



80.30 State Accounting and Reporting Policies

80.30.05

June 1, 2002

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

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

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

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

80.30.10

July 1, 2001

What is our fund/account structure?

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

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

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

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

80.30.15

July 1, 2001

What are subsidiary accounts?

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

80.30.20

July 1, 2006

What is our measurement focus and basis of accounting?

80.30.20.a

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

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

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

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

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

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

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

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

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

80.30.25

July 1, 2004

General budgetary policies

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

Refer to Section 85.10.

80.30.27

July 1, 2004

General reporting policies

- 80.30.27.a In accordance with GAAP, the state annually prepares and publishes a Comprehensive Annual Financial Report (CAFR), which presents the primary government and its component units, entities for which the state is considered to be financially accountable. Per RCW 43.88.027, the CAFR is required to be prepared and published within six months of year end.
- 80.30.27.b A state agency or component unit may prepare and publish separate, stand-alone financial reports as deemed necessary. When these reports are prepared in accordance with GAAP, the relationship between the agency or

component and the state should be disclosed on the cover of the report as well as in the notes to the financial statements. Refer also to Subsection 90.10.60.

80.30.28

June 1, 2005

What is the State of Washington reporting entity?

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

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

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

80.30.30

June 1, 2002

Pooled cash and investment policies

Investments of surplus or pooled cash balances are reported by the state as "cash and pooled investments." The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. As a result, the cash balances of funds with surplus pooled balances are not reduced for these investments. For reporting purposes, pooled cash that is invested in 2a7-like pools is reported at fair value or amortized cost (determined by the pool's share price). Investments in the state's Local Government Investment Pool (LGIP), which is an external investment pool operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost.

The policy for valuing investments varies depending upon the nature of the investment. Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Participating contracts are investments whose value is affected by market (interest rate) changes. If these contracts are negotiable or transferable, or their redemption value considers market rates, they should be considered participating. Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure. Investments in open-end mutual funds are reported at fair value, which is determined by the fund's current share price. All other investments are reported at fair value. Fair value is determined using quoted market prices for marketable securities and other reasonable methods for investments where market values are not readily available.

Refer to Section 85.52 for further information on investment accounting procedures.

80.30.35

June 1, 2005

Receivables policy

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

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

Refer to Section 85.54.

80.30.40

June 1, 2005

Inventories policy

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

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

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

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

Refer to Section 85.56.

80.30.45

June 1, 2005

Capital assets policy

Capitalization - Except as noted below, it is the state’s policy to capitalize:

- All land;
- All additions and improvements to the state highway system;
- Infrastructure, other than the state highway system, with a cost of \$100,000 or more; and
- All other capital assets with a unit cost of \$5,000 or more.
- Capital assets acquired by capital leases with a net present value or fair market value, whichever is less, of \$10,000 or more are also capitalized.

80
Accounting Policies

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

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

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

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

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

Depreciation - With the exception of the state highway system, depreciation is calculated on general capital assets. However, depreciation expense of general capital assets is not recorded in governmental fund type accounts. Depreciation is recorded in the General Capital Assets Subsidiary Account for reporting on the government-wide financial statements.

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

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

The cost and related accumulated depreciation of capital assets retired from service, or disposed of, are removed from the accounting records. Refer to Section 30.50.

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

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

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

Reporting - For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business type activities column on the Statement of Net Assets. Depreciation expense related to capital assets is also reported in the Statement of Activities. Capital assets and the related depreciation expense are also reported in the proprietary fund type financial statements.

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

Refer to Section 85.60.

80.30.50

June 1, 2004

Short-term liabilities policy

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

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

Refer to Section 85.70.

80.30.55

July 1, 2006

Compensated absences policy

- **Vacation Leave** - State employees earn vacation leave that, if not used for paid time off, results in full compensation at termination or retirement. It is generally the state's policy to liquidate unpaid vacation leave with future resources rather than currently available expendable resources. Accordingly, governmental fund type accounts recognize vacation leave when it is -paid upon employee's use, resignation or retirement. A liability for accumulated vacation leave, including related payroll benefits and taxes, is recorded for governmental fund type accounts in the General Long-Term Obligations Subsidiary Account. Proprietary and trust fund type accounts recognize the expense and record a liability for vacation leave, including related payroll taxes and benefits, as it is earned. Refer to Subsection 85.72.50.
- **Sick Leave** - The state's policy with respect to sick leave is that if it is not used for paid time off, then the state is only liable to compensate employees through cash payments for 25 percent of their sick leave when they retire or die. For financial reporting purposes, it is the state's policy to liquidate unpaid sick leave at June 30 from future resources rather than currently available expendable resources. Accordingly, governmental fund type accounts recognize sick leave when it is paid. The state records an estimated sick leave buyout liability, including related payroll taxes, for governmental fund type accounts in the General Long-Term Obligations Subsidiary Account. Proprietary and trust fund type accounts recognize the expense and accrue a liability for estimated sick leave buyout as sick leave is earned. Refer to Subsection 85.72.60.

