



Chapter 85 - Accounting Procedures

85.10 Budgetary Accounting Procedures

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85.10 Budgetary Accounting Procedures

85.10.10

June 1, 2004

These procedures apply to budgeted accounts

This subsection describes budgetary accounting procedures and applies to appropriated and/or allotted accounts.

85.10.20

July 1, 2006

Budgetary accounting requirements

85.10.20.a

An agency's expenditure authority is provided by the Legislature through appropriations in a budget bill, or inclusion of non-appropriated account moneys in the legislative budget system, and by the Governor and OFM through allocations, approval of unanticipated receipts, or across-the-board spending reductions. An agency may not expend or obligate funds in excess of its expenditure authority.

Allotments are detailed plans of the scheduled revenues and expenditures authorized in the budget and the related cash receipts and disbursements. An agency's actual spending will be monitored against the allotments by the agency, OFM, the Legislature, and the public. Allotments must:

- Conform to the terms, limits, or conditions of Legislative appropriations.
- Serve as the agency's best estimate of the money it will spend and the revenue it will collect each month and year of the biennium.
- Provide the agency's best estimate of expected cash flows by month.

Agencies are required to record budget transactions in the state's accounting records to reflect the legislative operating and capital appropriations and expenditure authority (original and supplemental), **reappropriations** of capital appropriations, unanticipated receipts allotments, expenditure allotments and reserves, estimated revenue allotments, and cash receipt and disbursement allotments after receiving approval from the OFM Budget Division. For further information on allotment requirements, refer to the applicable OFM Operating and Capital Allotment Instructions and the Ten-year Capital Plan Instructions available on the OFM Budget Division website at <http://www.ofm.wa.gov/budget/instructions/default.asp>.

85.10.20.b Agencies are to submit proposed allotment plans to OFM by using either APS (Allotment Preparation System) or TAPS (The Allotment Preparation System). After approval by OFM, the entries illustrated in Section 85.15 are automatically generated by APS or TAPS, and are recorded in the Agency Financial Reporting System (AFRS).

Refer to Section 85.30 of this manual for further information on encumbrances. For illustrations of entries to record and close encumbrances refer to Subsection 85.42.20.



85.15 Budgetary Accounting - Illustrative Entries

85.15.05
June 1, 2004

These entries are for illustrative purposes

These entries are automatically generated by APS (Allotment Preparation System) or TAPS (The Allotment Preparation System) and are recorded in the Agency Financial Reporting System (AFRS). These entries are for illustrative purposes **only** and should **not** be considered all-inclusive.

85.15.10
May 1, 1999

Legislative appropriations and approved unanticipated receipts for appropriated accounts, and estimated budgeted expenditures for nonappropriated/allotted accounts

To record original and supplemental appropriations, and approved unanticipated receipts for appropriated accounts, and to record estimated budgeted expenditures for nonappropriated/allotted accounts. The total expenditure authority is to be posted.

	Dr.	Cr.
Budgetary Control Summary (9100)	xxx	
Approved Unallotted Appropriations (6110)		xxx

85.15.15
May 1, 1999

Allotments for budgeted accounts

To record approved allotments of legislative appropriations and unanticipated receipts for appropriated accounts, and to record approved allotments of estimated budgeted expenditures for nonappropriated/allotted accounts.

	Dr.	Cr.
Approved Unallotted Appropriations (6110)	xxx	
Approved Allotments (6210)		xxx

85.15.20

May 1, 1999

Estimated revenues for budgeted accounts

To record estimated revenues or additional revenue estimates due to documented changes in conditions.

	Dr.	Cr.
Approved Estimated Revenues (3110)	xxx	
Budgetary Control Summary (9100)		xxx

85.15.25

May 1, 1999

Decrease estimated revenues for budgeted accounts

To record a decrease in estimated revenues due to documented changes in conditions.

	Dr.	Cr.
Budgetary Control Summary (9100)	xxx	
Approved Estimated Revenues (3110)		xxx

85.15.30

May 1, 1999

Transfer unobligated allotments to reserve for budgeted accounts

To record the transfer to reserve status of the unobligated balance of approved allotments.

	Dr.	Cr.
Approved Allotments (6210)	xxx	
Approved Reserves (6310)		xxx

85.15.35

May 1, 1999

Re-allotment of amounts placed in reserve for budgeted accounts

To record the approved re-allotment of amounts previously transferred to reserve.

	Dr.	Cr.
Approved Reserves (6310)	xxx	
Approved Allotments (6210)		xxx

85.15.40
May 1, 1999

Revert unobligated allotments to unallotted status for budgeted accounts

To record the return of unobligated amounts previously allotted to an unallotted status.

	Dr.	Cr.
Approved Allotments (6210)	xxx	
Approved Unallotted Appropriations (6110)		xxx

85.15.45
May 1, 1999

Transfer unallotted legislative appropriations to reserve for appropriated accounts

To record approved transfers of unallotted legislative appropriations to reserve status for appropriated accounts.

	Dr.	Cr.
Approved Unallotted Appropriations (6110)	xxx	
Approved Reserves (6310)		xxx

85.15.50
May 1, 1999

Transfer legislative appropriations placed in reserve to unallotted status for appropriated accounts

To record approved transfers of legislative appropriations previously placed in reserve to unallotted status for appropriated accounts.

	Dr.	Cr.
Approved Reserves (6310)	xxx	
Approved Unallotted Appropriations (6110)		xxx

85.15.55
May 1, 1999

Abolish or decrease legislative appropriations for appropriated accounts

To record legislative approval to abolish or reduce appropriations for appropriated accounts.

	Dr.	Cr.
Approved Unallotted Appropriations (6110)	xxx	
Budgetary Control Summary (9100)		xxx

85.15.60 Close of accounting period for budgeted accounts

May 1, 1999

To record closing entries for budgetary accounts at the end of the biennium.

	Dr.	Cr.
Approved Unallotted Appropriations (6110)	xxx	
Approved Allotments (6210)	xxx	
Approved Reserves (6310)	xxx	
Budgetary Control Summary (9100)	xxx	or xxx
Approved Estimated Revenues (3110)		xxx



85.20 Revenue and Cash Receipts

85.20.10

June 1, 2004

Collection and deposit of receipts

85.20.10.a

Receipt Forms

- **Format** - A standard cash receipt format is not prescribed as a state form. However, agencies are required to develop and adopt an official receipt form that satisfies their unique requirements. The form adopted is to be pre-numbered. At a minimum, the form is to provide for the following information: date, amount, mode of payment, and identification of the agency and the preparer.

Machine generated receipts (e.g., cash register) and automated cashiering systems that provide the required control data are acceptable. Cash registers and automated cashiering systems should be two tape models - one copy for the payee, the other for the agency.

- **Use** - Collections made over the counter or in the field are to be documented by issuance of an official receipt or through cash registers or automated cashiering systems. Receipts are to be issued in numeric sequence and the numeric sequence is to be strictly controlled. It is not necessary to issue cash receipts for remittances received through the mail. In instances where a cash receipt is not required to be issued, other internal control procedures are to be established to ensure proper accounting. Refer to Chapter 20 of this manual for guidance related to internal control procedures.

85.20.10.b

Record of Cash Receipts - Agencies are to maintain daily cash receipt records reflecting all daily receipts by account and source. Where cash registers or automated cashiering systems are used, this could be the machine generated control tape.

85.20.10.c

Reconciliation of Cash Receipts - On a daily basis, collections are to be counted and reconciled with cash receipt records and local account deposit slips. Any differences between the deposits and records of receipts are to be investigated and resolved.

85.20.10.d

Cash Over and Short:

- Cash over and short is to be separately recorded in the accounting records. The agency is to make the necessary entries to properly reflect cash over and short in the General Ledger.
- Revenue Source Code 0490 “Cash Over and Short” is to be used to record the amount of overage or shortage so that the total recorded in the General Ledger agrees with the amount deposited. Revenue Source Code 0490 provides a record on the books of the agency of the amount and the frequency of overages and shortages. (Refer to Subsection 85.24.40 for an illustrative entry.)
- Recovery of cash shortages or redistribution of overages is to be processed through Revenue Source Code 0490.
- The balances of Revenue Source Code 0490 and the transactions affecting these balances are to be analyzed regularly and controlled to reduce the possibility of misappropriated cash.

85.20.10.e

Deposit of Cash Receipts:

- Generally, cash receipts must be deposited intact within 24 hours of receipt. Refer to Section 85.50.
- Agencies are to use a Cash Receipts Journal Summary (A8-A) or the equivalent in TM\$ (Treasury Management System) for deposits with the OST.
- Local account deposits are to be controlled and documented by the use of bank deposit slips. (Refer to Subsection 85.24.30 for an illustrative entry.)

85.20.20

July 1, 2001

Prudent collection processes

Agencies are encouraged to exercise prudent cash management in the handling of cash receipts. Agency receipting policies should ensure the most efficient and timely collection possible and minimize the cost of collection. Agencies can use various receipt mechanisms to collect amounts due the state, including lock box, journal, electronic fund transfers and, with approval from OFM, credit and debit cards. Refer to Chapter 40.

85.20.30
July 1, 2003

Non-revenue receipts

Agencies may receive monies that do not meet the definition of revenue contained in the glossary of this manual. Such receipts generally represent items such as recovery of expenditures, canceled warrants, refunds of forgeries, State Employees Insurance Board Insurance premium refunds, undistributed receipts, and interagency reimbursements. These amounts are to be classified and recorded as non-revenue receipts in the General Ledger.

Receipts for recoveries of authorized current appropriation expenditures represent an offset to current appropriation allotment charges and are recorded either using Revenue Source Code 0902 "Recoveries of Current Appropriation Expenditures" or as a credit against the current appropriation expenditure that was originally charged. Entries needed to clear Revenue Source Code 0902 and adjust the current appropriation allotment charges are to be recorded at least monthly.

Receipts for recovery of an expenditure charged against a prior appropriation are recorded with a credit to GL Code 3210 "Cash Revenues" using Revenue Source Code 0486 "Recoveries of Prior Appropriation Expenditures" and do not offset current appropriation allotment charges.

85.20.40
July 1, 2001

Proceeds from sale of property

The proceeds realized from the sale of property by the Department of General Administration under the provisions of RCW 43.19.1919 are remitted to the agency holding title to the property. The amount is to be deposited by the agency to the account from which such property was purchased or if such account no longer exists, into the General Fund. The following procedures apply to the recording of these proceeds:

If the net proceeds were included in the budget for new asset acquisition, the amount is to be recorded as reduction of the expenditures/expenses charged for the purchase of the new asset. (Refer to Subsection 85.65.58 for illustrative entries.)

In governmental fund type accounts, unless specifically budgeted, the proceeds realized, if material, from the sale of surplus property are **not** to be used to reduce the expenditures related to current acquisitions. Absent specific inclusion in the budget, the net proceeds realized from the sale of

surplus property are to be recorded as Revenue Source Code 0416 "Sale of Property - Other." (Refer to Subsection 85.60.50.a.)

In proprietary and trust fund type accounts, the net of the sale proceeds and the removal of the capital asset and related accumulated depreciation is recorded as GL Code 3213 "Gain and Loss on Sale of Capital Assets" using Revenue Source Code 0418 "Gain or Loss on Sale of Capital Assets." (Refer to Subsection 85.60.50.b.)

85.20.50

May 1, 1999

Undistributed receipts

Deposit of moneys is not to be delayed because of difficulty in determining account and source. Upon permission from the Office of the State Treasurer (OST), those receipts not immediately identifiable are to be deposited to Account 01R "Undistributed Receipts Account." (Refer to Subsection 85.24.70.a for an illustrative entry.)

At a subsequent date when receipts deposited in the Undistributed Receipts Account are identified as to the source and account, a Journal Voucher (A7) is to be submitted to OST, transferring these funds from Account 01R, to the proper account and revenue source code. The Journal Voucher (A7) is to be restricted to information pertaining to transfer of amounts from Account 01R to the proper account and not commingled with other transfer transactions. (Refer to Subsections 85.24.70.b and c for illustrative entries.)

85.20.60

July 1, 2003

Suspense items

If the daily receipts are identifiable by account, but cannot be immediately allocated to a specific revenue source code, the transaction is to be credited to the applicable account and classified as Revenue Source Code 0920 "Items Placed in Suspense." As soon as a determination can be made of the proper revenue source code(s), the agency is to clear the Revenue Source Code 0920. Revenue Source Code 0920 is to have a zero balance at the end of the fiscal year. (Refer to Subsection 85.24.80 for illustrative entries.)

Receipts which are to be applied or refunded at a later date or moneys contingent on an unknown final disposition, and not subject to the Undistributed Receipts procedure, are to be transmitted to the Office of the

State Treasurer and deposited in the State Treasury by a credit to Account 01P "Suspense Account."

Refunds of erroneous or excessive payments or payments of certain claims authorized by law are to be made from treasury accounts without the need of an appropriation.

As soon as a determination can be made of the proper account or accounts to charge or credit for items placed in suspense, the agency is to clear the item(s) in the Suspense Account 01P. Account 01P is to be reviewed periodically during the year and is to have a zero balance at the end of the fiscal year.

85.20.70

May 1, 1999

Refunds of revenue

In the event fees or other payments are collected and deposited by an agency that are subsequently determined to be erroneous or excessive, the agency may refund the overpayment. Refunds of revenues are to be in accordance with the provisions of RCW 43.88.170 and 43.01.072 through .075. Refunds may be made when there has been an error with respect to:

- The amount of fee or payment collected;
- The necessity of making or securing a permit, filing, examination or inspection;
- The sufficiency of the credentials of the applicant;
- The eligibility of the applicant for any other reason; and/or
- The necessity for payment.

Unless an appropriation exists for such a refund, it is to be accounted for as a reduction of the revenue initially credited upon receipt of the overpayment.

No refund shall be authorized by a state agency where the amount is two dollars or less unless demand for the refund is made within six months of the overpayment.

85.20.80

May 1, 1999

Subsidiary records

Subsidiary records are to be used to record actual and estimated revenues by account and revenue source. In some cases, however, to allow for proper financial control and analysis, reporting revenues at a lower level may be required. Subsidiary records are to balance with general ledger control accounts.

85.20.90

June 1, 2005

Deposit interest distribution

The Office of the State Treasurer (OST) reports all interest earned on surplus cash balances for Treasury and Treasury Trust Accounts. The distribution of deposit interest is recorded in Agency 705, Treasurer's Deposit Income. The administering agency will receive, upon request, a copy of OST's Journal Voucher indicating the interest earnings distributed to the administering agency's account(s) in Agency 705. OST's Journal Voucher is for informational purposes and is not to be posted to the administering agency's records.



85.22

Deposit Adjustments and Returned Checks

85.22.10

May 1, 1999

About these procedures

These procedures cover items returned or adjustments made by the bank for the following reasons:

- Non sufficient funds (NSF) checks
- Missing signature(s) on check
- Stop payment placed on check
- Account closed
- Deposit adjustment found during bank's proof process
- Other reasons causing return of checks or adjustments to the state's bank accounts

85.22.20

May 1, 1999

Documentation for deposit adjustments

An agency is to maintain adequate detail records to document a bank deposit adjustment. For deposit adjustments resulting in an amount due the state (e.g., NSF checks) document the following information in subsidiary records:

- Name of maker and amount.
- Date of check and bank upon which it was drawn.
- The date of the **initial** deposit of the check subsequently returned and the Revenue Source and Sub-Source (if applicable) codes or other account coding to which the check was **initially** credited **or** the number identifying the Cash Receipt Journal Summary (A8-A) reflecting the initial deposit.

For Treasury and Treasury Trust accounts, the number identifying the Cash Receipt Journal Summary (A8-A) showing Office of the State Treasurer's (OST) adjustment to cash in the bank to reflect the item returned or adjustment by the bank.

- The date and coding of the subsequent redeposit of the returned item, if such subsequent collection is actually realized **or** the number identifying the Cash Receipt Journal Summary (A8-A) reflecting the subsequent redeposit.

Refer to further Subsection 85.54.52 for collection information related to NSF checks.

85.22.30

July 1, 2003

Deposit adjustments - treasury and trust accounts

For **Treasury and Treasury Trust accounts**, when notified by the bank that an adjustment has been posted to the state's bank account, OST will prepare a Cash Receipt Journal Summary (A8-A), in the name of the agency that **initially** deposited the returned item. OST will record the A8-A in Account 01P, "Suspense Account," adjusting GL Codes 4310 "Current Treasury Cash Activity (OST Only)" and 7110 "Receipts In-Process." OST will send the agency a copy of the A8-A along with the NSF check, deposited item returned, or Deposit Adjustment Notice. The deposit adjustment A8-A current document number will start with "ADJ."

If the returned item has not already been re-deposited, the agency is to redeposit it as soon as possible to Account 01P. If the item clears the bank, no further accounting action is required. If the item has been returned two times, then the agency is to proceed as follows:

1. The agency is to record the deposit adjustment or returned check.

Using the Cash Receipts Journal Summary (A8-A) prepared by OST, clear receipts in process in Account 01P and establish a receivable for the amount of the returned item. (Refer to Subsection 85.24.50 for an illustrative entry.)

Clear the receivable in Account 01P either by re-depositing the returned item or by a journal entry adjusting the GL Code where the amount was originally recorded in the agency's operating or trust account. This is normally revenue, but may be expenditure recovery or receivable liquidation. If a revenue, use either Revenue Source Code 0940 "Deposit Adjustments and Returned Checks" or the Revenue Source Code used on the initial deposit. OST will clear Account 01P either upon redeposit of the returned item or the journal entry reflecting the adjustment. (Refer to Subsection 85.24.50 for an illustrative entry.)

At Fiscal Year End, reclassify any residual balance in Revenue Source Code 0940 to the appropriate asset, liability, revenue, or expenditure/expense GL code.

2. Deposit subsequent collection of amounts for which a journal entry adjustment was posted with a Cash Receipt Journal Summary (A8-A). Subsequent redeposit of amounts for which a deposit adjustment has been recorded as in step 1(b) above should use coding consistent with the adjusting entry. (Refer to Subsection 85.24.60 for an illustrative entry.)

85.22.40

July 1, 2003

Deposit adjustments - local accounts

For Local accounts, redeposit returned items as soon as possible. Items returned a second time and other bank deposit adjustments are posted to accounting records by debiting/crediting GL Codes 1110 "Cash in Bank." A receivable is to be established for deposit adjustments resulting in amounts due the state (e.g., NSF checks.)

For other types of adjustments, the cash entry is offset by debiting/crediting GL Codes 3210 "Cash Revenues" for revenues, 6510 "Cash Expenditures/Expenses" for expenditure recoveries, or other coding as appropriate. For revenues, use either Revenue Source Code 0940 or the revenue source code used on the initial deposit. Subsequent redeposit of amounts for which a deposit adjustment was recorded should be coded in a manner consistent with the write-off.



85.24 Revenue and Cash Receipts - Illustrative Entries

85.24.10

May 1, 1999

These entries are for illustrative purposes

The following entries illustrate the recording of revenues and cash receipts in the accounting records. The entries are for illustrative purposes **only** and should **not** be considered all inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

85.24.20

May 1, 1999

Estimated revenues

Refer to Section 85.15 of this manual for illustrations of budgetary entries to record and adjust estimated revenues.

85.24.30

May 1, 1999

Deposit of cash revenues

To record the deposit of cash revenues. (Refer to Subsection 85.20.10.e.)

	Dr.	Cr.
Cash In Bank (1110) or Receipts In-Process (7110)	xxx	
Cash Revenues (3210) (with appropriate revenue source code)		xxx

85.24.40
May 1, 1999

Cash over or short

To record cash over or short. (Refer to Subsection 85.20.10.d.)

NOTE: The entry assumes a cash shortage and would be reversed for a cash overage.

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0490) -		
Cash Over or Short	xxx	
Cash In Bank (1110) or		
Receipts In-Process (7110)		xxx

85.24.50
July 1, 2003

Recording adjustment for non-sufficient funds (NSF) check

The following entries illustrate the recording of the adjustment for a non-sufficient funds (NSF) check that was initially coded as revenue in a Treasury account. (Refer to Section 85.22.)

Upon receipt of the cash receipt journal summary (A8-A) from OST, the agency clears receipts in-process and establishes a receivable for the NSF check in the Suspense Account (Account 01P).

	Dr.	Cr.
Other Receivables - Short-Term (1319)	xxx	
Receipts In-Process (7110)		xxx

Further entries depend on circumstances. Option 1 would be used when the agency is in a position to redeposit the NSF check within a day or two of its return by the bank. Option 2 would be used if there were a delay before redeposit of the NSF check.

OPTION 1

To record redeposit of NSF check within a day or two of its return by the bank. The agency is to prepare a Cash Receipt Journal Summary (A8-A) debiting/crediting Account 01P. The A8-A is to be submitted to OST.

Operating Agency--Suspense Account (Account 01P):

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Receivables - Short-Term (1319)		xxx

OPTION 2

The agency prepares a Journal Voucher to clear the receivable in Account 01P and record the NSF check in the operating account.

Suspense Account (Account 01P):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	xxx	
Other Receivables - Short-Term (1319)		xxx

Operating Account (originally recording receipt of NSF check):

	Dr.	Cr.
Other Receivables - Short-Term (1319) or Cash Revenues (3210) with Revenue Source Code (0940) Deposit Adjustments and Returned Checks or the revenue source code used in the initial deposit.	xxx	
Journal Vouchers In-Process (7140)		xxx

The agency is to forward a copy of the Journal Voucher to the Office of the State Treasurer for final clearance of Account 01P and reduction of cash in the Operating Account.

85.24.60
July 1, 2003

Subsequent collections of non-sufficient funds (NSF) check

To record the subsequent collection of an NSF check for which an adjustment was posted (refer to Subsection 85.24.50) and which is deposited with a Cash Receipt Journal Summary (A8-A). (Refer to Subsections 85.22.30 and 85.22.40)

Operating Account:

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Receivables - Short-Term (1319) or Cash Revenues (3210) with Revenue Source Code (0940) Deposit Adjustments and Returned Checks or the revenue source code used in the initial deposit.		xxx

At Fiscal Year End, any amounts remaining in Other Receivables (1319) in Account 01P related to deposit adjustments should be reclassified to Interfund Receivables (1353) and an offsetting Interfund Payable (5153) set up in the applicable operating account. Likewise, any residual balance remaining at Fiscal Year End in Revenue Source Code 0940 should be reclassified to the appropriate asset, liability, revenue, or expenditure/expense GL code.

85.24.70

May 1, 1999

Undistributed receipts—account and/or revenue source not identified

85.24.70.a

To record deposit of moneys pending identification of the proper account and revenue sources. (Refer to Subsection 85.20.50.)

Account 01R:

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Liabilities - Short-Term (5199)		xxx

85.24.70.b

To record reversal once the proper account and revenue sources are identified.

Account 01R:

	Dr.	Cr.
Other Liabilities - Short-Term (5199)	xxx	
Journal Vouchers In-Process (7140)		xxx

85.24.70.c

To record deposit of receipts in the proper accounts and revenue sources.

Proper Account:

	Dr.	Cr.
Cash In Bank (1110) or		
Receipts In-Process (7110)	xxx	
Cash Revenues (3210) (with appropriate revenue source code)		xxx

85.24.80

July 1, 2003

Suspense items

85.24.80.a

To record deposit of receipt pending identification of the proper revenue sources. (Refer to Subsection 85.20.60.)

	Dr.	Cr.
Cash In Bank (1110) or Receipts In-Process (7110)	xxx	
Cash Revenues (3210) Revenue Source Code (0920) Items Placed in Suspense		xxx

85.24.80.b

To record proper revenue sources once it has been identified.

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0920) Items Placed in Suspense	xxx	
Cash Revenues (3210) (with appropriate revenue source code)		xxx



85.30 Encumbrances

85.30.10

June 1, 2004

Encumbrance accounting

85.30.10.a

An encumbrance is a reservation of an expenditure authority for obligations or contracts for goods, materials, and/or services, which have been ordered but not yet received. Encumbrance accounting is only used in accounts subject to appropriation or allotment.

Encumbrance accounting ensures that expenditure authority will be available for recording the expenditure when the goods, materials or services are subsequently received. An agency may not obligate or encumber funds in excess of its expenditure authority.

An encumbrance represents a commitment. It is not an expenditure.

85.30.10.b

Encumbrance accounting should be used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Agencies are not required to encumber all items of expenditure. Agencies should encumber obligations or contracts with a material impact on their budgets. Costs such as utilities, rent, travel, salaries and wages, and employee benefits and taxes should not be encumbered.

85.30.10.c

Each encumbrance transaction is to be supported by complete documentation. The documentation may in the form of the following: Purchase Requisitions (A15-A); Purchase Orders (A16-A); Field Orders (A17-A); Printing Requisitions (A21-A); personal service contracts and other contracts placed by the agency's contracts section. The use of "dummy" or projected encumbrances as a method to avoid transfers to reserve or circumvent the allotment process is an improper application of encumbrance accounting and **is not** to be practiced.

Subsection 85.42.20 shows illustrative entries to establish and liquidate encumbrances.

85.30.10.d Encumbrances related to **operating** appropriations lapse at the end of the applicable appropriation period. Encumbrances related to **capital** appropriations lapse at the end of the biennium, unless **reappropriated** by the Legislature in the ensuing biennium.

Encumbrances outstanding that relate to continuing appropriations at the end of the first fiscal year of a biennium and encumbrances outstanding that relate to capital reappropriations are reported as reservations of fund balance. Refer to Subsections 90.20.35 and 90.20.40.



85.32 Goods and Services Expenditures

85.32.10

May 1, 1999

Agency responsibilities

It is the responsibility of the agency head, or authorized designee, to certify that all expenditures/ expenses and disbursements are proper and correct. Agencies are responsible for processing payments to authorized vendors, contractors, and others providing goods and services to the agency. Agencies are to establish and implement procedures following generally accepted accounting principles. At a minimum, agencies are also to establish and implement the following:

1. Controls to ensure that all expenditures/expenses and disbursements are for lawful and proper purposes and recorded in a timely manner (refer to Chapter 20 of this manual for guidance related to internal control procedures),
2. Procedures to ensure prompt and accurate payment of authorized obligations, and
3. Procedures to control cash disbursements.

85.32.20

May 1, 1999

Payment authorization

85.32.20.a

Goods and services are not to be ordered or paid for unless they are provided by authorized vendors and within the limitations prescribed by:

- the Department of General Administration pursuant to RCW 43.19.190, or
- other statute.

85.32.20.b

Prior to payment authorization, agencies are to verify that the goods and services received comply with the specifications indicated on the purchase documents. Authorized personnel receiving the goods and services are to indicate the actual quantities received. (Refer to Chapter 20 of this manual for guidance related to internal control procedures.)

85.32.20.c

Agency heads or authorized designees are responsible for authorizing all expenditures/expenses.

85.32.30

June 1, 2005

Payment processing documentation

85.32.30.a

At a minimum, payment processing documentation should include evidence of authorization for purchase, receipt of goods or services, and approval for payment. The following documentation, or equivalent, is to be maintained:

Journal Voucher (A7-A) - This form can be used for interagency payments between treasury and/or treasury trust accounts, and to allocate or transfer costs between accounts, programs, and to record accruals and other adjustments to account balances, etc. The Journal Voucher is also used to process electronic funds transfer (EFT) payments through the Office of the State Treasurer to outside vendors. Instead of Form A7-A, agencies are encouraged to use one of the A19 forms (refer below) with the Inter-Agency Payment (IAP) process. (Refer to Subsection 85.36.20).

Purchase Requisition (A15-A) - A form used by agencies to request the Office of State Procurement, Department of General Administration, to order materials, supplies, and equipment or to request an amendment of a previous requisition. This form is used when an agency does not have general or specific authority to make the purchase or when the item does not fall within the statewide contracts.

Purchase Order (A16, A16-A) - A form issued by the Office of State Procurement, Department of General Administration, to order items approved on a requisition request (A15-A). This form is used by agencies to encumber, liquidate, and authorize payment for such purchase requisition requests.

Declaration of Emergency Purchase (A16-E) - A form used by agencies for emergency purchases made in response to unforeseen circumstances beyond the control of an agency which present a real, immediate, and extreme threat to the proper performance of essential functions and/or may be reasonably expected to result in excessive loss or damage to property, bodily injury, or loss of life.

Field Order (A17-A, A17-1A) - A purchase document or order issued by an agency to a vendor in accordance with authority to make a delegated purchase.

Receiving Report - Partial Delivery (A18, A18-A) - A form used by agencies to document and authorize payment for partial deliveries of goods or services ordered by a single Purchase Order (A16-A) or Field Order (A17-A).

Invoice Voucher (A19-1A) - A form used by agencies to substantiate and authorize payment when a Purchase Order (A16-A) or Field Order (A17-A) is not involved and where vendor invoices are not employed. The Invoice Voucher is to be signed by the vendor on the space provided. This form is used to produce warrants, pay by means of the Agency Financial Reporting System (AFRS) EFTs, or to create payments through the Inter-Agency Payment (IAP) process. (Refer to Section 85.36.20)

Voucher Distribution Form (A19-2, A19-2A) - A form used by agencies to substantiate and authorize payment when a Purchase Order (A16-A) or Field Order (A17-A) is not involved but where vendor invoices are employed. This form is used to produce warrants, pay by means of AFRS EFTs or to create payments through the Inter-Agency Payment (IAP) process. (Refer to Subsection 85.36.20)

Travel Expense Voucher (A20-A, A20-2A) - Form A20-A is used by agencies to substantiate and/or authorize payment of travel costs for state employees. In the absence of a vendor relationship, this form can also be used to substantiate and/or authorize payment of travel costs for non-state employees such as prospective employees; individuals who serve on boards, commissions, councils, committees, and task forces; volunteers and other individuals who are authorized to receive travel expense reimbursement. When a vendor relationship exists and the A20-A is used by non-state employees to substantiate travel costs, it must be attached to an Invoice Voucher (A19-1) to authorize payment.

Form A20-2A is only used for reimbursing travel expenses of commission members who are reimbursed on a per diem basis.

Printing Requisition (A21-A) - A form used by agencies to order, encumber, liquidate, and authorize payment for goods and services from the Department of Printing.

85.32.30.b Purchasing documents used internally by agencies having local purchasing authorities are to meet the criteria of the forms noted above. There is no standard internal purchase request form; however, agencies are encouraged to develop and utilize an internal request form to enhance internal control over requisitions. (Refer to Chapter 20 of this manual for internal control procedures.)

85.32.40

July 1, 2000

Payment processing

85.32.40.a

The following information, at a minimum, is to be indicated either on the disbursement documentation or in an automated system for compliance with federal regulatory agencies and internal control policies:

Privacy Notice: Safeguarding and disposition of personal information collected for payment processing must be consistent with Executive Order 00-03, April 25, 2000; and RCW 42.17.310.

- Payee name and address in compliance with U. S. Postal regulations;
- Unified Business Identifier (or other vendor approved identifier), as applicable;
- Taxpayer ID Number (TIN) as per IRS publication 1220 and IRS Bulletin 1990-31, as applicable;
- Voucher number;
- Appropriate account code distribution;
- Receipt dates for goods and services;
- Signature of receiver;
- Receipt date of invoice;
- Invoice number, if available;
- Total amount of invoice;
- Invoice date;
- Discount or other terms; and
- Date of payment.

85.32.40.b

Agencies are to establish procedures which verify the mathematical accuracy of all documents and ensure that charges are properly recorded to the appropriate accounts.

85.32.40.c

Audit disbursement documents for the following:

- Quantities indicated on the invoice agree with those documented as received on the receiving report.
- Unit prices on the invoice agree with those indicated on the disbursement document.

- Extensions and footings are correct.
- Written approval by the agency head or authorized designee authorizing payment appears on the disbursement document.
- Correct account code distributions are indicated.
- Interest for late payment, upon billing, is properly documented and computed.

- 85.32.40.d Disbursement documents approved for payment are to be arranged in a batch for warrant and warrant register processing within the following constraints:
- The documents are to be assigned sequential voucher numbers.
 - An approved document transmittal is to be prepared.
 - A proof total is to be prepared after the documents are batched and is to be attached to the approved document transmittal for all vendor payments. The document transmittal should reflect the total amount of the vouchers.
- 85.32.40.e Encumbered balances associated with any expenditures are to be appropriately liquidated. (Refer to Subsection 85.42.20.b for an illustrative entry.)
- 85.32.40.f Balances in GL Code 6505 "Accrued Expenditures/Expenses" associated with any cash expenditure disbursements are to be appropriately reversed.
- 85.32.40.g The number of payments to a vendor is to be kept to a minimum by processing the maximum number of invoices with a single payment.
- 85.32.40.h Agencies can use petty cash imprest accounts where effective in complying with prompt payment requirements and efficiency of operation can be demonstrated. (Refer to Subsection 85.50.50 for petty cash policies and procedures.)

85.32.50
June 1, 2005

Timing of payment

- 85.32.50.a Agencies are to establish procedures to ensure timely, accurate, and cost effective payment of obligations to vendors. An agency's payments will be considered timely when its records show that the agency pays 95 percent or more of its obligations to vendors by the due date defined below. Agencies are to maximize effective cash management by paying as close to the due date as workable. Special attention is to be given to the following:

- **Due Dates** - Due dates for payments are established by the terms of contracts between the agency and vendors. If the contract is silent concerning terms or there is no written contract, the terms are net 30 days. The 30 days, or other terms, begin upon receipt of the goods or services or a properly completed invoice, **whichever is later**. Vendor payments are to be made by the due date. As prescribed in RCW 39.76, agencies, if billed, are required to pay interest at the rate of one percent per month on amounts of past due accounts. Due dates are postponed in the case of disputes (refer to **Disputes** below).
- **Discounts** - Discounts offered by vendors are considered in evaluating competitive bids; failure to earn such discounts through prompt payment increases the effective price to the state. Agencies are to pay all obligations in time to take advantage of the maximum discounts offered by vendors.
- **Partial Payments** - When agencies accept partial delivery of goods or services without reservation, prompt payment is to be made for the goods or services received upon receipt from the vendor of a properly completed invoice or in accordance with contract terms covering the partial delivery.
- **Disputes** - Prompt and proper notification to a vendor of receipt of unsatisfactory goods or services or an incorrect invoice defers the due date. The due date is recalculated from the date the problem is resolved. Proper authorization is required when material changes are made.

85.32.50.b **Maintenance Services Contracts** - Pursuant to RCW 43.88.160(5), under certain conditions, payments for equipment maintenance services may be made up to twelve months in advance.

85.32.50.c **Postage, Books and Periodicals** - Pursuant to RCW 42.24.035, agencies may make payment for the costs of postage, books and periodicals in a manner consistent with normal business practices, but in the case of subscriptions, for periods not in excess of three years.

85.32.60

June 1, 2002

Rapid invoice processing

The use of Rapid Invoice Processing (RIP) is encouraged to reduce the costs of processing payments for small and/or routine transactions. With RIP:

- Confirmation of the receipt of goods and services is kept at a decentralized location instead of being forwarded to the payment office to be filed with the payment documents.
- Requests for payments are processed centrally and scheduled for payment.
- The risks associated with using RIP are mitigated through compensating controls, such as providing the decentralized location the opportunity to intervene in the payment process prior to the scheduled payment date.

The level/type of payments subject to RIP procedures is to be established carefully at the agency level to ensure that a more positive system of control, such as centralized matching of signed receiving reports with requests for payment, exists to cover large and/or non-routine transactions. Advance written authorization is to be obtained from OFM for the use of RIP. Requests for authorization should identify the level and type of payments proposed for RIP procedures and the processes that will be used to mitigate the risks of using RIP.

85.32.70

May 1, 1999

Purchase card

State law, RCW 43.19.185 and 28B.10.029, authorizes agencies to use credit cards and similar devices to make purchases under specific terms and conditions. Refer to Chapter 45 for purchase card policies.

85.32.80

July 1, 2001

Waste recycling procedures

Agencies are to record receipts and disbursements resulting from agency operated waste reduction and recycling programs not operated through the Department of General Administration (refer to RCW 70.95c.110), as follows:

- 85.32.80.a Revenues derived through an agency operated recycling program are to be deposited into the account that supports the recycling effort as either a miscellaneous revenue or a recovery of expenditures to the extent of expenditures for the program.
- 85.32.80.b When the revenues exceed the expenditures identified with the recycling program, they are to be allocated on a proportional basis to the accounts that originally purchased the recycled materials.



85.34 Payroll and Other Related Activities

85.34.10

May 1, 1999

Payroll

- 85.34.10.a Amounts owed to employees for work, labor, or services performed are to be recorded as expenditures/expenses in the accounting period (month) that the duties are performed. The expenditures/expenses are recorded in the operating account and the liability for the payroll and related benefits is recorded in the appropriate payroll revolving accounts.
- 85.34.10.b Account 035 “State Payroll Revolving Account” and Account 715 “Agency Payroll Revolving Account” were created in the State Treasury for the purpose of disbursing salaries and other payroll related liabilities.
- 85.34.10.c In the operating account, the entry to charge payroll debits GL Code 6510 “Cash Expenditures/Expenses” with the appropriate subobject within Object A for actual salaries and Object B for related fringe benefits. The liability for the payroll and related fringe benefits is then transferred and recorded to GL Code 5124 “Accrued Salaries and Fringe Benefits Payable - Short-Term” in the appropriate payroll revolving accounts. Other payroll related liabilities such as GL Code 5188 “Savings Bond Deductions Payable - Short-Term” and GL Code 5189 “Garnishment Deductions Payable - Short-Term” are also recorded in the payroll revolving accounts for subsequent disbursement. (Refer to Subsection 85.42.40 for illustrative entries.)
- 85.34.10.d Prepare monthly reconciliations of all payroll revolving accounts on a timely basis to ensure balances within these accounts are correct. These accounts include Accounts 035, 715, 790 “College Clearing Account,” and any other authorized account used for payroll related disbursements.
- 85.34.10.e Section 25.20 contains administrative procedures to be followed when processing payroll.

