Chapter 80 - Accounting Policies

80.10 About Accounting Policies, Roles and Responsibilities

80.20 Generally Accepted Accounting Principles

80.30 State Accounting and Reporting Policies

80.10
About Accounting Policies, Roles and Responsibilities

80.10.10 Purpose for the accounting policies and procedures in this manual
May 1, 1999

Chapters 80 and 85 establish statewide policies, regulations and procedures for the financial accounting practices applicable to agencies of the state of Washington.

80.10.20 Authority for these policies
May 1, 1999

The Budget and Accounting Act contained in Chapter 43.88 RCW requires that the Governor, through the director of the Office of Financial Management (OFM), devise and maintain a comprehensive accounting system in conformance with generally accepted accounting principles (GAAP) (Refer to RCW 43.88.037) for use by all state agencies. The purpose of this system is to provide accountability over all revenues, expenditures/expenses, receipts, disbursements, resources (assets), and obligations (liabilities) of the state (Refer to RCW 43.88.160(1)). The Budget and Accounting Act grants OFM the authority to develop and issue the regulations necessary for the proper administration of the Act.

80.10.30 Applicability
May 1, 1999

Chapters 80 and 85 apply to all agencies of the state of Washington, unless otherwise exempted by statute. The Budget and Accounting Act defines the term “agency” to mean and include “every state office, officer, each institution, whether educational, correctional or other, and every department, division, board and commission, except as otherwise provided.”

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

80.10.40 Role of the Office of Financial Management

May 1, 1999

80.10.40.a The Office of Financial Management (OFM) acts on behalf of the Governor in the capacity of the state's accounting and budgeting agent in carrying out the provisions of the Budget and Accounting Act, Chapter 43.88 RCW. As such, all policies, procedures, and directives issued by OFM are binding on all state agencies unless specifically exempted by RCW 43.88.240.

80.10.40.b OFM has the statutory authority to devise, supervise, and maintain a modern and complete accounting system for each agency to the end that all revenues, expenditures/expenses, receipts, disbursements, resources and obligations of the state are properly and systematically accounted for. In carrying out this responsibility, OFM is involved in the following activities:

1. Maintains central financial accounting and reporting systems.

2. Engages in oversight activities on all agency accounting and reporting systems. OFM also requires that any changes to existing and all new agency accounting and/or reporting systems that materially impact the accounting methods or practices of the agency have the approval of OFM prior to implementation. Refer to Subsection 80.30.88.

3. Prescribes specific accounting procedures to be followed by agencies in accounting for the state's resources.

4. Maintains the central records reflecting the financial status of the state taken as a whole at the level deemed necessary for central financial management.

5. Adopts and periodically updates the State Administrative and Accounting Manual that prescribes and requires the maintenance of uniform systems of accounting and reporting for agencies.

6. Advises and assists agency accounting and administrative personnel in specific accounting and reporting problems and recommends system revisions and improvements which make it possible to exercise effective control over assets, liabilities, revenues, and expenditures/expenses.

7. Prescribes and requires the maintenance of budgetary accounting procedures to produce current and accurate management information for effective budgetary control.

80.10.40.c OFM has the statutory responsibility to publish, within six months of the end of the fiscal year, an annual financial report that encompasses all funds and account groups of the state.

80.10.40.d OFM has the statutory responsibility to provide all agencies with a complete set of instructions for preparing and submitting biennial budget requests and statements of proposed expenditures. Additionally, OFM is to monitor agency expenditures against the approved statement of proposed expenditures and provide budget status information periodically to the Legislature and its committees.

80.10.40.e OFM has the statutory authority and responsibility to develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls.

80.10.40.f OFM has the statutory responsibility to cause corrective action(s) to be promptly taken by agencies on specific recommendations or exceptions contained in the reports of the State Auditor regarding specific expenditures or other practices related to an agency's financial transactions (i.e., audit findings and questioned costs).

OFM has the additional responsibility to annually report to the appropriate committees of the Legislature, the State Auditor, and the Attorney General the status of audit resolution including, but not limited to, types of personnel actions, costs and types of litigation, and value of recouped goods or services.

80.10.40.g OFM has the statutory responsibility to approve the use of electronic and other technological means to transfer both funds and information whenever economically feasible, to eliminate paper documentation whenever possible, and to provide greater fiscal responsibility.

80.10.50 Role of the State Treasurer

July 1, 2008

Chapters 43.08 RCW and 43.88 RCW give the State Treasurer the statutory authority and responsibility to:

80.10.50.a Receive, maintain, and disburse all public monies of the state not expressly required by law to be received, maintained, and disbursed by other agencies.

80.10.50.b Receive, disburse, or transfer public monies under the State Treasurer's supervision or custody by warrant or check, automated clearing house (ACH), Interagency Payment Journal Voucher (IAP), or Interfund Transfer (IFT).

80.10.50.c Maintain current and correct account of all monies received and disbursed by the State Treasurer, classified by account.

80.10.50.d Take such actions as are necessary to ensure the effective cash management of public funds.

80.10.50.e Coordinate agencies’ acceptance and use of credit cards and other payment methods as authorized by law.

80.10.50.f Represent the state in all contractual relationships with financial institutions.

80.10.50.g Perform other such duties as may be prescribed by law or other regulations.

80.10.60 Role of the State Auditor

May 1, 1999

Chapter 43.88 RCW gives the State Auditor the statutory authority and responsibility to:

80.10.60.a Conduct periodic post-audits of state agencies covering compliance with fiscal and legal requirements.

80.10.60.b Conduct special examinations when warranted by questionable practices or circumstances.

80.10.60.c Report to the Legislature on an annual basis concerning the significant findings contained in post-audits of state agencies.

80.10.60.d Provide information to the Legislature, whenever required, upon any subject relating to the financial affairs of the state.

80.10.60.e Perform or participate in performance verifications only as expressly authorized by the Legislature in the omnibus biennial appropriations acts.

