The board should be informed of district activities and aware of all budgeted line items as well as the coding of expenditures. All expenditures or policies for expenditures of the district must be approved by the board.

31. Were conditions of RCW 42.24.180 met for any expenditure made prior to approval by the board?

*RCW 42.24.180: "In order to expedite the payment of claims, the legislative body may authorize the issuance of warrants or checks in payment of claims after the provisions of this chapter have been met and after the officer designated by statute, or, in the absence of statute, an appropriate charter provision, ordinance, or resolution of the *taxing district, has signed the checks or warrants, but before the legislative body has acted to approve the claims. The legislative body may stipulate that certain kinds or amounts of claims shall not be paid before the board has reviewed the supporting documentation and approved the issue of checks or warrants in payment of those claims. However, all of the following conditions shall be met before the payment:*

(1) The auditing officer and the officer designated to sign the checks or warrants shall each be required to furnish an official bond for the faithful discharge of his or her duties in an amount determined by the legislative body but not less than fifty thousand dollars;

(2) The legislative body shall adopt contracting, hiring, purchasing, and disbursing policies that implement effective internal control;

(3) The legislative body shall provide for its review of the documentation supporting claims paid and for its approval of all checks or warrants issued in payment of claims at its next regularly scheduled public meeting or, for cities and towns, at a regularly scheduled public meeting within one month of issuance; and

*(4) The legislative body shall require that if, upon review, it disapproves some claims, the auditing officer and the officer designated to sign the checks or warrants shall jointly cause the disapproved claims to be recognized as receivables of the *taxing district and to pursue collection diligently until the amounts disapproved are collected or until the legislative body is satisfied and approves the claims."*

The Commission can provide sample resolutions.

32. Are procedures in place to check payroll payments to supporting documents?

Under Best Practice, it is important that the district has procedures in place to check payroll, timesheets, leave slips salaries, labor contracts, and employment records, in order to avoid fraud or misappropriation of payroll funds.

33. Are reports showing leave accruals, usage and the balance reported and reviewed for reasonableness by the board at every regular board meeting?

Districts should have all payroll and leave balances by employee reviewed and signed off on by a supervisor, in order to avoid discrepancy in the future. This must be reported to the board at every regular board meeting.

34. Is all leave approved?

All leave, paid or unpaid, must be approved in writing by a manager or supervisor per the district's personnel policy.

35. If the district acts as its own treasurer, does the board review a check register at every meeting?

BARS states: *"A monthly Treasurer's Report should be prepared and reviewed at every monthly district board meeting, approved by the board, and included as part of the district meeting minutes."*

Regularly balancing your check register is a vital step to avoid overdrawing your account, and to allow early detection of fund problems.

36. If the district acts as its own treasurer, does a supervisor, employee, or designee with no independent ability to issue payments trace all checks cleared per bank statements to canceled warrants and the check register presented to the board at every regular board meeting?

It is important that all expenditures are reviewed to prevent fraud or any misappropriation of funds. Redeemed checks/warrants should be reviewed by the board designee to ensure expenditures are appropriate.

37. If the county acts as the district's treasurer, does the board review a county treasurer warrant register report at every meeting?

If the county acts as the district's treasurer, the board must review the warrant register at every meeting, to determine the information to verify the transactions are being handled correctly.

FINANCIAL HEALTH

38. Is the district currently involved in any lawsuits?

It is important to disclose any unsettled lawsuits, in order to determine the current financial health and well being of the entity. Lawsuits include the district being sued or the district suing someone.

39. Did the district use any temporary financing sources (registered warrants, lines of credit or short-term loans) during the course of the year?

It is important for the board to know of all forms of temporary financing the district may have. Credit cards are not considered temporary finance sources if paid in full monthly.

INSURANCE/BONDING

40. Are all persons who handle public funds bonded or insured?

BARS requires: *“The treasurer and auditor must be bonded in an amount determined by the board, but not less than fifty thousand dollars.”* Reference: Expenditures and Disbursements, *District Internal Control Powers and Duties*.