85.34.20

Shared leave

July 1, 2006

- 85.34.20.a The Shared Leave Program enables a state employee to donate annual, sick, and personal holiday leave to another state employee who is suffering from or has a relative or household member suffering from an extraordinary or severe illness, injury, or impairment, or who has been called to service in the uniformed service. Refer to RCWs 41.04.650 through 670. After approval from agency head or authorized designee, transfer of leave between employees is to be recorded in the accounting and payroll systems in such a way as to allow for statewide reporting of shared leave activity.
- 85.34.20.b For shared leave transfers between employees within an agency and within the same account, no transfer of cash is involved. The entry is to debit GL Code 6510 “Cash Expenditures/Expenses” with Sub-object BT “Shared Leave Provided - Sick Leave,” BU “Shared Leave Provided - Personal Holiday,” and BV “Shared Leave Provided - Vacation Leave,” as applicable, and to credit the same general ledger code with Sub-object BW “Shared Leave Received.” (Refer to Subsection 85.42.50.a for an illustrative entry.)
- 85.34.20.c Shared leave donations between accounts and/or agencies require transfer of cash from one account and/or agency to the other. In the donor's agency and account, the entry is to debit GL Code 6510 “Cash Expenditures/Expenses” with Sub-object BT, BU, and BV, as applicable, and to credit the appropriate cash GL code. In the donee's agency and account, the entry is to debit the appropriate cash GL code and to credit GL Code 6510 “Cash Expenditures/Expenses” with Sub-object BW. (Refer to Subsection 85.42.50.b for illustrative entries.)
- 85.34.20.d Statute requires that unused shared leave be returned on a pro-rata basis to the various donors. Additionally, if an employee donates multiple types of leave, any reversion is to be returned proportionate to the original donation. When shared leave is returned, the original entries recording shared leave transfers are reversed for the value of the unused shared leave. Amounts are assumed to be immaterial and should be recorded as a recovery of current expenditures. (Refer to Subsections 85.42.50.d and e for illustrative entries.)
- 85.34.20.e Refer to Section 25.40 for administrative procedures relating to shared leave.

85.34.30

May 1, 1999

Amounts due deceased employees

85.34.30.a

In the event of an employee's death, amounts owed to the deceased employee are to be recorded in GL Code 5145 "Due To Deceased Employees' Estates." (Refer to Subsection 85.42.60.a for an illustrative entry.) Administrative procedures in Section 25.70 are to be followed prior to release of the payment.

85.34.30.b

Upon release of the warrant or check, the agency is to liquidate the appropriate amount of the liability recorded in GL Code 5145 "Due To Deceased Employees' Estates." (Refer to Subsection 85.42.60.b for an illustrative entry.)

85.34.30.c

In all instances, the supporting documentation is to be retained by the agency as evidence for release of the warrant or check. In addition, agencies are to require claimants to acknowledge receipt of payment in writing.

85.34.40

June 1, 2004

Salary overpayment recoveries

85.34.40.a

When a salary or wage overpayment occurs, the total amount of the expenditure recovery includes the gross pay overpayment and associated employer costs related to the overpayment. These costs may include social security, Medicare, medical aid, retirement, and the employer's share for health insurance.

85.34.40.b

If the employee is continuing on payroll, process the recovery of the gross salary overpayment as a reduction to gross pay through the payroll system. Refer to Section 25.80. In most cases, this process will automatically adjust all the reductions for gross pay and the related employer costs.

85.34.40.c

If the employee has been terminated from the payroll system and no future salary payments are anticipated, a manual recovery of both the employee overpayment and employer costs is necessary. These steps are as follows:

1. Recover from the employee the over paid net pay plus any deductions that cannot be recovered by the agency from the applicable vendors. Each deduction recovery will depend on the vendor involved and if the deduction actually has been distributed.

2. Follow Internal Revenue Service procedures for recovery of income tax withholding, social security, and Medicare for both the employee and applicable employer shares.
3. Deposit current appropriation expenditure recoveries of net pay and deductions, or employer costs, to the account(s) where the employee was charged, crediting GL Code 6510 "Cash Expenditures" using the same Object A, B, or N series charged for the wage overpayment. (Refer to Subsection 85.42.70.a for an illustrative entry.)
4. Decrease the full time equivalents (FTEs) for the number of hours associated with the overpayment if excess paid hours caused all or a part of the overpayment. (Refer to Subsection 85.42.70.b for an illustrative entry.)

85.34.40.d Refer to Subsection 85.20.30 regarding the coding of receipts for recovery of salary and benefit expenditures charged against a prior appropriation.



85.36 Disbursement Processing

85.36.10

July 1, 2000

Agency disbursement processes

Agency disbursement processes should minimize the cost of making disbursements by using the most cost effective means available. To optimize cash management, agencies should minimize early payments unless the early payments result in vendor discounts.

85.36.20

June 1, 2005

Disbursement mechanisms

Disbursement mechanisms available to state agencies include:

- **Treasury Warrants** (Refer to Subsection 85.36.30)
- **Local Checks** (Refer to Subsection 85.36.40)
- **Inter-Agency Payments (IAP)** is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts.
- **Interfund Transactions (IFT)** is a method, used during the fiscal year, to allocate or transfer costs between accounts, programs, etc., within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25. During months 99 and 25, agencies should use the IAP process (requires the agency to be a statewide vendor).
- **Journal Vouchers (JV payments)** are to be used to generate EFT payments through the Office of the State Treasurer to accounts outside the State Treasury. JVs are also used to transfer funds between agencies and between treasury and/or treasury trust accounts. (Refer to Section 85.90 Interfund/Interagency Activities)
- **State Charge Card System** is negotiated by the Department of General Administration (GA) under a single vendor contract. It includes the Central Travel Account, the Charge Card (purchase card), the Multi-Card (combination purchase and travel card), and the Motor Vehicle Rental Card. Agencies must comply with the Charge Card

Services contract. For further information about the state charge card system or to view specific contract requirements, contact GA's Office of State Procurement (OSP) or go to:

<http://www.ga.wa.gov/pca/PCard.htm>. Charge cards (e.g. purchase cards) may not be used for purchases between state agencies without prior written approval from OFM.

Section 10.10.45 describes the use of charge cards for travel related expenses. Minimum requirements for agency purchase card programs are covered in Chapter 45. Agencies with central travel accounts and/or multi-card programs should establish appropriate policies and controls.

Note: The vendor contract for the state's charge card program also allows an agency to authorize the credit card vendor to issue cards to individual employees called Individual Travel Accounts. These individual travel account cards are to be used exclusively by an employee to charge state authorized travel expenses. Each employee must voluntarily apply for a card. The employee is individually billed for charges incurred and is solely responsible to pay the bill. The employee may be reimbursed by their agency as allowed in Chapter 10. Agencies with employee individual travel account programs should establish appropriate policies and controls. GA's OSP has provided a sample policy and employee agreement, which may be adapted for agency use as deemed appropriate. These documents are available at: <http://www.ga.wa.gov/pca/contract/04298c.doc>.

- **Universal Fuel Credit Card** is also administered by GA. For further information about the fuel credit card or to view specific contract requirements, contact GA's Office of State Procurement or go to: <http://www.ga.wa.gov/pca/contract/03703c.doc>. (Refer to RCW 43.19.185; WAC 236-48-250 to 253). Also, for these cards or Department of Transportation Fuel Cards when used for GA Motor Pool vehicles, go to: <http://www.ga.wa.gov/mp/maintenance.html#fuel>.
- **EFT Payments** are electronic fund transfers from a state bank account to the payee's account at their designated financial institution. EFT is accomplished using the Automated Clearing House (ACH) Network, or by wire transfer. EFT payments should be used, if possible, for payments from treasury-type accounts to local accounts.
 - o **OST EFT** payments are electronic fund transfers from treasury and treasury trust accounts that originate at the Office of State Treasurer (OST). Agencies must inform OST and send an EFT JV **at least by 12:00 noon the day before** the effective date of the transfer. The effective date is the day funds will be transferred between bank accounts, and must be noted on the JV.

In cases where an agency prepares an ACH tape (or file) for OST, the tape (file) must be available to the treasurer **no later than two working days before** the effective date of the transfer. The JV must be to OST the day before the effective date.

- o **AFRS EFT** payments are electronic fund transfers that originate in the Agency Financial Reporting System (AFRS). The EFT payment information is processed nightly and communicated electronically to OST, who passes the information to the state's Automated Clearing House (ACH) operator. The effective date of these payments is the third working day after initial processing.

Any agency entering transactions into AFRS may issue EFT payments by utilizing statewide vendors and AFRS transaction codes established specifically for EFT payments. Agencies are responsible for including correct, meaningful remittance information (in the invoice number and vendor message fields) so vendors can post payments accurately.

- **EBT (Electronic Benefit Transfer) Payments** are an alternative method for making disbursements to benefit recipients. EBT is similar in nature to a debit card. The recipient's benefits are encoded on a magnetic stripe card.

85.36.30

May 1, 1999

Treasury account requirements

85.36.30.a

For the purpose of this section, the term Treasury Account refers to both Treasury and Treasury Trust Accounts.

85.36.30.b

The following documents are generated when processing Treasury Account disbursements:

- **Warrant** - The payment instrument for each invoice voucher or other evidence of indebtedness validated by the Office of the State Treasurer (OST) for payment.
- **Warrant Register (A1)** - The document used to record expenditure/expense vouchers and account classifications of each transaction in detail, certified and released by the OST. It is also used to summarize the information documented on the detailed warrant register.

- **Vendor's Remittance Advice** - The document used to accompany each warrant to notify the payee of what is being paid. The Vendor's Remittance Advice is to reference the warrant number and the invoice number as appropriate.
- **Outstanding Warrant Record** - The document used to record warrants issued by the agency which are not yet redeemed by the OST, canceled by the agency, or canceled by statute of limitation.

85.36.30.c The following documents are controlled by the OST for validation and processing:

- **Warrants**
- **Warrant Register Summary (A1)**
- **Warrant Register Detail (A1)**
- **Outstanding Warrant Record**

85.36.30.d The validated warrants are returned to the agency by the OST or, if authorized by OST, by the Department of Information Services (DIS). Copies of the Warrant Register Summary (A1) and the Warrant Register Detail (A1) are sent to the agency by DIS.

85.36.30.e Upon validation by the OST, agencies are responsible for promptly forwarding warrants to the vendor or authorized payee.

85.36.30.f The validated warrant and vendor copy of the Vendor's Remittance Advice are to be released only to the vendor or other authorized payee.

85.36.30.g The agency is to maintain the Warrant Register Summary (A1), Warrant Register Detail (A1) and a copy of the Vendor's Remittance Advice (A2) along with the detail source documents.

85.36.30.h A payment file by vendor (payee) is to be maintained. Agencies that do not have an automated system (e.g., AFRS/DRS) capable of detecting duplicate payments are to file a copy of the Vendor's Remittance Advice alphabetically by vendor (payee) name. When Vendor's Remittance Advices are filed, the file is to be reviewed for duplicate payments.

85.36.40

May 1, 1999

Local account requirements

85.36.40.a The following documents are generated when processing Local Account disbursements:

- **Check** - The payment instrument used for each invoice voucher or other evidence of indebtedness.
- **Check Register** - The document used to record pertinent details relating to expenditure/expense vouchers and coding for each check issued.
- **Vendor's Remittance Advice** - The document used to notify the payee of what is being paid. The Vendor's Remittance Advice is to reference the check number and the invoice number as appropriate.

85.36.40.b Agencies are to maintain a file (may be in electronic form) containing copies of Vendor's Remittance Advices for each check.

85.36.40.c A payment file by vendor (payee) is to be maintained. Agencies that do not have an automated system capable of detecting duplicate payments are to file a copy of the Vendor's Remittance Advice alphabetically by vendor (payee) name. When Vendor's Remittance Advices are filed, the file is to be reviewed for duplicate payments.

85.36.40.d The signed check and vendor copy of the Vendor's Remittance Advice are to be released only to the vendor or other authorized payee.

85.36.50

May 1, 1999

Recording

85.36.50.a The approved Warrant Register Summary (A1) or local account Check Register constitutes the basis for recording expenditures/expenses. Expenditure/expense transactions are to be recorded in the General Ledger and the Subsidiary Allotment and Expenditure/Expense Ledgers. (Refer to Subsection 85.42.30 for an illustrative entry to record expenditure/expense disbursements.)

85.36.50.b The following information, at a minimum, is to be recorded in the Subsidiary Allotment and Expenditure/Expense ledgers:

- Warrant and/or Check Register Date;
- Warrant and/or Check Register Number Reference;
- Voucher Number Reference;
- Appropriate Expenditure Coding; and
- Amount of Disbursement.



85.38 Other Warrant Procedures

85.38.10

June 1, 2004

Non-deliverable warrant

85.38.10.a

A warrant in the custody of an agency is considered non-deliverable only after a search did not locate the payee.

85.38.10.b

A warrant deemed to be non-deliverable is to be cancelled by either a manual or automated process.

- When manually canceling a non-deliverable warrant, the agency is to debit GL Code 7130 “Warrant Cancellations In-Process” and credit GL Code 5194 “Liability for Cancelled Warrants/Checks - Short-Term.” (Refer to Subsection 85.42.80 for illustrative entries.)
- To cancel a warrant automatically, agencies may use the AFRS Warrant Cancellation & Statute of Limitations (SOL) Automation process, if the reason for cancellation is due to error, lost warrant, or destroyed warrant, and if cancellation is done prior to warrants becoming SOL (statute of limitations, 180 days). For procedures, refer to the AFRS Warrant Cancellation & SOL Automation Instructions available on the OFM Statewide Systems website at <http://www.ofm.wa.gov/systems/SWFSystems.asp?access=intranet>.

Whether an agency cancels a warrant manually or uses the Warrant Cancellation & SOL Automation process, the agency must submit the JV and appropriate documentation (either the warrant or the notarized “Affidavit to Release Outstanding or Cancelled Warrants”) to the Office of the State Treasurer (OST) to complete the cancellation process. When an agency uses the Warrant Cancellation & SOL Automation process, the JV is automatically generated for the agency.

85.38.10.c

Agencies are to maintain a record of all transactions concerning non-deliverable warrants.

85.38.20

June 1, 2004

Lost or destroyed warrants

When a warrant is reported as lost or destroyed, an agency is to contact OST and request information on the status of the warrant. Then the agency is to follow the procedures described in this subsection under the appropriate warrant status.

Warrants issued in error should be cancelled by the agency as soon as the error is discovered, if this is before they are due for statutorily cancellation per RCW 43.08.062.

85.38.20.a **Lost or Destroyed Warrants Statutorily Cancelled** - If the warrant has been statutorily cancelled, the procedures listed in Subsection 85.38.40 are to be followed.

85.38.20.b **Lost or Destroyed Warrants (Redeemed)** - If the warrant has been redeemed, the procedures listed in Subsection 85.38.30 are to be followed.

85.38.20.c **Lost or Destroyed Warrants (Unredeemed)** - An agency must first determine whether the warrant was lost or destroyed before or after delivery to the payee. (NOTE: Delivery to the U.S. Postal Service or initiation of an Electronic Funds Transfer (EFT) transaction constitutes delivery to the payee.)

1. If an unredeemed warrant was lost or destroyed prior to delivery to the payee, the issuing agency is to complete the affidavit section of the "Affidavit of Lost or Destroyed Warrants." The form need not be notarized. (Refer to form included in this subsection.)

If the unredeemed warrant was lost or destroyed after delivery to the payee, the payee is to complete the affidavit section of the "Affidavit of Lost or Destroyed Warrants." The "Affidavit of Lost or Destroyed Warrants" is to be notarized.

2. For a lost or destroyed unredeemed warrant that is cancelled and a new warrant is issued, an agency is to follow the procedures listed below:
 - An agency prepares a separate Journal Voucher (A7-A) for lost or destroyed warrants that debits GL Code 7130 "Warrant Cancellations In-Process" and credits GL Code 5194 "Liability for Cancelled Warrants/Checks - Short-Term." (Refer to Subsection

85.42.90.a for an illustrative entry.) The Journal Voucher is to state that the warrant was lost or destroyed.

- AFRS agencies are to enter the Journal Voucher through the normal AFRS batch process. Then the AFRS agency is to send the **original** of the “Affidavit of Lost or Destroyed Warrants” and the **original** Journal Voucher to OST for processing. OST is to debit GL Code 4310 “Current Treasury Cash Activity (OST Only)” and credit GL Code 7130 “Warrant Cancellations In-Process.”
- When the warrant is reissued, the agency is to debit GL Code 5194 “Liability for Cancelled Warrants/Checks - Short-Term.” (Refer to Subsection 85.42.90.b for an illustrative entry.)

85.38.20.d If the original warrant is returned unredeemed after reissue, an agency is to immediately void the original warrant. Procedures listed in Subsection 85.38.70.e are to be followed for all voided warrants.

AFFIDAVIT OF LOST OR DESTROYED WARRANT

STATE OF WASHINGTON) _____
) _____
COUNTY OF _____) _____ FUND

WARRANT NO. _____

I, _____, having been duly sworn, depose and say that I am the proper owner, payee, or legal representative of such owner or payee of the State of Washington's Warrant No. _____ dated _____, in the amount of _____ dollars and that said warrant has been lost, destroyed, or not delivered to me, and to the best of my knowledge has not been paid.

Witness if signed by "X" _____
(Signature)

(Name) (Name)

(Address) (Address)

SUBSCRIBED AND SWORN before me this _____ day of _____, _____.

Notary Public in and for the State of Washington

Residing at _____

85.38.30

June 1, 2004

Redeemed warrants reported as lost or destroyed

When a warrant has been reported as lost or destroyed is subsequently redeemed, OST is to send a copy of the redeemed warrant to the agency. The agency is to notify the legal owner that the warrant has been redeemed. A copy of the redeemed warrant and a blank “Affidavit of Forged Endorsement,” are to be included with this notification. (Refer to form included in this subsection.)

85.38.30.a

Forged Endorsement

85.38.30.a.(1)

If the legal owner claims the endorsement is a forgery, the legal owner is required to complete the “Affidavit of Forged Endorsement.” (Refer to form included in this subsection.) The affidavit must be notarized.

85.38.30.a.(2)

After receipt of the signed “Affidavit of Forged Endorsement,” the agency is to compare the signature on the redeemed warrant to the signature on the affidavit. If forgery is questionable, the agency is to investigate further until it is resolved whether or not the warrant has a forged endorsement. If forgery is determined or is obvious, the following procedures apply:

- The signed “Affidavit of Forged Endorsement” is to be sent to OST. OST is to return the forged warrant to the bank for credit.
- OST is to record collection of the bank credit on a Cash Receipts Journal Summary (A8) by debiting GL Code 4310 “Current Treasury Cash Activity (OST Only)” and crediting GL Code 7110 “Receipts In-Process.” OST is to send a copy of the A8 to the issuing agency.
- The agency is to utilize the A8 received from OST to record the collection of the bank credit. The agency is to debit GL Code 7110 “Receipts In-Process” and credit GL Code 5199 “Other Liabilities - Short-Term.” (Refer to Subsection 85.42.95.a for an illustrative entry.)
- When the warrant is reissued, the agency is to debit GL Code 5199 “Other Liabilities - Short-Term.” (Refer to Subsection 85.42.95.b for an illustrative entry.)

85.38.30.b

Endorsement Not Forged-- If the signature on the original warrant is not a forgery, the warrant is not to be reissued.

AFFIDAVIT OF FORGED ENDORSEMENT

STATE OF WASHINGTON)
)
COUNTY OF _____) _____ FUND

WARRANT NO. _____

I, _____, being the rightful owner of the State of Washington's
Warrant No. _____ dated _____ 19____, in the amount of _____
dollars, do hereby certify that my name as signed on the back of the said warrant is a forgery, and that I have not
received nor endorsed the said warrant: neither have I been benefited in any way from the proceeds there from.

(Payee)

Witnesses if signed by "X"

(Name)

(Name)

(Address)

(Address)

SUBSCRIBED AND SWORN before me this _____ day of _____, 19_____.

Notary Public in and for the State of Washington

Residing at _____

85.38.40 **Statutorily cancelled warrants**

June 1, 2004

85.38.40.a **Cancellation of Warrants:**

85.38.40.a.(1) As prescribed in RCW 43.08.062, the Office of the State Treasurer (OST) is required to cancel warrants which have not been presented for payment within 180 days from the date of issue.

85.38.40.a.(2) Agencies are advised to monitor the Aged Outstanding reports in the OST's Treasury Management System (TM\$) on a regular basis. Contact OST for access to TM\$. Agencies may want to notify the payee that state law requires outstanding warrants to be cancelled after 180 days.

85.38.40.a.(3) A list of SOL ("Statute Of Limitations) cancelled warrants is available in TM\$ for agency review. This list includes warrant number, date issued, and amount.

85.38.40.a.(4) Agencies are to maintain a log of statutorily cancelled warrants. If this information is requested in accordance with the Public Record Act, RCW 42.17.260, pursuant to subsection (9) of this act, agencies are to ensure this information will not be used for commercial purposes. To this end, before releasing this information, agencies are to have the "Affidavit to Release Outstanding or Cancelled Warrants" signed by those requesting a copy of the log of statutorily cancelled warrants. (Refer to form included in this subsection.)

Information related to statutorily cancelled warrants might contain personal information about citizens. **Privacy Notice: Safeguarding and disposition of personal information must be consistent with Executive Order 00-03, April 25, 2000; and RCW 42.17.310.**

85.38.40.a.(5) The AFRS Warrant Cancellation & SOL Automation process will automatically generate cancellation journal vouchers for all SOL warrants (both AFRS and non-AFRS generated warrants) at the same time that OST runs its SOL process. Instructions regarding disposition of these funds are contained in Subsection 85.38.50.

In lieu of the automated process, an agency may prepare a journal voucher (JV) (A7-A) to clear their in process. The JV should debit GL Code 7130 "Warrant Cancellations In-Process" and credit GL Code 5194 "Liability for Cancelled Warrants/Checks - Short-Term." (Refer to Subsection 85.42.85 for illustrative entries.)

Whether an agency prepares a journal voucher or uses the AFRS automated process, the agency must submit the JV and appropriate documentation (either the warrant or the notarized “Affidavit to Release Outstanding or Cancelled Warrants”) to OST to complete the cancellation process.

85.38.40.b **Reissue of Statutorily Cancelled Warrants**

85.38.40.b.(1) As prescribed in RCW 43.08.062, an agency may issue a new warrant for a statutorily cancelled warrant presented for payment.

85.38.40.b.(2) Statutorily cancelled warrants presented to OST for payment are to be sent to the issuing agency (i.e., warrant items sent on collection).

85.38.40.b.(3) When a statutorily cancelled warrant is reported as lost or destroyed, an agency may issue a new warrant. If the issuing agency determines to reissue the statutorily cancelled warrant, the agency is to issue a new warrant payable to the legal owner of the statutorily cancelled warrant and submit a copy of the new warrant to OST. The re-issuance is to be recorded in AFRS, so as to reduce the liability (GL Code 5194).

85.38.40.b.(4) If the issuing agency determines **not** to reissue the warrant, a letter explaining the reason for disallowance is to be sent to the legal owner

85.38.40.b.(5) OST is responsible for controlling statutorily cancelled warrants. If an agency gains possession of a statutorily cancelled warrant, it is to be sent to OST for destruction. Refer to Subsection 85.38.80 for further information on warrant voiding and destruction procedures.

85.38.40.b.(6) Agencies are to maintain a log of reissued statutorily cancelled warrants. This log is to reference, or be incorporated within, the log of statutorily cancelled warrants (refer to Subsection 85.38.40.a.(4)) and contain the following for both the original and the reissued warrant: warrant number, warrant register, date of issue, and amount.

AFFIDAVIT TO RELEASE OUTSTANDING OR CANCELLED WARRANTS

STATE OF WASHINGTON
PUBLIC RECORDS ACCESS

AFFIDAVIT TO RELEASE OUTSTANDING
OR CANCELLED WARRANTS

STATE OF WASHINGTON)
)SS.
COUNTY OF _____)

(Name and Address)

having been duly sworn, deposes and says

1. I have requested access to those records described as listings or registers of unpaid state checks or warrants classified by your office as "Outstanding" or "Cancelled" (or such other adjective as may encompass these terms), excepting those items that have been issued within the six months preceding this letter.
2. I understand that Washington State law, RCW 42.17.260(9), prohibits the use of lists of individuals for commercial purposes.
3. I understand that the use for commercial purposes of said records may also violate the rights of the individuals named therein and may subject me to liability for such commercial use.
4. I understand that Section 2 or 3 herein apply when I use said records for commercial purposes and when others use said records or copies of same for commercial purposes. I understand that I may be liable in either case.
5. I understand that "commercial purposes" means that the person requesting the record intends that the list will be used to communicate with the individuals named in the record for the purpose of facilitating profit-expecting activity.
6. Therefore, I do hereby swear and affirm on oath and under penalty of law that I will not use said records for commercial purposes and further, that I will not aid or assist others in using said records for commercial purposes.

(Signature)

SUBSCRIBED AND SWORN before me this _____ day of _____, 19_____.

Notary Public in and for the State of Washington
Residing at _____

85.38.50 Liability for cancelled warrants/checks

May 1, 1999

- 85.38.50.a GL Code 5194 “Liability for Cancelled Warrants/Checks - Short-Term” is to be used to record obligations for cancelled warrants and checks for which proper disposition has not yet been determined.
- 85.38.50.b RCW 63.29, the Uniform Unclaimed Property Act, applies to the outstanding liability for cancelled warrants/checks. For methods of reporting and remitting, contact the Department of Revenue, Unclaimed Property Section. Cancelled payroll warrants/checks that remain unclaimed for more than one year are considered abandoned. All other intangible property in the custody of the state is considered abandoned after two years. Agencies are to develop procedures for systematically reviewing cancelled/outstanding warrants and checks and remitting “abandoned property” to the Department of Revenue. Refer to Subsection 85.74.30 for further discussion related to Department of Revenue accounting for unclaimed property.

85.38.60 “X” warrants

June 1, 2004

- 85.38.60.a If a warrant was destroyed prior to being mailed, an “X” warrant may be issued to replace the warrant. Agencies preparing “X” warrants are to utilize the Department of Information Services (DIS) on-line system. The “damaged” warrant must be delivered and turned over to DIS before the “X” warrant will be issued. The agency will need to get system access from DIS as well as detail procedures to create an “X” warrant. The “X” warrant is to be “MICR encoded” by OST and included with the batch of warrants. The “X” warrant is to be input by the agency exactly the same as the original warrant. If a warrant is lost or destroyed after being mailed, the procedures at Subsection 85.38.30 apply.
- 85.38.60.b Agencies preparing “X” warrants are to maintain a log containing the following “X” warrant information:
- Agency number;
 - Warrant date;
 - Original warrant number;
 - “X” Warrant number;
 - Warrant register number;

- Signature of the individual who input the “X” warrant; and
- Date the “X” warrant was prepared.

85.38.70

June 1, 2004

“X” and blank state warrant stock control procedures

85.38.70.a

To control the receipt, issue, and inventory of blank warrants, the procedures outlined below are to be followed. Both regular warrants and “X” warrants are to be controlled in the same manner. Only DIS will have custody of and responsibility for “X” warrant stock.

85.38.70.b

All blank warrants are to be kept locked in a climate controlled storage area and under the control of a designated custodian or designated alternate custodian. The designation of the custodian and alternate is to be in writing. Access to the blank warrant stock is to be limited to the designated custodian and the alternate.

85.38.70.c

Warrants are standard items stocked by the State Printer. OST and the State Printer have responsibility for the issuance of blocks of warrants to agencies. Agencies are to establish reasonable inventory and reorder levels and follow normal ordering procedures for procurement of blank warrant stock. When warrants are received from the State Printer, the designated custodian or the alternate is to record the following information on an appropriate control form:

- The date received;
- Quantity received;
- Inclusive serial numbers; and
- The new balance on hand.

85.38.70.d

When warrants are required from the locked storage, standardized requisition forms are to be used and signed by the individual requesting the warrants. In addition, the designated custodian or the alternate is to record the following information on the control form:

- The date issued;
- Quantity issued;
- Inclusive serial numbers;
- Name of the individual receiving the blank warrants; and
- The new balance on hand.

85.38.70.e A record is to be maintained of all voided warrants. This record is to include the following:

- The date voided;
- The serial number(s);
- Quantity voided and reason for voiding; and
- Initials of individual taking action.

Refer to Subsection 85.38.80 - Warrant Voiding and Destruction Procedures.

85.38.70.f A physical count of the blank warrant stock is to be performed periodically as necessary to maintain an effective system of internal control over the blank warrant stock. The physical count is to be performed by an individual other than the designated custodian or the alternate. The physical count is to be a blind count (i.e., the individual performing the count is not provided with the book quantity). Standardized forms to record the physical count are to be developed and used. The individual performing the physical count is to sign each form used to record the physical count. The forms are to be promptly completed and furnished to a designated supervisor who is to perform the inventory reconciliation. Standardized inventory reconciliation forms are to be developed and used. The inventory reconciliation form is to show the following:

- Date of physical count;
- Date the reconciliation form is completed;
- The book quantity as of the date of physical count;
- The physical count; and
- The name of the person performing the inventory.

If the physical count agrees with the book quantity, then certification of this fact, signed by the supervisor, is to be recorded on the inventory reconciliation form. If there is a variance between the book quantity and the physical count, a second physical count is to be conducted immediately by the supervisor or other party if the supervisor is the designated custodian or alternate. If a variance still exists, the situation is to be reported to the agency head and the agency is to follow procedures for a suspected loss (refer to Section 20.30, Suspected Losses of Public Funds or Property).

85.38.80

June 1, 2004

Warrant voiding and destruction procedures

Warrants to be voided or destroyed are to be controlled by OST and DIS. OST and DIS are to develop and implement written procedures for voiding and destroying signed warrants. Warrants that are to be destroyed must be sent to OST for destruction.

85.38.90

May 1, 1999

Local check control procedures

Agencies with local accounts are to develop and implement written procedures for controlling local checks. Procedures should provide for adequate internal control as prescribed in Subsection 85.38.70. Additional guidance can be found at Section 20.20.



85.40 Belated and Sundry Claims

85.40.10

July 1, 2001

Belated claims

- 85.40.10.a Belated claims are obligations of appropriated accounts for goods and services which were received on or before June 30 but were not accrued in the concluding appropriation period. Shortages in estimated accrued expenditures/expenses are also treated as belated claims of the prior appropriation period.
- 85.40.10.b All belated claims are coded and charged as current appropriation expenditures.
- 85.40.10.c OFM approval of belated claims from appropriated accounts is required prior to payment by the requesting agency. Payment of belated claims against non-appropriated accounts does not require OFM approval.
- 85.40.10.d Belated claims needing OFM approval are to be submitted for review following the close of each appropriation period. Agencies are to submit a request for all belated claims identifying vendor, date of receipt of goods or services, amount of claim, account and appropriation that should have been charged had the claim been paid timely, and the account and current appropriation to be charged. The request is to be submitted in writing to the Accounting Division, OFM.
- 85.40.10.e OFM will verify that the agency requesting a belated claim payment has unexpended appropriation authority from applicable prior appropriation periods sufficient to satisfy the claim. OFM's decision regarding belated claims will be made in writing to the requesting agency. In the event that the appropriation authority is not sufficient to meet the claim, the agency will need to request legislation to appropriate the amount needed.
- 85.40.10.f The authenticity and correctness of obligations paid through the belated claims procedure is the sole responsibility of the agency.

85.40.20

June 1, 2004

Sundry claims

Sundry claims, including those dealt with by administrative action and those requiring legislative action, are to be submitted to the Office of Financial Management, Risk Management Division. The Risk Management Division is to recommend to the Legislature whether to approve or reject a claim. If the Legislature approves a claim, it is to be paid from an appropriation specifically provided to the Risk Management Division for that purpose.



85.42 Expenditures, Expenses, and Cash Disbursements - Illustrative Entries

85.42.10
May 1, 1999

These entries are for illustrative purposes

The following entries illustrate the recording of expenditures/expenses and cash disbursements in the accounting records. These entries are for illustrative purposes **only** and should **not** be considered all inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST only) (4310)		xxx

85.42.20
May 1, 1999

Encumbrances

85.42.20.a

To record the establishment of encumbrances or increases to existing encumbrances for budgeted accounts. (Refer to Subsection 85.30.10.).

	Dr.	Cr.
Encumbrances (6410)	xxx	
Reserved for Encumbrances (9510)		xxx

85.42.20.b

To record encumbrance liquidations for budgeted accounts. (Refer to Subsections 85.30.10 and 85.32.40.e.)

	Dr.	Cr.
Reserved for Encumbrances (9510)	xxx	
Encumbrances (6410)		xxx

85.42.30

May 1, 1999

Expenditure/expense disbursements

To record expenditure/expense disbursements for goods and services received. (Refer to Subsection 85.36.50.)

	Dr.	Cr.
Cash Expenditure/Expense (6510) (with appropriate subobject)	xxx	
Cash in Bank (1110) or Warrants In-Process (7120)		xxx

85.42.40

May 1, 1999

Recording payroll

85.42.40.a

To record release of payroll expenditures/expenses for an appropriated account. (Refer to Subsection 85.34.10.)

	Dr.	Cr.
Cash Expenditure/Expense (6510) (with appropriate subobject)	xxx	
Cash in Bank (1110) or Warrants In-Process (7120)		xxx

85.42.40.b

To record the receipt of cash in the payroll revolving account and the establishment of the payroll liabilities for a budgeted account.

	Dr.	Cr.
Cash in Bank (1110) or Receipts In-Process (7110)	xxx	
Accrued Salaries and Fringe Benefits Payable (5124)		xxx
Savings bond Deductions Payable (5188)		xxx
Garnishment Deductions Payable (5189)		xxx

85.42.40.c To record subsequent disbursement of payroll and other related liabilities in the payroll revolving account.

	Dr.	Cr.
Accrued Salaries and Fringe Benefits Payable (5124)	xxx	
Savings Bond Deductions Payable (5188)	xxx	
Garnishment Deductions Payable (5189)	xxx	
In-Process (71XX))		xxx

85.42.50 Recording shared leave

May 1, 1999

85.42.50.a To record transfer of shared leave between employees within an agency and within the same account. (Refer to Subsection 85.34.20.)

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BW)		xxx

85.42.50.b To record transfer of shared leave between employees of different agencies and/or accounts.

Donor's Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

Donee's Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BW)		xxx

85.42.50.c To record the payroll for an employee using donated shared leave.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Object A)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.42.50.d To record reversion of unused shared leave when employees are within the same agency and account.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BW)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)		xxx

85.42.50.e To record reversion of unused shared leave when employees are from different agencies and/or accounts.

Donor's Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)		xxx

Donee's Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BW)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.42.60 Amounts due deceased employees

May 1, 1999

85.42.60.a To record amounts owed to deceased employees. (Refer to Subsection 85.34.30.)

	Dr.	Cr.
Accrued Expenditures/Expenses (6505) (with appropriate subobject)	xxx	
Due to Deceased Employees' Estates (5145)		xxx

85.42.60.b To record the liquidation of the liability when the funds are released for payment.

	Dr.	Cr.
Due to Deceased Employees' Estates (5145)	xxx	
Cash in Bank (1110) or		
Warrants In-Process (7120)		xxx

85.42.70

May 1, 1999

Salary overpayment recoveries

85.42.70.a To record the recovery of net pay and related deductions, or employer costs, for a salary overpayment. (Refer to Subsection 85.34.40.c.)

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Cash Expenditures/Expenses (6510) (Subobject A, B or N series)		xxx

85.42.70.b To record the reduction in full time equivalents (FTEs) for any excess hours associated with a salary recovery. (Refer to Subsection 85.34.40.c.)

	Dr.	Cr.
Statistical Clearing Account (0998)	xxx	
Actual FTEs (0120)		xxx

85.42.80

May 1, 1999

Non-deliverable warrant cancellations

To record cancellations of non-deliverable warrants. (Refer to Subsection 85.38.10.)

	Dr.	Cr.
Warrant Cancellations In-Process (7130)	xxx	
Liability for Canceled Warrants/Checks (5194)		xxx

85.42.85

May 1, 1999

Statutorily canceled warrants

To record warrants statutorily canceled by the Office of the State Treasurer. (Refer to Subsection 85.38.20.)

	Dr.	Cr.
Warrant Cancellations In-Process (7130)	xxx	
Liability for Canceled Warrants/Checks (5194)		xxx

85.42.90

May 1, 1999

Lost or destroyed warrants (Not canceled or redeemed)

85.42.90.a To record lost or destroyed warrants that have not been canceled or redeemed. (Refer to Subsection 85.38.30.c.)