80.10.70 Role of the Joint Legislative Audit and Review Committee

May 1, 1999

Chapter 44.28 RCW gives the Joint Legislative Audit and Review Committee (JLARC) the statutory authority and responsibility to:

80.10.70.a Make examinations and reports concerning whether or not appropriations are being expended for the purposes and within the statutory restrictions of the Legislature; and concerning the organization and operation of procedures necessary or desirable to promote economy, efficiency, and effectiveness in state government, its boards, committees, commissions, institutions, and other state agencies; and to make recommendations and reports to the Legislature.

80.10.70.b Make such other studies and examinations of economy, efficiency, and effectiveness of state government and its state agencies as it may find advisable, and to hear complaints, hold hearings, gather information, and make findings of fact with respect thereto.

80.10.70.c Conduct program and fiscal reviews of any state agency or program scheduled for termination under the process provided under Chapter 43.131 RCW.

80.10.70.d Perform other legislative staff studies of state government or the use of state funds.

80.10.70.e Conduct performance audits in accordance with the work plan it adopts.

80.10.70.f Receive a copy of each report of examination or audit issued by the state auditor for examinations or audits that were conducted at its request and make recommendations as it deems appropriate as a separate addendum to the report or audit.

80.10.70.g Develop internal tracking procedures that will allow the Legislature to measure the effectiveness of performance audits it conducts including, where appropriate, measurements of cost-savings and increases in efficiency and effectiveness in how state agencies deliver their services.

80.10.80 Role of the Legislative Evaluation and Accountability Program Committee

May 1, 1999

Chapter 44.48 RCW gives the Legislative Evaluation and Accountability Program Committee (LEAP) the statutory authority and responsibility to provide and maintain, for the Legislature, an information system for in-depth analysis and monitoring of state agency expenditures, budgets, and related fiscal matters.

80.10.90 Role of administering agencies

July 1, 2008

Administering agencies are designated by OFM to provide general oversight of financial accounting records at the account level. The administering agency for each account is listed in Subsection 75.30.50. Administering agencies are responsible for:

- Reviewing cash and in-process accounts, GL Code series 4XXX and 7XXX, for the accounts that they administer for reasonableness as compared to cash allotments. Special attention should be given to potential cash deficits and unusual or irregular in-process activity.

- Reviewing the reasonableness of the asset, liability, and equity balances of the accounts that they administer. Refer to Subsection 90.20.70.b #8.

If an administering agency determines that adjustments are required, they should coordinate with the operating agency and the Office of the State Treasurer as appropriate. If assistance is needed, the administering agency should contact their assigned OFM Accounting Consultant.

If the administering agency projects a potential cash or fund balance deficit, they should immediately contact their assigned OFM Accounting Consultant.

80.20
Generally Accepted Accounting Principles

80.20.10
July 1, 2001

This state adopts Generally Accepted Accounting Principles (GAAP)

Generally accepted accounting principles (GAAP) are uniform minimum standards of and guidelines to financial accounting and reporting. GAAP establishes appropriate measurement and classification criteria for financial reporting. Adherence to GAAP provides a reasonable degree of comparability among the financial reports of state and local governmental units. In accordance with RCW 43.88.037, the Office of Financial Management (OFM) adopts GAAP as applicable to state governments.

80.20.20
July 1, 2009

What constitutes GAAP?

The hierarchy of GAAP governs what constitutes GAAP for state governments, including government-owned colleges and universities and health care providers. It details the priority sequence of pronouncements that the state should look to for accounting and reporting guidance. The Governmental Accounting Standards Board (GASB) established the following hierarchy for state and local governments:

1. **GASB Statements and Interpretations** (officially established accounting principles).

2. **GASB Technical Bulletins** and, if specifically made applicable to state and local governmental entities by the American Institute of Certified Public Accountants (AICPA) and cleared by the GASB, AICPA Industry Audit and Accounting Guides and ACIPA Statements of Position.

3. **AICPA Practice Bulletins** if specifically made applicable to state and local governmental entities and cleared by the GASB. Also, consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities.

4. **Implementation Guides (Q&A's)** published by the GASB staff, as well as practices that are widely recognized and prevalent in state and local government.

80.20.30 Governmental GAAP requires fund accounting
July 1, 2001

Among the basic principles of governmental GAAP is fund accounting. Because of the diverse nature of governmental operations and the numerous legal and fiscal constraints under which those operations must be conducted, it is impossible to record all governmental financial transactions and balances in a single accounting entity. Therefore, unlike a private business which is accounted for as a single entity, a governmental unit is accounted for through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts.

80.20.35 Fund categories used in governmental accounting
July 1, 2010

Funds are categorized by type to indicate both the sources of the fund's financial resources and the nature of activities financed. There are three broad categories of funds used in governmental accounting.

80.20.35.a **Governmental funds** are used to account for most typical governmental functions. The acquisition, use, and balances of the state's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds), are accounted for through governmental funds. There are five types of governmental funds:

- General Fund - used to account for all financial resources of the state not required to be accounted for in some other fund.
- Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- Debt Service Funds - used to account for the accumulation of resources that are restricted, committed, or assigned for, and the payment of, general long-term debt principal and interest.
- Capital Projects Funds - used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition and construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

- Permanent Funds **-** used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry.

80.20.35.b **Proprietary funds** are used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis. There are two types of proprietary funds:

- Enterprise Funds - used to account for any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds, in the context of the activity's *principal revenue sources*, if any one of the following criteria is met:

  a) The activity is financed with debt that is secured solely by pledge of the net revenues from fees and charges of the activity,

  b) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or

  c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

- Internal Service Funds - used to account for the provision of goods or services by one department or agency to other departments or agencies of the state, or to other governmental units, on a cost-reimbursement basis. Internal service funds should only be used if the state is the predominant participant in the activity.

80.20.35.c **Fiduciary funds** are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. There are four types of fiduciary funds:

- Pension (and other employee benefit) Trust Funds - used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other employee benefit plans.