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

80.30.57

July 1, 2006

Termination benefits policy

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

80.30.60

June 1, 2004

Long-term obligations policy

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

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

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

For government-wide financial and proprietary fund reporting purposes, long-term obligations of the state are reported as liabilities in the applicable governmental or business type activities column on the Statement of Net Assets. Bonds payable are reported net of applicable original issuance premium or discount. When material, bond premiums, discounts, and issue costs are deferred and amortized over the life of the bonds.

Refer to Section 85.72.

80.30.65

July 1, 2001

Fund equity policy

Fund equity represents the difference between assets and liabilities. In governmental fund type accounts, fund equity is called “fund balance.” Reserved fund balance represents the portion of fund balance that is: (1) not available for appropriation or expenditure, and/or (2) that is legally segregated for a specific future use. Unreserved, designated fund balance indicates tentative plans for future use of financial resources. Unreserved, undesignated fund balance represents the amount available for appropriation.

In proprietary fund type accounts, fund equity is called net assets. Net assets is comprised of three components – invested in capital assets, net of related debt; restricted; and unrestricted.

Refer to Section 85.80.

80.30.67

June 1, 2002

Revenues and expenses policy

80.30.67.a

Revenues

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

- **Program revenues**

Program revenues offset the expenses of major programs. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.

- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program are also considered program revenues.

- **General revenues**

Revenues not included in program revenues are considered general revenues. They are not matched to specific program expenses. These revenues are from state taxpayers and from state-generated activities.

General revenues include the following:

- Taxes, even those levied for a specific purpose;
- Interest earnings not specifically restricted to a specific program; and,
- Grants and contributions not specifically restricted to a program.

- **Other**

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

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

80.30.67.b

Expenses

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

80.30.67.c

Operating/Nonoperating

The state’s proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the

principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums collected and investment earnings. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

80.30.70

May 1, 1999

Insurance activities policy

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

80.30.75

July 1, 2001

Interfund activities policy

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

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

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

Refer to Section 85.90.

80.30.80

July 1, 2003

How to establish accounts

Accounts required by law to be maintained within the state treasury (Treasury Accounts) are established by legislative action. Treasury accounts are subject to appropriation unless specifically exempted. The following is an example of the statutory language necessary to establish an account in the state treasury:

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

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

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

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

80.30.82

May 1, 1999

The state has adopted a Uniform Chart of Accounts

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

80
Accounting Policies

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

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

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

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

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

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

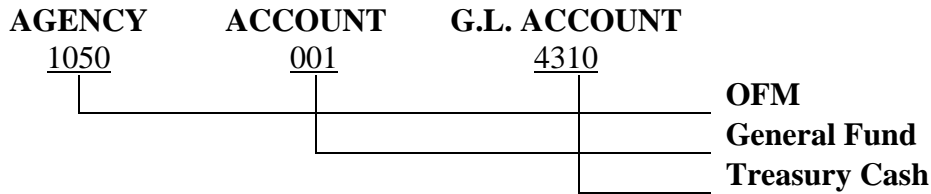
Program Code - The three character alpha/numeric code used to identify the agency functional area and the various major activities within an agency. Generally program codes are assigned by an agency with the concurrence of OFM, however there are a limited number of mandatory statewide codes used to identify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

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

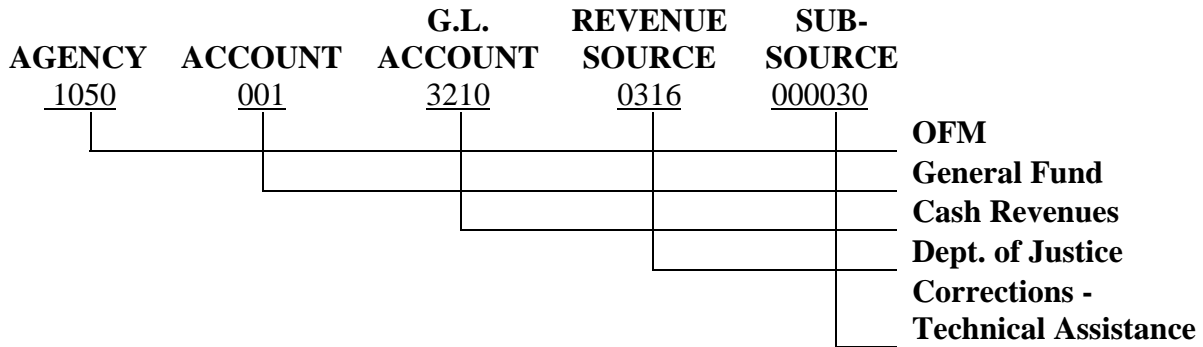
Sub-Subobject Code - The four character alpha/numeric code used to identify a particular expenditure/expense within a sub-object. Statewide sub-subobjects are assigned by OFM for use in processing payroll in HRMS.