	Dr.	Cr.
Warrant Cancellations In-Process (7130)	xxx	
Liability for Canceled Warrants/Checks (5194)		xxx

85.42.90.b To record re-issuance of lost or destroyed warrants. (Refer to Subsection 85.38.30.c.)

	Dr.	Cr.
Liability for Canceled Warrants/Checks (5194)	xxx	
Warrants In-Process (7120)		xxx

85.42.95

May 1, 1999

Forged endorsement

85.42.95.a To record the bank credit for the redemption of forged warrants. (Refer to Subsection 85.38.40.b.)

	Dr.	Cr.
Receipts In-Process	xxx	
Other Liabilities (5199)		xxx

85.42.95.b To record re-issuance of forged warrants. (Refer to Subsection 85.38.40.b.)

	Dr.	Cr.
Other Liabilities (5199)	xxx	
Warrants In-Process (7120)		xxx



85.50 Cash

85.50.10

July 1, 2006

Deposit of treasury and treasury trust receipts

85.50.10.a

Deposit cash receipts for treasury and treasury trust accounts intact within 24 hours of receipt as prescribed in RCW 43.01.050 unless a specific written waiver is granted by the Office of the State Treasurer (OST). (Refer to Subsection 85.65.12 for an illustrative entry.)

85.50.10.b

All treasury and treasury trust receipts must be deposited in a public depository located in this state. (Chapter 39.58 RCW)

85.50.10.c

To qualify as a depository for monies belonging to the state, or in custody of the state under the control of the OST, commercial banking institutions must meet the requirements established by the Public Deposit Protection Commission.

85.50.10.d

The depository bank is to select its trustee agency from any one of the following three categories:

- A Federal Reserve Bank.
- The trust department of a bank or trust company.
- The trust department of the depository bank.

85.50.20

July 1, 2006

Deposit of local receipts

85.50.20.a

Cash receipts for deposit in local accounts established pursuant to RCW 43.88.195 or other statutory provision are to be deposited intact within 24 hours of receipt (Refer to Subsection 85.65.12 for an illustrative entry.) unless:

- A specific written waiver is granted by OFM, or
- Total cash receipts on hand (exclusive of change accounts) are under \$500. However regardless of the amount on hand, local account receipts are to be deposited weekly.

85.50.20.b Local funds are to be deposited in public depositories located in this state. (RCW 39.58) (Refer to Subsection 85.50.10.c and d.)

85.50.30 Undeposited receipts

May 1, 1999

85.50.30.a Undeposited receipts consist of the following:

- Cash receipts on hand, and
- Monies in transmittal accounts pending deposit in the OST central account.

85.50.30.b Undeposited receipts exclude monies that have not been entered into the agency's records. These include: unopened mail transmittals; non-validated receipts; and monies received by personnel operating outside of the agency's accounting office and not forwarded for deposit to the accounting office. It should be noted, however, that the statutory provisions controlling the depositing of state monies, as prescribed in RCW 43.01.050, are to be observed at all times. (Refer to Subsection 85.50.10.)

85.50.40 Reconciliation of cash receipts and deposits

May 1, 1999

Daily

85.50.40.a Daily, cash is to be counted and reconciled with the appropriate records reflecting the day's transactions. All differences are to be investigated to ascertain the reason for the discrepancy. Procedures for recording cash over and short are prescribed in Subsection 85.20.10 of this manual.

85.50.40.b Agencies are to reconcile GL Code Series 71XX "In-Process" to the OST daily. To aid in this reconciliation, agencies receive AFRS report DTR902 - Unbalanced In-Process Reconciliation Report. Report DTR902 shows in detail outstanding in-process transactions for both the agency and the OST.

Monthly

85.50.40.c Accounts maintained in commercial institutions (e.g., banks, savings and loan associations, etc.), including petty cash accounts, are to be promptly reconciled with agency records on a monthly basis. The balance shown on the bank statement may not agree with the agency's book balance.

Variations can occur because of outstanding checks, deposits in transit, bank service charges, or other adjustments. Adjusting entries may be required when entries appear on the bank statement without corresponding entries in the agency's books. Adjusting entries, if necessary, are to be promptly prepared and recorded in the agency's records.

85.50.40.d On a monthly basis, administering agencies are to reconcile GL Code Series 43XX "Cash in Custody of OST" to OST for the accounts they administer.

Administering agencies receive the two following AFRS reports monthly to aid in the reconciliation of the cash balances:

- SWM413A - General Ledger Trial Balance/All Agencies, and
- SWM413B - General Ledger Trial Balance by Agency.

On the SWM413A the ending balances in GL Codes 4310, 4320, and 4325 are to equal zero.

If these GL Codes do not zero out at the account level, the administering agency is to investigate the reason for the discrepancy and contact the agencies involved to make the necessary adjustments in AFRS. Contact the Office of Financial Management (OFM) to resolve the disagreements between agencies.

85.50.50

July 1, 2006

Petty cash - general information

85.50.50.a Agencies may maintain two types of cash accounts within the petty cash regulations.

- **Change Accounts** - Used solely for making change in across-the-counter cash transactions.
- **Petty Cash (Imprest) Accounts** - Used to make payments when issuing a warrant/check is not practical or timely.

85.50.50.b Petty cash account regulations are prescribed in Chapter 42.26 RCW.

85.50.50.c The agency head (or authorized designee) is to issue and maintain on file a letter designating the individual assigned as custodian, the amount of the petty cash account, and the purpose for which the monies will be spent.

- 85.50.50.d The agency head (or authorized designee) is responsible for the proper use of petty cash. Agencies are to establish petty cash internal control procedures in accordance with OFM's prescribed policies. (Refer to Chapter 20 of this manual.)
- 85.50.50.e Only minimal amounts of cash are to be kept on hand. Petty cash accounts in excess of \$100 must be maintained in a checking account in a local bank that is a public depository (refer to Subsection 85.50.10.c) unless the agency has a safe, vault, or money chest that is used to safeguard petty cash. Whenever possible, all petty cash accounts are to be maintained in a bank account. Bank accounts are to be opened in the name of the agency, not an individual.
- 85.50.50.f If a State Auditor's Report discloses that the amount of an agency's petty cash account is excessive or its use is in violation of regulations, the Director (or official designee) of OFM may require the elimination of, or reduction in the amount of, the petty cash account.

85.50.60

July 1, 2001

Accounting for petty cash in treasury accounts

85.50.60.a

Establishing Treasury Petty Cash Accounts

1. Requests for petty cash, or increases to petty cash, are made using the "Application and Authorization for Petty Cash Advance, Treasury Funds" Form (A37) that is available at the end of this subsection or through the Accounting Division of OFM. The completed form is submitted to the Accounting Division of OFM (the Director's official designee) for approval. **Distribution of the total amount of approved petty cash within an agency is determined by the agency.**
2. After approval, OFM will return the signed original "Application and Authorization for Petty Cash Advance, Treasury Funds" Form (A37) to the agency. When the petty cash increase is approved, the agency is to produce a warrant to reclassify Treasury cash to GL Code 1130 "Petty Cash." (Refer to Subsection 85.65.14.a for an illustrative entry.) The warrant is to be endorsed and cashed or deposited by the assigned custodian. OFM will distribute a copy of the signed Form A-37 to the Office of State Treasurer.

If the agency is reclassifying cash in a governmental fund type account, an additional entry is required to reserve a portion of fund balance to indicate that the petty cash is not available for appropriation. This is accomplished by debiting GL Code 9590 "Unreserved/Undesignated

Fund Balance” and crediting GL Code 9556 “Reserved for Petty Cash.” (Refer to Subsection 85.65.14.a for an illustrative entry.) The balance in GL Code 9556 “Reserved for Petty Cash” is equal to the balance in GL Code 1130 “Petty Cash.”

3. A petty cash account is not to be established for less than:
 - \$25; or
 - An amount that requires reimbursement more frequently than biweekly.

85.50.60.b

Authorized Uses of Treasury Petty Cash Accounts - The following are the authorized uses of Treasury petty cash:

1. Local market purchases of supplies and materials. These purchases may include: minor miscellaneous materials; supplies; fresh fruit; vegetables; and minor repairs and replacements parts for machinery and equipment not under state contract. Such payments may be made provided that:
 - The purchase is within the limitations prescribed by the Department of General Administration, and
 - The items purchased cannot be expediently paid through regular payment procedures.
2. Rail, air, common carrier, and bus express charges where carriers require payment at time of delivery.
3. Postage due on mail. Postage due may be paid when it can be definitely determined that it will be of benefit to the state to accept delivery of the mail.
4. Salaries and wages due employees. Payment of salaries and wages may be made **only** when there has been an undue delay in processing the amount due an employee through normal payroll procedures. The employee must complete a supporting document requesting a miscellaneous payroll deduction for the full amount of the petty cash payment prior to the release of the check to the employee. The completed document is to be used to support the deduction of the amount due the petty cash account from the employee's pay. The following information, at a minimum, is to be maintained on the supporting document:

- Typed authorization by employee for miscellaneous payroll deduction
- Name of the employee
- Amount due from the employee
- Date of the request
- Reason for the request
- Signature of the employee
- Signature of the petty cash custodian
- Signature of the person authorizing the disbursement

In the absence of an automated payroll calculation system which can be relied upon to accurately calculate net pay, the amount which can be disbursed from a petty cash account for this purpose is limited to 90% of the computed net pay due to the employee. The total amount disbursed to an employee for this purpose must be deducted from the employee's pay in one lump sum; partial repayments are prohibited. Petty cash accounts are **not** to be used to pay employees in advance of established regular pay dates.

5. Travel advances to employees **when the need for an advance cannot be anticipated** in time to use regular travel advance procedures. A Travel Authorization Form (A40, A40-A), or its equivalent, is to be completed by the employee. The completed form is to be used to support reimbursement of the petty cash account. The total amount disbursed from the account for this purpose is not to exceed the amount approved on the form. Travel advances are not to impair the intended functioning of the petty cash account.
6. Agencies may request, in writing, special authorization from the Director (or official designee) of OFM for petty cash accounts to be used for the following:
 - Change accounts in agencies dispensing goods, services, etc., over-the-counter direct to the public.
 - Grants or benefits to welfare, correction, or rehabilitation recipients provided that such payments are authorized by appropriations.

85
Accounting Procedures

- Refunds of erroneous or excessive payments, or other refunds authorized by law.
- Other purposes where the establishment of a petty cash account would be of special benefit to the state.

85.50.60.c Petty cash and change accounts are **not** used for cashing personal and/or payroll checks or warrants.

85.50.60.d **Disbursement and Reconciliation Procedures for Treasury Petty Cash Accounts**

1. All disbursements from petty cash accounts are documented and supported by receipts or vouchers bearing the signature of the payee. The following is recorded on the supporting document: date; name of payee; purpose of disbursement; amount paid; signature of the person authorizing the disbursement; and the proper account distribution.
2. Transactions involving payment of salaries and wages are also supported with a completed miscellaneous payroll deduction document. (Refer to Subsection 85.50.60.b item 4.)
3. Travel advances are supported with a properly completed Travel Authorization (A40, A40-A), or its equivalent.
4. Agencies are to establish written procedures to ensure that the above documents are transmitted promptly to the proper fiscal personnel for processing against the individual's pay or travel expense voucher.
5. A petty cash register reflecting the balance of the account is to be maintained.
6. **The total cash on hand, plus the amount of disbursements represented by the documentation, is to equal the authorized amount of the petty cash account.** The petty cash account is to be reconciled at least monthly. If a checking account is used, the petty cash account is to be promptly reconciled each month to the bank.
7. There are to be frequent, periodic audits of the petty cash account. The audits are to be performed by the agency's Internal Auditor or another individual (not the petty cash custodian) designated by the agency head.
8. An adequate audit trail is to be maintained.

85.50.60.e

Reimbursement of Treasury Petty Cash Accounts

1. Change accounts do not require replenishment, unless a theft or loss has occurred. Cash over and shorts which occur during the course of making change are cleared daily as part of the reconciliation and deposit of receipts. (Refer to Subsection 85.20.10.) The amount of the change account on hand should always equal the authorized amount.
2. To replenish a petty cash account for disbursements made, a Voucher Distribution Form (A19-2) is to be prepared. The A19-2 is to show the name of the agency and custodian as trustee of the account in place of the vendor name. All documents substantiating the disbursements are to be attached. The GL coding distribution is summarized and entered in the account code block of the form. The voucher is checked and approved for payment by someone other than the custodian. The amount of this voucher and the cash remaining in the petty cash account are to equal the authorized amount.
3. The accounting entries to record petty cash disbursements are the same as for other vendor payments.
4. Petty cash accounts are to be reimbursed monthly, unless the reimbursable amount is less than \$100. If the reimbursable amount is less than \$100, the agency can reimburse on a less frequent basis.

85.50.60.f

Reduction or Abolishment of Treasury Petty Cash Accounts

1. When a petty cash account is reduced or abolished, the agency is to prepare and submit to the OST, with the petty cash remittance, a Cash Receipts Journal Summary (A8). The petty cash is returned to the Treasury account from which it was advanced. This transaction reclassifies the existing debit in GL Code 1130 "Petty Cash" to Treasury cash for the reduction in the amount of petty cash account. (Refer to Subsection 85.65.14.b for an illustrative entry.)
2. If the agency is reducing or abolishing a petty cash account in a governmental fund type account, an additional entry is required to reverse the petty cash reservation of fund balance. This is accomplished by debiting GL Code 9556 "Reserved for Petty Cash" and crediting GL Code 9590 "Unreserved/Undesignated Fund Balance." (Refer to Subsection 85.65.14.b for an illustrative entry.)
3. The agency is to notify the Accounting Division of OFM (the Director's official designee) of all abolishments or reductions in Treasury petty cash accounts. OFM will distribute a copy of the notification to the Office of the State Treasurer.

Form A-37
STATE OF WASHINGTON
APPLICATION AND AUTHORIZATION FOR PETTY CASH ADVANCE
TREASURY FUNDS



AGENCY _____
(NAME) (NUMBER)

FUND/ACCOUNT TO BE CHARGED _____
(TITLE) (ACCOUNT)

Current Petty Cash Balance (GL Code 1130) (Treasury \$ _____
Funds)

Requested Petty Cash Increase (SAAM 85.50.60.a) \$ _____*

Revised Petty Cash Balance \$ _____

JUSTIFICATION-OF PETTY CASH INCREASE

(Attach additional statements as needed) _____

REQUESTED BY: _____
Agency, Chief Financial Officer Date

APPROVED BY: _____
OFM, State Financial Consultant
Accounting Division Date

A37 (07/01)
Distribution upon approval: Signed original to the Agency; copy to OFM Cash Control.

85.50.70
Nov. 1, 2003

Accounting for petty cash in local accounts (including treasury trust accounts)

85.50.70.a

Establishing Local Petty Cash Accounts

1. The agency head (or authorized designee), unless otherwise provided by law, has the authority to establish and control a petty cash account in a local account established pursuant to RCW 43.88.195 or other statutory provision. The petty cash account is not to be excessive.
2. Written accounting and control procedures for petty cash are to be developed and followed.
3. The agency head (or authorized designee) is to issue and maintain on file a letter designating the individual assigned as trustee, the amount of the petty cash account, and the purpose of the account.
4. The agency is to produce a check to reclassify GL Code 1110 "Cash in Bank" to GL Code 1130 "Petty Cash." If the agency is making a petty cash advance from a governmental fund type account, an additional entry is required to reserve a portion of fund balance to indicate that the petty cash is not available for appropriation. This is accomplished by debiting GL Code 9590 "Unreserved/Undesignated Fund Balance" and crediting GL Code 9556 "Reserved for Petty Cash." (Refer to Subsection 85.65.16.a for an illustrative entry.)

85.50.70.b

Authorized Uses, Disbursement, and Reconciliation Procedures of Local Petty Cash Accounts

The authorized uses of petty cash accounts that are prescribed for Treasury petty cash accounts at Subsection 85.50.60.b.1 through 5 are to be followed for local petty cash accounts. If the planned use of the petty cash account is not one of those listed under SAAM 85.50.60.b.1 through 5, agencies may request, in writing, special authorization from the administering agency of the account for purposes as listed under Subsection 85.50.60.b.6.

The disbursement and reconciliation procedures that are prescribed for Treasury petty cash accounts are to be followed for local petty cash accounts. (Refer to Subsection 85.50.60.b and c.)

85.50.70.c **Reimbursement of Local Petty Cash Accounts**

The reimbursement procedures prescribed for Treasury petty cash accounts are followed for local petty cash accounts. However, the use of Voucher Distribution (A19-2A) form is optional. (Refer to Subsection 85.50.60.e.)

85.50.70.d **Reduction or Abolishment of Local Petty Cash Accounts**

The agency head (or authorized designee) has the authority to reduce or abolish a local petty cash account.

When a local petty cash account is reduced or abolished, the money is returned to the local account from which it was advanced. This transaction is recorded by reclassifying the existing debit in GL Code 1130 "Petty Cash" to GL Code 1110 "Cash in Bank" for the amount of the reduction in petty cash. If the agency is abolishing a local petty cash account in a governmental fund type account, an additional entry is required to reverse the reservation of fund balance for the amount of the petty cash account. This is accomplished by debiting GL Code 9556 "Reserved for Petty Cash" and crediting GL Code 9590 "Unreserved/Undesignated Fund Balance." (Refer to Subsection 85.65.16.b for an illustrative entry.)



85.52 Investments

85.52.10

July 1, 2003

About investments

Investments are made as authorized by law and/or contractual agreement. Investment purchase and sale transactions are to be reported for GAAP reporting purposes on a trade date basis. For purchases, at trade date the investment is recorded in the appropriate investment accounts and the amount due on settlement is recorded as a credit to GL Code 5123 "Investment Trades Pending Payable." For sales, at trade date the investment is removed from the accounting records and the amount of the proceeds due at settlement are recorded in GL Code 1323 "Investment Trades Pending Receivable."

Recognition of earnings on investments is to follow the revenue recognition criteria pertinent to the fund type in which the investment is recorded. Costs associated with investing activities that are readily separable from investment income are to be recorded to Revenue Source Code 0473 "Costs of Investment Activities." (Refer to Subsection 85.65.20)

85.52.20

June 1, 2003

Short-term investments

Short-term investments are recorded in GL Code 1205 "Temporary and/or Pooled Cash Investments," GL Code 1206 "Investment with Local Government Investment Pool," and/or GL Code 1209 "Short-Term Portion of Long-Term Investments." Short-term investments include:

- investments of surplus cash balances, including the cash float, in short-term securities and other investments where funds can be disbursed at any time without prior notice or penalty; investments that are both readily convertible to known amounts of cash and so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates;
- investment of surplus funds with the Local Government Investment Pool; and
- the portion of long-term investment that will mature within one year.

Valuation - Investments classified as short-term are valued at fair value, *except* for the following instances:

- a. Time deposits, such as *non-negotiable certificates of deposit with redemption terms that do not consider market rates*, are recorded using a cost-based measure, if the fair value is not significantly affected by the impairment of the credit standing of the issuer or other factors.
- b. Money market investments and participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity *at time of purchase* of one year or less are to be recorded at amortized cost, if the fair value is not significantly affected by the impairment of the credit standing of the issuer or other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term. Amortized cost includes the acquisition cost of the investment as adjusted for amortization of premium or accretion of discount (17CFR 270.2a-7). 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.

85.52.30

July 1, 2003

Non-current investments

In certain circumstances, non-current investments held in governmental fund type accounts, not offset by deferred revenue or a liability, should be offset with reserved fund balance. (Refer to Subsection 85.65.18.e.)

Except as noted below at Subsections 85.52.40, 85.52.50 and 85.52.60, the acquisition, valuation, and sale or liquidation of non-current investments are to be accounted for as follows:

85.52.30.a

Acquisition - The cost of non-current investments is to be recorded in the accounting records in GL Code 1210 "Investments." Purchased accrued interest, if any, is to be recorded as a debit to GL Code 1316 "Interest and Dividends Receivable." (Refer to Subsection 85.65.18.a through d for illustrative entries.)

85.52.30.b **Valuation** - Valuation of non-current investments depends on the type and purpose of the investment.

- a. *Real estate* held as an investment is reported at cost. (Real estate held by an external investment pool, defined benefit or defined contribution pension plan, or deferred compensation plan is reported at fair value.)
- b. *Participating interest-earning investment contracts* purchased with more than one year of maturity are to be reported at fair value.
- c. Investments in *non-participating interest-earning investments* are to be reported at amortized cost. Non-participating contracts include non-negotiable certificates of deposit and guaranteed investment contracts with redemption terms that do not consider market rates. Such contracts, however, should be reported at fair value if the fair value is significantly affected by the impairment of the credit standing of the issuer or other factors.

All other non-current investments are to be recorded for GAAP reporting purposes at fair value. For publicly traded investments, gains or losses are to be calculated based on current fair values. For investments in open-end mutual funds, fair value should be determined by the fund's current share price. For non-publicly traded investments, gains or losses are to be calculated based on periodic valuations adjusted for subsequent cash flows to or from the private investment.

Increases in the investment's fair value are to be recorded by debiting GL Code 1280 "Valuation Allowance - Investments" and crediting GL Code 3220 "Non-cash Revenues," Revenue Source Code 0413. Decreases are to be recorded by debiting GL Code 3220 "Non-cash Revenues," Revenue Source Code 0414 and crediting GL Code 1280 "Valuation Allowance - Investments." (Refer to Subsection 85.65.22 for an illustrative entry.)

85.52.30.c **Sale or Exchange** - Sales or exchanges of non-current investments (refer to Subsection 85.65.24 for illustrative entries) are to be recognized on a trade date basis. Generally, gains and losses are to be recorded at the time of the sale using GL Code 3205 or 3210, Revenue Source Code 0413 for gains and Revenue Source Code 0414 for losses.

85.52.40

May 1, 1999

Investment pools

85.52.40.a

Internal Investment Pools - Internal investment pools are to follow the guidance for Short-Term and Non-current Investments as presented in Subsections 85.52.20 and 85.52.30, respectively. The equity position of each account participating in the investment pool should be reported as an asset in the participating account. Income and costs associated with internally pooled investments are to be accounted for in the accounts that report the investments unless legal or contractual provisions require transfer of amounts to another account.

85.52.40.b

External Investment Pools - External investment pools commingle the moneys of more than one legally separate entity and invest, on behalf of the participants, in an investment portfolio. Investment positions in external investment pools that are not SEC-registered are to be determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like pool.

A 2a7-like pool is an external investment pool that has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Investment positions in a 2a7-like pool should use amortized cost to compute share prices.

85.52.50

July 1, 2003

Permanent funds

Accounting for losses incurred in permanent irreducible funds requires unique treatment in order to satisfy legal requirements. This is due to a condition where losses incurred in permanent funds can result in the loss of permanent fund principal.

To preclude losses from eroding principal balances of permanent funds, it is necessary to reduce distributions to beneficiary funds by the amount of these losses. However, if distributions to beneficiary funds are directly reduced by losses, an adverse impact on the current programs supported by these distributions could result.

To alleviate this impact, it is necessary to utilize a method of allocating losses to beneficiary funds over a period of time. For permanent funds, revenues are closed to fund balance account GL Code 9531 "Reserved for Permanent Funds – Expendable Portion." Therefore, when investment losses exceed gains for the fiscal year (i.e., GL Code 3210, Revenue

Source Code 0414 "Capital Losses" exceeds Revenue Source Code 0413 "Capital Gains" for the year), the loss needs to be reclassified from GL Code 9531 to GL Code 9532 "Reserved for Permanent Funds - Investment Losses." GL code 9532 is used to segregate the accumulated losses in permanent funds.

On an annual basis, when investments are sold at a net loss exceeding one month's deferred loss amortization, the balance of these accumulated losses is to be deferred and amortized on a straight-line basis over the weighted average life of the portfolio in the permanent fund (debit GL Code 9531 "Reserved for Permanent Funds - Expendable Portion" and credit GL Code 9532 "Reserved for Permanent Funds - Investment Losses").

Unless otherwise allowed under state law and agreed upon by affected parties, for income distribution purposes, operating transfers to beneficiary funds are to include:

- the earnings or portion thereof as agreed upon by affected parties from sale or exchange of the permanent fund investments for the period (GL 3205 or 3210, Revenue Source Codes 0413 and 0414), and
- the amortization of premiums and discounts on permanent fund fixed income investments for the period (GL Code 3220 "Noncash Revenues," Revenue Source Code 0489 "Amortization"),
- less the amount of the accumulated loss amortization for the period.

If balances are retained in a permanent fund that exceed the legally or other externally mandated permanent balance, the expendable and nonexpendable portions must be tracked separately.

For distribution purposes, earnings do not include non-cash fair value adjustments (GL Code 3220, Revenue Source Codes 0413 and 0414). (Refer to Subsection 85.65.26 for illustrative entries.)

85.52.60
July 1, 2001

Deferred compensation plans (IRC Section 457)

In accordance with Statement No. 34 of the Governmental Accounting Standards Board, the state's Internal Revenue Code Section 457 deferred compensation plan is reported for GAAP reporting purposes as a pension trust fund. Plan investments should be valued in accordance with Subsection 85.52.30.b.

85.52.70

May 1, 1999

Securities lending

Investments in securities lending agreements where the state has the ability to pledge or sell the collateral without borrower default are to be recorded in the accounting records in GL Codes 1216 “Collateral held under Securities Lending Agreements” and 5197 “Obligations under Securities Lending Agreements.” For recording purposes, the investment in securities lending agreements may be recorded in the general ledger at the summary level based on a detail report from the securities lending agent. No subsidiary records are required.

For GAAP reporting purposes, if these investments are acquired with resources pooled from multiple accounts, the investments and obligations resulting from the securities lending agreements are to be allocated on a pro rata basis to the accounts that have the risk of loss for the collateral investments. Income and costs associated with securities lending agreements are to be recorded in the accounts that report the investments and obligations unless legal or contractual provisions require transfer of the amounts to another account.

85.52.80

May 1, 1999

Reverse repurchase agreements

Investments in reverse repurchase agreements are to be recorded in the accounting records in GL Codes 1215 “Investments under Reverse Repurchase Agreements” and 5196 “Obligations under Reverse Repurchase Agreements.” No subsidiary records are required. For GAAP reporting purposes, if these investments are acquired with resources pooled from multiple accounts, the assets and liabilities arising from the reverse repurchase agreements are to be reported in the accounts that have the risk of loss for the investments. Income and costs associated with pooled reverse repurchase agreements are to be recorded in the accounts that report the assets and liabilities unless legal or contractual provisions require transfer of the amounts to another account.

85.52.90
May 1, 1999

Subsidiary ledgers are required for certain investments

- 85.52.90.a In addition to the required general ledger accounts, subsidiary ledgers are to be maintained to record the details of each investment with the exception of investments in securities lending agreements and reverse repurchase agreements.
- 85.52.90.b Subsidiary ledgers are to be balanced against the associated general ledger control accounts at least monthly and at fiscal year end.
- 85.52.90.c Subsidiary ledgers are to contain, at a minimum, the following specific information for each investment held:
- Description of the item
 - Identification number
 - Location of security or collateral
 - Date purchased (trade date)
 - Interest rate (fixed income only)
 - Interest dates (fixed income only)
 - Issue date (fixed income only)
 - Maturity date (fixed income only)
 - Par or face value
 - Cost
 - Unamortized premium or discount (updated at least quarterly) (fixed income only, if applicable)
 - Carrying value
 - Fair value (updated at least quarterly)
 - Date of sale (trade date) and sales amount



85.54 Receivables

85.54.10

July 1, 2001

About receivables

- 85.54.10.a Receivables are defined as the amounts to be collected from private individuals, businesses, agencies, accounts, or other governmental units.
- 85.54.10.b Agencies are to promptly record receivables when the asset or revenue recognition criteria have been met or the underlying accounting event has occurred and the amount is determinable. (Refer to Subsection 80.30.20.)
- 85.54.10.c Agencies are to maintain a general ledger system, by account, with a receivable control account for each type of receivable. Subsidiary records are also required. (Refer to Subsection 85.54.65.) Agencies may either maintain an in-house receivable subsidiary system with the approval of OFM (refer to Subsection 80.30.88), or utilize the central accounts receivable system, which is available through the Accounting Division of OFM. Detailed receivable subsidiary ledgers are to be established and maintained on an open item basis (i.e., an entry or entries in the subsidiary ledger for each outstanding amount due). However, existing balance forward systems may continue to operate with approval from OFM.

85.54.15

July 1, 2004

Taxes receivable

- 85.54.15.a By fiscal year-end, all balances involving taxes receivable that are considered measurable, available and due within twelve months, are recorded as debits in GL Code 1311 "Taxes Receivable" and GL Code 1328 "Tax Liens Receivable," the related amounts estimated to be uncollected as credits in GL Code 1341 "Allowance for Uncollectible Taxes Receivable", and the difference as credits to revenue.
- 85.54.15.b In governmental fund type accounts, not all taxes due to the state meet the GAAP criterion of being available and objectively measurable; therefore, taxes receivable recognized as revenue are generally limited to:

- Property taxes that are collectible within 60 days.
- Taxes imposed on exchange transactions (gross receipts, fuel, and unemployment taxes) when the underlying exchange transaction occurs.
- Other taxes as reported by, or levied on, the taxpayer but not yet paid to the state.
- Taxes under litigation pending court decision.
- Amounts erroneously underpaid by taxpayers.
- Interest and penalties on taxes.

85.54.15.c Taxes receivable that are measurable, but are not due within twelve months, are recorded as debits to the long-term GL Code 1611 “Taxes Receivable” and the related amounts estimated to be uncollectible as credits to GL Code 1641 “Allowance for Uncollectible Taxes Receivable.” In governmental fund type accounts, since the net amount of long-term taxes receivable does not meet the GAAP criterion of available, it is recorded as a credit to GL Code 5292 “Deferred Revenues.” (Refer to Subsection 85.65.30 for an illustrative entry.)

85.54.20

July 1, 2004

Due from federal government

85.54.20.a

By fiscal year-end, all balances involving receivables from the federal government are recorded as debits to GL Code 1351 “Due From Federal Government”. This includes amounts that are due within twelve months from all federal government agencies for such items as:

- Expenditures incurred by the state, which qualify for reimbursement from the federal government. (Refer to Subsection 85.65.34.a and b for illustrative entries.)
- The federal government's share of monies expended by the state to finance a project which, either by law or by contractual agreement, is to be financed on a matching basis with the federal government.
- Amounts due from the federal government in a governmental fund type account which are in dispute at the end of the accounting period. The revenues associated with these receivables are not recognized until the

dispute is settled. Disputed receivables are offset by credits to GL Code 5192 “Deferred Revenues.” (Refer to Subsection 85.65.34.c for an illustrative entry.)

- 85.54.20.b Amounts due from the federal government, that are not due within twelve months, are to be recorded as debits to the long-term GL Code 1651 “Due From Federal Government.” In governmental fund type accounts, revenues associated with long-term receivables are deferred by crediting GL Code 5292 “Deferred Revenues.”

85.54.25 Due from other governments

July 1, 2004

- 85.54.25.a Other governments are defined as any separate governmental units and include: other state governments; Native American tribes; county governments; municipal governments; school districts; and any other political subdivisions. This does **not** include agencies of Washington State government or the federal government.
- 85.54.25.b By fiscal year-end, all balances involving loans to local governments and other receivables from other governments that are due within twelve months are recorded as debits to GL Code 1352 “Due From Other Governments.”
- 85.54.25.c Amounts due from other governments, that are not due within twelve months, are to be recorded as debits to the long-term GL Code 1652 “Due From Other Governments.”
- In governmental fund type accounts, if the receivable arises from a revenue transaction, the associated revenue is to be deferred by crediting GL Code 5292 “Deferred Revenue.” If the receivable arises from an advance or loan, an entry is required to reserve a portion of fund balance to indicate that long-term receivables are not available for appropriation. This is accomplished by debiting GL Code 9590 “Unreserved/Undesignated Fund Balance” and crediting GL Code 9570 “Reserved for Receivables.”

85.54.30 Due from other accounts

July 1, 2004

- 85.54.30.a By fiscal year-end, all balances involving activity or loans between accounts **within an agency**, that are due/payable within twelve months, are recorded as debits to GL Code 1353 “Due From Other Funds” on the general ledger of the account making the loan and as credits to GL Code 5153 “Due To Other Funds” on the general ledger of the account owing the debt.

- 85.54.30.b Amounts due from other accounts, that are not due within twelve months, are recorded as debits to the long-term GL Code 1653 “Due From Other Funds” on the general ledger of the account that will collect the amount due, and as a credit to GL Code 5253 “Due To Other Funds” either on the general ledger of a proprietary fund type account that owes the amount or in Account 999 “General Long-Term Obligations Subsidiary Account ” if a governmental fund type account owes the amount. Revenues of governmental fund type accounts associated with long-term receivables are deferred because they are not considered available.
- 85.54.30.c Amounts advanced from one account to another account are recorded as GL Code 1350 “Due From Other Funds - Advances” on the general ledger of the account making the advance and as GL Code 5150 “Due To Other Funds - Advances” on the general ledger of the account that is receiving the advance.
- 85.54.30.d All interfund receivables (GL Codes 1350, 1353, & 1653) and payables (GL Codes 5150, 5153, & 5253) are to be in balance within an agency (i.e., interfund receivables must equal interfund payables.) To facilitate this, agencies are to maintain separate subsidiary ledgers for interfund receivables and interfund payables indicating the account which the receivable/payable is due from/to.

85.54.35
June 1, 2005

Due from other agencies

- 85.54.35.a Agencies supplying goods and services to other agencies are to establish procedures for the timely billing to other agencies for such goods and services provided, and for the timely recording of these receivables and accrued revenues.
- Billings are to include enough information to provide for maintenance of subsidiary ledgers in accordance with Subsection 85.54.65.
 - Billings are to be prepared on a regular basis, at least quarterly, except for instances where a written contract or regulation requires a different schedule.
 - Billings are to incorporate sufficient detail to adequately document the goods or services provided. Source documentation should be retained by the billing agency and be available, upon request, for review by the billed agency.

- 85.54.35.b By fiscal year-end, all balances involving amounts due from one agency to another agency, that are due within twelve months, are recorded as debits to GL Code 1354 “Due From Other Agencies” on the general ledger of the agency providing the goods or services, and as credits to GL Code 5154 “Due To Other Agencies” on the general ledger of the agency receiving the goods or services.
- 85.54.35.c Amounts due from other agencies, that are not due within twelve months, are recorded as debits to the long-term GL Code 1654 “Due From Other Agencies” on the general ledger of the agency that will collect the amount, and as either a credit to GL Code 5254 “Due To Other Agencies” on the general ledger of a proprietary fund type account that owes the amount or in Account 999 “General Long-Term Obligations Subsidiary Account” if the amount is owed by a governmental fund type account. Revenues of governmental fund type accounts associated with long-term receivables are deferred because they are not considered available.
- 85.54.35.d Separate subsidiary ledgers are to be maintained for interagency receivables and interagency payables indicating the agency which the receivable/payable is due from/to. Sufficient communication is to be maintained among agencies to ensure that interagency receivables (GL Codes 1354 and 1654) and interagency payables (GL Codes 5154 and 5254) are in balance statewide.

85.54.40

July 1, 2004

Notes and loans receivable

- 85.54.40.a Monies lent by agencies in the form of notes or loans to private entities (e.g., economically disadvantaged areas) or individuals (e.g., student loans) that are due within twelve months, are classified as GL Code 1313 “Notes Receivable” or GL Code 1314 “Loans Receivable,” as appropriate.
- 85.54.40.b By fiscal year-end, all balances involving amounts due from private entities or individuals on loans that are not due within twelve months, are recorded as debits to the long-term GL Code 1614 “Loans Receivable”, and the related amounts estimated to be uncollectible as credits to the GL Code 1644 “Allowance for Uncollectible Loans Receivable.”
- 85.54.40.c For governmental fund type accounts, fund balance is reserved for net long-term receivables other than student loans. GL Code 9570 “Reserved for Loans Receivable” is adjusted through GL Code 9590 to equal net long-term non-student loans receivable. (Refer to Subsection 85.65.36 for illustrative entries for both budgeted and non-budgeted long-term receivables.)

For higher education agencies, an entry is required to reserve a portion of fund balance to indicate that net long-term student loan receivables (GL Codes 1614 and 1644) do not represent available spendable resources. GL Code 9560 "Reserved for Student Loan Receivable" is adjusted through GL Code 9590 "Unreserved/Undesignated Fund Balance" so that the balance of GL Code 9560 equals net long-term student loans receivable.

85.54.42 Private donation pledges

July 1, 2004

85.54.42.a By fiscal year-end, all balances involving donation pledges due within one year are recorded as debits to GL Code 1320 "Donations/Pledges Receivable." They are recorded in the period when all applicable eligibility requirements are met to the extent that they are measurable, unconditional, and probable of collection.

85.54.42.b Pledges, that are not due within twelve months, are to be recorded as debits to the long-term GL Code 1620 "Donations/Pledges Receivable." In governmental fund type accounts, revenues associated with long-term receivables are deferred because they are not considered available.

85.54.45 Other receivables

July 1, 2004

85.54.45.a By fiscal year-end, all balances involving receivables other than those outlined above, which are due within twelve months, are recorded as debits to GL Code 1312 "Accounts Receivable" (refer to Subsection 85.65.32.a for an illustrative entry); GL Code 1316 "Interest and Dividends Receivable" (refer to Subsections 85.65.18 and 85.65.20 for illustrative entries); or under the general category of GL Code 1319 "Other Receivables."