- Investment Trust Funds - used to report the external portion of the Local Government Investment Pool, which is reported by the state as the sponsoring government.

- Private-Purpose Trust Funds - used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The resources held under these arrangements are not available to support the government's own programs.

- Agency Funds - used to account for resources held by the state in a purely custodial capacity for other governments, private organizations or individuals.

80.20.40 Financial reporting requirements

July 1, 2001

80.20.40.a **Interim reports**. In order to facilitate management control, legislative oversight or other purposes, appropriate interim financial statements and reports of financial position, operating results and other pertinent information should be prepared.

80.20.40.b **Comprehensive annual financial report**. A comprehensive annual financial report (CAFR) should be prepared covering all activities of the primary government and providing an overview of its discretely presented component units. It should contain the following sections:

1. **Introductory section**. The introductory section includes the table of contents and letter of transmittal.

2. **Financial section**. The financial section includes:
   - The independent auditor's report;
   - Management's discussion and analysis (MD&A). Refer to Subsection 80.20.80;
   - Basic financial statements:
     - Government-wide financial statements. Refer to Subsection 80.20.82;
     - Fund financial statements. Refer to Subsection 80.20.85; and
     - Notes to the financial statements.
   - Required supplementary information (RSI), other than MD&A; and
   - Combining and individual fund statements and schedules.

3. **Statistical section**. The statistical section includes additional financial, economic, and demographic information.

80.20.45 What is the financial reporting entity?

June 1, 2005

The financial reporting entity of the state consists of:

1. **Primary government**. The primary government consists of all funds, agencies, departments, and organizations that make up the legal entity of the state.

2. **Organizations for which the primary government is financially accountable**. Financial accountability exists if a primary government appoints a voting majority of the organization's governing body **and** is either (1) able to impose its will on that organization **or** (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government.

3. **Other organizations**. Other organizations (including component units, joint ventures, jointly governed organizations, and other stand-alone governments) for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

80.20.50 Measurement focus and basis of accounting

July 1, 2001

80.20.50.a **Measurement focus** is concerned with *what* financial transactions and events will be recognized in the accounting records and reported in the financial statements. Measurement focus is concerned with the inflow and outflow of resources - what is being measured. While there are a number of measurement focuses, the following two are fundamental to current governmental accounting principles:

1. **Flow of economic resources** focus considers all of the assets available to the governmental unit for the purpose of providing goods and services. Under this focus, all assets and liabilities, both current and long-term, are recorded within the fund and depreciation is recorded as a charge to operations.

2. **Flow of current financial resources** focus measures the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period. The emphasis of this focus is on cash and assets that will become cash during or shortly after the current period. Long-term capital assets and long-term obligations are not recorded within a fund under this measurement focus.

80.20.50.b **Basis of accounting** refers to *when* transactions and events will be recognized in the accounting records and presented in the financial statements. Governmental accounting transactions and events are recognized on either the accrual basis or the modified accrual basis.

1. **Accrual basis** of accounting records revenues in the period in which they are earned and become measurable; expenses are recorded in the period incurred, if measurable.

2. **Modified accrual basis** of accounting recognizes revenues in the period in which they become available and measurable. Revenues are considered available when they will be collected either during the current period or soon enough after the end of the period to pay current year liabilities. Revenues are considered measurable when they are reasonably estimable. Expenditures are generally recognized when the fund liability is incurred, if measurable.

80.20.50.c Under GAAP, the measurement focus and basis of accounting applied varies with fund type category.

1. **Governmental funds** focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. They employ the flow of current financial resources measurement focus and the modified accrual basis of accounting.

   - Revenues are recognized in the accounting period in which they become measurable and available.

   - Expenditures are recognized when incurred, if measurable, except for unmatured interest on general long-term obligations, which is recognized when due.

- Prepayments and capital expenditures are not recorded as deferred costs to be allocated over future periods, but rather as current expenditures.

- Assets and liabilities reported on the financial statements are limited to those representing current available resources or requiring expenditure of said resources.

2. **Proprietary funds** focus on the determination of net income, the changes in net assets (or cost recovery), financial position, and cash flows. They utilize the flow of economic resources measurement focus and the accrual basis of accounting.

   - Revenues are recognized in the period in which they are earned and become measurable.

   - Expenses are recognized in the period incurred.

   - This approach recognizes the deferral and capitalization of expenditures and the deferral of revenues.

   - Assets and liabilities reported represent all of the assets available and all of the liabilities outstanding.

3. **Fiduciary funds** focus on net assets and changes in net assets. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Agency funds also use the accrual basis of accounting, but, since they are custodial in nature and do not involve the measurement of results of operations, they do not use a measurement focus.

80.20.60 Accounting for capital assets and long-term obligations

June 1, 2004

80.20.60.a **Capital assets** of the state are accounted for at cost or, if the cost is not practicably determinable, at estimated cost. The cost of a capital asset includes its purchase price or construction cost, as well as the ancillary charges necessary to place the asset in its intended location and condition for use. Donated capital assets are recorded at their estimated fair value at the time received. Refer to Chapter 30 for the state’s policy for capitalizing assets and for estimating the useful lives of those assets.

Due to the distinctive nature of governmental activities and fund accounting requirements, some capital assets are accounted for in proprietary and fiduciary funds while others are accounted for in the General Capital Assets Subsidiary Account.

80.20.60.a.(1) Capital assets used in proprietary and fiduciary funds, where the flow of economic resources is measured, are accounted for in the appropriate fund. Depreciation of capital assets accounted for in a proprietary or fiduciary fund is recorded in the accounting records of that fund.

Proprietary funds report capital assets both in the government-wide and fund financial statements. Capital assets of fiduciary funds are reported only in the statement of fiduciary net assets.