BARS also states: *“A district may provide and require a reasonable bond of any other person handling moneys or securities of the district, if the District pays the premium.”* It is the Commission’s position that every public official and deputies of such officials should be bonded if they handle public funds.

Employee dishonesty bonding or liability insurance with errors and omissions should be equal to the amount of unrestricted bonds available.

OPEN PUBLIC MEETINGS AND RECORDS

41. Are official minutes of all regular and special board meetings available for review?

RCW 89.08.210 says, in part: *“The supervisors shall provide for the keeping of a full and accurate record of all proceedings, resolutions, regulations, and orders issued or adopted.”* Meetings of district boards are subject to the Open Public Meetings Act (RCW 42.30) which requires regular and special meetings to be open to the public. These should be verified annually by the supervisors.

42. Are motions made, seconded, and passed (or not passed) recorded in minutes?

RCW 42.30.020 says *“‘Final action’ means a collective positive or negative decision, or an actual vote by a majority of the members of a governing body when sitting as a body or entity, upon a motion, proposal, resolution, order, or ordinance.”*

Thus, some formal system of reaching a positive or negative decision is required. Districts generally use some form of Roberts Rules of Order to make these decisions. Since supervisors are tasked with keeping a full and accurate record of proceedings, the way these decisions are reached need to be recorded in the minutes.

This question should not be interpreted as meaning your district may only make decisions by voting on motions. Consensus is a perfectly valid way to make group decisions, but when that method is used, it should be reflected in the minutes. Example: *“A proposal to proceed with applying for an Ecology grant to protect water quality in the Mytown Watershed was discussed, and approved by consensus of the board of supervisors with no dissent.”*

43. Are resolutions such as for setting your election kept with the minutes?

All resolutions are to be kept with the meeting minutes, as all items at the meeting are subject to public records requests.

44. Does the district keep the public informed of the time and place of all meetings or gatherings of three or more supervisors?

Information regarding meetings need to be made public to guarantee public participation in district matters.

45. Do all official actions of the board occur when a quorum of supervisors is present and in open public meeting?

All official actions of the board must be made in an open public meeting. Supervisors should verify by reviewing the minutes.

46. Does the board follow the Open Public Meeting Act for going into, coming out of and recording time and purpose of executive sessions?

The Open Public Meeting Act needs to be followed when conducting executive sessions. Supervisors should verify by reviewing the minutes. See RCW 42.30.110 for guidance.

47. Does the district comply with the Public Records Act by providing records requested in accordance with the law including written procedures for handling requests?

RCW 42.56 .070 states that: *“Each agency, in accordance with published rules, shall make available for public inspection and copying all public records, unless the record falls within the specific exemptions of *subsection (6) of this section, this chapter, or other statute which exempts or prohibits disclosure of specific information or records. To the extent required to prevent an unreasonable invasion of personal privacy interests protected by this chapter, an agency shall delete identifying details in a manner consistent with this chapter when it makes available or publishes any public record; however, in each case, the justification for the deletion shall be explained fully in writing.”*

DISBURSEMENTS

48. Are all checks accounted for (including unused/voided/cancelled checks)?

BARS states: *“Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.”*

Missing checks create unanswered questions about the status of those checks. Unused, voided, cancelled, or damaged checks should be retained to avoid any ambiguity.

49. Are voided checks physically altered and available for inspection?

BARS does not speak directly to voided checks or warrants, but the principle applied to receipts should also be applied to checks and warrants: *“If a receipt is voided, the original and any copies of that receipt must be retained.”*

Physically altering voided checks prevents the checks from being processed by automatic machines. We recommend using a paper punch to make holes through the magnetic encoding on the check, and through the signature, if present.