Other Receivables include such items as:

- Overpayments by an agency subject to refund (does not include overpayments to other governmental units).
- Miscellaneous receivables which may arise during an agency's course of operation.

85.54.45.b Other long-term receivables, which are measurable but are not due within twelve months, are recorded to the long-term GL Code 1619 “Other Receivables” and the related amount estimated to be uncollectible in GL Code 1649 “Allowance for Uncollectible Other Receivables.”

85.54.50 Receivable collection procedures

July 1, 2000

85.54.50.a Agencies with more than \$50,000 in past due receivables are to prepare **aging reports** at least monthly. Aging reports are required to be reviewed by management and such review documented on the report.

85.54.50.b **Written procedures are to be developed and followed to ensure that past due receivables are followed up promptly and in a manner that is cost-effective for the overall collection program.** These procedures are to provide for the full range of collection procedures to be used as appropriate, including issuance of statements and dunning letters, phone and personal interviews, filing of suits and liens, referral to private collection agencies or letter services, etc. Agencies that do not have special statutory collection authority, or specialized collection operations are encouraged to use collection agencies after receivables become 90 days past due.

Accounts receivable records may contain personal information about citizens. **Privacy Notice: Safeguarding and disposition of personal information must be consistent with Executive Order 00-03, April 25, 2000; and RCW 42.17.310.**

85.54.50.c Interest of one percent per month is to be charged on past due receivables in accordance with RCW 43.17.240, except when one of the following conditions are met:

- Charging interest conflicts with the provisions of a contract, or with any other law.
- The debt is to be paid by other governmental unit.
- The debt became due prior to July 28, 1991.
- Interest is waived based upon rules adopted by OFM found at Chapter 82-06 WAC describing the conditions under which interest may be waived on past due receivables.

85.54.50.d RCW's 19.16.500 and 82.32.265 allow the use of collection agencies for the purpose of collecting public debts. Agencies are encouraged to use collection agencies whenever they determine that this will be more cost effective than internal collection efforts.

Debts may be assigned to a collection agency when all of the following conditions have been met:

- A written contract has been established with the collection agency;
- There has been an attempt to notify the debtor of the existence of the debt and the fact that the debt may be assigned to a collection agency for collection if the debt is not paid; and
- At least thirty days have elapsed from the attempted notice.

The Office of State Procurement, Department of General Administration, maintains a statewide contract for “collection agency services.” This contract may be used by state agencies and satisfies the requirements of this section.

Collection agency services are not to be used for the collection of receivables in the following categories: Due From Federal Government, Other Governments, Other Funds, and Other Agencies.

Agencies should be aware that the assignment of accounts to “letter services,” which send debtors a series of letters but do not actually collect monies for the state, is not subject to the above requirements. Agencies may use such “letter services” as part of their collection efforts whenever they determine such services to be cost effective. The same is true of “pre-collect” services that send the 30-day notice but do not collect money for the state.

85.54.50.e The Office of the Attorney General has a Bankruptcy and Collection Unit (BCU) specializing in bankruptcy cases and other collection situations. Use of BCU services can be cost effective and should be coordinated through the assistant attorney generals assigned as agency general legal counsels.

85.54.50.f Agencies are to document all efforts made toward the collection of receivables.

85.54.52

May 1, 1999

Collecting NSF Checks

Agencies are encouraged to take advantage of the Uniform Commercial Code (UCC) provisions for dealing with NSF checks. This may be accomplished by agency collection procedures or through use of state contracts from the Office of State Procurement, Department of General Administration, for letter writing services and NSF collection services. In either case, the UCC provisions found at RCW 62A.3-515 through 62A.3-525 are applicable.

1. Under the provisions of the UCC agencies must send a notice of dishonor meeting statutory requirements that are contained in RCW 62A.3-520.
2. After sending notice of dishonor under the provisions of the UCC agencies may:
 - Collect a reasonable handling fee for each NSF check. Agencies must establish their handling fee by rule. Agencies that intend to use the state contract for NSF check collections through the Office of State Procurement, Department of General Administration should establish fees consistent with the rates in the state contract.
 - After 15 days notice, charge interest at the rate of 12 percent per year.
3. If the matter goes to court, collect reasonable attorney fees, and damages of three times the face amount of the check, or three hundred dollars, whichever is less.

Agencies should consult with legal advisors regarding any question as to how the UCC provisions coordinate with other enforcement provisions available to the agency. Agency statutes may supersede, supplement, or otherwise affect the operation of the UCC provisions.

85.54.55 **Uncollectible receivables**

May 1, 1999

- 85.54.55.a The allowance method of accounting for uncollectible receivables is to be used by agencies.
- 85.54.55.b Estimates of total uncollectible receivables are to be made at least quarterly and adjusting entries are to be recorded in the agency's accounting records to the allowance for uncollectible receivables. (Refer to Subsection 85.65.32.b and c for illustrative entries.)
- 85.54.55.c Generally Accepted Accounting Principles require that a determination be made between receivables deemed to be collectible and those considered not economically collectible, including those not collectible at all. Agencies are to develop, and follow, written criteria for the determination of uncollectability. Receivables determined to be uncollectible are to be written off promptly against the appropriate allowance account (GL Code Series 134X). (Refer to Subsection 85.65.32.d for an illustrative entry.)
- 85.54.55.d **Prior to or promptly after the write-off of uncollectible receivables occurs, the write-off is subject to management review using procedures developed by the agency in cooperation with the Office of the Attorney General. These procedures may call for the Attorney General's review of certain types of receivables to ensure that no cost-effective legal means of collecting the receivables remain.**
- After management review, any account determined to have been inappropriately written off is to be returned to the accounting records by reversing the write-off entries.
- 85.54.55.e Agencies may find it cost-effective to pursue minimal collection actions for certain types of accounts after the write-off has occurred. Examples of minimal collection actions include routine periodic computer matches with new accounts, and allowing student or client records to remain “flagged” for receivables.

85.54.60 **Documentation**

May 1, 1999

Transactions affecting receivables are to be supported by documents indicating all pertinent information relating to the transactions. Detailed postings of these documents are to be recorded and maintained in the subsidiary ledgers for all outstanding receivables. Detailed postings are to be summarized and entered in the general ledger control account. Typical transactions affecting receivables include the following:

- 85.54.60.a **Establishment of Receivables** - Sequentially numbered billing documents (invoices) are to be used. Upon completion of transactions, invoices are to be prepared and sent to debtors. Invoices are to contain at a minimum: a description of the goods or services provided; the date(s) provided; the amount of the debt; and the invoice due date. Files of these documents are to be maintained by the agency. These files are to include a means of sequentially accounting for billing documents.
- 85.54.60.b **Recording of Receipts** - Daily receipts applicable to receivables are to be entered in detail to a daily cash records. Detail listings are to support summary totals. The detail is to disclose the name of the payee or account number, amount received, invoice number if available, mode of payment, and check number if applicable.
- 85.54.60.c **Adjustments of Receivables** - Any adjustment increasing or decreasing the amount of receivables carried on the books of an agency is to be supported by a revised billing document, a credit memorandum, or other appropriate documentation. Written procedures are to be developed and followed to ensure that only authorized adjustments are recorded.
- 85.54.60.d **Valuation of Receivables** - Valuation of receivables using the allowance method is to be made at least quarterly and at fiscal year-end to reflect the amount of receivable balances estimated to be collectible. This transaction is to be documented by means of a Journal Voucher (A7). (Refer to Subsection 85.65.32.b and c for illustrative entries.)
- 85.54.60.e **Collection Efforts** - A written record is to be kept, by account, on collection efforts. However, general system documentation may support billing and past due notices produced by automated systems.
- 85.54.60.f **Write-Offs of Uncollectible Receivables** - For accounting and financial reporting purposes, write-offs of uncollectible receivables are to be made against the appropriate allowance accounts (GL Code Series 134X or Series 164X). Transactions are to be documented by means of Journal Vouchers (A7). (Refer to Subsection 85.65.32.d for an illustrative entry.) The name of the debtor, the date of inception of the account, and the amount of the account being written-off are to be part of the supporting documentation for the Journal Voucher (A7).
- 85.54.60.g **Records Retention for Write-Offs** - The records regarding uncollectible accounts are subject to retention, archival, and destruction according to the applicable statutes and the agency's records retention policies.

85.54.65

May 1, 1999

Subsidiary ledgers

85.54.65.a

Agencies are to establish and maintain a detailed subsidiary ledger on an open item basis (i.e., an entry in the subsidiary ledger for each outstanding amount due). The following specific information, at a minimum, is to be maintained:

- Name of debtor
- Account number of debtor (or Unified Business Identifier number), if assigned
- Address of debtor, if available
- General ledger control code (or equivalent indicator)
- Account code (or equivalent indicator)
- Description of each outstanding charge and/or credit*
- Invoice or document number*
- Date of invoice or document*
- Invoice due date (if different from date of invoice)*
- Amount of each charge and/or credit*

* In open item systems, these items are maintained in supporting documentation **for paid items only**. In previously existing balance forward systems, which may be used only with approval from OFM, these items be maintained in supporting documentation to the subsidiary ledger.

85.54.65.b

Subsidiary ledgers are to be balanced against the associated general ledger control accounts at least monthly.

85.54.65.c

Current subsidiary ledgers are to be periodically purged of accounts/items which are no longer outstanding. For example, accounts/items that have been paid should not be retained on the current subsidiary ledger file but should be moved to a historical file for retention purposes.



85.56 Inventories

85.56.10

May 1, 1999

Inventory management and control procedures are in Chapter 35

Agencies are to comply with the OFM prescribed inventory policies and procedures in Chapter 35 of this manual.

85.56.20

July 1, 2001

Consumable inventories

For consumable inventories estimated to exceed \$25,000 in value, agencies are to select, and consistently apply, one of the following two accounting alternatives.

85.56.20.a

Periodic Inventory Method

1. Purchases of consumable inventories during the year are recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Object E and crediting cash. (Refer to Subsection 85.65.38.a for an illustrative entry.)
2. No entry is required to record the use of consumable inventories during the year.
3. An annual adjustment is recorded to reflect the actual inventory balance as determined by a physical inventory count (Refer to Subsection 85.65.38.c for an illustrative entry.)
4. In governmental fund type accounts, an additional entry is required at year-end to adjust the reserved portion of fund balance to indicate that the amount of consumable inventories is not available for appropriation.
 - If consumable inventories increased during the year, the additional adjusting entry is recorded by debiting GL Code 9590 "Unreserved/Undesignated Fund Balance" and crediting GL Code 9540 "Reserved for Consumable Inventories" for the amount of the increase. (Refer to Subsection 85.65.38.c for an illustrative entry.)

- This entry is reversed if consumable inventories decreased during the year.
- The balance in GL Code 9540 "Reserved for Consumable Inventories" at year end is to equal the balance in GL Code 1410 "Consumable Inventories."

85.56.20.b

Perpetual Inventory Method

1. Purchases of consumable inventories during the year are recorded as assets by debiting GL Code 1410 "Consumable Inventories" and crediting the appropriate cash or payable GL code. (Refer to Subsection 85.65.40.a for an illustrative entry.)
2. To record the use of consumable inventories during the year, GL Code 6510 "Cash Expenditures/Expenses" is debited and GL Code 1410 "Consumable Inventories" is credited. (Refer to Subsection 85.65.40.b for an illustrative entry.)
3. An adjustment may be required to reflect the actual ending inventory balance as determined by performing a physical inventory count.
4. In governmental fund type accounts, an additional adjusting entry is required at year-end to adjust the reserved portion of fund balance to indicate that the amount of consumable inventories is not available for appropriation.
 - If GL Code 1410 "Consumable Inventories" increased, the adjusting entry is recorded by debiting GL Code 9590 "Unreserved/Undesignated Fund Balance" and crediting GL Code 9540 "Reserved for Consumable Inventories" for the amount of the increase.
 - This entry is reversed if GL Code 1410 "Consumable Inventories" decreased.
 - The balance in GL Code 9540 "Reserved for Consumable Inventories" at year end equals the balance in GL Code 1410 "Consumable Inventories."

85.56.30

May 1, 1999

Merchandise inventories in proprietary fund type accounts

Agencies are to select, and consistently apply, one of the following alternatives to account for merchandise inventories in proprietary fund type accounts.

85.56.30.a

Periodic Inventory Method

1. Purchases of merchandise during the year are recorded as expenses by debiting GL Code 6516 "Cost of Goods Sold" using Object F and crediting the appropriate cash or payable GL code. (Refer to Subsection 85.65.42.a for an illustrative entry.)
2. Sales of merchandise are recorded by debiting the appropriate receivable or cash GL code and crediting GL Code 3205 "Accrued Revenues" or GL Code 3210 "Cash Revenues" as appropriate with either Revenue Source Code 0450 or 0455. (Refer to Subsection 85.65.42.b for an illustrative entry.)
3. An annual adjustment is required to reflect the actual ending inventory balance as determined by performing a physical inventory count. If merchandise inventories increased during the year, this adjustment is accomplished by debiting GL Code 1420 "Merchandise Inventories" and crediting GL Code 6516 "Cost of Goods Sold" using the same object codes that were used in (1) above to purchase the merchandise. If merchandise inventories decreased during the year, this entry would be reversed. (Refer to Subsection 85.65.42.c for an illustrative entry.)

85.56.30.b

Perpetual Inventory Method

1. Purchases of merchandise during the year are recorded as assets by debiting GL Code 1420 "Merchandise Inventories" and crediting the appropriate cash or payable GL code. (Refer to Subsection 85.65.44.a for an illustrative entry.)
2. Sales of merchandise are recorded by debiting the appropriate receivable or cash GL code and crediting GL Code 3205 "Accrued Revenues" or GL Code 3210 "Cash Revenues" as appropriate with either Revenue Source Code 0450 or 0455. An additional entry is required to reflect the change in inventory. This entry debits GL Code 6516 "Cost of Goods Sold" using Object F and credits GL Code 1420 "Merchandise Inventories" for the cost of the merchandise sold. (Refer to Subsection 85.65.44.b for illustrative entries.)

3. An adjustment is also usually required to reflect the actual inventory balance as determined by performing a physical inventory count. If the merchandise inventories count discloses an increase over the Merchandise Inventory amount (in GL Code 1420), an adjustment is necessary and is accomplished by debiting GL Code 1420 "Merchandise Inventories" and crediting GL Code 6516 "Cost of Goods Sold" using the same object code used in (2) above upon sale of the merchandise. If the merchandise inventories count discloses an amount less than the balance in GL Code 1420, the preceding entry would be reversed. (Refer to Subsection 85.65.42.c for an illustrative entry.)

85.56.40
July 1, 2001

Donations of consumable inventories

The following revenue and expenditure/expense examples illustrate one way to record the receipt and use of consumable inventories. The end result of the entries is that the balance in GL Code 1415 "Donated Inventories," which represents the value of donated inventories on hand is exactly offset by GL Code 5192 "Deferred Revenues." Also, the amount of donated inventory revenue recognized during the year, GL Code 3225 "Revenue Adjustment/Elimination (GAAP)," is exactly offset by GL Code 6525 "Expenditure/Expense Adjustment/Elimination (GAAP)," the amount of donated inventory used or distributed during the year.

85.56.40.a

Revenue - The fair market value of donated consumable inventories is recorded by debiting GL Code 1415 "Donated Inventories" and crediting GL Code 3225 "Revenue Adjustments/Eliminations (GAAP)" with an appropriate revenue source code. If the commodities were donated by the federal government, the applicable federal Revenue Source Code Series 03XX is used. If shipping costs were paid by the state, they are to be included in the above entry by increasing the debit to GL Code 1410 "Consumable Inventories," offset by a credit to the appropriate cash or payable GL code.

(Refer to Subsection 85.65.46.a for an illustrative entry.)

85.56.40.b **Expenditures/Expenses** - To record the use or distribution of donated consumable inventories during the year, GL Code 6525 "Expenditure Adjustments/Eliminations (GAAP)" with an appropriate subobject is debited and GL Code 1415 "Donated Inventories" is credited for the previously recorded fair market value of the donated consumable inventories used.

The amount of shipping costs, if any, applicable to the used or distributed donated consumable inventories is to be removed (credited) from GL Code 1410 "Consumable Inventories" and GL Code 6510 "Cash Expenditures/Expenses" is to be debited.

(Refer to Subsection 85.65.46.b for an illustrative entry.)

85.56.40.c **Year End Adjustment** - At year-end an entry is required to adjust the amount of donated consumable inventory revenue credited to GL Code 3225 to agree to the amount used or distributed as recorded as debits to GL Code 6525. The amount of revenue recognized is to exactly offset the amount reported as expenditure/expense. The offset to the adjusting entry to GL Code 3225 is to GL Code 5192 "Deferred Revenues."

Shipping costs (if applicable) of donated consumable inventories on hand at fiscal year end is to be included in the ending balances of GL Code 1410 "Consumable Inventories."

In governmental fund type accounts, an additional entry is required to adjust the reserved portion of fund balance to indicate that the shipping costs expended on donated consumable inventories on hand are no longer available for appropriation. This entry is recorded by debiting GL Code 9590 "Unreserved/Undesignated Fund Balance" and crediting GL Code 9540 "Reserve for Consumable Inventories" for the amount of the increase in shipping costs in GL Code 1410. This entry would be reversed for a decrease in shipping costs in GL Code 1410.

(Refer to Subsection 85.65.46.c for an illustrative entry.)

85.56.40.d

Transfers Between Agencies - If donated inventory is transferred between agencies, the sending agency records the transfer by reversing the entry made when the inventory was received. Because the sending agency is not consuming the inventory, it does not record expenditure for inventory transferred to other agencies. The receiving agency is to record the receipt and use of the donated inventory in accordance with one of the methods described herein.



85.58 Prepaid Expenses

85.58.10

July 1, 2001

Prepaid expenses

85.58.10.a

Prepaid expenses are allowed in proprietary and trust fund type accounts only.

85.58.10.b

Prepaid expenses are those supplies and/or services (not inventory) acquired or purchased during an accounting period but not consumed or used at the end of the accounting period. (Refer to Subsection 85.65.50.a for an illustrative entry.)

85.58.10.c

The portion of supplies or services consumed or used during the period is to be recorded as an expense. (Refer to Subsection 85.65.50.b for an illustrative entry.) The balance is to remain recorded as an asset in GL Code 1510 "Prepaid Expenses" until consumed or used.



85.60 Capital Assets

85.60.10

July 1, 2001

About capital assets

Capital assets are tangible or intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy. (Refer to Chapter 30 of this manual.) Capital assets are classified for general ledger purposes as land; transportation infrastructure-modified approach; art collections, library reserve collections, and museum and historical collections (both exhaustible and inexhaustible); buildings; improvements other than buildings; infrastructure; furnishings, equipment, and software; library resources; and construction in progress. Subsection 75.40.20 of this manual describes the various capital asset general ledger codes.

85.60.20

July 1, 2001

Asset valuation

Valuation requirements for capital assets are listed in Chapter 30 of this manual.

85.60.30

June 1, 2004

Acquisitions of capital assets

85.60.30.a

Governmental Fund Type Accounts – In governmental fund type accounts, acquisitions of capital assets are recorded by debiting GL Code 6510 “Cash Expenditures/Expenses” with an appropriate subobject within Object J “Capital Outlays.” For accountability purposes, the asset is also recorded in Account 997 “General Capital Assets Subsidiary Account” by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 9850 “Investment in General Capital Assets.” (Refer to Subsection 85.65.52.a for illustrative entries.)

When capital assets are donated to a governmental fund type account, the capital assets are recorded in Account 997 “General Capital Assets Subsidiary Account” at their estimated fair market value at the date of donation plus all appropriate ancillary costs.

85.60.30.b **Proprietary and Trust Fund Type Accounts** - In proprietary and trust fund type accounts, acquisitions of capital assets are recorded by debiting GL Code Series 2XXX "Capital Assets." Budgeted proprietary and trust fund type accounts require an additional entry to record the budgeted expense. This entry debits GL Code 6510 "Cash Expenditures/Expenses" with an appropriate sub-object within Object J "Capital Outlays" and credits GL Code 6525 "Expense Adjustments/ Eliminations (GAAP)" with the same sub-object code. (Refer to Subsection 85.65.52.b for illustrative entries.)

Donations of capital assets to proprietary and trust fund type accounts are recorded in the acquiring account by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 3220 "Noncash Revenues" with Revenue Source Code 0820 "Capital Contributions." (Refer to Subsection 85.65.52.b for an illustrative entry.)

85.60.30.c **Assets that do not meet the state's capitalization policy** - Purchases of assets that do not meet the state's capitalization policy (for example, equipment with a unit cost under \$5,000) are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with an appropriate sub-object code, for example, JA "Noncapitalized Furnishings, Equipment, and Software." (Refer to Subsection 85.65.54 for an illustrative entry.)

85.60.40

June 1, 2005

Depreciation of capital assets

Debits to Allowance for Depreciation accounts should only occur as a result of assets being disposed of or transferred out. Credits to Allowance for Depreciation accounts should only occur as a result of recording Depreciation Expense (GL Codes 6511 or 6591) or assets being transferred out. Immaterial prior period adjustments to Allowance for Depreciation are offset by Depreciation Expense (GL Codes 6511 or 6591).

85.60.40.a **Governmental Fund Type Accounts** – Depreciation expense and allowance for depreciation for depreciable general capital assets is to be recorded in Account 997 "General Capital Assets Subsidiary Account." This entry debits GL Code 6591 "Depreciation Expense" with Subobject WA "Depreciation Expense," and credits GL Code Series 2XXX "Allowance for Depreciation." Agencies may depreciate assets using the straight-line method or a composite method.

For a description of depreciable capital assets, refer to Subsection 30.20.70.a. Section 30.50 contains Schedule A that details the Capital Asset Commodity Code List and Useful Life Schedule. For further

information on depreciation methods, refer to Subsection 30.20.70.b. (Refer to Subsection 85.65.56.a for an illustrative entry.)

85.60.40.b

Proprietary and Trust Fund Type Accounts - Depreciation expense for capital assets is to be recorded in the same account in which the capital asset is recorded by debiting GL Code 6511 "Depreciation Expense" with Sub-object WA "Depreciation Expense," and by crediting GL Code Series 2XXX "Allowance for Depreciation." Agencies may depreciate assets using the straight-line method or a composite method.

For a description of depreciable capital assets, refer to 30.20.70.a. Section 30.50 contains Schedule A that details the Capital Asset Commodity Code List and Useful Life Schedule. For further information on depreciation methods, refer to Subsection 30.20.70.b. (Refer to Subsection 85.65.56.b for an illustrative entry.)

85.60.45
July 1, 2005

Impairment of capital assets and related insurance recoveries

85.60.45.a

Capital assets that become impaired during the year may require an accounting adjustment to reflect the decrease in carrying value. Refer to Subsection 30.20.90.a.

Impairments are considered to be permanent; therefore a temporary decline in an asset's service utility does not affect the carrying value of the asset. If in future years the events or circumstances that caused an impairment change, the past impairment losses recognized are not reversed.

Impairment losses are generally reported as a direct expense to the program that uses or used the impaired capital asset (refer to your agency's OFM Accounting Consultant for further guidance on measuring and recording an impairment). Physical damage to the state highway system infrastructure, accounted for using the modified approach, is generally considered temporary and does not result in recording a loss. However, if the highway network or a subsystem remains damaged and idle, the carrying amount is disclosed at year-end.

The carrying amount of impaired capital assets that are idle at fiscal year-end are to be included in the agency's disclosures to OFM.

85.60.45.b Insurance recoveries related to impaired assets are reported net of the related loss when the recovery is realized or realizable in the same fiscal year as the loss.

Restoration or replacement costs of an impaired capital asset are reported as a separate transaction from the related insurance recovery.

85.60.50

June 1, 2004

Disposals of capital assets

Entries are to be made during the year to record the disposition of capital assets.

85.60.50.a

Governmental Fund Type Accounts - Dispositions of capital assets that were originally acquired by governmental fund type accounts, are to be recorded in Account 997 "General Capital Assets Subsidiary Account." Such assets disposed of during the year are recorded by debiting GL Code Series 2XXX "Allowance for Depreciation" for the accumulated depreciation to date, debiting GL Code 9850 "Investment in General Capital Assets" for the asset's undepreciated (net book) value, and crediting GL Code Series 2XXX "Capital Assets" for the original cost of the asset.

Net proceeds received from the disposition of capital assets are generally recorded in the account that originally acquired the asset. If an estimate of the net proceeds from disposition was included in the budget for replacement of capital asset acquisitions and the expenditure for the acquisition of the new capital assets has already been recorded at gross, then the net proceeds are to be recorded by debiting GL Code Series 71XX "In-Process," or GL Code 1110 "Cash in Bank" and crediting to GL Code 6510 "Cash Expenditures/Expenses" with the same appropriation and Object J coding used to record the acquisition of the replacement asset. This entry reduces the expenditure to net. (Refer to Subsection 85.65.58.a for illustrative entries.)

If the net proceeds from disposition were not included in the budget for new capital asset acquisitions, the net proceeds received are to be recorded by debiting GL Code Series 71XX "In-Process" or GL Code 1110 "Cash in Bank" and crediting GL Code 3210 "Cash Revenue" with Revenue Source Code 0416 "Sale of Property - Other." (Refer to Subsection 85.65.58.a for illustrative entries.)

If a capital asset originally acquired by a governmental fund type account is used as a trade-in for a new capital asset, the asset traded in is removed from Account 997 "General Capital Assets Subsidiary Account" similar to

a sale above. The new capital asset is recorded at its cost net of the trade-in as expenditure in the operating account. In Account 997 "General Capital Assets Subsidiary Account," the new asset is recorded at what would have been its cash price without a trade-in. (Refer to Subsection 85.65.60.a for an illustrative entry.)

Proprietary and Trust Fund Type Accounts - In proprietary and trust fund type accounts, dispositions of capital assets are accounted for in the account where the asset is recorded. Disposals of capital assets are recorded by debiting GL Code Series 2XXX "Allowance for Depreciation" for the accumulated depreciation to date, debiting GL Code Series 71XX "In-Process," or GL Code 1110 "Cash in Bank" for the net proceeds received (if any), crediting the appropriate GL Code Series 2XXX "Capital Assets" for the original cost of the asset, and a balancing entry to GL Code 3213 "Gain and Loss on Sale of Capital Assets" with Revenue Source Code 0418 "Gain or Loss on Sale of Capital Assets." (Refer to Subsection 85.65.58.b for illustrative entries.)

85.60.50.b In budgeted proprietary and trust fund type accounts, an additional entry is required to record the net proceeds received upon disposition.

If the estimated net proceeds from disposition were included in the budget for replacement capital asset acquisitions and the purchase of the new capital asset has been recorded at gross, then the following entry is to be made. The agency is to debit GL code 6525 "Expense Adjustments/ Eliminations (GAAP)" with an appropriate sub-object within Object J "Capital Outlays" and credit GL Code 6510 "Cash Expenditures/Expenses" with the same appropriation and sub-object for the net proceeds received from disposition. This entry reduces the budgeted expense to net. (Refer to Subsection 85.65.58.b for illustrative entries.)

If the estimated net proceeds from disposition were budgeted as revenue (and not included in the budget for new capital asset acquisition(s)), then the entry is to debit GL Code 3225 "Revenue Adjustments/Eliminations (GAAP)" with Revenue Source Code 0416 "Sale of Property - Other" and credit GL Code 3210 "Cash Revenues" with the same revenue source code. (Refer to Subsection 85.65.58.b for illustrative entries.)

85.60.50.c In proprietary and trust fund type accounts, no gain is recognized on a trade-in. The capital asset traded in and its associated accumulated depreciation are removed from the accounting records and the balancing entry is added to the cost of the new capital asset. (Refer to Subsection 85.65.60.b for an illustrative entry.)

85.60.60

July 1, 2001

Adjustments to capital assets

The balance in GL Code Series 2XXX "Capital Assets" is to agree with the balance of the detail listing of capital assets in the agency's authorized capital asset management system. Agencies using the state's Capital Asset Management System (CAMS) are provided with capital asset reports for both cost and depreciation showing beginning balances, additions, deletions, and ending balances. Agencies not using the state's CAMS are to develop similar capital asset reports.

Quarterly, all agencies are to reconcile their authorized capital asset management system with the balances in GL Code Series 2XXX "Capital Assets" to ensure the accuracy of the balances in the general ledger. As a result of this reconciliation, prior period adjustments may be required. Prior period adjustments are discussed further in Subsection 90.20.15 and illustrated in Subsection 90.30.30.

85.60.70

July 1, 2006

Capital assets acquired through capital lease

85.60.70.a

Governmental Fund Type Accounts – Leased asset acquisitions that meet the definition of a capital lease (refer to Subsections 30.20.30 and 85.72.30) are to be capitalized at the lesser of the fair market value or the net present value of the future minimum lease payments at the inception of the lease.

The entry for a leased asset acquisition is recorded by debiting GL Code 6514 "Capital Asset Acquisitions by Lease-Purchase Agreements or Certificates of Participation" with an appropriate sub-object within Object J "Capital Outlays," and crediting GL Code 3221 "Other Financing Sources" with Revenue Source Code 0809 "Capital Lease Acquisitions."

Corresponding entries are made in (a) Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 9850 "Investment in General Capital Assets" (refer to Subsection 85.65.62.a for illustrative entries), and (b) Account 999 "General Long-Term Obligations Subsidiary Account" to record the related lease liability. Subsection 85.85.40.a shows detailed illustrations for recording lease liabilities and subsequent payments on leases in Account 999.

Leased asset acquisitions that do not meet the definition of a capital lease (refer to Subsection 30.20.30) are treated like operating leases until after the date of actual transfer of ownership. Operating lease payments are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with Sub-object ED "Rentals and Leases." If noncapitalized leased assets are subsequently acquired (i.e., through transfer of title at the end of the lease period), they are to be recorded in Account 997 "General Capital Assets Subsidiary Account" at fair market value at the time of title transfer. (Refer to Subsection 85.65.62.a for illustrative entries.)

85.60.70.b

Proprietary and Trust Fund Type Accounts - In proprietary and trust fund type accounts, leased asset acquisitions that meet the definition of a capital lease (refer to Subsections 30.20.30 and 85.72.30) are to be capitalized at the lesser of the fair market value or the net present value of the future minimum lease payments at the inception of the lease.

The entry for a leased asset acquisition is recorded in the acquiring account by debiting GL Code Series 2XXX "Capital Assets" and crediting the appropriate lease liability GL code. Subsection 85.85.40.b shows detailed illustrations for recording lease liabilities and subsequent payments on leases. (Refer to Subsection 85.65.62.b for illustrative entries.)

Leased asset acquisitions that do not meet the definition of a capital lease (refer to Subsection 30.20.30) are treated like operating leases (expensed, but not capitalized) until after the date of actual transfer of ownership. Operating lease payments are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with Sub-object ED "Rentals and Leases." If noncapitalized leased assets are subsequently acquired (i.e., through transfer of title at the end of the lease period), they are to be valued at fair market value at the time of title transfer. The asset is recorded by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 3210 "Cash Revenues" with Revenue Source Code 0486 "Recoveries of Prior Appropriation Expenditures." (Refer to Subsection 85.65.62.b for illustrative entries.)

85.60.80

July 1, 2006

Capital assets acquired through Certificates of Participation

85.60.80.a

Governmental Fund Type Accounts - Capital assets acquired through the Office of the State Treasurer (OST) Certificate of Participation (COP) program are recorded by a debit to GL Code 6514 "Capital Asset Acquisitions by Lease-Purchase Agreements or Certificates of Participation" with an Object J "Capital Outlays" and a credit to GL Code 3221 "Other Financing Sources" with Revenue Source Code 0807 "Certificates of Participation." An additional entry to record the capital asset is made in the General Capital Assets Subsidiary Account (Account 997). All COP liabilities for governmental fund type accounts are recorded in the General Long-Term Obligations Subsidiary Account (Account 999). Refer to Subsections 85.72.40, 85.85.45, and 85.85.50 for further information on COPs.

85.60.80.b

Proprietary and Trust Fund Type Accounts - Capital assets acquired through OST's Certificate of Participation program are recorded in the acquiring account as a capital asset and an offsetting COP obligation. If the account is budgeted, an additional entry is required to record the budgeted disbursement. Refer to Subsections 85.72.40, 85.85.45, and 85.85.50 for further information on COPs.

85.60.90

June 1, 2004

Accounting for the construction of capital assets

85.60.90.a

An agency may choose either to construct its own capital assets or hire an outside contractor to do the construction. All direct construction costs and indirect costs that are related to construction of capital assets are to be recorded in the account incurring the expenditures. Agency project management costs may be capitalized directly, when practicably discernible and directly associated with the project, or through the application of a percentage of total budgeted project costs. The application rate may or may not be designed to recover total agency project management costs. (Refer to the OFM Capital Plan instructions for discussion of maximum percentage limitations.)

In proprietary and trust fund type accounts, net interest costs (if material) incurred during the period of construction are included in the capitalized cost of the asset. Capitalized interest on assets constructed with tax-exempt borrowing should be netted against any interest earned on the

investment of the proceeds of the related tax-exempt borrowings. Interest costs are not capitalized in governmental funds.

Refer to Subsection 30.20.10.b.

85.60.90.b

Governmental Fund Type Accounts - All costs incurred for the construction of capital assets are recorded in the account incurring the expenditure by debiting GL Code Series 65XX "Expenditure/Expenses" with an appropriate subobject within Object J "Capital Outlays." For construction projects not completed at the end of the accounting period, a corresponding entry is made to record the construction in progress in Account 997 "General Capital Assets Subsidiary Account." This is accomplished by debiting GL Code 2510 "Construction in Progress" and crediting GL Code 9850 "Investment in General Capital Assets." (Refer to Subsection 85.65.64.a for illustrative entries.)

Upon completion of the project, construction costs accumulated in the construction in progress account are reclassified to the appropriate capital asset GL code in Account 997 "General Capital Assets Subsidiary Account." (Refer to Subsection 85.65.64.a for illustrative entries.)

Agencies that finance capital asset construction through OST's COP Real Estate Program should refer to Subsection 85.72.40 and 85.85.50 for more information regarding COP accounting requirements for the Real Estate Program.

85.60.90.c

Proprietary and Trust Fund Type Accounts - In proprietary and trust fund type accounts, all costs incurred for the construction of capital assets are to be recorded in the account incurring the costs by debiting GL Code 2510 "Construction in Progress." If the account is budgeted, an additional entry is required to record the budgeted disbursement. This entry debits GL Code Series 65XX "Expenditures/Expenses" with an appropriate sub-object within Object J "Capital Outlays," and credits GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" with the same sub-object code. (Refer to Subsection 85.65.64.b for illustrative entries.)

Upon completion of the project, the balance in GL Code 2510 "Construction in Progress" is reclassified to the appropriate capital asset GL code. This entry debits GL Code Series 2XXX "Capital Assets" and credits GL Code 2510 "Construction in Progress" for the total costs accumulated. (Refer to Subsection 85.65.64.b for illustrative entries.)

85.60.95

June 1, 2004

Accounting for the transfer of vehicles to the State Motor Pool

An unusual accounting situation arises when a state agency that has purchasing authority purchases a vehicle but does not have the resources to manage or maintain it. Typically, the agency transfers ownership of the vehicle to the Department of General Administration (GA).

The purchasing agency has exclusive use of the vehicle and GA treats the vehicle as part of the State Motor Pool, maintaining it and tracking its usage. GA charges the agency normal vehicle rates for use and applies a credit for the vehicle capital costs. Refer to RCW 43.19.605.

85.60.95.a

Accounting for the purchase and transfer of the vehicle to GA depends on the fund type of the account used to purchase the vehicle.

1. **Governmental Fund Type Accounts** - The acquisition of the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Sub-object JC "Furnishings, Equipment, and Software" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank."
2. **Proprietary and Trust Fund Type Accounts** - The acquisition of the vehicle is recorded by debiting GL Code 1510 "Prepaid Expense" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank." **NOTE:** Budgeted proprietary accounts require an additional entry to record the budgeted expense. This entry debits GL Code 6510 "Cash Expenditures/Expenses" using Subobject JC "Furnishings, Equipment, and Software" and credits GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" using Subobject JC.

85.60.95.b

GA records the transfer of ownership in Account 422 "General Administration Services Account" by debiting GL Code 2410 "Furnishings, Equipment, and Software" and crediting GL Code 5292 "Deferred Revenues."

85.60.95.c

Accounting for the usage of the vehicle depends on the fund type of the account that initially purchased it.

1. **Governmental Fund Type Accounts** - The **net** amount billed by GA for the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Sub-object GN "Motor Pool Services" and crediting either GL 71XX "In-Process" or GL Code 1110 "Cash in Bank."

2. **Proprietary and Trust Fund Type Accounts** - The **net** amount billed by GA for the vehicle is recorded by debiting GL Code 6510 “Cash Expenditures/Expenses” using Subobject GN “Motor Pool Services” and crediting either GL Code 71XX “In-Process” or GL Code 1110 “Cash in Bank.” An additional entry is required to record the amortization of the vehicle cost by debiting GL Code 6525 “Expense Adjustments/Eliminations (GAAP)” using Subobject GN “Motor Pool Services” and crediting GL Code 1510 “Prepaid Expenses.”