80.20.60.a.(2) General capital assets are capital assets used in the operations of governmental funds where the primary accounting purpose is to reflect the sources and uses of current financial resources. Since general capital assets do not represent financial resources available for expenditure, they should not be reported as assets in governmental funds. Rather, they are capitalized and depreciated in the General Capital Assets Subsidiary Account, and reported in the governmental activities column in the government-wide statement of net assets.

80.20.60.a.(3) Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets using the modified approach. Depreciation expense should be reported in:

- The Government-wide Statement of Activities,
- The Proprietary Fund Statement of Revenues, Expenditures, and Changes in Fund Net Assets, and
- The Statement of Changes in Fiduciary Net Assets.

80.20.60.b **Long-term obligations**. Due to the fund accounting requirements of a government's operations, some long-term obligations are accounted for in certain funds (fund long-term obligations) and others are accounted for in the General Long-Term Obligations Subsidiary Account.

80.20.60.b.(1) Long-term obligations associated with and expected to be paid from proprietary and fiduciary funds are accounted for in the appropriate fund. These obligations may be secured by a specific fund asset or revenue or may be backed by the full faith and credit of the state.

Proprietary funds should report long-term obligations both in the government-wide and fund financial statements. Long-term obligations of fiduciary funds are reported only in the statement of fiduciary net assets.

80.20.60.b.(2) All long-term obligations that are not accounted for in a proprietary or fiduciary fund are considered general obligations of the state. Since general long-term obligations represent debt that will be met by expending resources other than those considered current and available as of current balance sheet year-end, they should not be reported in governmental funds. Rather, they are reported in the governmental activities column in the government-wide statement of net assets.

80.20.70 GAAP budgetary requirements

July 1, 2001

Budgeting is recognized in GAAP as being a critical element of governmental planning, control, and evaluation processes. GAAP budgetary requirements include:

- Budget(s) should be adopted by every government,
- The accounting system should provide the basis for appropriate budgetary control, and
- Budgetary comparisons should be included in the appropriate financial statements and schedules for governmental funds for which budgets have been adopted. The budgetary comparison should present both the original and the final appropriated budgets for the period as well as actual inflows, outflows, and balances, stated on the state's budgetary basis.

Governmental funds of the state are budgeted materially in accordance with GAAP. The required budgetary comparisons are presented as required supplementary information.

80.20.80 Management's Discussion and Analysis

July 1, 2001

The state's financial statements are preceded by the Management's Discussion and Analysis (MD&A). The MD&A, which is classified as required supplementary information, is a narrative introduction, overview, and analysis of the state's financial statements. It focuses on the primary government and is objective, easily readable, and based on currently known facts and conditions.

The MD&A introduces the basic financial statements describing the statements and their relationship to one another. With emphasis on the current year, it presents condensed comparative data and an analysis of the overall financial position of the state as well as an analysis of significant balances and operations of individual funds. The MD&A presents budget variances, significant capital asset (including infrastructure) and debt activity, and other potentially significant matters.

80.20.82 Government-wide financial statements

June 1, 2002

The state presents two basic government-wide financial statements: the Statement of Net Assets and the Statement of Activities. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide financial statements present information about the overall state. All governmental and business-type activities are included, but fiduciary activities are excluded. Nonfiduciary component units are included.

80.20.82.a **Statement of Net Assets**. The purpose of the Statement of Net Assets is to display the financial position of the primary government and its component units. Governmental and business-type activities of the primary government are displayed in separate columns with a total column presenting a consolidated total (balances between governmental and business-type activities are eliminated).

Assets and liabilities are presented in a net assets format in order of liquidity. Net assets are classified into three categories: 1) invested in capital assets, net of related debt; 2) restricted net assets; and 3) unrestricted net assets. Net assets are reported as restricted when constraints are placed on asset use either externally, by creditors, grantors, contributors, or imposed by law through constitutional provision or enabling legislation.

80.20.82.b **Statement of Activities**. The purpose of a statewide Statement of Activities is to identify the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business type activities, a major program is an identifiable activity.

80.20.85 Fund financial statements
July 1, 2001

80.20.85.a The fund financial statements focus on major individual funds of the state with nonmajor funds aggregated into a single column regardless of fund type. In conjunction with the fund statements, the state presents a summary reconciliation between the fund financial statements and the government-wide financial statements.

At the fund statement level, governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds use the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are reported consistent with proprietary funds except for the recognition of certain liabilities of defined benefit pension plans.

80.20.85.b The state's fund financial statements include:

Governmental Funds

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balances

Proprietary Funds

- Statement of Fund Net Assets
- Statement of Revenues, Expenses, and Changes in Fund Net Assets
- Statement of Cash Flows

Fiduciary Funds

- Statement of Fiduciary Net Assets
- Statement of Changes in Fiduciary Net Assets

80.30
State Accounting and Reporting Policies

80.30.05
June 1, 2002

State accounting and reporting principles must conform with Generally Accepted Accounting Principles (GAAP)

The basic principles governing the accounting and reporting activities of the state are required by RCW 43.88.037 to be in conformance with generally accepted accounting principles (GAAP).

The significant accounting and reporting policies of the state of Washington are in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). For government-wide and proprietary fund reporting, the state also applies the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board (APB) Opinions.
3. Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

80.30.10
July 1, 2001

What is our fund/account structure?

In accordance with GAAP, the state defines a fund/account as a fiscal and **accounting** entity with a self-balancing set of accounts used by agencies to record transactions. Fund/account accounting is designed to demonstrate legal compliance and fiscal accountability by segregating transactions related to certain government functions or activities.

For reporting purposes, the state administratively combines accounts with activity and/or balances into roll-up funds. A roll-up fund is a **reporting** entity. It is comprised of the various accounts which generally fall within the generic activity/nature of the roll-up fund's title.

For reporting purposes, funds can be categorized into one of eleven "roll-up fund types." These eleven fund types can be grouped into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

Five fund types are used to account for the "governmental type" activities of the state and these are categorized as governmental funds. Two fund types are used to account for the state's "business type" activities and these are categorized as proprietary funds. The remaining category is for the state's fiduciary funds which are used to account for resources that are held by the state as a trustee or agent for individuals/organizations outside the state and cannot be used to support the state's own programs.