50. Do cancelled checks contain at least two approved signatures?

While BARS does not require two approved signatures, we strongly recommend this practice. Your bank may not care if there are one or two signatures, but the two-signature requirement helps avoid misappropriation of funds. It serves as an easy cross-check on the amount and recipient of district payments.

51. Checks are always filled out before they are signed?

Checks must be completely filled out with payee, date, and amount. Blank checks should never be signed before they are filled out.

52. Is at least one signatory on each check a board member?

Cross-checks are an important safeguard for the district. Having a board member as one of the signatories on a check is another way to help protect public funds.

53. Are fronts and backs of cancelled checks available for inspection?

While not required, it is a best practice to review checks for possible deviations and fraudulent activities in order to confirm correct payee endorsement. There should be a procedure to check that the endorsement on each cancelled check/warrant is consistent with the payee on the front.

54. Is the check register up-to-date and balanced at least monthly?

BARS states: *“A monthly Treasurers Report should be prepared and reviewed at every monthly district board meeting, approved by the board, and included as part of the district meeting minutes.”*

Regularly balancing your check register is a vital step to avoid overdrawing your account, and to allow early detection of problems.

55. Are unexpected and unusual payees analyzed at each board meeting?

Are there company names or individuals listed in the check register, or on cancelled checks that you do not recognize? Ask for source documents so you can determine the payments were made appropriately. Review the endorsements and if unsure make a notation in the survey. Supervisors should not sign checks without source documents.

56. Does the district have a travel reimbursement policy for supervisors and employees?

The district should have a travel reimbursement policy for all supervisors and employees. For sample policies, contact your regional manager.

57. Does the district have policies and procedures for appropriate use of personal credit cards?

According to RCW 42.24, utilization of credit cards for travel expenses requires the board of supervisors to pass a resolution establishing rules and regulations including limiting the use of credit cards to authorized travel expenses only.

58. Does the district have policies and procedures for appropriate use for district credit cards and do all district credit cards and vendor charge accounts show the name of the district on them?

All credit cards and vendor accounts should be under the name of the district.

59. Are original receipts filed with the district for all personal credit card purchases?

Submission of a fully itemized travel expense voucher by the employee or district board member is required under RCW 42.24.

60. Are all outstanding loan and district credit card activity reported to the board monthly?

The board should be aware of all outstanding loans and credit card purchases to monitor district activity.

61. Are credit card account activities reviewed by the board for reasonableness?

Credit card activity needs to be overviewed by the board to ensure that they have not been misused and there is no fraudulent activity taking place.

62. If cell phones are provided to employees, are there written policies and procedures for personal usage?

Cell phone activity needs to be regulated to prevent personal usage, as this would result in a misuse of public funds.

63. If vehicles are provided to employees, are there written policies and procedures for personal usage?

Vehicles should not be used for personal or recreational purposes by employees.

64. Are vehicle mileage logs checked for reasonable fuel consumption?

Vehicle mileage logs should be kept for all district vehicles. Mileage logs should be monthly compared to fuel consumption to determine if fuel is being misappropriated.

65. Does your district use a petty cash account or fund as established and maintained by district resolution?

A petty cash account needs to exist for any sum of money or other resources set aside for specific purposes such as as minor disbursements, making change, and similar uses.

66. Does the district have a written policy and procedure for purchasing incidental supplies between board meetings?

The district should have a written policy and procedure for purchasing incidental supplies between board meetings.

67. Is the petty cash in the box maintained at the amount authorized by the board?

Cash should be managed to reduce the possibility of misplacing funds.

68. Is petty cash physically secured to prevent unauthorized access?

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

69. Is a separate balance book used for petty cash?

It is important to keep funds organized to prevent confusion and maintain accurate inventories

70. Is petty cash reconciled at least monthly per board policy?

The petty cash should always be balanced

71. Does the cash in the box match the balance in the petty cash balance book?

Cash in the box must match the amount of cash in the balance book to ensure funds have not been misappropriated.