85.60.95.d

GA records the revenue for the vehicle in two steps: **first**, GA records the payment from the agency using the vehicle by debiting GL Code 71XX “In-Process” and crediting GL Code 3210 “Cash Revenues” using Revenue Source Code 0420 “Charges for Services;” and **second**, GA records the amortization of the vehicle cost by debiting GL Code 5292 “Deferred Revenues” and crediting GL Code 3210 using Revenue Source Code 0420.



85.65 Assets - Illustrative Entries

85.65.10

May 1, 1999

These entries are for illustrative purposes

The following entries illustrate transactions affecting assets. These entries are for illustrative purposes **only** and should **not** be considered all inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry, generally from the Office of the State Treasurer (OST) as illustrated below, to clear the In-Process GL Codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

85.65.12

May 1, 1999

Deposit of cash revenues

To record the deposit of cash revenue received. (Refer to Subsections 85.50.10 and 85.50.20.)

	Dr.	Cr.
Cash In Bank (1110) or	xxx	
Receipts In-Process (7110)		
Cash Revenues (3210) (with appropriate revenue source code)		xxx

85.65.14

July 1, 2001

Petty cash - treasury and treasury trust accounts

85.65.14.a

To record the establishment of or an increase in a Treasury petty cash account. (Refer to Subsection 85.50.60.a.)

Note: The second entry to reserve a portion of fund balance for petty cash is to be made in governmental fund type accounts only. Petty cash is not reserved in proprietary or trust fund type accounts.

	Dr.	Cr.
Petty Cash (1130)	xxx	
Warrants In Process (7120)		xxx
Unreserved/Undesignated Fund Balance (9590)	xxx	
Reserved for Petty Cash (9556)		xxx

85.65.14.b To record the abolishment of, or a reduction in, a Treasury petty cash account.
(Refer to Subsection 85.50.60.f.)

Note: The second entry to reverse the reservation of fund balance for petty cash is for governmental fund type accounts only.

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Petty Cash (1130)		xxx
Reserved for Petty Cash (9556)	xxx	
Unreserved/Undesignated Fund Balance (9590)		xxx

85.65.16

July 1, 2001

Petty cash - local accounts

85.65.16.a To record the establishment of, or an increase in, a local petty cash account.
(Refer to Subsection 85.50.70.a.)

Note: The second entry to reserve a portion of fund balance for petty cash is to be made in governmental fund type accounts only. Petty cash is not reserved in proprietary or trust fund type accounts.

	Dr.	Cr.
Petty Cash (1130)	xxx	
Cash in Bank (1110)		xxx
Unreserved/Undesignated Fund Balance (9590)	xxx	
Reserved for Petty Cash (9556)		xxx

85.65.16.b To record the abolishment of, or a reduction in, a local petty cash account.
(Refer to Subsection 85.50.70.d)

Note: The second entry to reverse the reservation of fund balance for petty cash is for governmental fund type accounts only.

	Dr.	Cr.
Cash in Bank (1110)	xxx	
Petty Cash (1130)		xxx
Reserved for Petty Cash (9556)	xxx	
Unreserved/Undesignated Fund Balance (9590)		xxx

85.65.18

July 1, 2001

Accounting for the acquisition of non-current investments

85.65.18.a

To record the acquisition of non-current equity investments at trade date. (Refer to Subsection 85.52.30.a.)

	Dr.	Cr.
Investments (1210)	xxx	
Investment Trades Pending Payable (5123)		xxx

85.65.18.b

To record the settlement of the trade for acquisition of non-current equity investments. (Refer to Subsection 85.52.30.a.)

	Dr.	Cr.
Investment Trades Pending Payable (5123)	xxx	
In-Process (71XX)		xxx

85.65.18.c

To record the acquisition of non-current fixed income investments at trade date including purchased accrued interest. (Refer to Subsection 85.52.30.a.)

	Dr.	Cr.
Investments (1210)	xxx	
Interest Receivable on Investments (1316)	xxx	
Investment Trades Pending Payable (5123)		xxx

85.65.18.d

To record the settlement of the trade for acquisition of non-current fixed income investments. (Refer to Subsection 85.52.30.a.)

	Dr.	Cr.
Investment Trades Pending Payable (5123)	xxx	
In-Process (71XX)		xxx

85.65.18.e

To reserve a portion of fund balance in governmental funds for non-current investments not offset by deferred revenue or a liability. (Refer to Subsection 85.52.30.)

	Dr.	Cr.
Unreserved/Undesignated Fund Balance (9590)	xxx	
Reserved for Investments (9557)		xxx

85.65.20

July 1, 2003

Accounting for earnings and costs associated with non-current investments

85.65.20.a

To record interest or dividend income on non-current investments received in cash including purchased accrued interest. (Refer to Subsection 85.52.10)

		Dr.	Cr.
	Receipts In-Process (7110) or Cash in Bank (1110)	xxx	
	Interest and Dividends Receivable (1316)		xxx
	Cash Revenues (3210) Revenue Source Code (0401) Treasury Investment Income, (0409) Interest Income, or (0411) Dividend Income		xxx
85.65.20.b	To record interest or dividend income on non-current investments which was reinvested.		
	Investments (1210)	Dr. xxx	Cr.
	Cash Revenues (3210) Revenue Source Code (0401) Treasury Investment Income, (0409) Interest Income, or (0411) Dividend Income		xxx
85.65.20.c	To record the payment of investment related costs (e.g., advisor fees, consulting fees, manager fees) not associated with an investment sale transaction		
	Cash Revenues (3210) Revenue Source Code (0473) Costs of Investment Activities	Dr. xxx	Cr.
	Warrants In-Process (7120)		xxx

85.65.22
July 1, 2003

**Accounting for fair value adjustment to non-current
investments**

To record the adjustment to reflect an increase to the fair value of non-current investments. To record a decrease in fair value, the capital gain entry is reversed with a debit to Revenue Source Code 0414 "Capital Losses." (Refer to Subsection 85.52.30.b.)

	Dr.	Cr.
Valuation Allowance - Investments (1280)	xxx	
Noncash Revenues (3220) Revenue Source Code (0413) Capital Gains		xxx

85.65.24
July 1, 2003

Accounting for the sale of non-current investments

85.65.24.a	To record the sale at trade date of non-current investments and the resulting gain on investments. For a loss, the capital gain entry would be reversed with a debit to Revenue Source Code 0414 "Capital Losses." (Refer to Subsection 85.52.30.c.)
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	Dr.	Cr.
Investment Trade Pending Receivable (1323)	xxx	
Accrued Revenues (3205) Revenue Source Code (0473)		
Cost of Investment Activities	xxx	
Investments (1210)		xxx
Accrued Revenues (3205) Revenue Source Code (0413) Capital Gains		xxx

85.65.24.b To record the settlement of the trade for the sale of non-current investments. For a loss, the capital gain entry would be reversed with Revenue Source Code 0414 “Capital Losses.” (Refer to Subsection 85.52.30.c.)

	Dr.	Cr.
In-Process (71XX)	xxx	
Cash Revenues (3210) Revenue Source (0473) Costs of Investment Activities	xxx	
Accrued Revenues (3205) Revenue Source (0413) Capital Gains	xxx	
Cash Revenues (3210) Revenue Source (0413) Capital Gains		xxx
Accrued Revenues (3205) Revenue Source (0473) Costs of Investment Activities		xxx
Investment Trades Pending Receivable (1323)		xxx

85.65.24.c To reverse the non-cash revenue recognized in posting adjustments to increase fair value. Entry would be reversed with Revenue Source Code 0414 if fair value adjustments recorded a loss. (Refer to Subsection 85.52.30.c.)

	Dr.	Cr.
Noncash Revenues (3220) Revenue Source Code (0413) Capital Gains	xxx	
Valuation Allowance – Investments (1280)		xxx

85.65.24.d To reverse the reservation of fund balance in governmental funds for non-current investments not offset by deferred revenue or a liability.

	Dr.	Cr.
Reserved for Investments (9557)	xxx	
Unreserved/Undesignated Fund Balance (9590)		xxx

85.65.26
July 1, 2003

Accounting for non-current investments in permanent funds

85.65.26.a To record the closing entry for realized gains and/or losses on non-current investments to the appropriate fund balance account. (Refer to Subsection 85.52.50.)

(when gains exceed losses for the fiscal year):

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0413)	xxx	
Capital Gains		
Cash Revenues (3210) Revenue Source Code (0414) Capital Losses		xxx
Reserved for Permanent Funds – Expendable Portion (9531)		xxx

(when losses exceed gains for the fiscal year):

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0413)	xxx	
Capital Gains		
Reserved for Permanent Funds – Expendable Portion (9531)	xxx	
Cash Revenues (3210) Revenue Source Code (0414) Capital Losses		xxx
Reserved for Permanent Funds – Investment Losses (9532)	xxx	
Reserved for Permanent Funds – Expendable Portion (9531)		xxx

85.65.26.b

To record the operating transfer to the beneficiary account for investment income. The transfer is reduced by the amount of losses, if any, allocated to the beneficiary account (refer to Item c. below). (Refer to Subsection 85.52.50.)

Permanent Account:

	Dr.	Cr.
Cash Revenues (3210) Revenue Source (0622) Operating Transfers Out	xxx	
Journal Vouchers In-Process (7140)		xxx

Beneficiary Account:

	Dr.	Cr.
Journal Vouchers In-Process (7140)	xxx	
Cash Revenues (3210) Revenue Source (0621) Operating Transfers In		xxx

85.65.26.c

To reduce GL Code 9532 “Reserve for Permanent Funds - Investments Losses” in a permanent account resulting from the reduction in income distribution to the beneficiary account (refer to Item b. above). (Refer to Subsection 85.52.50.)

	Dr.	Cr.
Reserved for Permanent Funds – Expendable Portion (9531)	xxx	
Reserved for Permanent Funds - Investment Losses (9532)		xxx

85.65.28

July 1, 2001

Accounting for deferred compensation (IRC Section 457)

In accordance with Statement No. 34 of the Governmental Accounting Standards Board, the state's deferred compensation plan is accounted for and reported as a pension trust fund. Acquisitions and sales of deferred compensation plan investments are to follow the entries in Subsections 85.65.18 and 85.65.24, respectively, except that no entry is to be made to GL 9557 "Reserved for Investments."

85.65.30

May 1, 1999

Taxes receivable

To record long-term taxes receivable which are measurable but not due within twelve months. (Refer to Subsection 85.54.15.c.)

	Dr.	Cr.
Taxes Receivable (1611)	xxx	
Allowance for Uncollectible Taxes Receivable (1641)		xxx
Deferred revenues (5292)		xxx

85.65.32

July 1, 2001

Receivables

85.65.32.a To record a receivable at time of billing. (Refer to Subsection 85.54.45.a.)

	Dr.	Cr.
Accounts Receivable (1312)	xxx	
Accrued Revenues (3205) (appropriate revenue source codes)		xxx

85.65.32.b To value receivables and adjust the allowance for uncollectible accounts to reflect the amount estimated to be uncollectible at the end of the period in a **governmental fund type account**. (Refer to Subsection 85.54.55.b.)

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85.65.34

		Dr.	Cr.
	Accrued Revenues (3205) (with revenue source code originally credited)	xxx	
	Allowance for Uncollectible Accounts Receivable (1342)		xxx
85.65.32.c	To value receivables and adjust the allowance for uncollectible accounts to reflect the amount estimated to be uncollectible at the end of the period in a proprietary or trust fund type account . (Refer to Subsection 85.54.55.b.) Example assumes a reduction in collectibility. If collectibility appears improved, the entry would be reversed.		
		Dr.	Cr.
	Bad Debt Expense 6515 (Subobject WC)	xxx	
	Allowance for Uncollectible Accounts Receivable (1342)		xxx
85.65.32.d	To write off receivables determined to be uncollectible by the state. (Refer to Subsection 85.54.55.c.)		
		Dr.	Cr.
	Allowance for Uncollectible Accounts Receivable (1342)	xxx	
	Accounts Receivable (1312)		xxx

85.65.34 Due from federal government

May 1, 1999

85.65.34.a	To record amounts receivable for the reimbursement of federal expenditures. (Refer to Subsection 85.54.20)		
		Dr.	Cr.
	Due from Federal Government (1351)	xxx	
	Accrued Revenues (3205) Revenue Source Code (03XX)		xxx
85.65.34.b	To record the receipt of monies due from the federal government. (Refer to Subsection 85.54.20.)		
		Dr.	Cr.
	Cash in Bank (1110) or Receipts In-Process (7110)	xxx	
	Cash Revenues (3210) Revenue Source Code (03XX)		xxx
	Accrued Revenues (3205) Revenue Source Code (03XX)	xxx	
	Due from Federal Government (1351)		xxx

85.65.34.c To record federal receivables which are in dispute at the end of the accounting period in a governmental fund type account. (Refer to Subsection 85.54.20.)

	Dr.	Cr.
Accrued Revenues (3205) Revenue Source (03XX)	xxx	
Deferred revenues (5192)		xxx

85.65.36

July 1, 2004

Long-term loans

The following entries illustrate disbursement and repayment for both budgeted and non-budgeted long-term loans. Since the loan in this illustration is made to a private entity, long-term GL Code 1614 "Loans Receivable" is used. However, this example may be applied to other types of long-term loans using other receivable general ledger codes, such as GL Code 1652 Due from Other Governments. (Refer to Subsection 85.54.40.)

85.65.36.a.(1) **To record disbursement of a budgeted long-term loan** from a governmental fund type account. Budgeted loans present a unique situation where loan disbursements and repayments are expenditures and revenues for budgetary purposes, but not for GAAP financial accounting purposes.

Note: In AFRS, Subobject NR is reported as Fund Balance on the GAAP operating statement. On the Budget to Actual statement, however, it is reported as an Expenditure.

	Dr.	Cr.
Loans Receivable (1614)	xxx	
In-Process (71XX)		xxx
Cash Expenditures/Expenses (6510) (Subobject NR)	xxx	
Reserved for Receivables (9570)		xxx

85.65.36.a.(2) **To record repayment of the budgeted long-term loan**, shown in (a) above, after an interim process occurs reclassifying the expected payment from long-term to short-term. (Recognized and recorded at fiscal year-end based on next year's scheduled payments.)

Note: In AFRS, Revenue Source Code 0866 "Loan Principal Repayment" is reported as Fund Balance on the GAAP operating statement. On the Budget to Actual statement, however, it is reported as Revenue.

	Dr.	Cr.
Loans Receivable (1314) or	xxx	
Due to Other Governments (1352)		
Loans Receivable (1614) or		xxx
Due to Other Governments (1652)		
Reserved for Receivables (9570)	xxx	
Accrued Revenue (3205) Revenue Source Code		xxx
(0866) Loan Principal Repayment		

Then repayment is recorded as received:

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Loans Receivable (1314) or		
Due to Other Governments (1352)		xxx

For loans whose payments are uncertain, the receivable is reclassified from long-term to short-term upon receipt of the loan payment.

	Dr.	Cr.
Loans Receivable (1314) or	xxx	
Due to Other Governments (1352)		
Loans Receivable (1614) or		xxx
Due to Other Governments (1652)		
Reserved for Receivables (9570)	xxx	
Accrued Revenue (3205) Revenue Source Code (0866) Loan Principal Repayment		xxx

Then payment receipt is recorded:

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Loans Receivable (1314) or		xxx
Due to Other Governments (1352)		
Accrued Revenue (3205) Revenue Source Code (0866)	xxx	
Loan Principal Repayment		
Cash Revenue (3210) Revenue Source Code (0866)		xxx
Loan Principal Repayment		

85.65.36.b.(1) **To record disbursements of a long-term loan which are not budgeted.**

Note: The entry to reserve a portion of fund balance for receivables is made in governmental fund type accounts only. Long-term receivables are not reserved in proprietary and trust fund type accounts.

	Dr.	Cr.
Loans Receivable (1614)	xxx	
In-Process (71XX) or		xxx
Cash in Bank (1110)		
Unreserved/Undesignated Fund Balance (9590)	xxx	
Reserved for Receivables (9570)		xxx

85.65.36.b.(2) **To record repayment of the non-budgeted long-term loan,** shown in (b) above, after an interim process occurs reclassifying receivables from long-term to short-term.

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	Dr.		Cr.
Loans Receivable (1314) or Due to Other Governments (1352)	xxx		
Loans Receivable (1614) or Due to Other Governments (1652)			xxx
Reserved for Receivables (9570)	xxx		
Unreserved/Undesignated Fund Balance (9590)			xxx

Then the loan payment receipt is recorded:

	Dr.		Cr.
Cash in Bank (1110) or Receipts In-Process (7110)	xxx		
Loans Receivable (1314) or Due to Other Governments (1352)			xxx

85.65.38

July 1, 2001

Consumable inventories—periodic inventory method

85.65.38.a

To record the acquisition of consumable inventories. (Refer to Subsection 85.56.20.a.(1).)

	Dr.		Cr.
Cash Expenditures/Expenses (6510) Object E	xxx		
Cash in Bank (1110) or Warrants In-Process (7120)			xxx

85.65.38.b

To record the use of consumable inventories during the year.

No entry is required.

85.65.38.c

At year-end, to record an increase in consumable inventories during the year. (Refer to Subsection 85.56.20.a.(3) and (4).) These entries would be reversed to record a decrease in consumable inventories during the year.

Note: The second entry is to reserve a portion of fund balance in governmental fund type accounts only.

	Dr.		Cr.
Consumable Inventories (1410)	xxx		
Cash Expenditures/Expenses (6510) Object E			xxx
Unreserved/Undesignated Fund Balance (9590)	xxx		
Reserved for Consumable Inventories (9540)			xxx

85.65.40
May 1, 1999

Consumable inventories—perpetual inventory method

85.65.40.a To record the acquisition of consumable inventories. (Refer to Subsection 85.56.20.b.(1).)

	Dr.	Cr.
Consumable Inventories (1410)	xxx	
Cash in Bank (1110) or Warrants In-Process (7120)		xxx

85.65.40.b To record the use of consumable inventories during the year. (Refer to Subsection 85.56.20.b.(2).)

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object E	xxx	
Consumable Inventories (1410)		xxx

85.65.42
May 1, 1999

Merchandise inventories in proprietary fund type accounts—periodic inventory method

85.65.42.a To record the acquisition of merchandise inventories as an expense. (Refer to Subsection 85.56.30.a.(1).)

	Dr.	Cr.
Cost of Goods Sold (6516) Object F	xxx	
Cash in Bank (1110) or In-Process (71XX) or Payables (51XX)		xxx

85.65.42.b To record the sale of merchandise inventories when the merchandise inventory purchase is recorded as an expense. (Refer to Subsection 85.56.30.a.(2).)

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX) or Receivables (13XX)	xxx	
Cash Revenue (3210) or Accrued Revenues (3205) Revenue Source Code (0450 or 0455) Sales		xxx

85.65.42.c To record the adjustment for merchandise inventory when the physical count shows the inventory value greater than the amount in the general ledger control account GL Code 1420 "Merchandise Inventories." This entry is reversed when the physical count shows the inventory value less than the recorded amount. (Refer to Subsections 85.56.30.a.(3) and b.(3).)

	Dr.	Cr.
Merchandise Inventories (1420)	xxx	
Cost of Goods Sold (6516) Object F		xxx

85.65.44

May 1, 1999

Merchandise inventories in proprietary fund type accounts—perpetual inventory method

85.65.44.a To record the acquisition of merchandise inventories as an asset. (Refer to Subsection 85.56.30.b.(1).)

	Dr.	Cr.
Merchandise Inventories (1420)	xxx	
Cash in Bank (1110) or In-Process (71XX) or Payables (51XX)		xxx

85.65.44.b To record the sale of merchandise inventories when the merchandise inventory purchase is recorded as an asset. (Refer to Subsection 85.56.30.b.(2).)

The second entry is to adjust the merchandise inventory account and record the cost of goods sold:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX) or Receivables (13XX)	xxx	
Cash Revenue (3210) or Accrued Revenues (3205) Revenue Source Code (0450 or 0455) Sales		xxx
Cost of Goods Sold (6516) Object F	xxx	
Merchandise Inventories (1420)		xxx

85.65.46

July 1, 2001

Donations of consumable inventories

A common example of donated consumable inventory is federal surplus food commodities provided to the state for use in a variety of programs. This example assumes that commodities with a fair market value of \$5,000 are donated to the state for use in a governmental fund type account. The state pays \$500 shipping costs for delivery of the commodities.

85.65.46.a To record the acquisition of donated consumable inventories. (Refer to Subsection 85.56.40.a.)

	Dr.	Cr.
Consumable Inventories (1410)	500	
Donated Inventories (1415)	5,000	
Cash in Bank (1110) or Warrants In-Process (7120)		500
Revenue Adjustments/Eliminations (GAAP) (3225) Revenue Source Code (0310) Dept. of Agriculture		5,000

85.65.46.b To record the use of donated consumable inventories with a fair market value of \$4,000. Use of donated consumable inventories is treated as a nonbudgeted activity. The cash outlay for shipping costs is a budgeted expenditure. (Refer to Subsection 85.56.40.b.)

	Dr.	Cr.
Expense Adjustments/Eliminations (GAAP) (6525)	4,000	
Object E	400	
Cash Expenditures/Expenses (6510) Object E		
Consumable Inventories (1410)		400
Donated Inventories (1415)		4,000

85.65.46.c To record year-end adjustment. (Refer to Subsection 85.56.40.c.)

Note: The second entry is required in governmental fund type accounts only.

	Dr.	Cr.
Revenue Adjustments/Eliminations (GAAP) (3225)	1,000	
Revenue Source (0310) Dept. of Agriculture		
Deferred Revenues (5192)		1,000
Unreserved/Undesignated Fund Balance (9590)	100	
Reserved for Consumable Inventories (9540)		100

85.65.50

May 1, 1999

Prepaid expenses

85.65.50.a

To record the prepayment of goods and services, other than inventory, in proprietary and trust fund type accounts. (Refer to Subsection 85.58.10.b.)

	Dr.	Cr.
Prepaid Expenses (1510)	xxx	
Cash in Bank (1110) or		xxx
Warrants In-Process (7120) or		
Journal Vouchers In-Process (7140)		

85.65.50.b

To record the portion of prepaid goods and services used during the period. (Refer to Subsection 85.58.10.c.)

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (with appropriate subobject)	xxx	
Prepaid Expenses (1510)		xxx

85.65.52

June 1, 2004

Acquisition of capital assets

85.65.52.a

Governmental Fund Type Accounts

The entry for the acquisition of a capital asset records the expenditure in the account acquiring the asset with a corresponding entry in Account 997 "General Capital Asset Subsidiary Account." (Refer to Subsection 85.60.30.a.)

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J	xxx	
Cash in Bank (1110) or		xxx
Warrants In-Process (7120)		

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Land (2110)	xxx	
Buildings (2210)	xxx	
Improvements Other Than Buildings (2310)	xxx	
Furnishings, Equipment, and Software (2410)	xxx	
Investment in General Capital Assets (9850)		xxx

85.65.52.b

Proprietary and Trust Fund Type Accounts

The entry to record the acquisition of a capital asset is made in the appropriate capital asset GL Code in the account acquiring the asset. (Refer to Subsection 85.60.30.b.)

Operating Account:

	Dr.	Cr.
Land (2110)	xxx	
Buildings (2210)	xxx	
Improvements Other Than Buildings (2310)	xxx	
Furnishings, Equipment, and Software (2410)	xxx	
Cash in Bank (1110) or		
Warrants In-Process (7120)		xxx

The following additional entry is required for budgeted proprietary and trust fund type accounts for capital asset acquisitions.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J	xxx	
Expense Adjustments/Eliminations (GAAP)		
(6525) Object J		xxx

The following entry records the donation of a piece of equipment to a proprietary or trust fund type account.

	Dr.	Cr.
Furnishings, Equipment, and Software (2410)	xxx	
Noncash Revenues (3220) Revenue Source Code		
0820 Capital Contributions		xxx

85.65.54
July 1, 2003

Assets that do not meet the state's capitalization policy

The entry for the acquisition of an asset that does not meet the state's capitalization policy records the expenditure/expense in the account acquiring the asset. (Refer to Subsection 85.60.30.c.)

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject JA	xxx	
Cash in Bank (1110) or		
Warrants In-Process (7120)		xxx

85.65.56

June 1, 2005

Depreciation

85.65.56.a

Governmental Fund Type Accounts

The following entry records the depreciation on general capital assets in Account 997 "General Capital Assets Subsidiary Account." (Refer to Subsection 85.60.40.a.)

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Depreciation Expense (6591) (Subobject WA)	xxx	
Allowance for Depreciation – Buildings (2220)		xxx
Allowance for Depreciation – Improvements Other Than Buildings (2320)		xxx
Allowance for Depreciation – Furnishings, Equipment, and Software (2420)		xxx

85.65.56.b

Proprietary and Trust Fund Type Accounts

The following entry records the depreciation of capital assets in proprietary and trust fund type accounts. (Refer to Subsection 85.60.40.b.)

	Dr.	Cr.
Depreciation Expense (6511) (Subobject WA)	xxx	
Allowance for Depreciation – Buildings (2220)		xxx
Allowance for Depreciation – Improvements Other Than Buildings (2320)		xxx
Allowance for Depreciation – Furnishings, Equipment, and Software (2420)		xxx

85.65.58

June 1, 2004

Disposal of capital assets

85.65.58.a

Governmental Fund Type Accounts

The net proceeds received from the sale of general capital assets are generally recorded in the account that originally acquired the asset. (Refer to Subsection 85.60.50.a.) If the estimated net proceeds from disposition were included in the budget for the acquisition of the replacement capital assets and the expenditure for the acquisition of new capital assets has already been recorded at gross, the following entry is made:

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	Dr.	Cr.
Cash in Bank (1110) or Receipts In-Process (7110) or Journal Vouchers In-Process (7140)	xxx	
Cash Expenditures/Expenses (6510) Object J		xxx

If the net proceeds from disposition were not included in the budget for a replacement capital asset, the following entry is to be made instead:

	Dr.	Cr.
Cash in Bank (1110) or Receipts In-Process (7110) or Journal Vouchers In-Process (7140)	xxx	
Cash Revenues (3210) Revenue Source Code (0416) Sale of Property - Other		xxx

In addition, an entry in Account 997 "General Capital Assets Subsidiary Account" is made to record the removal of the capital asset.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Investments in General Capital Assets (9850)	xxx	
Allowance for Depreciation - Furnishings, Equipment, and Software (2420)	xxx	
Furnishings, Equipment, and Software (2410)		xxx

85.65.58.b

Proprietary and Trust Fund Type Accounts

The disposal of capital assets of proprietary and trust fund type accounts are accounted for in the account that recorded the asset. (Refer to Subsection 85.60.50.b.)

	Dr.	Cr.
Cash in Bank (1110) or Receipts In-Process (7110) or Journal Vouchers In-Process (7140)	xxx	
Allowance for Depreciation – Furnishings, Equipment, and Software (2420)	xxx	
Furnishings, Equipment, and Software (2410)		xxx
Gain and Loss on Sale of Capital Assets (3213)		xxx
Revenue Source Code (0418) Gain or Loss on Sale of Capital Assets		

The following additional entry is needed to record the net proceeds received upon disposition of a capital asset in budgeted proprietary and trust fund type accounts.

If the net proceeds from disposition were included in the budget for the acquisition of the replacement capital asset and the purchase for the new capital assets has already been recorded at gross, the following entry is made:

	Dr.	Cr.
Expense Adjustments/Eliminations (GAAP) (6525) Object J	xxx	
Cash Expenditures/Expenses (6510) Object J		xxx

If the net proceeds from disposition were included in the budget as estimated revenues, the following entry is made:

	Dr.	Cr.
Revenue Adjustments/Eliminations (GAAP) (3225) Revenue Source Code (0416) Sale of Property - Other	xxx	
Cash Revenues (3210) Revenue Source Code (0416) Sale of Property - Other		xxx

85.65.60
June 1, 2004

Trade-in of capital assets

These illustrative entries assume the following: a vehicle is purchased for \$12,000 cash. (It has a market value of \$14,000 less a trade-in allowance of \$2,000.) The trade-in vehicle originally cost \$9,000 and has a current book value of \$1,500.

85.65.60.a

Governmental Fund Type Accounts

These entries reflect the trade-in transaction in the operating account acquiring the vehicle and the corresponding entries in Account 997 "General Capital Assets Subsidiary Account." (Refer to Subsection 85.60.50.a.)

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject J)	12,000	
Journal Vouchers In-Process (7140)		12,000

General Capital Assets Subsidiary Account (Account 997):

The first entry removes vehicle traded in. The second entry records new vehicle.

	Dr.	Cr.
Investment in General Capital Assets (9850)	1,500	
Accumulated Depreciation – Furnishings, Equipment, and Software (2420)	7,500	
Furnishings, Equipment, and Software (2410)		9,000
Furnishings, Equipment, and Software (2410)	13,500	
Investment in General Capital Assets (9850)		13,500

85.65.60.b

Proprietary and Trust Fund Type Accounts

This entry reflects a trade-in transaction in non-budgeted proprietary and trust fund type accounts. (Refer to Subsection 85.60.50.b.)

	Dr.	Cr.
Furnishings, Equipment, and Software (2410)	13,500	
Accumulated Depreciation – Furnishings, Equipment, and Software (2420)	7,500	
Furnishings, Equipment, and Software (2410)		9,000
Cash in Bank (1110)		12,000

85.65.62

June 1, 2004

Capital assets acquired through capital lease

85.65.62.a

Governmental Fund Type Accounts

The entry for the acquisition of capitalized leased assets records the expenditure in the account acquiring the leased assets with a corresponding entry in Account 997 "General Capital Assets Subsidiary Account." (Refer to Subsection 85.60.70.a.)

Operating Account:

	Dr.	Cr.
Capital Asset Acquisitions by Lease-Purchase Agreements or Certificates of Participation (6514) Object J (Capital Outlays)	xxx	
Other Financing Sources (3221) Revenue Source Code (0809) Capital Lease Acquisitions		xxx

85
Accounting Procedures

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings, Equipment, and Software (2410)	xxx	
Investment in General Capital Assets (9850)		xxx

The entry to record lease payments, for acquisitions that do not meet the capital lease requirements in Subsection 30.20.30, is as follows. For such acquisitions, no entry is made in Account 997 "General Capital Assets Subsidiary Account" until title transfers to the state and the fair market value of the asset meets the state's capitalization policy.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject ED or other subobject as appropriate)	xxx	
Cash in Bank (1110) or		xxx
Warrants In-Process (7120)		

To record subsequent acquisition of non-capitalized leased assets in Account 997 "General Capital Assets Subsidiary Account" upon transfer of the title. The asset is recorded at the fair market value at the time title transfers.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings, Equipment, and Software (2410)	xxx	
Investment in General Capital Assets (9850)		xxx

85.65.62.b

Proprietary and Trust Fund Type Accounts.

To record capitalized leased equipment acquired by proprietary and trust fund type accounts in the account acquiring the leased assets. (Refer to Subsection 85.60.70.b.)

	Dr.	Cr.
Furnishings, Equipment, and Software (2410)	xxx	
Lease Purchase Agreements Payable (5172)		xxx
Lease Purchase Agreements Payable (5272)		xxx

The entry to record lease payments, for acquisitions that do not meet the capital lease requirements in Subsection 30.20.30, is as follows:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject ED or other subobject as appropriate)	xxx	
Cash in Bank (1110) or Warrants In-Process (7120)		xxx

To record the fair market value of the subsequent acquisition of non-capitalized leased assets upon transfer of title.

	Dr.	Cr.
Furnishings, Equipment, and Software (2410)	xxx	
Cash Revenues (3210) Revenue Source Code (0486) Recoveries of Prior Appropriation Expenditures		xxx

85.65.64

June 1, 2004

Accounting for the construction of capital assets

85.65.64.a

Governmental Fund Type Accounts

Costs incurred for the construction of capital assets are to be recorded in the account incurring the expenditure. (Refer to Subsection 85.60.90.b.)

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J	xxx	
Cash in Bank (1110) or Warrants In-Process (7120) or Construction Contracts Payable (5117)		xxx

Construction projects not completed at the end of the accounting period require an entry in Account 997 "General Capital Assets Subsidiary Account."

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Construction In Progress (2510)	xxx	
Investment in General Capital Assets (9850)		xxx

85
Accounting Procedures

Upon completion of the project, the construction in progress is reclassified to the appropriate capital asset GL Code(s) in Account 997 "General Capital Assets Subsidiary Account."

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Buildings (2210)	xxx	
Improvements Other Than Buildings (2310)	xxx	
Furnishings, Equipment, and Software (2410)	xxx	
Construction In Progress (2510)		xxx

85.65.64.b

Proprietary and Trust Fund Type Accounts

In proprietary and trust fund type accounts, costs incurred for the construction of capital assets are to be recorded in the account incurring the expense. (Refer to Subsection 85.60.90.c.)

	Dr.	Cr.
Construction In Progress (2510)	xxx	
Cash in Bank (1110) or Warrants In-Process (7120) or Construction Contracts Payable (5117)		xxx

The following additional entry is required for budgeted proprietary or trust fund type accounts where construction costs are appropriated.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J	xxx	
Expense Adjustments/Eliminations (GAAP) (6525) Object J		xxx

Upon completion of the construction project, the construction in progress is reclassified to the appropriate capital asset GL code(s) for the total costs capitalized to date.

	Dr.	Cr.
Buildings (2210)	xxx	
Improvements Other Than Buildings (2310)	xxx	
Construction In Progress (2510)		xxx



85.70

Short-Term Liabilities

85.70.10

May 1, 1999

About short-term liabilities

Short-term liabilities are legal obligations which arise upon the receipt of goods or services. In governmental fund type accounts, short-term liabilities are payable from current, available resources. In proprietary fund type accounts, short-term liabilities are obligations payable within one year. Short-term liabilities are accounted for in the GL Code Series 51XX. Refer to Subsection 75.40.20 of this manual for a description of the various short-term liability general ledger codes.

85.70.20

June 1, 2004

Establishing short-term liabilities

85.70.20.a

The accrual method is used in accounting for the expenditures or expenses of all accounts.

85.70.20.b

Agencies establish liabilities at the end of each accounting period for the following items by account, appropriation, program, object, and sub-object:

- **Utilities** - Actual based on vendor invoices, or estimate based on past experience.
- **Rentals** - Actual based on lease agreements.
- **Travel Expenses** - Actual based on travel vouchers, or estimate based on past experience or prior approval of travel.
- **Payroll Taxes** - Actual based on actual payrolls, or estimate based upon prior pay period.
- **Salaries and Wages** - Actual based on time records, or estimate based upon prior pay period. When accruing salaries and wages, agencies are to also accrue the associated number of Full-Time Equivalent (FTE) staff months.
- All other obligations that have been incurred but not paid, and that are due and payable within one year.

- 85.70.20.c A Journal Voucher (A7-A) or other authorized source document is to be prepared to record liabilities. (Refer to Subsection 85.85.15 for an illustrative entry.)
- 85.70.20.d Liabilities are to be recorded based on the best available information. If the amount of the accrual is known (i.e., the invoice has been received or the amount is otherwise known), the entry is to be made to GL Code 6505 "Accrued Expenditures/Expenses." With prior written approval from the OFM Accounting Division (refer to SAAM 1.10.50), non-AFRS warrant producing agencies can use alternate coding for recording Expenditures/Expenses. At the end of the biennium, if the amount is not known, but can be reasonably estimated following the procedures for determining accounting estimates at Subsection 90.20.55, the entry is to be made to GL Code 6560 "Estimated Accrued Expenditures/Expenses." (Refer to Subsection 90.30.50.b and d for illustrative entries.)
- The payment of liabilities is to be recorded separately from the accrual (or establishment) of liabilities to allow for proper financial reporting, as required by GASB Statement 34.
- 85.70.20.e Each accrual transaction is to be supported by complete documentation. The use of "dummy" or projected accruals as a method to avoid transfers to reserve or circumvent the allotment process is an improper application of accrual accounting and is not to be practiced.

85.70.30

May 1, 1999

Accounts payable

Amounts owed on open account for the purchase of goods or services are recorded in GL Code 5111 "Accounts Payable." The recording of an account payable represents an acknowledgment on the part of the agency that the goods or services have been received and that an actual liability which must be liquidated at a future date exists. Amounts due to other accounts, other agencies or other governments are not reported in this GL code. Such amounts are reported separately in the GL Code 515X Series.

85.70.40

June 1, 2005

Deferred revenues

Governmental Funds, which are required to use the modified accrual basis of accounting, record deferred revenue (GL Codes 5192 and 5292) when one of two criteria is met:

- Revenues are not yet earned, or
- Cash is not available.

Generally cash is considered unavailable if it will not be collected within 12 months.

Examples of revenues not yet earned include:

- Advance payments,
- Prepayments made pursuant to agreements,
- Federal loan program advances,
- Insurance premiums billed in advance, and
- Prepaid tuition and fees (summer school).

Examples of cash not available include:

- Receivables that will not be collected within the next 12 months, and
- Contracts for the harvest of timber that extend beyond 12 months.

Proprietary funds, required to use the full accrual basis of accounting, record deferred revenue (GL Codes 5192 and 5292) only when revenue is not yet earned (examples list above).

(Refer to Subsection 85.85.25 for an illustrative entry.)