80.30.15 What are subsidiary accounts?

July 1, 2001

The state uses subsidiary accounts for tracking general capital assets and general long-term obligations. Subsidiary accounts are record keeping mechanisms that provide a basis for accountability and tracking the state's general capital assets and unmatured portion of general long-term obligations and certain other long-term accrued liabilities.

80.30.20 What is our measurement focus and basis of accounting?

July 1, 2006

80.30.20.a The accounting and financial reporting treatment applied to an account is determined by its measurement focus. All governmental fund type accounts are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Governmental Funds balance sheet. Operating statements for these accounts present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

All proprietary and trust fund type accounts are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these accounts are included on their respective statements of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Net assets in proprietary fund type accounts are segregated into three components: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets for trust fund type accounts are held in trust for external individuals and organizations.

The modified accrual basis of accounting is used by all governmental fund type accounts. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be reasonably estimated. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure driven grant agreements are recognized when the qualifying expenditures are made provided that the availability criteria is met. Pledges are accrued when the eligibility requirements are met and resources are available. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half year collections are due April 30 and the second half year collections are due October 31. Since the state is on a fiscal year ending June 30, the first half year collections are recognized as revenue, if collectible within 60 days of the fiscal year end. The second half year collections are recognized as receivables offset by deferred revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are recognized when the related liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

All proprietary and trust fund type accounts are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when incurred.

The state defers recognition of revenue under certain conditions. Deferred revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Deferred revenues also arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

80.30.20.b For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

80.30.25 General budgetary policies

July 1, 2004

Governmental fund type accounts are budgeted materially in conformity with GAAP. Certain governmental activities are excluded from budgetary reporting because they are not appropriated. These activities include: activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, federal surplus food commodities, electronic food stamp benefits, capital leases, note proceeds, and resources collected and distributed to other governments. The differences between budgetary reporting and GAAP reporting are reconciled and disclosed in the notes to the state's budgetary comparison schedules. Refer to Section 85.10.

80.30.27 General reporting policies

July 1, 2004

80.30.27.a In accordance with GAAP, the state annually prepares and publishes a Comprehensive Annual Financial Report (CAFR), which presents the primary government and its <u>component units</u>, entities for which the state is considered to be financially accountable. Per RCW 43.88.027, the CAFR is required to be prepared and published within six months of year end.

80.30.27.b A state agency or component unit may prepare and publish separate, stand-alone financial reports as deemed necessary. When these reports are prepared in accordance with GAAP, the relationship between the agency or component and the state should be disclosed on the cover of the report as well as in the notes to the financial statements. Refer also to Subsection 90.10.60.

80.30.28 What is the state of Washington reporting entity?

June 1, 2005

In defining the state of Washington for financial reporting purposes, management considers: all organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government); organizations for which the state is financially accountable; and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be incomplete.

The primary government of the state includes its agencies, colleges and universities, retirement systems, and blended component units. Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds.

Discretely presented component units are reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the state and primarily serve or benefit those outside of the state. They are financially accountable to the state or have relationships with the state such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

80.30.30 Pooled cash and investment policies

June 1, 2002

Investments of surplus or pooled cash balances are reported by the state as "cash and pooled investments." The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. As a result, the cash balances of funds with surplus pooled balances are not reduced for these investments.

The policy for valuing investments varies depending upon the nature of the investment. Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Participating contracts are investments whose value is affected by market (interest rate) changes. If these contracts are negotiable or transferable, or their redemption value considers market rates, they should be considered participating. Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure. Investments in open-end mutual funds are reported at fair value, which is determined by the fund's current share price. All other investments are reported at fair value. Fair value is determined using quoted market prices for marketable securities and other reasonable methods for investments where market values are not readily available.

For reporting purposes, pooled cash that is invested in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940 is reported at fair value or amortized cost (determined by the pool's share price). Investments in the state's Local Government Investment Pool (LGIP), which is an external 2a-7-like investment pool, is reported at amortized cost. Refer to Section 85.52 for further information on investment accounting procedures.

80.30.35 Receivables policy

June 1, 2005

Receivables in the state's governmental fund type accounts consist primarily of taxes and federal revenues. Receivables in all other accounts arise in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria have been met. Estimates of uncollectible receivables are made and recorded to an allowance for uncollectible receivables. Receivables are reported net of the allowance for uncollectible accounts.

For government-wide reporting purposes, amounts reported in the funds as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual balances due between the governmental and business-type activities, which are presented as internal balances. Amounts recorded in governmental and business-type activities as due to or from fiduciary funds are reported as due to or from other governments. Refer to Section 85.54.

80.30.40 Inventories policy
June 1, 2005

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported for financial statement purposes if the fiscal year-end balance on hand at an inventory control point exceeds $25,000. Consumable inventories are generally valued at cost using the first-in, first-out method. Donated consumable inventories are recorded at fair market value.

All **merchandise inventories** are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method.

Inventories of governmental fund type accounts are valued at cost and are recorded using the consumption method. Proprietary fund type accounts expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are recorded as a reservation of fund balance indicating that they do not constitute “available spendable resources,” except for certain federally donated consumable inventories which are offset by deferred revenue because they do not constitute an “available” resource until consumed. Refer to Section 85.56.

80.30.45 Capital assets policy
March 17, 2010

80.30.45.a **Capitalization**. Except as noted below, it is the state’s policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs;
- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of $100,000 or greater;
- Buildings, building improvements, and leasehold improvements with a cost of $100,000 or greater;

- Intangible assets, either purchased or internally developed, such as land rights not acquired with the purchase of land, software, patents, and trademarks, with a cost of $1,000,000 or more that are "identifiable" by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, exchanged, or
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater, unless otherwise noted; and
- All capital assets acquired with Certificates of Participation (COP).