72. Are petty cash reimbursements reviewed for reasonableness and for adequate supporting documentation?

Petty cash reimbursements should be reviewed by the board designee to monitor activity and review for reasonableness and adequate supporting documentation.

73. Does the governing body authorize each petty cash amount in which local legislation is officially enacted?

The governing body must authorize each petty cash account in the manner that local legislation is officially enacted, i.e. resolution or ordinance. This applies to all subsequent increases or decreases in the imprest amount.

74. Does the district have an appointed custodian for each petty cash account, and are their actions as custodian subject to review by some other personnel?

The governing body or its delegate must appoint one custodian of each petty cash account who should be independent of invoice processing, check signing, general accounting and cash receipts functions.

75. Is the amount in petty cash periodically counted and reconciled by someone other than the custodian?

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

76. Is petty cash replenished periodically by warrant or check payable to the custodian?

If petty cash is disbursed, it must be replenished periodically (monthly or as often as warranted) by warrant or check payable to the custodian. The replenishment should be subject to the same review and approval as processed invoices. No other receipts may be deposited to the petty cash fund.

77. Does the petty cash amount exceed one month's salary or the surety bond covering of the custodian?

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

78. Is petty cash replenished at the end of each fiscal year?

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

79. Upon termination of the appointed custodian, is the fund reconciled, replenished and the imprest amount turned over to the treasurer or other disbursing officer?

Whenever an individual's appointment as custodian is terminated, the fund must be reconciled, replenished and the imprest amount turned over to the treasurer or other disbursing officer.

QUESTIONS FROM COMMISSION'S DOR AND INTERNAL AUDIT

80. Does the district have an adopted policy manual that covers the district's operations?

A policy manual is important to ensure uniformity in district operational procedure.

81. Has the board reviewed RCW 89.08, the Conservation Districts Law sections 210 and 220, since the last Schedule 22 review?

RCW 89.08 states that the supervisors shall provide for the keeping of a full and accurate record of all proceedings, resolutions, regulations, and orders issued or adopted. The supervisors shall provide for an annual audit of the accounts of receipts and disbursements in accordance with procedures prescribed by regulations of the Commission.

82. Is the district’s long-range plan current, in the correct format, and on file with the Commission?

The district must have a current long-range plan and on file with the Commission. The plan must also be in the correct format.

83. Is the district’s annual work plan current and on file with the Commission?

Districts must have current annual work plans, in the correct format, on file with the Commission.

84. Does the district have current written agreements with all conservation partners where resources are exchanged and have they been reviewed in the last 12 months?

Districts must have current written agreements with all conservation partners.

85. Has the district established a claims agent with the county auditor?

RCW 4.96.0602 (2) requires the governing body of each local governmental entity appoint an agent to receive any claim for damages. The identity of the agent and the address where he or she may be reached during the normal business hours of the local governmental entity are public records and should be recorded with the auditor of the county in which the entity is located.

86. Does the district have a training plan for supervisors and employees?

A training plan is important for employers and supervisors to become familiar with procedures and practices in the work place.

87. Does the district make its office, meetings and programs accessible to the public?

The district office, meetings and programs must be accessible to the public.

88. Has the district addressed any findings, management letters, or exit comments made by the State Auditor’s Office during the last audit or action items from the previous year’s Schedule 22?

The district must address audit finding, management letters and exit comments in the district’s action plan. The previous year’s action items in the Schedule 22 should be addressed.

89. Does the district have the required posters as shown on the list on the Labor and Industries website?

These posters are important to inform employees of their rights and options in various situations regarding fair labor, disabilities, and other legal rights.

90. Is sales tax listed on a separate line on receipts?

This is a Department of Revenue requirement, to help conservation districts keep pass-through funds separate from revenues.

91. Are deposits made by someone other than the person who receipted the money?

BARS guidance states: *“The deposit should be prepared by someone other than the person who received the payment.”*
Reference: Revenues and Receipts, *Cash Receipting*.