85.70.50

June 1, 2004

Short-term portion of long-term obligations

Amounts due within the next year on long-term obligations are classified as short-term liabilities. (Refer to Subsection 85.85.22 for an illustrative entry.)



85.72 Long-Term Obligations

85.72.10

June 1, 2004

About long-term obligations

Depending on the nature of the obligation, long-term obligations of the state are accounted for in one of two ways. Long-term obligations related to, and expected to be paid from, proprietary and trust fund type accounts are accounted for in those accounts (fund long-term obligations). All other long-term obligations (general long-term obligations) are accounted for in the General Long-term Obligations Subsidiary Account (Account 999). Subsection 75.40.20 of this manual describes the various long-term obligation general ledger codes.

85.72.10.a

Fund Long-Term Obligations - Fund long-term obligations are directly related to and payable from **proprietary and trust fund type accounts**. They generally are not expected to be paid in the next year. Fund long-term obligations may be backed by the full faith and credit of the state or specific revenue as defined in the authorizing legislation.

Proprietary fund long-term obligations are reported in the proprietary fund statement of net assets as well as in the government-wide statement of net assets. Fiduciary fund long-term obligations are reported in the statement of fiduciary net assets.

85.72.10.b

General Long-Term Obligations - All long-term indebtedness of the state which is not classified as a fund obligation should be accounted for as a general long-term obligation. General long-term obligations are liabilities that will not be paid by expending available resources as of the end of the current fiscal year. General long-term obligations are secured by the full faith and credit of the state.

General long-term obligations are not reported in governmental funds, but are reported in the governmental activities column in the government-wide statement of net assets.

85.72.20

June 1, 2004

Bonds payable

85.72.20.a

Amounts owed from the issuance of long-term debt under a formal legal procedure and secured either by the pledge of specific revenues or by the full faith and credit of the state are recorded as Bonds Payable. Bond issues for the state of Washington include:

- **General Obligation Bonds** - Statewide bond issues that are secured by an unconditional pledge of the full faith and credit and taxing power of the state.
- **Zero-Coupon General Obligation Bonds** - These bonds are also secured by an unconditional pledge of the full faith and credit and taxing power of the state. They are sold at a deep discount without coupons and accrete to full value at maturity.
- **Revenue Bonds** - These bond issues are secured by specific sources of revenue and do not involve a pledge of the full faith and credit of the state. Revenue bonds are payable from identified sources of revenue which are generally derived from the assets acquired or constructed with the bond proceeds.
- **Refunding Bonds** - When advantageous and permitted by statute and bond covenants, the State Finance Committee can authorize current or advance refundings of outstanding bonds. Refunding bonds are issued to retire bonds already outstanding.

85.72.20.b

When issued, the bonds discussed above specify principal repayments as:

- **Term Bonds** - Bonds for which the entire principal matures on one date.
- **Serial Bonds** - Bonds for which the principal is repaid in periodic installments over the life of the issue.

85.72.20.c

Bond Accounting - Bonds are accounted for in one of two ways depending on whether they are classified as fund obligations or general long-term obligations.

- **Fund bond debt** - Bond obligations related to and intended to be paid from proprietary and trust fund type accounts are recorded in such accounts. (Refer to Subsection 85.85.30 of this manual for illustrative entries for issuance and servicing of fund bond debt.) If material, bond

discounts, issue costs, and premiums are deferred (using GL Codes 1910 “Unamortized Discount on Bonds Sold,” 1920 “Unamortized Bond Issue Costs,” and 5910 “Unamortized Premiums on Bonds Sold” respectively) and amortized over the life of the bonds.

- **General obligation bond debt** - When bonds are issued that are not fund obligations, the liability for the par amount of the bonds issued is recorded in Account 999 “General Long-Term Obligations Subsidiary Account.” In addition, the fund receiving the proceeds records the par amount of the bonds using Revenue Source Code 0860 “Bonds Issued” or 0864 “Taxable Bonds Issued.” Original issue premiums and discounts are recorded to Revenue Source Code 0863 “Original Issue Premium (Discount).” Issuance costs, including underwriters’ discounts, are recorded as expenditures/expenses using appropriate object codes such as C and E. The debt service activity, which includes redeeming the bonds and/or making interest payments, is recorded in a debt service fund type account. (Refer to Subsection 85.85.35 of this manual for illustrative entries for issuance and servicing of general obligation bonded debt.)

85.72.20.d

Refunding Bonds - When advantageous and permitted by statute or bond covenants, the state refunds outstanding bonds. Refunding occurs when new debt is issued to provide resources to satisfy the debt service requirements of an outstanding bond issue. In a current refunding, outstanding bonds are called or mature within 90 days of the issuance of the refunding bonds.

In an advance refunding, the net proceeds of the refunding issue are used to purchase U.S. Government securities, which are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds until the bonds are called or mature. The refunded bonds are considered to be defeased. Neither the liability for the refunded bonds nor the securities held in the irrevocable trusts are reflected in the state’s financial accounting records.

General bonded debt is refunded using a debt service fund type account. The refunding proceeds are recorded with Revenue Source Code 0859 “Proceeds of Refunding Bonds” and the payment to the escrow agent is recorded with Revenue Source Code 0855 “Payments to Refunded Bond Escrow Agents.” Original issue premiums and discounts are recorded to Revenue Source Code 0858 “Original Issue Premium (Discount) – Refunding Bonds.” Issuance costs, including underwriter’s discount, are recorded to Revenue Source Code 0857 “Underwriters Discount/Costs of Issuance – Refunding Bonds.” The refunded debt (old bond) is removed

from and the refunding debt (new bond) is recorded in Account 999
“General Long-Term Obligations Subsidiary Account.”

When bonded debt of a proprietary or trust fund type account is refunded, the refunded debt (old bond) is removed from, and the refunding debt (new bond) is recorded in the applicable account. If material, the difference between the cost of refunding the old bonds (the outstanding principal of the old bonds plus any associated costs) and the proceeds of the refunding bonds (new bonds) is deferred and amortized over the remaining life of the old bonds, or the life of the refunding bonds, whichever is shorter.

85.72.30

July 1, 2006

Lease-purchase agreements payable

85.72.30.a

A lease may be classified as an **operating lease** or a **capital lease**.

An **operating lease** is defined as a rental of an asset with a term of more than one year, where the payments are chargeable as rental or lease expenditures. Most operating leases contain clauses indicating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. Therefore, they are treated as noncancelable for financial reporting purposes.

A **capital lease** is a lease that transfers substantially all the benefits and risks inherent in the ownership of the property to the state.

A capital lease must meet one or more of the following criteria:

- By the end of the lease term, ownership of the leased property is transferred to the state.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated useful life of the leased property.
- The lease qualifies as a capital lease if, at the inception of the lease, the present value of the minimum lease payments, excluding executory costs (usually insurance, maintenance, and taxes paid in connection with the leased property, including any profit thereof) is 90 percent or more of the fair value of the leased property.

It is the state's policy to record capital lease obligations only for those capital leases where the net present value of the future minimum lease payments is \$10,000 or more. Capital lease obligations which fall below the \$10,000 limit are treated like operating leases.

State lease agreements typically contain a fiscal funding clause, or cancellation clause, which permits the state to terminate the agreement on a biennial basis if funds are not appropriated to continue the next biennium's lease payments. Generally, the likelihood of cancellation is remote.

Leases which contain a cancellation clause must be evaluated to determine if the possibility of cancellation is remote, and if so, and if they also meet at least one of the criteria of a capital lease, then the leases should be classified as capital leases.

Refer also to Subsection 85.72.40 Certificates of Participation.

85.72.30.b

Lease Accounting

1. **Operating Lease** - Accounting for an operating lease consists of recording rental payments as a normal operating expenditure/expense to Sub-object ED "Rentals and Leases," on a periodic basis.
2. **Capital Lease** - Accounting for a capital lease consists of:
 - Recording the capital lease at its inception,
 - Updating the Capital Asset Inventory System,
 - Separating periodic payments into principal and interest portions, and
 - Applying payments to the correct object of expenditure.

When a capital lease represents the acquisition or construction of a general capital asset, the acquisition or construction of the general capital asset is recorded as an expenditure in GL Code 6514 "Capital Asset Acquisitions by Lease-Purchase Agreements or Certificates of Participation" and the lease proceeds are recorded in GL Code 3221 "Other Financing Sources," Revenue Source Code 0809 "Capital Lease Acquisitions," consistent with the provisions of NCGA Statement 5. In addition, the capital asset acquired should be recorded in Account 997 "General Capital Assets Subsidiary Account" and the lease obligation should be recorded in Account 999 "General Long-Term Obligations Subsidiary Account." (Refer to Subsections 85.60.70. and 30.20.30 for further information on capital leases.)

Periodic lease payments represent debt service expenditures in governmental fund type accounts. Sub-object PA is charged for the annual amount paid that is applicable to the principal portion of the lease liability and Sub-object PB is charged for the interest portion of the payment. The lease liability recorded in the General Long-Term Obligations Subsidiary Account (Account 999) is reduced by the amount of principal payments. Agencies should review the balance in GL 5272 at the end of each fiscal year and reclassify to short-term (GL 5172 "Lease-Purchase Agreements Payable") that portion of the lease liability that is due to be paid in the next year.

Periodic payments represent a combination of debt service and a reduction of a liability in proprietary and trust fund type accounts. If the capital lease liability was recorded in GL 5172/5272, then GL Code 5172 is debited for the amount paid that is applicable to the principal portion of the lease-purchase liability and Sub-object PB is debited for the interest portion of the payment.

Normally the monthly billing will separate the interest portion from principal, but if not separately stated, interest must be computed by the agency using the current market interest rate the lessee would be charged at the inception of the lease to borrow the funds necessary to purchase the asset.

Payment is normally made from an operating account unless specific requirements dictate use of a debt service fund type account. (Refer to Subsection 85.85.40 for illustrative entries.)

85.72.40

July 1, 2006

Certificates of Participation

85.72.40.a

In order to increase the efficiency and cost effectiveness of lease-purchase activity, the State established a master lease/purchase program administered through the Office of the State Treasurer (OST). This program uses Certificates of Participation (COPs) as a financing mechanism.

Please note: RCW 39.94.010 requires that all financing contracts of the state for the acquisition of real and personal property, which provide for payments over a term of more than one year, be subject to the approval by the State Finance Committee (established under chapter 43.33 RCW). Currently, the contracts approved by the State Finance Committee are

Certificates of Participation (COP). Contact the Office of State Treasurer for further information. Refer to Subsections 85.60.80, 85.85.45 and 85.85.50 for information on COP accounting.

There are two types of COPs as follows:

- Equipment Acquisition Program - Under this program, a capital asset (equipment) is generally acquired with a single transaction.
- Real Estate Program - Under this program, an asset (real estate) is purchased, constructed or renovated. The purchase, construction, or renovation activity may take place over a period of time and may involve multiple transactions. If the purchase/construction/renovation period is lengthy and debt service on the COP is required during the construction/renovation phase, interest may be capitalized.

85.72.40.b Generally, COPs are payable from annual appropriations by the Legislature. If the possibility that the Legislature will fail to appropriate repayment is deemed remote, then a liability for the COP is recorded.

85.72.40.c When governmental fund type accounts purchase equipment or real estate through COPs, the transaction is not an allotment charge. It is the payment of the COP principal that is the allotment charge. The COP liability is recorded in Account 999 "General Long-Term Obligations Subsidiary Account." When the asset acquired meets the state's capitalization policy, it is recorded in Account 997 "General Capital Assets Subsidiary Account."

For acquisition of equipment or real estate through COPs by proprietary and trust fund type accounts, the COP liability is recorded in the acquiring account. Assets acquired meeting the state's capitalization policy are also recorded in the acquiring account.

Refer to Subsections 85.85.45 and 85.85.50 for illustrative entries for equipment and real estate projects financed through COPs.

85.72.40.d For real estate acquisition/ construction/renovation projects financed through COPs (excluding higher education), the COP proceeds are to be deposited into and expended out of a construction account. The liability is recorded in the General Long-Term Obligations Subsidiary Account (Account 999) and the real estate acquisition or construction capitalized in Account 997 "General Capital Assets Subsidiary Account." OST accounts for COP sale and repayment activity in Account 739 "Certificate of Participation and Other Financing - State." (Refer to Subsection 85.85.50 for illustrative entries for real estate projects financed through COPs.)

85.72.40.e Typically, COPs have semi-annual debt service payments. In governmental fund type accounts, sub-object PD is charged for the amount paid that is applicable to the principal and sub-object PE is charged for the interest portion of the payment. In proprietary and trust fund type accounts, GL Code 5173 “Certificates of Participation Payable” is charged for the amount paid that is applicable to the principal portion of the COPs and sub-object PE is to be charged for the interest portion of the payment. Budgeted proprietary fund type accounts require an additional entry to GL Code 6510 “Cash Expenditures/Expense”, Subobject PD “Principal COP Lease-Purchase Agreements,” to record an appropriated disbursement for the portion of the payment applicable to the principal. Payment is normally made from an operating account (Account 739 “Certificate of Participation and Other Financing - State”). (Refer to Subsections 85.85.45 and 85.85.50 for illustrative entries.)

85.72.50 **Vacation leave payable**

July 1, 2006

85.72.50.a **General**

A liability accrues as employees accumulate vacation leave in that, at termination, employees become entitled to a cash payment for all eligible accumulated vacation leave. Additionally, a liability accrues to the state for certain payroll related payments (e.g., the employer's portion of pension benefit and social security and Medicare taxes). Governmental fund type accounts accumulate this liability in Account 999 “General Long-Term Obligations Subsidiary Account.” Proprietary and trust fund type accounts record vacation leave payable as a fund liability.

85.72.50.b **Establishing the Liability**

85.72.50.b.(1) As a part of the year-end closing process, a determination is made of the dollar value of accumulated vacation leave due employees on June 30 using current salary levels. One of two methods is to be employed in this computation:

- Determine the accumulated vacation leave liability on an employee-by-employee basis by multiplying the hours accumulated by the respective employee's current hourly rate; or
- Multiply the total accumulated vacation leave hours by the average hourly rate of all employees. (This option is to be used only by those agencies not having an automated system capable of making the calculation on an individual employee basis.)

85.72.50.b.(2) Once the dollar value of the vacation leave due employees is determined the employer portion of associated payroll related payments (i.e., pension and Social Security and Medicare taxes) is calculated. The sum of the amount payable to employees and the employer share of the related payroll taxes and benefits represents Accrued Vacation Leave Payable.

85.72.50.c **Recording Vacation Leave Expense/Liability**

85.72.50.c.(1) Adjustments are made at the close of the fiscal year to record the increases (vacation leave earned) and decreases (vacation leave used) in the vacation leave liability. **Increases are to be recorded separately from decreases** to allow for proper financial reporting, as required by GASB Statement 34. Agencies with multiple proprietary accounts or a combination of governmental and proprietary accounts need to allocate the vacation leave liability to **each** proprietary account and a single total for **all** governmental fund type accounts. This allocation may be estimated when leave records are not maintained by account.

85.72.50.c.(2) In proprietary and trust fund type accounts, increases in vacation leave liability are recorded as a fund liability through a debit to GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" (using appropriation and program codes as appropriate) and a credit to GL Code 5125 and/or 5225 "Accrued Vacation Leave Payable", as deemed appropriate. Decreases in vacation leave liability are recorded by a debit to GL Code 5125 and/or 5225 and a credit to GL Code 6525 with an applicable appropriation and program codes.

85.72.50.c.(3) For governmental fund type accounts, increases in vacation leave liability are recorded in Account 999 "General Long-Term Obligations Subsidiary Account" as a debit to GL Code 1820 "Amount to be Provided for Retirement of Long-Term Obligations" and a credit to the GL Code 5125 and/or 5225, as deemed appropriate. Decreases in the vacation leave liability are recorded as a debit to GL Code 5125 and/or 5225 and a credit to GL Code 1820.

85.72.60

June 1, 2004

Sick leave payable

85.72.60.a

General

A liability for sick leave accrues as the benefits are earned to the extent that it is probable that the employer will compensate the employee for the leave conditioned on the employee's retirement. Paid time off for sick leave which is contingent on an illness is not subject to accrual because it

is dependent on a future event that is beyond the control of the employer. To the extent that sick leave will be paid upon retirement, agencies are to estimate and record this liability.

The liability for sick leave includes the dollar value of the estimated amount to be paid in cash to employees upon retirement, and the employer portion of the associated payroll related payments (i.e., Social Security and Medicare taxes). Pension is not paid on sick leave buy-out.

85.72.60.b **Establishing the Liability**

85.72.60.b.(1) The dollar value of sick leave that will be paid to employees upon retirement is calculated using current salary levels and an estimate of the likelihood that employees with accumulated sick leave balances, as of year end, will remain in state service until they are eligible for retirement at which time they will be able to cash out their sick leave. One of the following two methods is to be used in this computation. Once a method is selected, it is to be applied consistently.

- **Method 1.** This method employs an actuarially determined factor of the probability that current employees will remain in state service until they are eligible for retirement. This method is an option where the dollar value of sick leave is readily available or can be calculated by multiplying the total sick leave hours accumulated by the average hourly pay rate of the employees.

The dollar value of sick leave accumulated as of year-end is divided by four (since the state's buy-out policy is one day for every four accumulated) and then multiplied by the actuarially determined factor representing the probability that leave will be cashed out. This factor will be available annually from OFM Accounting Division.

- **Method 2.** This method is based on the assumption that future sick leave buy-out will be consistent with recent years, that the average employee who will eventually cash-out sick leave will work 30 years, and that there is a bell-shaped distribution of the employee population such that the mean time to retirement is 15 years. This method would be an option where the dollar value of accumulated sick leave hours is not readily available.

Compute an average of the sick leave buy-out (Sub-object AS) for the most recent three years. Multiply the average by 15 years.

85.72.60.b.(2) Multiply the estimated sick leave that will be paid to by the employer's share of Social Security and Medicare taxes. The sum of the amount to be paid to employees and the employer payroll taxes represents Accrued Sick Leave Payable.

85.72.60.c **Recording Sick Leave Expense/Liability**

85.72.60.c.(1) Once the estimate of sick leave payable as of year-end has been calculated, it is compared with the current balance in GL Codes 5127 and/or 5227 "Accrued Sick Leave Payable", as appropriate. Adjustments are made to record the increases (sick leave earned) and decreases (sick leave used) in the sick leave liability. **Increases are to be recorded separately from decreases** to allow for proper financial reporting, as required by GASB Statement 34. Agencies with multiple proprietary accounts or a combination of governmental and proprietary accounts need to allocate the sick leave liability to **each** proprietary account and a single total for **all** governmental accounts. This allocation may be estimated when leave records are not kept by account.

85.72.60.c.(2) In proprietary and trust fund type accounts, increases in sick leave payable are recorded as a fund liability through a debit to GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" (using appropriation and program codes as appropriate) and a credit to GL Code 5127 and/or 5227 "Accrued Sick Leave Payable", as deemed appropriate. Decreases in sick leave liability are recorded as a debit to GL Code 5127 and/or 5227 with an offsetting credit to GL Code 6525 with applicable appropriation and program codes.

85.72.60.c.(3) For governmental fund type accounts, increases in sick leave liability are recorded in Account 999 "General Long-Term Obligations Subsidiary Account" as a debit to GL Code 1820 "Amount to be Provided for Retirement of Long-Term Obligations" and a credit to GL Code 5127 and/or 5227, as deemed appropriate. Decreases in the sick leave liability are recorded as a debit to GL Code 5127 and/or 5227 and a credit to GL Code 1820.

85.72.65
July 1, 2006

Compensatory time payable

85.72.65.a

General

A liability accrues as certain employees accumulate compensatory time in that, at intervals prescribed by regulation or agency policy, employees become entitled to a cash payment for all eligible accumulated compensatory time. Additionally, a liability accrues to the state for certain payroll related payments (e.g., the employer's portion of pension benefit and social security and Medicare taxes). Governmental fund type accounts accumulate this liability in Account 999 "General Long-Term Obligations Subsidiary Account." Proprietary and trust fund type accounts record vacation leave payable as a fund liability.

85.72.65.b

Establishing the Liability

85.72.65.b.(1)

As a part of the year-end closing process, a determination is made of the dollar value of accumulated compensatory time due employees on June 30 using current salary levels. One of two methods is to be employed in this computation:

- Determine the accumulated compensatory time liability on an employee-by-employee basis by multiplying the hours worked at time-and-one-half by the respective employee's current hourly rate; or
- Multiply the total accumulated compensatory time hours worked at time-and-one-half by an average hourly rate. (This option is to be used only by those agencies not having an automated system capable of making the calculation on an individual employee basis.)

85.72.65.b.(2)

Once the dollar value of the compensatory time due employees is determined the employer portion of associated payroll related payments (i.e., pension and Social Security and Medicare taxes) is calculated. The sum of the amount payable to employees and the employer share of the related payroll taxes and benefits represents Accrued Compensatory Time Payable.

85.72.65.c

Recording Compensatory Time Expense/Liability

85.72.65.c.(1)

Adjustments are made at the close of the fiscal year to record the increases (compensatory time earned) and decreases (compensatory time used) in the compensatory time liability. **Increases are to be recorded separately from decreases** to allow for proper financial reporting, as required by GASB Statement 34. Agencies with multiple proprietary accounts or a

combination of governmental and proprietary accounts need to allocate the compensatory time liability to **each** proprietary account and a single total for **all** governmental accounts. This allocation may be estimated when compensatory time records are not kept by account.

85.72.65.c.(2) In proprietary and trust fund type accounts, increases in compensatory time liability are recorded as a fund liability through a debit to GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" (using appropriation and program codes as appropriate) and a credit to GL Code 5128 and/or 5228 "Accrued Compensatory Time Payable", as deemed appropriate. Decreases in compensatory time liability are recorded by a debit to GL Code 5128 and/or 5228 and a credit to GL Code 6525 with an applicable appropriation and program codes.

85.72.65.c.(3) For governmental fund type accounts, changes in the compensatory time liability are to be reflected in the governmental account if the liability is to be liquidated within 12 months, or in Account 999 "General Long-Term Obligations Subsidiary Account" if the intent is to liquidate it after one year. Increases in compensatory time liability are recorded as a credit to the GL Code 5128 and/or 5228, and a debit to expenditures in the governmental account or a debit to GL Code 1820 "Amount to be Provided for Retirement of Long-Term Obligations" in Account 999 as appropriate. Decreases in the compensatory time liability are recorded as a debit to GL Code 5128 and/or 5228 and a credit to expenditures in the governmental account or a credit GL Code 1820 in Account 999 as appropriate.

85.72.70

July 1, 2006

Termination benefits

A liability accrues for termination benefits provided to state employees. Additionally, a liability accrues to the state for certain payroll related payments (e.g., the employer's portion of pension benefit and social security and Medicare taxes). Unemployment compensation or effects of a termination benefit on the agency's obligations for pension or other postemployment benefits are not considered termination benefits.

In governmental fund type accounts, termination benefits are recorded as an expenditure and fund liability. In proprietary and trust fund type accounts, termination benefits are recorded as an expense and fund liability.

Contact your OFM Accounting Consultant for further guidance on recording termination benefits.



85.74 Special Liabilities

85.74.10

July 1, 2003

Vendor payment advance

85.74.10.a

General

85.74.10.a.(1)

As prescribed in RCW 28B.50.090 and in RCW 28B.50.143, the State Board for Community and Technical Colleges (SBCTC) and each community and technical college district may request and receive an advance from the Office of the State Treasurer (OST) for local vendor payments. Vendor payment advances are considered liabilities of the agencies receiving the monies.

85.74.10.a.(2)

The SBCTC and each individual college are responsible for establishing proper accounting procedures and controls to ensure accountability and obtain maximum benefit from the authorized advance.

85.74.10.b

Initial Advance

85.74.10.b.(1)

The SBCTC is to submit to the Office of Financial Management (OFM) a request for approval of the amount calculated as the initial advance for the SBCTC and each individual college. In arriving at the amounts, the following criteria is to be used:

- The base to be used in the calculation of the advance is to equal total budgeted expenditures of the General Fund for the biennium.
- The amount of the advance to each individual college is to be limited to 17 percent of its average monthly allotment for General Fund expenditures, and the amount advanced to the SBCTC is to be limited to 24 percent of its average monthly allotment for General Fund expenditures.
- Approval is not to be granted if the allotment for the community and technical college system has not been received by OFM.

85.74.10.b.(2)

Upon approval by OFM, the SBCTC is to notify each individual college of its approved amount. Thereafter, the SBCTC and each individual college are to prepare a Journal Voucher (A7-A) for the amount of the advance and request an EFT. In all cases, the payee is to be the institution and is not to

include the name of an individual. The entry required in the general ledger for Account 001 "General Fund" is a debit to GL Code 1350 "Due From Other Funds - Advances" and a credit to GL Code 7120 "Warrants In-Process." (Refer to Subsection 85.85.55.a.(1) for an illustrative entry.)

85.74.10.b.(3) Upon receipt of the EFT, the SBCTC and each individual college are to record the amount received in Account 840 "Institutions of Higher Education - Agency Account." The entry required in the general ledger for Account 840 is a debit to GL Code 1110 "Cash in Bank" and a credit to GL Code 5150 "Due To Other Funds - Advances." (Refer to Subsection 85.85.55.a.(2) for an illustrative entry.)

85.74.10.c **Payments for Goods and Services**

85.74.10.c.(1) The SBCTC and each individual college are to process vendor payments for those items chargeable to the General Fund in the same manner as local account expenditures with the following exceptions:

- Checks are to be drawn on the local bank account against the cash advance deposited in Account 840, but no expenditure data is to be recorded against this account. Instead, the entry required in the general ledger for Account 840 is a debit to GL Code 1350 "Due From Other Funds - Advances" and a credit to GL Code 1110 "Cash in Bank." (Refer to Subsection 85.85.55.b.(1) for an illustrative entry.)
- To support the debit entry to the clearing account, the SBCTC and each individual college are to maintain a file detailing the expenditure/expense coding which is to be charged when reimbursement is requested.

85.74.10.c.(2) The SBCTC and each individual college are to record expenditure data to Account 001 "General Fund." This entry is to be made simultaneously with the general ledger entry to Account 840. The general ledger entry required in Account 001 is a debit to GL Code 6505 "Accrued Expenditures/Expenses" and a credit to GL Code 5150 "Due To Other Funds - Advances." (Refer to Subsection 85.85.55.b.(2) for an illustrative entry.)

85.74.10.d **Reimbursements**

85.74.10.d.(1) At the end of each month, the SBCTC and each individual college are to process a Journal Voucher (A7-A) requesting reimbursement for the amount of money actually disbursed from the advance. The amount requested should be supported by the detailed listing as noted in c.(1)

above. When reimbursement is requested, cash expenditures are to be recorded in Account 001 "General Fund." The entry is a debit to GL Code 5150 "Due To Other Funds - Advances" and a credit to GL Code 6505 "Accrued Expenditures/Expenses" and a debit to GL Code 6510 "Cash Expenditures/Expenses" and a credit to GL Code 7120 "Warrants In-Process." Upon receipt of the EFT, the SBCTC and each individual college are to record the deposit in Account 840. The entry is a debit to GL Code 1110 "Cash in Bank" and a credit to GL Code 1350 "Due From Other Funds - Advances." (Refer to Subsection 85.85.55.c for illustrative entries.)

85.74.10.d.(2) The SBCTC and each individual colleges are limited to one reimbursement per month. At no time is the SBCTC or any individual college to request an amount of reimbursement in excess of actual cash outlays.

85.74.10.d.(3) Accruals, together with encumbrances, are to be posted to the General Fund at the end of each month.

85.74.10.e **Biennial Close out of Vendor Payment Advance**--Early in each new biennium the advance for the preceding biennium is to be closed out. To close out the vendor payment advance, the SBCTC and each individual college are to follow these procedures:

1. Institutions of Higher Education - Agency Account 840

The amount reimbursed for expenditures incurred in June will be reduced by the amount initially advanced. This amount should equal the difference between the amount of the original advance as recorded in GL Code 5150 "Due To Other Funds - Advances" and the amount of June expenditures in GL Code 1350 "Due From Other Funds - Advances." If June expenditures are greater than the amount initially advanced, the difference is to be requested as reimbursement. If June expenditures are less than the amount initially advanced, the difference must be remitted to the General Fund 001. To record the amount to be reimbursed or remitted, the following entries are required: The first entry required is a debit to GL Code 5150 and a credit to GL Code 1350 for the amount of the initial advance. After this entry has been made, the balance in GL Code 1350 will indicate whether funds are to be requested or remitted to the General Fund 001. If the balance in GL Code 1350 is a debit, request reimbursement of this amount by processing a Journal Voucher (A7-A) requesting an EFT. Upon receipt of the EFT, the entry required is a debit to GL Code 1110 and a credit to GL Code 1350. If the balance in GL Code 1350 is a credit, EFT the balance to the General Fund 001 and process a Cash Receipts Journal Summary (A8-A). The entry required is a debit to GL Code 1350 and a credit to GL Code 1110. (Refer to Subsection 85.85.55.d for an illustrative entry.)

The SBCTC and each individual college are to use the listing from the payment file detailing the expenditure/expense GL coding to be charged for advance payments.

2. General Fund 001

The SBCTC and each individual college are to record the reimbursement or remittance in the General Fund . If the final amount is a reimbursement from Account 001, the entry is a debit to GL Code 5150 “Due To Other Funds - Advances” and a credit to GL Code 7120 “Warrants In-Process” for the amount reimbursed. If the final amount is a remittance to Account 001, the entry is a debit to GL Code 7110 “Receipts In-Process” and a credit to GL Code 1350 “Due From Other Funds - Advances.” (Refer to Subsection 85.85.55.d.(2) for an illustrative entry.)

At this point the balances in GL Code 1350 “Due From Other Funds - Advances” and GL Code 5150 “Due To Other Funds - Advances” should be zero.

85.74.20

July 1, 2001

Public works contracts - retention of payments

85.74.20.a

General

85.74.20.a.(1)

RCW 60.28.010 requires, in part, that all contracts for public improvements or work, other than for professional services, by a public body must provide for retention from the amounts earned by the contractor those amounts provided by law. Such monies are to be retained in accordance with the provision of the law for the protection and payment of any person supplying labor or material for such work and the state for taxes due from the contractor.

85.74.20.a.(2)

The monies reserved from amounts due a contractor are to be:

- Retained in an account by the public body until 30 days following the final acceptance of said improvement or work as completed, or
- Deposited by the public body in an interest bearing account in a qualified public depository, not subject to withdrawal until after final acceptance of said improvement or work is completed or until agreed to by both parties, provided that interest on such account shall be paid to the contractor, or

- Placed in escrow with a bank or trust company until 30 days following the final acceptance of said work or improvement as completed.

85.74.20.a.(3) The warrant or check representing monies to be placed in escrow is to be made payable to the bank or trust company on behalf of the contractor. Such monies are to be converted into bonds and securities and held in escrow. The bonds and securities are to be chosen by the contractor and approved by the public body. When interest in such investments accrues **and is paid**, it is to be forwarded to the contractor.

85.74.20.a.(4) Refer to Subsection 85.85.60 of this manual for illustrative entries related to retained percentages.

85.74.20.b **Escrow Agreement**

85.74.20.b.(1) Following the award of a contract for public improvements or work for which retained percentages are required to be reserved under the provisions of RCW 60.28.010, agencies are to require the contractor to exercise an option in writing as to whether monies reserved from amounts due to the contractor are to be placed in escrow, deposited in an interest bearing account, or retained by the agency. Agencies are to develop procedures for informing the contractor of the options and method for exercising the option.

An option must be exercised prior to or at the time of submission of the invoices for the first progress payment to be made under the contract. No progress payment is to be made until the contractor has exercised an option in writing.

85.74.20.b.(2) If, during the course of work under a contract for public improvement or work for which amounts are required to be reserved under the provisions of RCW 60.28.010, the contract completion date is changed and the change will work an undue hardship upon the contractor when compared to the increased costs to the state agency if a change in election is allowed, the agency may, at its discretion, allow the contractor to make a change in the option elected.

85.74.20.b.(3) When the contractor elects to place amounts reserved in escrow, the contractor and the agency are to jointly select a bank or trust company as the escrow agent. The agency, contractor, and escrow agent are to then jointly execute an Escrow Agreement approved as to form by the Attorney General. The Escrow Agreement, in addition to other requirements, is to also provide for payment of all escrow costs and fees by the contractor. A copy of the completed Escrow Agreement is to be provided to the escrow agent, contractor, and agency prior to the time the first progress payment is made.

85.74.20.c **Investment of Monies in Escrow**

85.74.20.c.(1) The escrow agent holding the retained monies pursuant to RCW 60.28.010 is to invest such monies in bonds and securities selected by the contractor and approved by the agency. In approving securities, the agency is to consider the probable safety of the securities and their liquidity. The agency may approve investments in the following types of bonds and securities:

- Bills, certificates, notes, or bonds of the United States;
- Other obligations of the United States or its agencies;
- Obligations of any corporation wholly owned by the government of the United States;
- Bonds and/or discount notes of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Banks Consolidated System-wide, Government National Mortgage Association, Student Loan Marketing Association, Small Business Administration, Export-Import Bank, and Maritime Administration;
- Time deposits in qualified public depositories;
- Bankers acceptances purchased on the secondary market;
- State, county, municipal, or school district bonds, or warrants of taxing districts of the state. Such bonds and warrants shall be only those found to be within the limit of indebtedness prescribed by law for the taxing district issuing them and to be general obligations;
- Motor Vehicle Fund warrants when authorized by agreement between the State Treasurer and the Department of Transportation requiring repayment of invested funds from any moneys in the Motor Vehicle Fund available for state highway construction;
- Bonds of the state of Washington and any local government in the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency;
- General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency;

- Utility revenue bonds or warrants of any city or town in the state of Washington;
- Bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty fund law;
- Shares of mutual funds with portfolios consisting of only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities less than four years, or bonds described in RCW 39.59.020 (1) or (2), except that bonds otherwise described in RCW 39.59.020 (1) or (2) shall have one of the four highest credit ratings of a nationally recognized rating agency; and
- Shares of money market funds with portfolios consisting of only bonds of states and local governments or other issuers authorized by law for investment by local governments, which bonds have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency.

85.74.20.c.(2) Other bonds or securities eligible for investment by public entities may be approved by the agency, providing that it has the staff assistance and expertise to permit it to exercise sound judgment in assessing the probable safety and liquidity of such securities. In no event is the agency to approve investments in stock of any company, association, or corporation. In all cases, including those enumerated above, the securities selected must mature on or prior to the date set for completion of the contract, including extensions thereof, or 30 days following the final acceptance of said improvement or work.

85.74.20.d **Deposits in Interest Bearing Accounts**

85.74.20.d.(1) When an election is made to deposit amounts reserved in an interest bearing account in a public depository, the contractor and agency are to select an institution agreeable to both. The financial institution selected must be a qualified public depository under Chapter 39.58 RCW.

85.74.20.d.(2) Deposits in an interest bearing account are to be in the name of the agency and are not allowed to be withdrawn without the agency's written authorization. The amounts deposited are not to be subject to withdrawal until after final acceptance of said improvement or work as completed, or until agreed to by both parties. In no case is the agency to be allowed to withdraw the monies unless the conditions of RCW 60.28.020 are met. The public depository is to report any such deposits as public deposits and collateralize the deposits in accordance with Chapter 39.58 RCW.

- 85.74.20.d.(3) **Interest Earnings** - Interest earned on deposits is to be paid to the contractor as said interest becomes payable under the terms of the deposit. The agency is to notify the institutions to withhold all further payments of interest in the event claims are filed against the contractor. After such notice, all unpaid interest is to be subject to the conditions of Chapter 60.28 RCW. The account is to be appropriately noted by the public depository to enable that institution to report interest payments made to the contractor to the Internal Revenue Service in the proper format.
- 85.74.20.e Agencies using local funds to pay public works contracts are to use local accounts comparable to the treasury accounts listed above. The agency is to retain in its files all documents, supporting data, and records which reflect all actions taken relating to the escrow account and the investment of escrow monies.

85.74.30

July 1, 2003

Unclaimed property

In accordance with state law, unclaimed personal property reverts to the state in the absence of legal claimants or heirs. The state accounts for abandoned property in Account 196 "Unclaimed Personal Property Account." Amounts in excess of a statutory limit are transferred to the General Fund. The state establishes a liability in Account 196 to reflect an estimate of the amount that will eventually be claimed using short-term GL Code 5193 "Liability for Unclaimed Property Refunds" and long-term GL Code 5293 "Liability for Unclaimed Property Refunds."

The state uses Account 527 "Administrator for Intestate Estates Account" to account for escheat property. Property escheats to the state from the estates of persons who die intestate without any known or discoverable heirs. Account 527 is an agency fund and is used to account for the escheat property pending identification of rightful heirs.

85.74.40 **Claims and judgments**

July 1, 2001

85.74.40.a Agencies are to record a liability for claims and judgments when all four of the following criteria are met:

- the event giving rise to the claim occurred prior to the end of the fiscal year,
- it is probable that a claim will be asserted,
- it is probable that the claim will prevail, and
- the amount of the loss is measurable or estimable.