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use. Normal maintenance and repair costs that do not materially add to the value or extend the life of the state's capital assets are not capitalized.

Capital assets transferred between agencies are recorded by the agency receiving the asset at the carrying value of the transferring agency.

Donated capital assets, including donated intangible assets and those acquired through non-exchange transactions, are valued at their estimated fair market value on the date of donation, plus all appropriate ancillary costs. When the fair market value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of original cost and fair market value are derived by factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and indirect costs that are related to the construction. In enterprise and trust fund accounts, net interest costs (if material) incurred during the period of construction are capitalized.

<u>Art collections</u>, <u>library reserve collections</u>, and <u>museum and historical collections</u> that are considered inexhaustible, in that their value does not diminish over time, are not capitalized by the state if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Agencies must be able to provide descriptions of the collections and the reasons the collections are not capitalized.

80.30.45.b **Depreciation/amortization**. Depreciation/amortization is calculated on general capital assets with the exception of land, the state highway system; art collections, library reserve collections, and museum and historical collections that are considered inexhaustible; construction in progress; and intangible assets with indefinite useful lives.

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets. Generally, estimated useful lives are as follows:

Buildings & building components	5 - 50 years
Furnishings, equipment & collections	3 - 50 years
Infrastructure	20 - 50 years
Intangibles	3 - 50 years
Other improvements	3 – 50 years

The cost and related accumulated depreciation/amortization of capital assets disposed of are removed from the accounting records. Refer to Section 30.50.

80.30.45.c **Modified approach to depreciation - state highway system**. The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets,
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale, and
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the Modified Approach.

80.30.45.d **Reporting**. For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business type activities column on the Statement of Net Assets.

Depreciation/amortization expense related to capital assets is also reported in the Statement of Activities. Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund type financial statements.

In governmental fund type accounts, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year acquired and recorded in the General Capital Assets Subsidiary Account. The General Capital Assets Subsidiary Account is a record keeping mechanism that provides a basis for accountability and control over the state's capital assets other than those accounted for in proprietary or fiduciary funds. Refer to Section 85.60.

80.30.50 Short-term liabilities policy

June 1, 2004

Short-term liabilities are legal obligations of the state that arise upon the receipt of goods or services. In governmental fund type accounts, they are payable from current financial resources. In proprietary and fiduciary fund type accounts, they represent items payable within one year.

In proprietary and fiduciary fund types, as well as the General Long-Term Obligation Subsidiary Account, short-term liabilities also include the short-term portion of long-term obligations. The short-term portion of long-term obligations is the amount due within one year. Refer to Section 85.70.

80.30.55 Compensated absences policy

July 1, 2009

Vacation leave. State employees earn vacation leave that, if not used for paid time off, results in full compensation at termination or retirement. It is generally the state's policy to liquidate unpaid vacation leave with future resources rather than currently available expendable resources. Accordingly, governmental fund type accounts recognize vacation leave when it is paid upon employee’s use, resignation, death, or retirement. A liability for accumulated vacation leave, including related employer costs, is recorded for governmental fund type accounts in the General Long-Term Obligations Subsidiary Account. Proprietary and trust fund type accounts recognize the expense and record a liability for vacation leave, including related employer costs, as it is earned. Refer to Subsection 85.72.50.

Sick leave. The state's policy with respect to sick leave is that if it is not used for paid time off, then the state is only liable to compensate employees through cash payments for 25 percent of their sick leave when they retire or die. For financial reporting purposes, it is the state's policy to liquidate unpaid sick leave at June 30 from future resources rather than currently available expendable resources. Accordingly, governmental fund type accounts recognize sick leave when it is paid. The state records an estimated sick leave buyout liability, including related employer costs, for governmental fund type accounts in the General Long-Term Obligations Subsidiary Account. Proprietary and trust fund type accounts recognize the expense and accrue a liability for estimated sick leave buyout as sick leave is earned. Refer to Subsection 85.72.60.

Compensatory time. Certain state employees earn compensatory time that, if not used for paid time off, results in compensation to be cashed out in accordance with regulations, collective bargaining agreements, or agency policy, as appropriate. A liability for accumulated compensatory time, including related employer costs, is recorded for governmental fund type accounts in the General Long-Term Obligations Subsidiary Account. Proprietary and trust fund type accounts recognize the expense and record a liability for compensatory time, including related employer costs, as it is earned. Refer to Subsection 85.72.65.

80.30.57 Termination benefits policy

July 1, 2006

State employees may receive **termination benefits** resulting from early retirement incentives and severance pay. A liability for termination benefits, including related employer costs, is recorded for governmental fund type accounts as an expenditure and liability. Governmental fund type accounts recognize termination benefits when the liability will be paid from expendable available financial resources. Proprietary and trust fund type accounts recognize the expense and record a liability for termination benefits, including related employer costs, when it is earned. Refer to Subsection 85.72.70.

80.30.60 Long-term obligations policy

June 1, 2004

Long-term obligations expected to be financed from proprietary and fiduciary fund type accounts are accounted for in those accounts. Long-term obligations expected to be financed from resources received in the future by governmental fund type accounts are accounted for in the General Long-Term Obligations Subsidiary Account.

The General Long-Term Obligations Subsidiary Account is a record-keeping mechanism that provides a basis for accountability and control over the state's long-term obligations other than those accounted for in proprietary and fiduciary funds.

For governmental fund type financial reporting, the face (par) amount of the debt issued is reported as other financing sources. Original issuance premiums and discounts on debt issuance are also reported as other financing sources and uses respectively. Issue costs are reported as debt service expenditures.

For government-wide financial and proprietary fund reporting purposes, long-term obligations of the state are reported as liabilities in the applicable governmental or business type activities column on the Statement of Net Assets. Bonds payable are reported net of applicable original issuance premium or discount. Refer to Section 85.72.

80.30.65 Fund equity policy

July 1, 2010

Fund equity represents the difference between assets and liabilities.