92. Were quarterly payments filed with the Department of Labor and Industries and match payroll records?

Payments to the Department of Labor and Industries need to match the payroll records to avoid a misallocation of funds. The quarterly reports to L&I should be verified by the board.

93. Was unemployment insurance paid for all employees to Employment Security Department and payments match payroll records?

Payments to the Employment Security Department need to be reconciled with the payroll records to ensure accurate accounting. The quarterly reports to ESD should be verified by the board.

94. Were tax withholding payments made to the Internal Revenue Service and match payroll records?

Payments to the Internal Revenue Service need to be reconciled with the payroll records to ensure accurate accounting. The quarterly reports to IRS should be verified by the board.

95. Were payments made to Social Security/Medicare or to a qualified retirement plan and match payroll records?

Payments made to Social Security/Medicare or to a qualified retirement plan need to be reconciled with the payroll records to ensure accurate accounting. The quarterly reports to Social Security/Medicare or a qualified retirement plan should be verified by the board.

96. If sales tax was collected, was it remitted to the State Department of Revenue?

All sales tax collected needs to be remitted to the State Department of Revenue.

97. How many employees do you have as of December 31?

Write in the number of employees as of December 31. Include both full and part time employees.

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CONSERVATION DISTRICTS

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Part 3. Reporting
Chapter 3. Notes to Financial Statements

GENERAL INSTRUCTIONS

The notes which follow are designed to illustrate the disclosures required for conservation districts. The SAMPLE TEXT contains the most common version of a note, the one that the district is most likely to use. The NOTES TO PREPARER contain instructions and comments on the SAMPLE TEXT. Notes must reflect your district's accounting policies and must include disclosure in the areas listed as they relate to the district's financial position.

DELETE NOTES THAT DO NOT APPLY AND ADD OTHERS THAT ARE NEEDED TO HELP A READER UNDERSTAND THE DISTRICT'S FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The (district) was incorporated on (date) and operates under the laws of the state of Washington applicable to a (type of government).

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).

b. Basis of Accounting

The (district) reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW.

The accounts of the (district) are maintained on the basis of funds. For reporting purposes, the activities of all the (district’s) funds are combined.

The (district) uses the cash basis of accounting where revenues are recognized only when received and expenditures are recognized when paid.

c. Cash

It is the (district’s) policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as cash and investments.

d. Deposits

The (district) deposits (and certificates of deposit) are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

e. Capital Assets

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are recorded as expenditures when purchased. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. Maintenance, repairs, and minor renewals are accounted for as expenses when paid. (Obligations under capital leases are disclosed in Note (Long-Term Debt Note No.). (Donations by developers [and customers] are recorded at the contract price or donor cost or appraised value.)

f. Reserved Fund Balance¹

NOTES TO PREPARER:

¹ If the district has any external and/or internal restrictions on fund balance, it should describe the nature and amounts of these reservations.

g. Compensated Absences¹

Vacation pay may be accumulated up to ____ days and is payable upon separation or retirement.

Sick leave may accumulate (indefinitely or up to ____ hours). Upon separation or retirement employees (do/do not) receive payment for unused sick leave.

NOTE 2 – INVESTMENTS

The (district's) investments are either insured, registered or held by the (district) or its agent in the (district's) name.

Investments by type at December 31, 20__ are as follows:

<u>Type of Investment</u>	<u>Balance</u>
_____	\$_____
_____	_____
_____	_____
_____	_____
_____	_____
Total	\$_____

NOTES TO PREPARER:

¹ Disclose your policy for sick leave termination benefits and your liability, if applicable. For example:

(Sick leave can only be used for paid time off for the illness of the employee or a dependent. Upon resignation/termination, retirement or death, any outstanding sick leave is lost.)