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

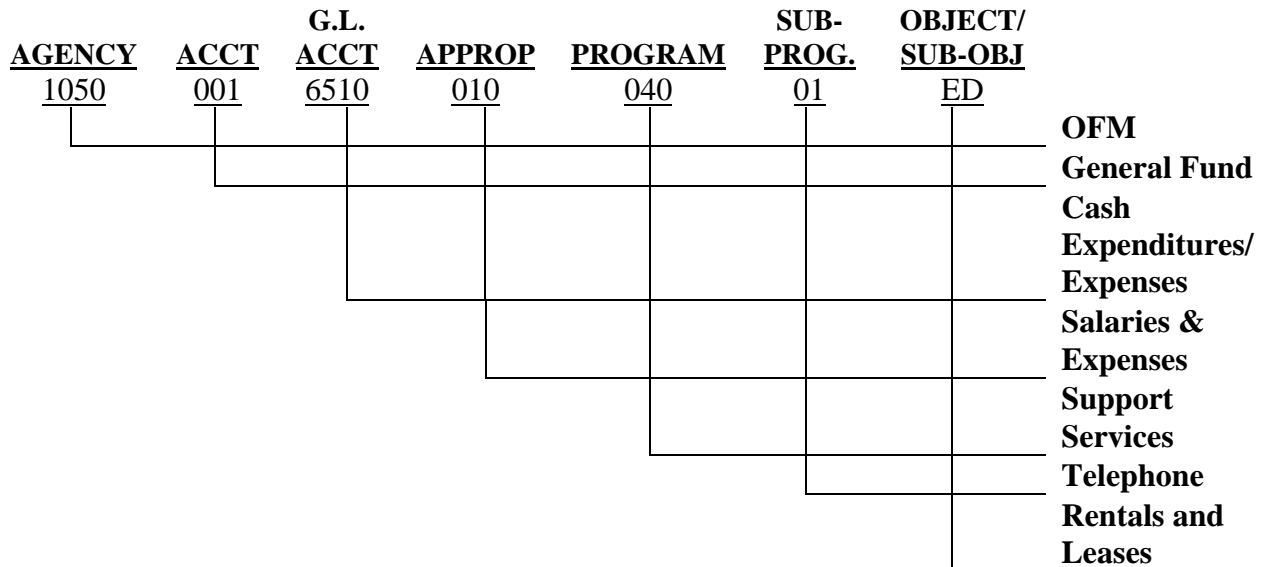
GENERAL LEDGER ACCOUNTS



REVENUE ACCOUNTS



EXPENDITURE/EXPENSE ACCOUNTS



80.30.84 Required accounting steps

May 1, 1999

- 80.30.84.a The initial step in processing accounting information consists of receiving a source document in electronic or paper form, analyzing the transaction to determine its nature and then assigning the appropriate coding. Documents initiating accounting transactions include cash receipts, time sheets, purchase orders, and journal vouchers.
- 80.30.84.b Properly coded source documents are segregated into similar transaction type groupings and posted sequentially in the appropriate book of original entry. Books of original entry include cash receipts journal, payroll journal, and warrant register.
- 80.30.84.c Books of original entry are posted either manually or electronically to subsidiary ledgers and to control accounts in the general ledger.
- 80.30.84.d Periodic financial reports are generated to support administrative and budgetary control. Examples of these reports include budget status report, accounts receivable aging report, and general ledger trial balance.
- 80.30.84.e Annually, statewide financial statements are prepared. Chapter 90 of this manual provides specific requirements and procedures for the production of the state's Comprehensive Annual Financial Report (CAFR).

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

80.30.86 Using standard or other accounting forms

July 1, 2000

Standard forms have been developed and are prescribed for use by state agencies to support the accounting, budgeting and administrative functions. Standard forms are listed in the current Central Stores catalog.

Privacy Notice: Safeguarding and disposition of personal information collected by agencies on standard forms must be consistent with Executive Order 00-03, April 25, 2000; and RCW 42.17.310.

Any revision by an agency to a standard form or the origination of a new form by an agency that is to be used as an accounting source document to support disbursements or collections of state funds must be approved in writing by the Accounting Division of OFM prior to adoption. Overprinting, such as agency name and address, is not considered a revision and therefore is not subject to approval. Copies of approved revised or new forms, when received from the printer/manufacturer, are to be furnished to the Accounting Division of OFM.

80.30.88

June 1, 2004

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

80.30.88.a

Any agency proposing to invest in agency financial or administrative systems must comply with the provisions of this manual and the rules prescribed by OFM and the DIS/Information Services Board (ISB). The financial and administrative systems chart available at <http://www.ofm.wa.gov/systemsapproval/systemschart.asp> defines the scope of the business functions covered by this policy. Financial data generated by agency systems must be compatible with the requirements of the centralized statewide systems operated by OFM.

80.30.88.b

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

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

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

3. Can the needs be met by creating an agency-unique extension to a central system or central database rather than a completely new system?
4. Does a partnership opportunity exist where one or more other agencies can join together to share in the creation of a new, shared system solution?

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

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

80.30.90

May 1, 1999

Budgetary data must be maintained

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

80.30.92

July 1, 2004

Agency fiscal activities must be organized to provide effective internal control

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