In governmental fund type accounts, fund equity is called “fund balance.” Fund balance is reported in the following classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent:

- Nonspendable,
- Restricted,
- Committed,
- Assigned, and
- Unassigned.

In proprietary fund type accounts, fund equity is called “net assets.” Net assets is comprised of three components:

- Invested in capital assets, net of related debt,
- Restricted, and
- Unrestricted.

Refer to Section 85.80.

80.30.67 Revenues and expenses policy

July 1, 2009

80.30.67.a **Revenues.** For the government-wide Statement of Activities, revenues are classified as either “program” revenues or “general” revenues.

- **Program revenues** offset the expenses of major programs. These revenues are identified using the following criteria:
  - Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
  - Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.

- Earnings on investments that are restricted to a specific program are also considered program revenues.

- **General revenues** not included in program revenues are considered general revenues. They are not matched to specific program expenses. These revenues are from state taxpayers and from state-generated activities. General revenues include the following:

  - Taxes, even those levied for a specific purpose;

  - Interest earnings not specifically restricted to a specific program; and,

  - Grants and contributions not specifically restricted to a program.

- **Other revenues** are contributions to term and permanent endowments, contributions to permanent fund principal, special and extraordinary items, and transfers reported separately from, but in a manner consistent with, general revenues.

  When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first and then use unrestricted resources as they are needed.

80.30.67.b **Expenses**. For government-wide reporting purposes, amounts reported as activity expenses include those expenses directly related to a major program. Depreciation/amortization on capital assets specifically identified with a given program is considered a direct expense. All other depreciation/amortization is reported as part of the "general government" program. Interest expense is not considered a direct expense except in those cases where its exclusion as a direct cost of a program would be misleading. In order to avoid "doubling up" of expenses, internal service fund activity is generally eliminated.

80.30.67.c **Operating/nonoperating**. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums collected. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

80.30.70 Insurance activities policy

May 1, 1999

In instances where the state has retained the risk of loss related to insurance type activities, claims and judgment liabilities are reported when it becomes probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrine, claims adjudication, and judgments, the process used in estimating claims liabilities does not necessarily result in an exact calculation. Claims liabilities are re-evaluated periodically to take into consideration recent settlements, claim frequency, and other economic, legal or social factors. Adjustments to claims liabilities are charged or credited to an expense in the period in which the adjustment is made.

80.30.75 Interfund activities policy

July 1, 2001

The state engages in two major categories of interfund/interagency activity: reciprocal and nonreciprocal.

Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

As a general rule, the effect of interfund/interagency activities is eliminated for government-wide financial statement reporting purposes. Exceptions to this rule are charges between the state's employee health insurance and workers' compensation insurance programs and various other functions of the state. Elimination of these charges would distort the direct costs and program revenues reported for the various activities concerned. Refer to Section 85.90.

80.30.80 How to establish accounts

July 1, 2003

Accounts required by law to be maintained within the state treasury (Treasury Accounts) are established by legislative action. Treasury accounts are subject to appropriation unless specifically exempted.

The following is an example of the statutory language necessary to establish an account in the state treasury:

"The _____(title)_____ account is created in the state treasury. All receipts from _____(source)_____ shall be deposited into the account. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used only for _____(purpose)_____."

Accounts located outside the state treasury are generally created in statute. Accounts located outside the state treasury are not subject to appropriation, but may be placed in the custody of the State Treasurer (Treasurer's Trust Accounts). The following is suggested statutory language for creating a non-appropriated account in the custody of the State Treasurer:

"The _____(title)_____ account is created in the custody of the state treasurer. All receipts from _____(source)_____ shall be deposited into the account. Expenditures from the account may be used only for _____(purpose)_____ . Only the director of _____(agency)_____ or the director's designee may authorize expenditures from the account. The account is subject to allotment procedures under Chapter 43.88 RCW, but no appropriation is required for expenditures."

Local accounts can be established outside the state treasury by OFM, pursuant to RCW 43.88.195, when an agency presents compelling reasons of economy and efficiency which could not be achieved by placing such accounts in the state treasury. However, as a matter of convenience to an agency or statutory requirement, the State Treasurer may take custody of such accounts and place them in a Treasurer's Trust account when conditions exist as prescribed in RCW 43.79A.020.

80.30.82 The state adopted a uniform chart of accounts

July 1, 2010

OFM adopted a standard system of classifying agency financial information to fulfill the need for uniform, consistent terminology and classifications to be used for budgeting, accounting and reporting the financial activities of the state. Financial transactions are described by means of alpha/numeric indicators which are assigned to descriptive titles. Chapter 75 of this manual presents the state's uniform chart of accounts.

For management purposes, agencies may maintain a more detailed level of accounting data. Optional agency designated codes include revenue sub-source, sub-program, and sub-subobject not associated with payroll processed through the Human Resource Management System (HRMS). Refer to Section 75.10.

Agency Code - The four character numeric code assigned by OFM to designate distinct operational units of state government.

Account Code - The three character alpha/numeric code assigned by OFM to identify each specific accounting entity against which transactions are recorded.

General Ledger (GL) Account Code - The four character numeric code assigned by OFM to identify the titles which classify, in summary form, all financial transactions of the state.

Revenue Source Code - The four character numeric code assigned by OFM to identify the origin, or originating categories, from which revenues/receipts are derived.

Expenditure Authority (EA) Code - The three character alpha/numeric code assigned by OFM to identify each legislative or executive authorization to incur expenditures. Agencies are to use only those expenditure authority codes that have been authorized in writing by OFM. The assigned codes are valid only for the biennium or fiscal year for which they are established.

Program Code - The three character alpha/numeric code used to identify the agency functional area and the various major activities within an agency. Generally program codes are assigned by an agency with the concurrence of OFM; however, there are a limited number of mandatory statewide codes used to identify special functions.

Project Type Code – The one character alpha/numeric code assigned by OFM to identify specified information technology expenditures/expenses and to classify them as new acquisition or maintenance and operations.