85.74.40.b In governmental fund type accounts, only that portion of the claims and judgments liability that is expected to be liquidated with current available spendable resources is recorded in the operating account as a liability and expenditure. The remaining portion of the liability is recorded in Account 999 “General Long-Term Obligation Subsidiary Account.” Claims and judgments that are currently due and payable are recorded in the operating accounts of governmental fund type accounts as liabilities and expenditures regardless of whether or not there are sufficient available spendable resources to liquidate them.

85.74.40.c In proprietary and trust fund type accounts, claims and judgments are always fund liabilities. They are separated into short-term GL Code 5113 “Claims and Judgments Payable” and long-term GL Code 5213 “Claims and Judgments Payable.”

85.74.40.d An example of a claims liability involves disallowed costs on federal programs. At the point that the agency determines that it is probable that a repayment will be made to the federal government and the amount is measurable, a claims liability is to be recorded. Additionally, an adjustment for the amount of the repayment is to be recorded to reduce both the federal revenue and expenditure/expense initially charged. (Refer to Subsection 85.85.65 for an illustrative entry.)

85.74.40.e In instances where it is reasonably possible that a loss has occurred or an asset has been impaired, or a loss is probable but not measurable, a liability should not be recorded. These contingent obligations are reported by means of the year-end disclosure form process and disclosed in the notes to the state’s financial statements.



85.80 Fund Equity

85.80.10

July 1, 2001

Fund Equity

- 85.80.10.a Fund equity represents the difference between fund assets and fund liabilities. Fund equity is reported differently for governmental and proprietary fund types.
- 85.80.10.b In governmental fund type accounts, fund equity is called fund balance. Fund balance is classified as either reserved or unreserved. Reserved fund balance represents amounts not available for appropriation or expenditure. Unreserved fund balance is either designated to indicate tentative plans for future use or undesignated to indicate the amount available for appropriations. All adjustments to reserved or designated fund balance are offset to unreserved fund balance. Refer to Subsection 85.85.70 for an illustrative entry.
- 85.80.10.c 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.
- 85.80.10.d For reporting at the government-wide level, fund equity is presented in the net assets format consistent with proprietary funds.
- 85.80.10.e Except under specific circumstances, direct entries to fund equity, other than reservations or designations, are not allowed. Examples of circumstances where direct entries to fund equity are allowed include implementation of new accounting standards and correction of material prior period errors. Refer to Subsection 90.20.15.
- 85.80.10.f Refer to Subsection 75.40.20 of this manual for a description of the various net asset general ledger codes.



85.85 Liabilities and Equity - Illustrative Entries

85.85.10

July 1, 2003

General

The following entries illustrate the recording of liabilities and equity in the accounting records. The entries are for illustrative purposes **only** and should **not** be considered all-inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of the State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

85.85.15

May 1, 1999

Establishment of short-term liabilities

To record the accrual of expenditures/expenses for goods and services from a vendor invoice. (Refer to Subsection 85.70.20.c.)

	Dr.	Cr.
Accrued Expenditures/Expenses (6505)	xxx	
Appropriate Short-term Payable Account (51XX)		xxx

85.85.20

May 1, 1999

Payment of short-term liabilities

To record payment of a short-term liability.

	Dr.	Cr.
Appropriate Short-term Payable Account (51XX)	xxx	
Cash in Bank (1110) or Warrants In-Process (7120)		xxx
Cash Expenditures/Expenses (6510)	xxx	
Accrued Expenditures/Expenses (6505)		xxx

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Accounting Procedures

85.85.22

June 1, 2004

Long-term to short-term reclassification

To record the reclassification at fiscal year-end of the portion of long-term liabilities that is considered short-term (due and payable within the next fiscal year). (Refer to Subsection 85.70.50)

	Dr.	Cr.
Long-term Liability Account (52XX)	xxx	
Short-term Payable Account (51XX)		xxx

85.85.25

July 1, 2003

Deferred revenue

85.85.25.a

To record deferred revenue. For example, cash received from students for tuition and fees paid in advance of providing services. (Refer to Subsection 85.70.40.)

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Deferred Revenue (5192)		xxx

85.85.25.b

To record recognition of revenue once applicable recognition criteria have been met, i.e., recognition of tuition and fees revenue.

	Dr.	Cr.
Deferred Revenue (5192)	xxx	
Cash Revenue (3210) Revenue Source Code (0424) Tuition and Fees		xxx

85.85.30

June 1, 2004

Fund bond debt issuance and servicing

The following example is used to illustrate entries for recording the issuance and servicing of fund bond debt in a non-appropriated proprietary account. Generally, these bonds are revenue bonds. (Refer to Subsection 85.72.20.c.)

An agency issues revenue bonds with a par amount of \$5,000, with a \$200 original issue discount (OID), underwriter's discount (UD) of \$60 and costs of issuance (COI) of \$20. (Note: Discounts that are related to

underwriters' fees are handled consistent with other issue costs. OID results when the par of the bond exceeds its purchase price. Original Issue Premium, OIP, results when the par of the bond is less than the purchase price. Costs of issuance are generally included in the proceeds and paid separately.) The issue is to be repaid in equal installments over 10 years, beginning next year. Interest is payable at 6% per year on the outstanding balance. (If bond issue costs are deemed immaterial, they may be expensed through GL Code 6510 "Cash Expenditures/Expenses" Subobject PC "Other Debt Services.")

85.85.30.a **To record the issuance of the revenue bonds and payment of the costs of issuance.**

	Dr.	Cr.
Unamortized Bond Issue Costs (1920) (<i>UD</i>)	60	
Unamortized Discount on Bonds Sold (1910) (<i>OID</i>)	200	
Cash in Bank (1110) (Par \$5,000 – \$200 OID – \$60 UD + \$20 COI)	4,740	
Revenue Bonds Payable (5262) (<i>Par</i>)		5,000
Unamortized Bond Issue Costs (1920) (<i>COI</i>)	20	
Cash in Bank (1110)		20

85.85.30.b **To record as short term that portion of principal due within the next fiscal year.**

	Dr.	Cr.
Revenue Bonds Payable (5262)	500	
Revenue Bonds Payable (5162)		500

85.85.30.c **To record the payment of the first year's debt service.**

	Dr.	Cr.
Revenue Bonds Payable (5162) (principal)	500	
Cash Expenditures/Expenses (6510) Subobject PB – Interest	300	
Cash in Bank (1110)		800

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Accounting Procedures

85.85.30.d **To record annual amortization of deferred costs of issuance (COI) and original issue discount (OID) on a straight-line basis.**

	Dr.	Cr.
Amortization Expense (6512) Subobject WB	28	
Unamortized Bond Issue Costs (1920)		8
Unamortized Discount on Bonds Sold (1910)		20

85.85.30.e **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5162 should be the same as the next year's principal payment on the bond amortization schedule.

	Dr.	Cr.
Revenue Bonds Payable (5262)	500	
Revenue Bonds Payable (5162)		500

NOTE: If this were a **budgeted proprietary account**, bond proceeds would be recorded as revenue by a credit to GL Code 3210 "Cash Revenues," Revenue Source Code 0860 "Bonds Issued," and then adjusted for GAAP reporting purposes through GL Code 3225 "Revenue Adjustments/Eliminations (GAAP)," Revenue Source Code 0860 to GL Code 5162 "Revenue Bonds Payable." Likewise, payments on bond principal would be initially recorded as expenditure by a debit to GL Code 6510 Subobject PA "Principal," and then adjusted for GAAP reporting purposes through GL Code 6525 "Expense Adjustments/Eliminations (GAAP)," Subobject PA to GL Code 5162.

85.85.35

June 1, 2004

General obligation bond debt issuance and servicing

The following example is used to illustrate entries for recording the issuance and servicing of general obligation bond debt: Bond par value is \$5,000, with original issue premium (OIP) of \$200, underwriter's discount (UD) of \$60, costs of issuance (COI) of \$20, and an interest rate of 6%. First year debt service includes principal of \$500 and interest of \$300. (Refer to Subsection 85.72.20.c.)

Proceeds of the debt issue will be used to build a facility to house a general governmental agency. For general obligation bond debt handled by the Office of the State Treasurer (OST), the costs of issuance (COI) are always included in the proceeds and paid separately by OST.

85.85.35.a **To record the issuance of the bonds and payment of the costs of issuance.**

OFFICE OF THE STATE TREASURER (AGENCY 010):

State Building Construction Account (Account 057):

	Dr.	Cr.
Receipts In-Process (7110)	5,140	
Cash Expenditures/Expenses (6510) Subobject ER – Other Purchased Services (<i>UD</i>)	60	
Cash Revenues (3210) Revenue Source Code (0863) Original Issue Premium (Discount) (<i>OIP</i>)		200
Cash Revenues (3210) Revenue Source Code (0860) Bonds Issued or (0864) Taxable Bonds Issued (<i>Par</i>)		5,000
Cash Expenditures/Expenses (6510) with appropriate subobject for COI	20	
Warrants- In-Process (7120)		20

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820) (<i>Par</i>)	5,000	
General Obligation Bonds Payable (5161)		500
General Obligation Bonds Payable (5261)		4,500

NOTE: If bond proceeds are being distributed to accounts other than Account 057, the costs of issuance (COI) will be prorated to those accounts based on the portion of par amount they receive.

85.85.35.b **To record a debt service transfer from an operating (reimbursing) account, through the General Fund, and then to a debt service fund type account for a reimbursable bond.**

OFFICE OF THE STATE TREASURER (AGENCY 010):

Operating (Reimbursing) Account:

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0694)	800	
Operating Transfers – Debt Service Reimbursements Journal Vouchers In-Process (7140)		800

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General Fund (Account 001):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Revenues (3210) Revenue Source Code (0694) Operating Transfers – Debt Service Reimbursements		800
Cash Revenues (3210) Revenue Source Code (0694) Operating Transfers – Debt Service Reimbursements	800	
Journal Vouchers In-Process (7140)		800

Debt Service Account (Account 381 or Account 383):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Revenues (3210) Revenue Source Code (0694) Operating Transfers – Debt Service Reimbursements		800

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount Available in Debt Service Funds (1810)	800	
Amount to be Provided for Retirement of Long- Term Obligations (1820)		800

85.85.35.c

If the bond payment does not relate to a reimbursable bond, then the debt service transfer is made directly from the General Fund to a debt service fund as follows:

OFFICE OF THE STATE TREASURER (AGENCY 010):**General Fund (Account 001):**

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject MP	500	
Interfund Transfers Out – Principal		
Cash Expenditures/Expenses (6510) Subobject MI	300	
Interfund Transfers Out- Interest		
Journal Vouchers In-Process (7140)		800

Debt Service Account (Account 3XX):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Expenditures/Expenses (6510) Subobject MC Interfund Transfers In - Principal		500
Cash Expenditures/Expenses (6510) Subobject MD Interfund Transfers In - Interest		300

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount Available in Debt Service Funds (1810)	800	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		800

85.85.35.d

To record the first debt service payment.

Debt Service Account (Account 3XX):

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA Principal	500	
Cash Expenditures/Expenses (6510) Subobject PB Interest	300	
Journal Vouchers In-Process (7140)		800

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
General Obligations Bonds Payable (5161)	500	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		500

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	800	
Amount Available in Debt Service Funds (1810)		800

85.85.35.e

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5161 should be the same as the next year's principal payment on the general obligation bonds amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
General Obligations Bonds Payable (5261)	500	
General Obligations Bonds Payable (5161)		500

85.85.40
July 1, 2006

Lease-purchase agreements (Capital leases)

The following example is used to illustrate the lease purchase entries for capital leases in a governmental fund type account. (Refer to Subsection 85.72.30.)

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Accounting Procedures

An agency operating from the General Fund (governmental fund type account) entered into an agreement to lease a copying machine with a fair value of \$15,000 for 60 months at the rate of \$300 per month. The current interest rate is 12 percent and the present value of the minimum lease payments is \$13,621 (annuity due). Since the present value of the minimum lease payments and the fair value are more than \$10,000, this lease-purchase meets the state's criteria for a capital lease (refer to Subsection 30.20.30 for further information on capitalization criteria for capital leases). The amount to be capitalized is \$13,621, which is the lesser of the fair value and net present value. Therefore, the entries to be recorded for a capital lease are as follows:

85.85.40.a **GOVERNMENTAL FUND TYPE ACCOUNTS (Agency entries)**

85.85.40.a.(1) **To record the capital lease purchase of a capital asset and the lease liability.**

Operating Account:

	Dr.	Cr.
Capital Assets Acquisition by Lease-Purchase Agreements or Certificates of Participation (6514)	13,621	
Subobject JC - Furnishings, Equipment and Software		
Other Financing Sources (3221) Revenue Source Code (0809) Capital Lease Acquisition		13,621

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	13,621	
Investment in General Capital Assets (9850)		13,621

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	13,621	
Lease-Purchase Agreements Payable (5172)		2,229
Lease-Purchase Agreements Payable (5272)		11,392

NOTE: Contact the Office of State Treasurer for the current rate of interest, for computing present value. Capital leases are computed as annuities due because the payments are made at the first of the month; other capital purchases may be computed as ordinary annuities.

85.85.40.a.(2) **To record the first periodic payment of lease-purchase liability.**

NOTE: No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA – Principal	300	
Cash in Bank (1110) or Warrants In-Process (7120)		300

General Long-Term Obligations Subsidiary Account (Account 999):

To reduce the lease-purchase liability by the amount of periodic payment on the principal due.

	Dr.	Cr.
Lease-Purchase Agreements Payable (5172)	300	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		300

85.85.40.a.(3) **To record the second periodic payment on a capital lease-purchase agreement.**

Operating Account:

The interest computation: \$13,621 less the first month's payment \$300, times one percent, the monthly interest rate.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA - Principal	167	
Cash Expenditures/Expenses (6510) Subobject PB – Interest	133	
Cash in Bank (1110) or Warrants In-Process (7120)		300

General Long-Term Obligations Subsidiary Account (Account 999):

To reduce the lease-purchase liability by the amount of periodic payment on the principal due.

	Dr.	Cr.
Lease-Purchase Agreements Payable (5172)	167	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		167

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85.85.40.a.(4) **To reclassify as short term that portion of the liability due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5172 should be the same as the next year’s principal payment on the agency’s lease agreement amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Lease Purchase Agreements Payable (5272)	167	
Lease Purchase Agreements Payable (5172)		167

85.85.40.b **PROPRIETARY AND TRUST FUND TYPE ACCOUNTS**

The following example is used to illustrate the lease purchase entries for capital leases in proprietary and trust fund type accounts. (Refer to Subsection 85.72.30.)

An agency operating from a proprietary fund type account entered into an agreement to lease a copying machine with a fair value of \$15,000 for 60 months at the rate of \$300 per month. The current interest rate is 12 percent and the present value of the minimum lease payments is \$13,621 (annuity due). Since the present value of the minimum lease payments and the fair value are more than \$10,000, this purchase meets the state's criteria for a capital lease (refer to Subsection 30.20.30 for further information on capitalization criteria for capital leases). The amount to be capitalized is \$13,621, which is the lesser of the fair value and net present value. Therefore, the entries to be recorded in the proprietary fund for the capital lease are as follows:

85.85.40.b.(1) **To record the capital lease-purchase of a capital asset and the lease liability.** The asset is recorded at cost, excluding interest, of the asset financed. The current lease liability represents that portion of the lease obligations due within one year and the long-term liability represents lease obligations maturing thereafter.

	Dr.	Cr.
Furnishings and Equipment (2410)	13,621	
Lease-Purchase Agreements Payable (5172)		2,229
Lease-Purchase Agreements Payable (5272)		11,392

85.85.40.b.(2) **To record the first periodic payment of a lease-purchase liability.** The entire payment of the principal due is charged to the current lease-purchase agreements payable. No interest is accrued because the payment is made at the beginning of the first month of the lease.

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	Dr.	Cr.
Lease-Purchase Agreements Payable (5172)	300	
Cash in Bank (1110) or Warrants In-Process (7120)		300

Budgeted proprietary and trust fund type accounts require an additional entry to record an appropriated disbursement for the portion of the payment applicable to the principal.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA – Principal	300	
Expense Adjustments/Eliminations (GAAP) (6525) Subobject PA - Principal		300

85.85.40.b.(3) **To record the second periodic payment of a capital lease-purchase liability paid from a budgeted account.** Payment of the principal due is charged to the current lease-purchase agreements payable.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PB - Interest	133	
Lease-Purchase Agreements Payable (5172)	167	
Cash in Bank (1110) or Warrants In-Process (7120)		300

Budgeted proprietary and trust fund type accounts require an additional entry to record the appropriated disbursement. The amount to be recorded is the portion of the payment applicable to the principal.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA – Principal	167	
Expense Adjustments/Eliminations (GAAP) (6525) Subobject PA - Principal		167

85.85.40.b.(4) **At fiscal year end, to reclassify from long-term to short-term the principal portion of the lease-purchase liability due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5172 should be the same as the next year's principal payment on the agency's lease agreement amortization schedule.

	Dr.	Cr.
Lease-Purchase Agreements Payable (5272)	167	
Lease-Purchase Agreements Payable (5172)		167

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COMPUTATION OF PRESENT VALUE ANNUITIES

Any annuity is a series of equal payments made at regular intervals of time. The time intervals between payments are called payment periods. An annuity is a compound interest situation with periodic payments. When the payments are made at the end of the payment periods, the annuity is called an ordinary annuity. When the payments are made at the beginning of the payment periods, the annuity is called an annuity due.

Computation of present value may be achieved by use of the following formulas:

Where

Pv = present value factor

I = interest rate

n = number of periods

Ordinary Annuity/Present Value Formula-- A loan is a prime example of this annuity situation in which a sum of money is to be repaid with interest by certain payments for a fixed number of periods. The present value of the loan can be computed by multiplying the periodic loan payments by the present value factor. The present value factor is calculated by using the following formula:

$$Pv = \frac{1}{i} \left[1 - (1+i)^{-n} \right]$$

Annuity Due/Present Value Formula-- Rent or lease situations are common examples of this type of annuity. The present value of the rent or lease can be computed by multiplying the periodic rent/lease payments by the present value factor. The present value factor is calculated by using the following formula:

(However, the formula need not be used, since tables showing present values computed with the formula at various interest rates are readily available.)

$$Pv = \frac{1}{i} \left[1 - (1+i)^{-n} \right] + 1$$

and adding 1 to the computed amount

85.85.45
July 1, 2006

Equipment Certificates of Participation

The following example is used to illustrate entries for **equipment certificates of participation (COPs)** in a **governmental** fund type account. (Refer to Subsection 85.72.40.c.)

An agency operating in a governmental fund type account purchases a piece of equipment for \$10,000, and finances it through a COP. (The actual par value of the COP is slightly higher to cover issue costs, such as Cost of Issuance (COI), Original Issue Discount (OID) and Underwriter's Discount (UD). The COI is always included in the proceeds received by OST, but not the OID or the UD. OST recovers the COI, OID, and UD from agencies by factoring these costs into the interest portion of the agency repayment schedule. Refer to Subsection 85.85.45.c). Terms of the COP require first year debt service in the amount of \$2,000 principal and \$600 interest, and a second year principal payment of \$2,200.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund, the OST entries are the same.

85.85.45.a **GOVERNMENTAL FUND TYPE ACCOUNTS (Agency Entries)**

85.85.45.a.(1) **To record the COP liability.** When the COP is sold by OST, it becomes an obligation of the agency even if the proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is two weeks or less.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be provided for retirement of Long-Term Obligations (1820)	10,000	
Certificates of Participation Payable (5173)		2,000
Certificates of Participation Payable (5273)		8,000

85.85.45.a.(2) **To record the purchase of equipment and the receipt of COP proceeds from OST.** (Note: The purchase of the equipment and the reimbursement from OST may be several months apart.)

Operating Account:

	Dr.	Cr.
*Cash Expenditures/Expenses (6510) Subobject JC - Furnishings, Equipment, and Software	10,000	
*Cash in Bank (1110) or In-Process (71XX)		10,000

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Capital Assets Acquisitions by Lease-Purchase Agreements or Certificates of Participation (6514) Subobject JC – Furnishings, Equipment, and Software	10,000	
Other Financing Sources (3221) Revenue Source Code (0807) Certificates of Participation		10,000
*Cash in Bank (1110) or In-Process (71XX)	10,000	
*Cash Expenditures/Expenses (6510) Subobject JC - Furnishings, Equipment, and Software		10,000

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	10,000	
Investment in General Capital Assets (9850)		10,000

***NOTE:** If OST pays the vendor directly for the equipment, then the agency would not record the cash receipt or the cash disbursement entries (since there is no reimbursement to the agency). However, the agency would still record the capital acquisition in GL 6514 Subobject JC with the credit offset in GL 3221 Revenue Source Code 0807.

NOTE: If a COP has been authorized and equipment costs are incurred in one fiscal year and the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 “Due from Other Governments,” and credit expenditures to GL Code 6510 in the year the equipment costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and debit cash when the COP proceeds are received, along with a debit to GL Code 6514 Subobject JC with the offsetting credit to GL Code 3221 Revenue Source Code 0807.

85.85.45.a.(3) **To record the first year COP debt service payment (principal and interest).**

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD - Principal COP Lease/Purchase Agreements	2,000	
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease/Purchase Agreements	600	
Cash in Bank (1110) or In-Process (71XX)		2,600

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation (5173)	2,000	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		2,000

85.85.45.a.(4) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 should be the same as the next year's principal payment on the agency's COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2,200	
Certificates of Participation Payable (5173)		2,200

85.85.45.b **PROPRIETARY FUND TYPE ACCOUNTS (Agency Entries)**

The following example is used to illustrate entries for **equipment certificates of participation (COPs)** in a **proprietary** fund type account. (Refer to Subsection 85.72.40.c.)

An agency operating in a proprietary fund type account acquires a piece of equipment for \$10,000, and finances it through a COP. (The actual par value of the COP is slightly higher to cover issue costs, such as Cost of Issuance (COI), Original Issue Discount (OID) and Underwriter's Discount (UD). The COI is always included in the proceeds received by OST, but not the OID or the UD. OST recovers the COI, OID, and UD from agencies by factoring these costs into the interest portion of the agency repayment schedule. Refer to Subsection 85.85.45.) Terms of the COP require first year debt service in the amount of \$2,000 principal and \$600 interest, and a second year principal payment of \$2,200.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund, the OST entries are the same.

All of these entries are made in the agency's **Operating Account**:

85.85.45.b.(1) **To record the purchase of equipment, the COP liability, and the receipt of COP proceeds from OST.** When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is two weeks or less.

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	Dr.	Cr.
Furnishings and Equipment (2410)	10,000	
Cash in Bank (1110) or In-Process (71XX)		10,000
Cash in Bank (1110) or In-Process (71XX)	10,000	
Certificates of Participation Payable - (5173)		2,000
Certificates of Participation Payable - (5273)		8,000

85.85.45.b.(2) **To record the first year COP debt service payment (principal and interest).**

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease/Purchase Agreements	600	
Certificates of Participation Payable (5173)	2,000	
Cash in Bank (1110) or In-Process (71XX)		2,600

Budgeted proprietary fund type accounts require an additional entry to record the appropriated disbursements. The amount to be recorded is the principal portion of the COP debt service payment.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD – Principal COP Lease/Purchase Agreements	2,000	
Expense Adjustment/Eliminations (GAAP) (6525) Subobject PD –Principal COP Lease/Purchase Agreement		2,000

85.85.45.b.(3) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 should be the same as the next year's principal payment on the agency's COP amortization schedule.

	Dr.	Cr.
Certificates of Participation Payable (5273)	2,200	
Certificates of Participation Payable (5173)		2,200

85.85.45.c **OFFICE OF THE STATE TREASURER (AGENCY 010) ENTRIES**

Using the same example as in Subsection 85.85.45 above, an agency purchases a piece of equipment for \$10,000, and finances it through a COP. Terms of the COP require first year debt service in the amount of \$2,000 principal and \$600 interest, and a second year principal payment of \$2,200.

An additional consideration for OST is to increase the COP issue Par to cover the original issue discount (OID), the underwriter's discount (UD), and costs of issuance (COI). In this example, the OID is \$10, the UD is \$50 and the COI are \$75. The COI is included in the proceeds but not the OID or the UD. OST recovers the OID, UD, and the COI from agencies by factoring these costs into the interest portion of the agency repayment schedule.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund, the OST entries are the same.

85.85.45.c.(1) **To record the closing of the COP sale with the underwriter.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Receipts-In-Process (7110) (Par + COI)	10,075	
Cash Revenues (3210) Revenue Source Code (0499) Other Revenues (COI)		75
Certificates of Participation Payable (5273) (Par)		10,000

85.85.45.c.(2) **To record the liability of the OID, UD, and COI.**

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided (1820)	135	
Certificates of Participation Payable (5273)		135

85.85.45.c.(3) **To distribute the COP proceeds to the state agency and pay the costs of issuance.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Certificates of Participation Payable (5273)	10,000	
Cash-In-Process (71XX)		10,000
Accrued Expenditures/Expenses (6505) with appropriate subobject (COI)	75	
Accounts Payable (5111) (COI)		75
Cash Expenditures/Expenses (6510) (appropriate subobject) (COI)	75	
Accrued Expenditures/Expenses (6505) with appropriate subobject (COI)		75

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	Dr.	Cr.
Accounts Payable (5111) (COI)	75	
Warrants-In-Process (7120) (COI)		75

When debt service payments are made, the COP par liability is reduced to reflect the reduction in COI liability. This is adjusted at fiscal year-end.

85.85.45.c.(4) **To record the receipt of the first debt service payment from an agency.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Cash-In-Process (71XX)	2,600	
Due to Fiscal Agents (5130) (<i>principal and interest</i>)		2,600

NOTE: OST temporarily invests the payments received from agencies for 30 days until the debt service payment is due to the fiscal agent. This activity is recorded by transferring Cash In-Process in and out of the Local Government Investment Pool (1206).

85.85.45.c.(5) **To record payment to the fiscal agent.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Due to Fiscal Agents (5130)	2,600	
Cash-In-Process (71XX)		2,600

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July 1, 2006

Real Estate Certificates of Participation

The following example is used to illustrate entries for **real estate project certificates of participation (COP)** in a **governmental** fund type account. (Refer to Subsection 85.72.40.d.)

An agency operating from a governmental fund type account obtains proper legislative approval for a real estate project and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a \$75 million COP (par) for purposes of constructing a state office building. Of the issue, \$60 million is received as cash by OST and is available to pay for construction costs, and \$14 million is received as cash by OST and is for capitalized interest due during the construction period. The balance of the issue is comprised of the following: \$.7 million is the original issue discount (OID), \$.2 million is the underwriter's discount (UD), and \$.1 million is for other costs of issuance (COI). OST receives cash proceeds

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for the COI, but not for the UD and the OID. Ten million dollars is expended on construction in the first year. Debt service requirement for the first year is \$4 million, interest only. Unspent construction funds earn \$.8 million in interest revenue by the end of the first fiscal year. (NOTE: In proprietary funds, net construction period interest is to be capitalized, if material.)

Unspent proceeds are held by OST and invested with a trustee or in the LGIP (Local Government Investment Pool).

While agency entries differ if the construction is accounted for in a governmental or proprietary fund, OST entries are the same.

85.85.50.a **GOVERNMENTAL FUND TYPE ACCOUNTS (Agency Entries)**

85.85.50.a.(1) **To record the liability for the real estate project COP and the expense of the costs of issuance, original issue discount, and underwriter's discount (paid by OST).** When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is two weeks or less.

Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	74 mil	
Other Financing Sources (3221) Revenue Source Code (0863) Original Issue Premium (Discount) (OID)	.7 mil	
Cash Expenditures/Expenses (6510) Subobject PC – Other Debt Services (UD and COI)	.3 mil	
Other Financing Sources (3221) Revenue Source Code (0807) Certificates of Participation (Par)		75 mil
Capital Asset Acquisitions by Lease-Purchase Agreements or Certificates of Participation (6514) Subobject JF - Buildings	1 mil	
Cash Expenditures/Expenses (6510) Subobject PC - Other Debt Services (UD and COI)		.3 mil
Other Financing Sources (3221) Revenue Source Code (0863) Original Issue Premium (Discount) (OID)		.7 mil

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General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	75 mil	
Certificates of Participation Payable (5273)		75 mil

NOTE: Because interest only is due during the construction period, the entire obligation is initially coded long-term.

85.85.50.a.(2) **To record construction expenditures and reimbursement from OST.****Construction Account:**

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject JX – Other Capital Outlays	10 mil	
Cash in Bank (1110) or In-Process (71XX)		10 mil
Capital Asset Acquisitions by Lease -Purchase Agreements or Certificates of Participation (6514) Subobject JF -Buildings	10 mil	
Cash Expenditures/Expenses (6510) Subobject JX – Other Capital Outlays		10 mil
Cash in Bank (1110) or In-Process (71XX)	10 mil	
Due from Other Agency-OST (1354) <i>(construction proceeds)</i>		10 mil

NOTE: If a COP has been authorized and construction project costs are incurred in one fiscal year and the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 Due from Other Governments, and credit expenditures to GL Code 6510 in the year the project costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and establish the GL Code 1354 from the OST.

85.85.50.a.(3) **To record first year interest-only debt service payment.** This payment is made by OST from the capitalized interest proceeds.**Construction Account:**

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease-Purchase Agreements	4 mil	
Due from Other Agency-OST (1354)		4 mil

85.85.50.a.(4) **To recognize interest earned on unspent construction and capitalized interest proceeds held by trustee and reported to agency monthly by OST.**

Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	.8 mil	
Cash Revenues (3210) Revenue Source Code (0401) Treasury Investment Income		.8 mil

85.85.50.a.(5) **To record at fiscal year-end, an adjusting entry for construction in progress.** Construction in progress is equal to the sum of construction expenditures (\$10 million), COI and UD (\$.3 million), OID (\$.7 million), and interest paid (\$4 million), net of interest earned (\$.8 million).

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Construction in Progress (2510)	14.2 mil	
Investment in General Capital Assets (9850)		14.2 mil

85.85.50.a.(6) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 Certificates of Participation Payable Short-term should be the same as the next year’s principal payment on the agency’s COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2 mil	
Certificates of Participation Payable (5173)		2 mil

85.85.50.a.(7) **In a subsequent period,** assume debt service payment is scheduled for principal amount of \$2 million and interest expense of \$3.5 million for total COP debt payment of \$5.5 million. Part of this \$5.5 million payment (\$2 million) is made by OST from the capitalized interest held by OST, and part of the payment is made by OST from the \$1.1 million of interest earned on funds held by trustee (as reported to agency monthly by OST). The balance of the payment, \$2.4 million, is paid in cash by the agency to OST. OST then makes the full payment of \$5.5 million to the fiscal agent. (Refer to Subsection 85.85.50.c.(6).)

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Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD - Principal COP Lease-Purchase Agreements	2 mil	
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease-Purchase Agreements	3.5 mil	
Cash in Bank (1110) or In-Process (71XX)		2.4 mil
Due from Other Agency-OST (1354)		3.1 mil

**General Long-Term Obligations Subsidiary Account
(Account 999):**

	Dr.	Cr.
Certificates of Participation Payable (5173)	2 mil	
Amount to be Provided for Retirement of Long- Term Obligations (1820)		2 mil

85.85.50.b

PROPRIETARY FUND TYPE ACCOUNTS (Agency Entries)

The following example is used to illustrate entries for **real estate project** certificates of participation (COP) in a **proprietary** fund type account. (Refer to Subsection 85.72.40.c.).

An agency operating from a proprietary fund type account obtains proper legislative approval for a real estate project and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a \$75 million COP (par) for purposes of constructing a state office building. Of the issue, \$60 million is received as cash by OST and is available to pay for construction costs, and \$14 million is received as cash by OST and is for capitalized interest due during the construction period. The balance of the issue is comprised of the following: \$.7 million is the original issue discount (OID), \$.2 million is the underwriter's discount (UD), and \$.1 million is for other costs of issuance (COI). OST receives cash proceeds for the COI, but not for the UD and the OID. Ten million dollars is expended on construction in the first year. Debt service requirement for the first year is \$4 million, interest only. Unspent construction funds earn \$.8 million in interest revenue by the end of the first fiscal year. This example assumes that net construction period interest is material and is therefore capitalized, and the original issue discount (OID), the underwriter's discount (UD) and cost of issuance (COI) are immaterial, and therefore expensed. Where the OID, UD and/or COI are material, they should be deferred to GL Codes 1911 and/or 1921, and amortized over the life of the issue.

Unspent proceeds are held by OST and invested with a trustee or in the LGIP (Local Government Investment Pool).

While agency entries differ if the construction is accounted for in a governmental or proprietary fund, OST entries are the same.

- 85.85.50.b.(1) **To record the liability for the real estate project COP and expense of the costs of issuance, original issue discount, and underwriter’s discount (paid by OST).** When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is two weeks or less.

Agency Operating/Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	74 mil	
Cash Expenditures/Expenses (6510) Subobject PC - Other Debt Services (<i>UD, OID and COI</i>)	1 mil	
Construction in Progress (2510)	1 mil	
Certificates of Participation Payable (5273) (<i>Par</i>)		75 mil
Expense Adjustment/Elimination (6525)		1 mil
Subobject PC – Other Debt Services (<i>UD, OID and COI</i>)		

NOTE: Because interest only is due during the construction period, the entire obligation is initially coded long-term.

- 85.85.50.b.(2) **To record construction expenditures and reimbursement by OST.**

Agency Operating/Construction Account:

	Dr.	Cr.
Construction in Progress (2510)	10 mil	
Cash in Bank (1110) or In-Process (71XX)		10 mil
Cash in Bank (1110) or In-Process (71XX)	10 mil	
Due from Other Agency-OST (1354)		10 mil

- 85.85.50.b.(3) **To record interest earned on unspent proceeds and capitalized interest held by the trustee and reported to the agency monthly by OST.** This entry effectively “nets” interest earnings on unspent proceeds against the construction period interest costs that are capitalized.

Agency Operating/Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	.8 mil	
Construction in Progress (2510)		.8 mil

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Accounting Procedures

85.85.50.b.(4) **To record first year interest only debt service payment – this payment is made by OST from the capitalized interest proceeds.**

Agency Operating/Construction Account:

	Dr.	Cr.
Construction in Progress (2510)	4 mil	
Due from Other Agency-OST (1354)		4 mil

Once the capitalized interest proceeds are expended, the interest payments will involve a credit to Cash in Bank (1110) or In-Process (71XX). Additionally, once construction is completed, the interest payment is charged to interest expense in GL Code 6510 Cash Expenditures and Subobject PE - Interest COP Lease-Purchase Agreements. Refer to Subsection 85.85.50.b.(5).

85.85.50.b.(5) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 should be the same as the next year's principal payment on the agency's COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2 mil	
Certificates of Participation Payable (5173)		2 mil

NOTE: At each fiscal year-end, interest due on the COP since the last payment should be credited to Interest Payable GL 5112.

85.85.50.b.(6) **In a subsequent period, assume debt service payment is scheduled for principal amount of \$2 million and interest expense of \$3.5 million for total COP debt payment of \$5.5 million.** Part of this \$5.5 million payment (\$2 million) is made by OST from the capitalized interest held by OST, and part of the payment is made by OST from the \$1.1 million of interest earned on funds held by trustee (as reported to agency monthly by OST). The balance of the payment, \$2.4 million, is paid in cash by the agency to OST. OST then makes the full payment of \$5.5 million to the fiscal agent (refer to Subsection 85.85.50.c(6)).

Agency Operating/Construction Account:

	Dr.	Cr.
Certificates of Participation Payable (5173) Principal	2 mil	
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease-Purchase Agreements	3.5 mil	
Cash in Bank (1110) or In-Process (71XX)		2.4 mil
Due from Other Agency – OST (1354)		3.1 mil

Budgeted proprietary and trust fund type accounts require an additional entry to record an appropriated disbursement for the portion of the payment applicable to the principal.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD – Principal COP Lease-Purchase Agreements	2 mil	
Expense Adjustments/Elimination (6525) Subobject PD- Principal COP Lease-Purchase Agreements		2 mil

85.85.50.c

OFFICE OF STATE TREASURER (OST) (AGENCY 010) ENTRIES

Using the same example as in Subsection 85.85.50 above, an agency obtains proper legislative approval for a real estate project and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a \$75 million COP (par) for purposes of constructing a state office building. Of the issue, \$60 million is received as cash by OST and is available to pay for construction costs, and \$14 million is received as cash by OST and is for capitalized interest (interest due during the construction period). The balance of the issue is comprised of the following: \$.7 million is the original issue discount (OID), \$.2 million is the underwriter’s discount (UD), and \$.1 million is for other costs of issuance (COI). OST receives cash proceeds for the COI, but not for the UD and the OID. Ten million dollars is expended on construction in the first year. Debt service requirement for the first year is \$4 million, interest only. Unspent construction funds earn \$.8 million in interest revenue by the end of the first fiscal year. The entries for OST are as follows:

All entries are made to **Certificate of Participation and Other Financing - State (Account 739):**

85.85.50.c.(1)

To record the closing of the COP sale with the underwriter. OST receives cash for the construction proceeds, the capitalized interest, and the costs of issuance, which are deposited in the Local Government Investment Pool or with an outside trustee.