(If an employee terminates with at least ten years of service, he or she will be paid in cash for sick leave balances up to 30 days, at one-quarter his or her final pay rate. The (district's) estimated liability for sick leave termination benefits on December 31, 20__ was \$_____.)

NOTE 3 – ASSESSMENTS

Special assessments are authorized by RCW 89.08.400 to be imposed for conservation districts. Activities and programs to conserve natural resources, including soil and water, are of special benefit to lands and may be used as the basis upon which special assessments are imposed.

A special assessment to finance _____ of the district has been imposed for the period of _____ and in the amount of \$ _____ per acre/parcel.

NOTE 4 - LONG-TERM DEBT

Long-term debt at December 31, 20__ consisted of the following:

<u>Type of Debt¹</u>	<u>Amount Incurred</u>	<u>Date Incurred</u>	<u>Final Maturity</u>	<u>Interest Rate(s)</u>	<u>Amount Outstanding</u>
_____	\$ _____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Total Long-Term Debt					\$ _____

NOTES TO PREPARER:

¹ Type of debt may include capital leases, notes payable, etc.

NOTE 5 – SHORT-TERM DEBT¹

Short-term activities for the year ended December 31, 20__ were as follows:

Debt	Beginning Balance 01/01/20__	Issued	Redeemed	Ending Balance 12/31/20__
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

NOTE 6 - PENSION PLANS

Substantially all of the (district's) full-time and qualifying part-time employees participate in the (list the type(s) of plan(s)) administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the (district's) financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
 Communication Unit
 PO Box 48380
 Olympia WA 98504-8380

NOTES TO PREPARER:

¹ 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 the year, even if not short-term debt is outstanding at the year end.

The district should describe the purpose for which the short-term debt was issued.

The district may also address how it intends to finance the payment of short-term debt outstanding at the end of the fiscal period.

OTHER DISCLOSURES

Disclose any information which may be important to understand the district’s financial statements.

- Material violations of finance-related legal and contractual provisions. Describe the violations and steps taken to resolve them.
- Corrections of material errors in previous years. A disclosure should be made describing any significant transactions recorded as prior year(s) corrections in the BARS account 388.80.
- Significant transactions with related parties. A related party is a person or organization that either has the ability to influence the policies of the government (e.g., an elected official), is subject to significant influence by the government (e.g., a housing authority’s board is appointed by the creating city or county which therefore has the ability to significantly influence the policies of the authority) or when another party has the ability to influence the policies of both the government and the related party (e.g., an organization that has a board member or executive that is also an executive or board member of the government).
- Extraordinary events with a significant effect on reported cash transactions. The disclosure should describe the event and its impact on cash transactions. Extraordinary means both unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to the ordinary and typical activities of the entity) and infrequent in occurrence (not reasonably expected to recur in the foreseeable future). For example, this may include a natural disaster, discontinuance of a major program or merger with another government.
- Subsequent events occurring after the end of period but before issuance of the statements that have a significant financial impact (e.g., issuance of new debt, settlement of major litigation, or an extraordinary event occurring after the end of the period).
- Component units or joint ventures. Component units and joint ventures are any legally separate organization that the government either controls (e.g., because it appoints a voting majority of the board) or holds an ongoing financial interest (e.g., equity interest) or has an ongoing financial responsibility (e.g., government is obligated in some manner for the debts of the organization). The notes should describe the venture and the nature of the relationship with the government.
- Any commitments, obligations (e.g., OPEB, pollution remediation, etc.) which impose restrictions on the future use of financial resources.

OPEB

The (district) has a commitment to pay for post employment benefits for employees that belong to (list groups, i.e. LEOFF1, PEBB, etc.). These benefits include (list benefits, i.e. medical, vision, nursing care, etc.). (Number) retirees received benefits during the year and (amount) was paid out for those benefits during the year.

- Risk management. Describe types of risk faced by the district and how they are being handled (e.g., self-insurance, risk pool, commercial insurer, etc.)
- Any other items you may consider significant.