Object/ Subobject Code - The two character alpha code assigned by OFM to identify expenditures/expenses according to the character of the goods or services purchased.

Sub-subobject Code - The four character alpha/numeric code used to identify a particular expenditure/expense within a sub-object. Statewide sub-subobjects are assigned by OFM for use in processing payroll in HRMS.

UNIFORM STATEWIDE ACCOUNT CODE STRUCTURE

The following diagrams illustrate the uniform statewide account code structure format for general ledger, revenue and expenditure/expense accounting:

General Ledger Accounts

AGENCY	ACCOUNT	GL ACCOUNT
1050	001	4310

OFM
General Fund
Treasury Cash

Revenue Accounts

AGENCY	ACCOUNT	GL ACCOUNT	REVENUE SOURCE	SUB-SOURCE
1050	001	3210	0316	000030

OFM
General Fund
Cash Revenues
Dept. of Justice
Corrections – Technical Assistance

Expenditure / Expenses Accounts

AGENCY	ACCT	GL ACCT	EA	PROGRAM	SUB-PROG	OBJECT/ SUB-OBJ
1050	001	6510	010	040	01	ED

OFM
General Fund
Cash Expenditures/ Expenses
Salaries & Expenses
Support Services
Contracts
Rentals and Leases

80.30.84 Required accounting steps

July 1, 2008

80.30.84.a The initial step in processing accounting information consists of receiving a source document in electronic or paper form, analyzing the transaction to determine its nature and then assigning the appropriate coding. Documents initiating accounting transactions include cash receipts, time sheets, purchase orders, invoice vouchers, and journal vouchers.

80.30.84.b Properly coded source documents are segregated into similar transaction type groupings and posted sequentially in the appropriate book of original entry. Books of original entry include cash receipts journal, payroll journal, and warrant register.

80.30.84.c As applicable, books of original entry are posted either manually or electronically to subsidiary ledgers and to control accounts in the general ledger.

80.30.84.d Periodic financial reports may be generated to support administrative and budgetary control. Examples of these reports include budget status report, accounts receivable aging report, and general ledger trial balance.

80.30.84.e Annually, statewide financial statements are prepared. Chapter 90 of this manual provides specific requirements and procedures for the production of the state's Comprehensive Annual Financial Report (CAFR).

Additionally, agencies may produce agency financial statements or reports. In doing so, they must use the information submitted to the centralized statewide accounting systems. Any variance between centralized statewide data and agency issued financial statements is to be reconciled and disclosed in the notes to the agency's financial statements. However, if the separately issued statements use different reporting standards, the agency is to clearly indicate in the notes to the agency financial statements which standards were used and how they differ from those used in the state's CAFR.

80.30.86 Using standard or other accounting forms

July 1, 2000

Standard forms have been developed and are prescribed for use by state agencies to support the accounting, budgeting and administrative functions.

Privacy Notice: Safeguarding and disposition of personal information collected by agencies on standard forms must be consistent with Executive Order 00-03, April 25, 2000; and RCW 42.56.210.

Any revision by an agency to a standard form or the origination of a new form by an agency that is to be used as an accounting source document to support disbursements or collections of state funds must be approved in writing by the Accounting Division of OFM prior to adoption.

Overprinting, such as agency name and address, is not considered a revision and therefore is not subject to approval. Copies of approved revised or new forms, when received from the printer/manufacturer, are to be furnished to the Accounting Division of OFM.

80.30.88 Requirements for agencies implementing, maintaining or modifying accounting or reporting systems

June 1, 2004

80.30.88.a Any agency proposing to invest in agency financial or administrative systems must comply with the provisions of this manual and the rules prescribed by OFM and the DIS/Information Services Board (ISB).

The financial and administrative systems chart available at: http://www.ofm.wa.gov/systemsapproval/default.asp. This chart defines the scope of the business functions covered by this policy. Financial data generated by agency systems must be compatible with the requirements of the centralized statewide systems operated by OFM.

80.30.88.b Enterprise-wide or multiple agency systems are the solutions of choice to meet the financial/administrative needs of state agencies. Any material changes to existing and all new agency unique financial/administrative systems are to have the written approval of OFM **prior to** beginning any significant investments in system development, enhancement, or acquisition, regardless of funding source. For purposes of these requirements, “significant investments” are defined as requiring six or more staff months of effort.

Requests for approval are to be made to the Assistant Director of the Accounting Division of OFM. Agencies are to submit a request form, enterprise-wide opportunity assessment and business justification. The business justification must include an evaluation of each of these alternatives:

1. Does a cost-effective, central-system solution exist?

2. Can the agency be more flexible in how its needs are met; or can a central system be modified in a cost-effective, timely way to meet the needs?

3. Can the needs be met by creating an agency-unique extension to a central system or central database rather than a completely new system?

4. Does a partnership opportunity exist where one or more other agencies can join together to share in the creation of a new, shared system solution?

The approval request documents are available at: http://www.ofm.wa.gov/systemsapproval/default.asp.

Financial/administrative systems generally require the approval of both OFM and the Department of Information Services. Any new or revised financial/administrative system must comply with the other provisions of this manual.

80.30.90 Budgetary data must be maintained

July 1, 2009

Budgetary data is integrated in the uniform account code structure and is required to be maintained by each agency. The budgetary data is used to reflect budget operations such as estimated revenues, expenditure authorities, and estimated expenditures. Section 85.10 of this manual provides further information related to budgetary data.

80.30.92 Agency fiscal activities must be organized to provide effective internal control

July 1, 2004

Agency fiscal activities are to be organized in such a manner as to provide the maximum degree of internal control in the most efficient and effective manner. Specific organization arrangements are left to the discretion of the agency; due to the diverse nature of state agency operations, examples will not be illustrated in this manual. Agencies are responsible for establishing and maintaining effective internal control over financial reporting. An agency's system of internal controls must comply with the internal control requirements prescribed in Chapter 20 of this manual.