	Dr.	Cr.
Receipts-In-Process (7110)	74.1 mil	
Due to Other Agency (5154) (<i>construction proceeds and capitalized interest</i>)		74 mil
Cash Revenue (3210) Revenue Source Code (0499) Other Revenues (<i>COI</i>)		.1 mil
Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140) (<i>construction proceeds and capitalized interest</i>)	74 mil	
Cash-In-Process (71XX)		74 mil

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85.85.50.c.(2)	To record payment of costs of issuance.		
		Dr.	Cr.
	Cash Expenditures/Expenses (6510) with the appropriate Subobject	.1 mil	
	Warrants-In-Process (7120)		.1 mil
85.85.50.c.(3)	To record withdrawal from the trustee (or LGIP), and payment to the agency for construction costs incurred.		
		Dr.	Cr.
	Receipts-In-Process (7110)	10 mil	
	Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140)		10 mil
	Due to Other Agency (5154)	10 mil	
	Cash-In-Process (71XX)		10 mil
85.85.50.c.(4)	To record interest earnings of \$.8 million on unspent proceeds and capitalized interest.		
		Dr.	Cr.
	Investments with LGIP (1206)	.8 mil	
	Due to Other Agency (5154)		.8 mil
85.85.50.c.(5)	To record the first debt service payment made to the fiscal agent by the OST on behalf of the agency. This first payment is made from the capitalized interest proceeds.		
		Dr.	Cr.
	Cash -In-Process (71XX)	4 mil	
	Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140) (<i>capitalized interest</i>)		4 mil
	Due to Other Agency (5154) (<i>capitalized interest</i>)	4 mil	
	Due to Fiscal Agent (5130)		4 mil
	Due to Fiscal Agent (5130)	4 mil	
	Cash-In-Process (71XX)		4 mil
85.85.50.c.(6)	To record debt service in a subsequent period. OST receives a payment from an agency of \$2.4 million and uses the remaining capitalized interest of \$2 million and the accumulated interest earned on the proceeds held on deposit of \$1.1 million to pay debt service of \$5.5 million.		

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	Dr.	Cr.
Cash In-Process (71XX)	2.4 mil	
Due to Fiscal Agent (5130)		2.4 mil
Cash In-Process (71XX)	3.1 mil	
Investments with LGIP (1206)		3.1 mil
Due to Other Agency (5154)	3.1 mil	
Due to Fiscal Agent (5130)		3.1 mil
Due to Fiscal Agent (5130)	5.5 mil	
Cash In-Process (71XX)		5.5 mil

85.85.55

July 1, 2003

Vendor payment advances

To record vendor payment advance transactions. (Refer to Subsection 85.74.10.)

85.85.55.a

Initial Advance

85.85.55.a.(1)

To record the issuance of a vendor payment advance to the State Board for Community and Technical Colleges (SBCTC) or an individual college.

General Fund (Account 001):

	Dr.	Cr.
Due from Other Funds - Advances (1350) (with appropriate subsidiary)	xxx	
Warrants In-Process (7120)		xxx

85.85.55.a.(2)

To record the deposit of the vendor payment advance by the SBCTC or an individual college.

Institutions of Higher Education - Agency Account (Account 840):

	Dr.	Cr.
Cash in Bank (1110)	xxx	
Due to Other Funds - Advances (5150) (with appropriate subsidiary)		xxx

85.85.55.b

Payment for Goods and Services and the Expenditure Recognition

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85.85.55.b.(1) To record the payment to a vendor by the SBCTC or an individual college with the advance.

Institutions of Higher Education - Agency Account (Account 840):

	Dr.	Cr.
Due from Other Funds - Advances (1350) (with appropriate subsidiary)	xxx	
Cash in Bank (1110)		xxx

85.85.55.b.(2) To charge the General Fund for disbursements made from the vendor payment advance.

General Fund (Account 001):

	Dr.	Cr.
Accrued Expenditures/Expenses (6505)	xxx	
Due to Other Funds – Advances (5150) (with appropriate subsidiary)		xxx

85.85.55.c Reimbursement of Advance Account

85.85.55.c.(1) To record the reimbursement of the vendor payment advance.

General Fund (Account 001):

	Dr.	Cr.
Due to Other Funds – Advances (5150)	xxx	
Accrued Expenditures/Expenses (6505)		xxx
Cash Expenditures/Expenses (6510)	xxx	
Warrants In-Process (7120)		xxx

85.85.55.c.(2) To record the deposit of reimbursement received by an individual college.

Institutions of Higher Education – Agency Account (Account 840):

	Dr.	Cr.
Cash in Bank (1110)	xxx	
Due from Other Funds – Advances (1350)		xxx

85.85.55.d Close of Advance Account and Return Outstanding Balance – Early in New Biennium

85.85.55.d.(1) To close the vendor payment advance at the close of the biennium. Example assumes June expenditures against the advance were less the initial advance.

Institutions of Higher Education – Agency Account (Account 840):

*amount of the initial advance

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		Dr.		Cr.
	Due to Other Funds – Advances (5150)	xxx*		
	Due from Other Funds – Advances (1350)			xxx*
	Due to Other Funds – Advances (1350)	xxx		
	Cash in Bank (1110)			xxx
85.85.55.d.(2)	To record the transmittal to the Office of the State Treasurer of the outstanding cash balance in the vendor payment advance.			
	General Fund (Account 001):			
	Receipts In-Process (7110)	xxx		
	Due from Other Funds – Advances (1350)			xxx

85.85.60
July 1, 2001

Retention of payments

To record entries related to payments on public works contracts including retained percentages. (Refer to Subsection 85.74.20.)

85.85.60.a

Payment to Contractor

To record the amount paid to the contractor on a progress billing from an appropriated account.

	Dr.		Cr.
Cash Expenditures/Expenses (6510)	xxx		
In-Process (71XX)			xxx

85.85.60.b

Retained in State Account

To record the amount retained by the state, in a suspense account, from an appropriated account progress billing.

Operating Account:

	Dr.		Cr.
Cash Expenditures/Expenses (6510)	xxx		
In-Process (71XX)			xxx

Suspense Account (Account 01P):

	Dr.		Cr.
In-Process (71XX)	xxx		
Retained Percentages Payable (5116)			xxx

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85.85.60.c **Retained in Escrow or Interest Bearing Account**

To record the amount of retained percentages placed in escrow or in an interest bearing account for an appropriated account.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510)	xxx	
In-Process (71XX)		xxx
Cash and Investments with Escrow Agents and Trustees (1140)	xxx	
Retained Percentages Payable (5116)		xxx

85.85.60.d **Payment of Amounts Retained in State Account**

To record the payment of amounts retained by the state in a suspense account from an appropriated account.

Suspense Account (Account 01P):

	Dr.	Cr.
Retained Percentages Payable (5116)	xxx	
In-Process (71XX)		xxx

85.85.60.e **Payment of Amounts Retained in Escrow or an Interest Bearing Account**

To record the payment of amounts retained in escrow or in an interest bearing account.

Operating Account:

	Dr.	Cr.
Retained Percentages Payable (5116)	xxx	
Cash and Investments with Escrow Agents and Trustees (1140)		xxx

85.85.65

July 1, 2001

Claims and judgments

This illustrative entry of a claims liability displays the accrual of a dispute with the federal government over questioned program costs when it is probable that the state will be required to refund federal revenue. (Refer to Subsection 85.74.40.)

Note: The second entry is made to reverse activity previously coded as federal, which is now supported by state funds.

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	Dr.	Cr.
Cash Revenues (3210) Federal Source Code (03XX)	xxx	
Claims and Judgments Payable (5113)		xxx
Cash Expenditures/Expenses (6510) Subobject (XX) (using a state appropriation)	xxx	
Cash Expenditures/Expenses (6510) Subobject (XX) (using a federal appropriation)		xxx

85.85.70

May 1, 1999

Reservation of fund balance

To record an increase in Reserved Fund Balance corresponding to an increase in petty cash so as to indicate that amounts used for petty cash do not represent available spendable resources. (Refer to Subsection 85.80.10)

Note: To record a decrease, the entry below is reversed.

	Dr.	Cr.
Unreserved/Undesignated Fund Balance (9590)	xxx	
Reserved for Petty Cash (9556)		xxx



85.90 Interfund/Interagency Activities

85.90.10

July 1, 2001

Interfund/interagency activities

There are two major categories of interfund/interagency activities: reciprocal and nonreciprocal.

Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions. It includes interfund loans (refer to Subsection 85.90.20), and interfund services provided and used (refer to Subsection 85.90.30).

Nonreciprocal interfund/interagency activity is nonexchange in nature. It includes interfund transfers (refer to Subsection 85.90.50), and reimbursements (refer to Subsection 85.90.60).

85.90.20

July 1, 2001

Interfund loans

Interfund loans are reciprocal in nature. They are amounts provided with a requirement for repayment within a reasonable time. Interfund loans are reported as interfund receivables (“due from”) in lending funds and interfund payables (“due to”) in borrowing funds. Loans due within one year should be classified as short-term and loans due beyond a year should be classified as long-term. (Refer to Subsection 85.54.30.)

85.90.30

July 1, 2001

Interfund services provided and used

Interfund services provided and used are also reciprocal in nature. They were previously termed “quasi-external transactions.” Interfund services provided and used are transactions within the state that are similar to, and consequently reported as though they had occurred with organizations external to the state. Interfund services provided and used are to be accounted for consistently by the accounts involved.

At the end of each fiscal period, any unpaid or unsettled amounts are reported as either interagency or interfund receivables and payables. (Refer to Subsection 85.95.40 for illustrative entries.)

To record interfund services provided and used, the paying agency records an expenditure/expense using an appropriate object of expenditure. The receiving agency records revenue using either Revenue Source Code 0420 "Charges for Services," 0450 "Sales of Goods and Supplies - Proprietary Funds," or another appropriate revenue source code. Interfund services provided and used are budgeted as well as accounted for in this manner.

The following are examples of interfund services provided and used:

- Internal service fund billings for goods or services, such as purchases from Central Stores and services provided by the Office of the Attorney General. (Refer to Subsection 85.90.40.)
- Routine employer contributions from operating accounts to a pension trust fund.
- Routine service charges for inspection, engineering, utilities, or similar services provided by one account/agency to another.

85.90.40

July 1, 2006

Payment procedures for selected central services agency charges

85.90.40.a

The following are selected central services agencies which require the use of unique object codes by the paying agency. A listing of services provided is as follows:

- **Office of the Secretary of State** - Archives, records storage, and microfilm services.
- **Office of the State Auditor** - Auditing services.
- **Office of the Attorney General** - Legal services.
- **Office of Financial Management** - Statewide Financial Systems, Small Agency Client Services, and Risk Management.
- **Office of Administrative Hearings** - Administrative hearings examiner services.
- **Department of Personnel** - Personnel services for classified employees.

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- **Office of Minority and Women's Business Enterprises (OMWBE)** - Certification of minority business enterprises, socially and economically disadvantaged business enterprises, and women's business enterprises statewide.
- **Department of General Administration** - Office space, janitorial services, utilities, buildings and grounds maintenance, campus delivery and mail service, parking, motor pool, Central Stores, and procurement.
- **Department of Information Services** - Computer and telecommunication services.

85.90.40.b

The following object codes and payment schedules are to be used by the paying agency for transactions with selected central services agencies:

CENTRAL SERVICES AGENCY			PAYING AGENCY		
AGENCY NO. AND NAME	ACCOUNT	REVENUE SOURCE CODE	OBJECT CODE	BILLING/PAYMENT SCHEDULE	
(085) Office of the Secretary of State	Archives and Records Mgmt	006	0420	EW	July, October, January, and April. (Quarterly in advance.)
	Microfilm Services	006	0428	EW	Monthly actuals billed after month end.
(095) Office of the State Auditor	483	0420	ET	Monthly actual time and expenses billed after month end.	
(100) Office of the Attorney General	405	0420	EM	Monthly estimates billed at beginning of month; monthly actuals billed by end of the following month.	
(105) Office of Financial Management	Statewide Financial Systems	419	0420	EL	Monthly actuals billed after month end.
	Small Agency Client Services	001	Expense Reimbursed	ER	Billed quarterly in advance.
	Risk Management Administration	546	0420	EP	Annual invoice at beginning of fiscal year.
	Self Insurance Liability Premiums	547	0496	EP	Annual invoice at beginning of fiscal year.

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CENTRAL SERVICES AGENCY			PAYING AGENCY	
AGENCY NO. AND NAME	ACCOUNT	REVENUE SOURCE CODE	OBJECT CODE	BILLING/PAYMENT SCHEDULE
(110) Office of Administrative Hearings	484	0420	EV	Some agencies are billed July, October, January, and April. (Quarterly estimates billed in advance, adjusted to actual the following quarter.) Other agencies are billed monthly.
(111) Department of Personnel	415	0420	EN	Annual basis, second quarter of each fiscal year. Adjusted to actuals in the following year's billing.
<ul style="list-style-type: none"> • State agencies other than Higher Education 	455	0420	EN	July, October, January and April. (Quarterly billings in advance.)
<ul style="list-style-type: none"> • Higher Education agencies only 				
(147) OMWBE	453	0420	EX	Annual basis, September.
(150) Dept. of General Administration				
<ul style="list-style-type: none"> • Motor Pool 	422	0420	GN	Monthly actuals billed after month end.
<ul style="list-style-type: none"> • Consolidated Mail Services 	422	0420	EK	Outgoing mail monthly actuals billed after month end; Incoming/Campus mail billed according to agencies' agreements.
<ul style="list-style-type: none"> • Parking Services 	045	0402	EK	Prepaid, and billed monthly, quarterly and annually.
<ul style="list-style-type: none"> • Property Management 	422	0402	EK	Rent billed monthly at month end.
<ul style="list-style-type: none"> • Facilities & Services (Seat of Government) 	422	0420	EK	Quarterly billings in advance.
<ul style="list-style-type: none"> • Capital Facilities (Maintenance) and Property Development 	422	0420	EK	Billed monthly following services performed.
<ul style="list-style-type: none"> • Office of State Procurement (Purchasing administration fee - PAF) 	422	0420	EK	Varies by agency.
<ul style="list-style-type: none"> • Central Stores 	422	0450	EA	Orders invoiced daily.

CENTRAL SERVICES AGENCY			PAYING AGENCY	
AGENCY NO. AND NAME	ACCOUNT	REVENUE SOURCE CODE	OBJECT CODE	BILLING/PAYMENT SCHEDULE
(150) Dept. of General Administration (cont'd)				
• Engineering & Architectural Services	057	N/A	JK	Varies by agency.
• Facilities Engineering Services	452	0420	EK	Invoiced upon completion of service.
• Federal and State Surplus	422	0420	JA/JC	Invoiced upon purchase.
(155) Dept. of Information Services				
• Computer Services	419	0420	EL	Monthly actuals billed after month end.
• Telecommunication Services	419	0420	EB	Monthly actuals billed after month end.

85.90.40.c Unless otherwise provided above, central service agencies are to present invoices for payment to receiving agencies within 15 calendar days after the end of each billing period. However, at fiscal year-end all bills (actuals and estimates) are to be invoiced by July 15.

85.90.40.d When problems arise with the collection of interagency receivables, the following steps are to be taken:

1. The interagency receivables/payables personnel are to contact each other to resolve the problems.
2. If (1) fails, the accounting chiefs are to contact each other to find a resolution.
3. If (2) fails, the agencies are to contact their assigned OFM Accounting Consultants.

85.90.50

July 1, 2006

Transfers

85.90.50.a

Transfers are nonreciprocal in nature. Transfers of equity, formerly known as residual equity transfers, are non-recurring, non-routine transfers of equity between accounts. Two examples of equity transfers are contributions to or return of contributions from proprietary fund type accounts and transfer of residual equity balances from discontinued accounts.

Transfers of equity are generally infrequent. The key to identifying equity transfers is their non-recurring or non-routine nature. If transactions are recurring or routine, particularly if they involve a subsidy relationship, they are reported as operating transfers. (Refer to Subsection 85.90.50.b.)

Equity transfers are recorded in governmental fund type accounts using Revenue Source Codes 0678 "Equity Transfers In" or 0679 "Equity Transfers Out." (Refer to Subsection 85.95.20 for illustrative entries.) Equity transfers in proprietary fund type accounts are recorded to Revenue Source Code 0820 "Capital Contributions."

All equity transfers are to be in balance at the agency level, except for the following:

- Transfers to/from subsidiary accounts, and
- Transfers between state agencies.

85.90.50.b

Operating transfers include the following:

- Legally authorized transfers from an account receiving revenue to an account that will expend the resources,
- Transfers of general tax revenues or other dedicated revenues to a debt service fund type account,
- Transfers from the general fund to a special revenue or capital projects fund type account,
- Operating subsidy transfers from the general or a special revenue fund type account to an enterprise fund type account, and
- Transfers from an enterprise fund type account to finance general fund expenditures.

Operating transfers are recorded as expenditures using Object M or as revenues (refer to Subsection 85.95.30 for illustrative entries) using the following Revenue Source Codes:

0611 - Bond Transfers In
0612 - Bond Transfers Out
0621 - Operating Transfers In
0622 - Operating Transfers Out

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- 0623 - Investment Administration Transfers (SIB only)
- 0626 - Non-cash Revenue Transfers - Compensation
- 0627 - Non-cash Revenue Transfers - Other
- 0631 - County Sales and Use Tax Equalization
- 0632 - Municipal Sales and Use Tax Equalization
- 0633 - Timber Tax
- 0635 - Air Pollution Control (Ride Share)
- 0636 - State Treasurer's Service Account
- 0641 - Stadium & Exhibition Account Transfer - Lottery revenues
- 0642 - Student Achievement Account Transfer - Lottery revenues
- 0643 - Education Construction Account Transfer - Lottery revenues
- 0644 - General Fund Transfer – Lottery revenues
- 0648 - Commute Trip Reduction Transfer
- 0649 - Unclaimed Property Transfer
- 0651 - Flood Control Transfer
- 0652 - Water Quality Transfer
- 0654 - County Criminal Justice Transfer
- 0655 - Municipal Criminal Justice Transfer
- 0656 - Emergency Reserve Account Transfer
- 0661 - High Capacity Transit Transfer
- 0666 - Fair Fund Transfer
- 0667 - Initiative 773 Transfers
- 0668 - Education Savings Account Transfer
- 0669 - Fire Insurance Premium Transfer
- 0670 - Natural Resource Deposit Account Transfer
- 0677 - Agency Incentive Savings Transfers In (OFM Only)
- 0678 - Equity Transfers In
- 0679 - Equity Transfers Out
- 0680 - Pension Benefit Reserves Transfers In (DRS Only)
- 0681 - Pension Benefit Reserves Transfers Out (DRS Only)
- 0683 - Retirement System Transfer
- 0684 - Transfer to Wildlife Account
- 0691 - Operating Transfers - Arbitrage
- 0692 - Operating Transfers - Arbitrage Reimbursements
- 0693 - Operating Transfers - Debt Service
- 0694 - Operating Transfers - Debt Service Reimbursements
- 0695 - Operating Transfers - Sales Taxes
- 0696 - Operating Transfers - Motor Fuel Taxes
- 0697 - Operating Transfers - Fiscal Agent
- 0698 - Operating Transfers - Property Taxes
- 0699 - Operating Transfers - Higher Education Fees

Operating transfers net to zero at the agency level.

85.90.50.c Special budgeted allocations generally give agencies additional spending authority, but no additional cash is provided for federal, private/local or dedicated operating accounts. Two examples of these budgeted, noncash allocations are the Salary and Insurance Contribution Increase Allocation and the Special Retirement Contribution Increase Allocation. An expenditure transfer is required for the General Fund – State account allocation. Two transfer transactions – one for the expenditure transfer and one for the revenue transfer – out of the operating account and into the allocation account are required for the federal, private/local and dedicated operating account allocations. (Refer to Subsection 85.95.35 for an illustrated entry.)

85.90.50.d In governmental funds, transfers are reported as other financing uses in the funds making the transfers and as other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported below nonoperating revenues and expenses.

In instances where transfers are appropriated as expenditures, GAAP and budgetary accounting treatments will differ. For budgetary reporting, appropriated operating transfers are considered "expenditures," while for GAAP reporting purposes, as noted above, they are considered other financing uses.

85.90.60

June 1, 2004

Reimbursements

Reimbursements are recorded when one agency and/or account initially charges an expenditure/expense that is subsequently charged to another. Generally, the reimbursement is recorded as an expenditure/expense in the reimbursing account and as a reduction of a corresponding expenditure/expense in the reimbursed account. Accounting for reimbursements in this manner results in the expenditure/expense being reported only once and in the proper account. Reimbursements are to be appropriately documented and approved.

Reimbursement reporting is to be used only in circumstances as described above. It is not to be used for interfund loans, interfund transfers, or other interfund activities. Additionally, payments received by proprietary funds for goods and services are normally recorded as revenue with appropriate revenue source codes rather than as reimbursements. Refer to Subsection 90.20.70.b item 8 for further information.

As described below, reimbursements are coded with Object S and Object T. The sub-object coding should reflect the object of expenditure being offset with the reimbursement, except subobject JA, noncapitalized furnishings, equipment and software. Noncapitalized furnishings, equipment and software are coded to subobjects SE and TE. Whereas Subobjects SZ and TZ “Unidentified” are available for use, it is preferable that an agency allocates charges to the appropriate sub-object of expenditure within Objects S and T on a monthly basis.

Reimbursements are classified into two types:

85.90.60.a

Intra-agency reimbursements - Intra-agency reimbursements are used to charge for services or supplies provided by one account to another and to distribute administrative overhead charges. In accounting for intra-agency reimbursement transactions, the reimbursed account is to credit expenditures using Object T. The reimbursing account is to account for intra-agency materials supplied or services rendered as Object T and the appropriate sub-object.

Intra-agency reimbursements are to be used to record special budgeted allocations involving Accounts 239 “Tort Defense Service Revolving Account,” 406 “Salary and Insurance Increase Revolving Account,” 426 “Digital Government Revolving Account,” and 427 “Special Account Retirement Contribution Increase Revolving Account.” (Refer to Subsection 85.90.50.c.)

Agencies may request a waiver from complying with specific requirements of this section. The request is to be in writing and be approved in writing by OFM before the waiver takes effect. Waivers automatically expire at the end of the fiscal biennium for which they were granted and are to be re-approved in writing to remain in force.

85.90.60.a.(1)

Budgeted Accounts and Certain Higher Education Accounts

All budgeted accounts and the following accounts used by higher education agencies - Accounts 143, 145, 147, 148, 149, 443, and 505 which are included with budgeted accounts for purposes of this section - are to use Object T transfers to record intra-agency transfers between said accounts. Reimbursements to budgeted accounts for expenditures/expenses initially made from it which are properly applicable to another budgeted account are to be recorded as a credit to expenditures/expenses using Object T. The reimbursing account is to debit expenditures/expenses using Object T.

The total for Object T transfers in budgeted accounts is to equal zero except as noted below for GL Code 6525 transfers. When transfers of salaries are made with Sub-object TA, the FTEs are to remain with the original Object A expenditure. (Refer to Subsection 85.95.50.a and b for illustrative entries.)

For GAAP reporting purposes, payments to proprietary fund type accounts should be recorded as revenues with appropriate revenue source codes. However, as discussed above, intra-agency reimbursements to budgeted accounts are recorded as credits to expense using Object T. Therefore, an additional entry is necessary to adjust to proper GAAP accounting. The GAAP adjustment debits GL Code 6525 “Expense Adjustments/Eliminations (GAAP),” using Object T with the appropriate sub-object and credits GL Code 3225 “Revenue Adjustments/Eliminations (GAAP)” with the appropriate revenue source code. Only in the case of GL Code 6525 transfers is there no corresponding Object T offset. (Refer to Subsection 85.95.50.c for an illustrative entry.)

85.90.60.a.(2) **Non-budgeted Proprietary Accounts**

For non-budgeted proprietary accounts (excluding Accounts 443 and 505 which are subject to (1) above), reimbursements are not coded as credits to expenses using Object T. They are coded directly to revenue with appropriate revenue source codes. (Refer to Subsection 85.95.50.d for an illustrative entry.)

Intra-agency reimbursements are restricted to between budgeted accounts or between non-budgeted accounts. Object T transfers are not to be made between budgeted and non-budgeted accounts.

85.90.60.b **Interagency reimbursements** - All transactions between state agencies are to be properly accounted for as prescribed in Chapter 39.34 RCW.

The following procedures are to be followed in those instances where a **budgeted account** or **certain account used by higher education agencies** - Accounts 143, 145, 147, 148, 149, 443, and 505 which are included with budgeted accounts for purposes of this section - provides goods or services to another agency:

85.90.60.b.(1) In accounting for interagency reimbursement transactions, the reimbursed agency is to credit expenditures/expenses using Object S – Interagency Reimbursements. The reimbursing agency is to account for expenditures for interagency materials supplied or services rendered as though they were purchased from an outside vendor. (Refer to Subsection 85.95.60.a and b of this manual for illustrative entries.)

NOTE: In budgeted accounts, interagency reimbursements are not to be recorded as revenue or as recovery of current appropriation expenditures using Revenue Source Code 0902 “Recoveries of Current Appropriation Expenditures.” (Refer to Subsection 85.95.60.a and b for illustrative entries.)

85.90.60.b.(2) The amounts billed to other agencies and uncollected at the end of the month and work in process costs not billed at the end of the month are to be recorded as a credit to the appropriate GL Code Series 65XX “Expenditures/Expenses” with Object S and a debit to GL Code 1354 “Due from Other Agencies - Short-Term.”

85.90.60.b.(3) For GAAP reporting purposes, payments to proprietary accounts should be recorded as revenues with appropriate revenue source codes. However, as discussed above, interagency reimbursements to budgeted proprietary accounts are recorded as credits to expense (Object S). Therefore, an additional entry is necessary to adjust to proper GAAP accounting. The GAAP adjustment debits GL Code 6525 “Expense Adjustments/Eliminations (GAAP),” using Object S with the appropriate sub-object and credits GL Code 3225 “Revenue Adjustments/Eliminations (GAAP)” with the appropriate revenue source code. (Refer to Subsection 85.95.60.c for an illustrative entry.)

For **nonbudgeted** proprietary accounts (excluding Accounts 443 and 505 which are subject to the procedures outlined above), interagency reimbursements are not coded as credits to expenses (Object S). They are coded directly to revenue with appropriate revenue source codes. (Refer to Subsection 85.95.60.d for an illustrative entry.)

85.90.60.c Agencies are to establish procedures to ensure timely, accurate, and cost effective payment of obligations to agencies.

Special attention by all agencies is to be given to the following:

Due Dates - Dates for payments are established by the terms of contracts between the state agencies. If the contract is silent concerning terms or there is no written contract, the terms are net 30 days. The 30 days, or other terms, begin upon receipt of the goods or services or a properly completed invoice, **whichever is later**. Agency payments are to be made by the due date.

Combined Payments - The number of payments to an agency are to be kept to a minimum by processing the maximum number of invoices with a single payment.

Partial Payments - When agencies accept partial delivery of goods or services without reservation, prompt payment is to be made for the goods or services received upon receipt from the agency of a properly completed invoice or in accordance with contract terms covering the partial delivery.

Disputes - Prompt and proper notification to an agency of receipt of unsatisfactory goods or services or an incorrect invoice defers the due date. The due date is recalculated from the date the problem is corrected. Proper authorization is required when material changes are made.

Records - Billings are to reflect the cost of labor, material and overhead. Records are to be maintained by the vendor agency that provides complete cost billing information and also an audit trail for post auditing. Source documentation should be made available, upon request, for review by the billed agency.

Payment Dates - Payment is made after the goods or services are received. Interagency transactions, like regular transactions, are to be paid on the date specified in the applicable contract documents or, if no date is specified, within 30 days of receipt of a properly completed invoice or receipt of goods or services, whichever is later. Transactions between Treasury and/or Treasury Trust Accounts are to be made by Journal Voucher (A7-A) (RCW 39.34.140). Transactions between non-treasury type accounts are to be made by check, or other methods acceptable to the agencies involved.

When problems arise with the collection of interagency receivables, agencies are to follow the steps in Subsection 85.90.40.d.

Vendor agencies are not to request or require advances from receiving agencies unless the advance was approved in writing by the OFM Director or authorized designee (RCW 39.34.150).

Refer to Section 90.20 for additional requirements applicable to fiscal year end cutoff.

Refer to Subsections 85.90.30 and 85.90.50 for discussion of interfund services provided and used and transfers.

85.90.70

July 1, 2001

Agency vendor payment revolving account charges

- 85.90.70.a Account 720 "Agency Vendor Payment Revolving Account" may be used by agencies (RCW 42.26), with the approval of OFM, for the payment of goods or services which are payable from monies other than those maintained in the Office of the State Treasurer.
- 85.90.70.b Use of Account 720 by agencies is to be authorized in writing by the Director of OFM or authorized designee.
- 85.90.70.c Amounts disbursed from Account 720 must be from amounts previously deposited by the agency using the account. These deposits must be from **local accounts** which are properly chargeable with the disbursement. **Amounts to cover disbursements must be deposited prior to actual disbursement.** (Refer to Subsection 85.95.70 for illustrative entries.)
- 85.90.70.d All amounts accruing to Account 720 as a result of the cancellation of warrants are to be re-deposited in the agency's appropriate local account.
- 85.90.70.e Only the following accounts are to be maintained in the general ledger of Account 720: GL Codes 4310 "Current Treasury Cash Activity (OST Only)," 4325 "Beginning Treasury Cash Balance - Agency Funds," 5199 "Other Liabilities - Short-Term," and the 71XX "In-Process" Series. Subsidiary ledgers are not required. (Refer to Subsection 85.95.70 for illustrative entries.)



85.95 Interfund/Interagency Activities - Illustrative Entries

85.95.10

July 1, 2001

These entries are for illustrative purposes

The following situations illustrate the accounting treatment of some typical interfund/interagency activities. These entries are for illustrative purposes **only** and should **not** be considered all-inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of the State Treasurer as illustrated below to clear the GL In-Process codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

85.95.20

July 1, 2003

Transfers of equity

To record the transfer of a fund balance from a discontinued local account to the General Fund. For purposes of this example, assume there is cash as well as outstanding receivables and payables in the discontinued account and that the discontinued account is a governmental fund type account. (Refer to Subsection 85.90.50.a.)

Discontinued Account:

	Dr.	Cr.
Payables - Short-Term (51XX)	xxx	
Cash Revenue (3210) or Noncash Revenue (3220)	xxx	
Revenue Source Code (0679) Equity Transfers Out		
Cash In Bank (1110)		xxx
Receivables - Short-Term (13XX)		xxx

General Fund (001):

	Dr.	Cr.
In-Process (71XX)	xxx	
Receivables - Short-Term (13XX)	xxx	
Payables - Short-Term (51XX)		xxx
Cash Revenue (3210) or Noncash Revenue (3220) Revenue Source Code (0678) Equity Transfers In		xxx

85.95.30
July 1, 2003

Operating transfers

85.95.30.a To record an operating transfer in. (Refer to Subsection 85.90.50.b.)

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Revenue (3210) Revenue Source Code (0621) Operating Transfers In		xxx

85.95.30.b To record an operating transfer out. (Refer to Subsection 85.90.50.b.)

	Dr.	Cr.
Cash Revenue (3210) Revenue Source Code (0622)	xxx	
Operating Transfers Out		
Cash in Bank (1110) or In-Process (71XX)		xxx

85.95.35
July 1, 2006

Special budgeted allocation transfers

85.95.35 To record a special budgeted allocation transfer for an increase allocation to either the Salary and Insurance Increase Revolving Account (Account 406) or the Special Account Retirement Contribution Increase Revolving Account (Account 427). In this entry, the original disbursement was recorded as a cash expenditure to Object A or B in the agency's operating account. (Refer to Subsection 85.90.50.c.)

85
Accounting Procedures

85.95.35

General Fund – State Account:

	Dr.	Cr.
Current Period Clearing Account (9920)	xxx	
Cash Expenditure (6510 Operating Appropriation) Subobjects TA and TB		xxx
Cash Expenditure (6510 Allocation Appropriation) Subobjects TA and TB	xxx	
Current Period Clearing Account (9920)		xxx

Allocation Account:

	Dr.	Cr.
Cash Expenditure (6510) Subobjects TA and/or TB	xxx	
Current Period Clearing Account (9920)		xxx
Current Period Clearing Account (9920)	xxx	
Cash Revenues (3210) Revenue Source Code (0626*)		xxx

Operating Account (Other than General Fund – State):

	Dr.	Cr.
Current Period Clearing Account (9920)	xxx	
Cash Expenditure (6510) Subobjects TA and/or TB		xxx
Cash Revenues (3210) Revenue Source Code (0626*)	xxx	
Current Period Clearing Account (9920)		xxx

*The Revenue Source Code would be 03XX for federal or 05XX for private/local when non-state expenditure authority is involved.

NOTE: This is an in-house non-cash journal voucher entry only. Do not send it to the Office of the State Treasurer. Entries are reversed for a negative allocation.

85.95.40

July 1, 2001

Interfund services provided and used

85.95.40.a	To record amounts billed for goods and services delivered to another agency or account. (Refer to Subsection 85.90.30.)		
		Dr.	Cr.
	Due From Other Agencies (1354) or Due From Other Funds (1353)	xxx	
	Revenue (32XX) (with appropriate revenue source code)		xxx
85.95.40.b	To record receipt of amount previously billed for goods and services delivered to another agency or account. (Refer to Subsection 85.90.30.)		
		Dr.	Cr.
	Cash in Bank (1110) or In-Process (71XX)	xxx	
	Due From Other Agencies (1354) or Due From Other Funds (1353)		xxx
85.95.40.c	To record liability for goods and services rendered by another agency or account. (Refer to Subsection 85.90.30.)		
		Dr.	Cr.
	Expenditures/Expense (65XX) (with appropriate sub-object)	xxx	
	Due To Other Agencies (5154) or Due To Other Funds (5153)		xxx
85.95.40.d	To record disbursement of amount previously booked as liability for goods and services rendered by another agency or account. (Refer to Subsection 85.90.30.)		
		Dr.	Cr.
	Due To Other Agencies (5154) or Due To Other Funds (5153)	xxx	
	Cash in Bank (1110) or In-Process (71XX)		xxx

85.95.50

Intra-agency reimbursements

July 1, 2001

85.95.50.a To record amounts received by one budgeted account from another budgeted account to reimburse for goods and services rendered on behalf of the reimbursing account. (Refer to Subsection 85.90.60.a.(1).)

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Expenditures/Expenses (65XX) Object T		xxx

85.95.50.b To record amounts paid by one budgeted account to another budgeted account to reimburse for goods and services rendered on behalf of the reimbursing account. (Refer to Subsection 85.90.60.a.(1).)

	Dr.	Cr.
Expenditures/Expenses (65XX) Object T	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.95.50.c The additional entry needed for an Object T reimbursements to a budgeted proprietary account to meet GAAP reporting requirements. (Refer to Subsections 85.90.60.a.(1).)

	Dr.	Cr.
Expense Adjustment/Eliminations (GAAP) (6525)	xxx	
Object T		
Revenue Adjustments/Eliminations (GAAP)		xxx
(3225) Revenue Source Code (as appropriate)		

85.95.50.d To record an intra-agency reimbursement received by a non-budgeted proprietary account. (Refer to Subsection 85.90.60.a.(2).)

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Revenues (3210) Revenue Source Code		xxx
(0420) Charges for Services		

85.95.60 Interagency reimbursements

July 1, 2001

85.95.60.a	To record amounts received by a budgeted account in one agency from another agency to reimburse for goods and services rendered on behalf of the reimbursing agency. (Refer to Subsection 85.90.60.b.(1).)	Dr. xxx	Cr. xxx
	Cash in Bank (1110) or In-Process (71XX)		
	Expenditures/Expenses (65XX) Object S		
85.95.60.b	To record amounts paid by a budgeted account in one agency to another agency to reimburse for goods and services rendered on behalf of the reimbursing agency. (Refer to Subsection 85.90.60.b.(1).)	Dr. xxx	Cr. xxx
	Expenditures/Expenses (65XX) Object E		
	Cash in Bank (1110) or In-Process (71XX)		
85.95.60.c	The additional entry needed for Object S reimbursements to a budgeted proprietary account to meet GAAP reporting requirements. (Refer to Subsection 85.90.60.b.(3).)	Dr. xxx	Cr. xxx
	Expense Adjustments/Eliminations (GAAP) (6525)		
	Object S		
	Revenue Adjustments/Eliminations (GAAP)		
	(3225) Revenue Source Code (as appropriate)		
85.95.60.d	To record an interagency reimbursement received by a non-budgeted proprietary account. (Refer to Subsection 85.90.60.b.(3).)	Dr. xxx	Cr. xxx
	Cash in Bank (1110) or In-Process (71XX)		
	Cash Revenues (3210) Revenue Source Code		
	(0420) Charges for Services		

85.95.70

July 1, 2001

Agency vendor payment revolving account

85.95.70.a To record deposits of monies in the Agency Vendor Payment Revolving Account. (Refer to Subsection 85.90.70.)

Operating Account:

	Dr.	Cr.
Expenditures/Expenses (65XX) (with appropriate sub-object)	xxx	
Cash in Bank (1110)		xxx

Agency Vendor Payment Revolving Account (720):

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Liabilities (5199)		xxx

85.95.70.b To record disbursements from the Agency Vendor Payment Revolving Account. (Refer to Subsection 85.90.70.)

Agency Vendor Payment Revolving Account (720):

	Dr.	Cr.
Other Liabilities (5199)	xxx	
Warrants In-Process (7120)		xxx