2004 Overview of Changes

This overview of changes includes only substantive changes to the manual. Small miscellaneous changes (e.g., formatting, misspelling, etc.) are not included.

Chapter	Page	Description
		Changed word “expenses” to “expenditures” throughout the entire manual.
	Back of the front page	Added web site address for technical assistance.
3	5	Revised subobject 52
4	15	Revised schedule 16; clarified reporting requirements for the state and local financial assistance schedule
5	5	Added “Districts Internal Controls Powers and Duties”
5	7	Revised voucher certification and approval
5	9	Revised accounting for grants

BUDGETING,

ACCOUNTING

AND REPORTING

SYSTEM (BARS)

For

Conservation Districts

Washington
State Auditor
Brian Sonntag

For BARS technical assistance contact the State Auditor's Office, Local Government Support Team at (360) 664-3149 or submit your inquiry to the SAO HelpDesk available on the website: http://www.sao.wa.gov (click on "Agency and Municipal Government HelpDesk"). You may also access this document on above website.

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BARS MANUAL
FOR CONSERVATION DISTRICTS

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DESIGN AND PRESCRIPTION

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

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

1. The single-entry cash-basis accounting consists of a listing and classification of cash transactions without the formality of double-entry accounting. For that reason, it is not in compliance with generally accepted accounting principles (GAAP). However, single-entry accounting requires full compliance with all legal requirements.

2. Revenues and expenditures are classified according to operation using the prescribed chart of accounts.

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

DESIGN AND PRESCRIPTION

Account Code Structure

In the BARS structure a 16 digit code accommodates the various transactions. Of these 16 digits, 7 digits are fully reserved for the Account Number, which means that if you decide to use unassigned portions of this field for local purposes, you should be aware that additional accounting may be prescribed in the future which will supplant your local applications.

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

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

❶	❷	❸	❹ ❺	❻	❼
L L L	L L L	L L L	P P P	P P	P P
Fund	Local Option field	Local Option field	Prime and BASUB field	Element and Subelement field	Object and Subobject field

_____/ Organizational Number

_____/ Account Number

P = Specific coding is prescribed in the BARS manual.
L = The fields are established in the BARS manual, but specific numbers are assigned by each district.

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

	Digits
Fund	xxx
Local Option	xxx
Local Option	xxx

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

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

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

DESIGN AND PRESCRIPTION

The account code structure has the following components:

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

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

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

❹ **PRIME DIGIT** - The first figure in the seven digit Account Number, assigned as follows:

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

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

❺ **BASIC/SUB (BASUB) CODES**

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

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

❻ **ELEMENT/SUBELEMENT CODES**

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

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

❼ **OBJECT/SUBOBJECT CODE**

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

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

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REVENUE ACCOUNTS

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

Do **not** post transactions to summary accounts. Accounting headings and parenthesis indicate if the particular account is considered a summary account.

(308) BEGINNING NET CASH AND INVESTMENTS

(310) TAXES

(320) (RESERVED)

(330) INTERGOVERNMENTAL REVENUES

- **(331) DIRECT FEDERAL GRANTS**
- **(333) INDIRECT FEDERAL GRANTS**
- **(334) STATE GRANTS**
- **(337) INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES**
- **(338) INTERGOVERNMENTAL SERVICE REVENUES**

(340) CHARGES FOR GOODS AND SERVICES

- **(341) GENERAL GOVERNMENT**
- **(343) UTILITIES AND ENVIRONMENT**

(350) (RESERVED)

(360) MISCELLANEOUS REVENUES

- **(361) INTEREST AND OTHER EARNINGS**
- **(362) RENTS, LEASES AND CONCESSIONS**
- **363 INSURANCE PREMIUMS AND RECOVERIES**
- **(367) CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES**
- **(369) OTHER MISCELLANEOUS REVENUES**

(370) (RESERVED)

REVENUE ACCOUNTS

(380) NONREVENUES

384 PROCEEDS FROM SALES OF INVESTMENTS

386 AGENCY TYPE DEPOSITS

389 OTHER NONREVENUES

(390) OTHER FINANCING SOURCES

(391) DEBT PROCEEDS

(395) CAPITAL ASSETS PROCEEDS

(308) BEGINNING NET CASH AND INVESTMENTS (Summary Account)

This account is an actual amount of cash and investments available for spending.

308.10 BEGINNING NET CASH - Checking Account
308.20 BEGINNING NET CASH - Savings Account
308.30 BEGINNING NET CASH - Investments

(310) TAXES (Summary Account)

317.70 ASSESSMENTS. An assessment levied by a district to support particular operations.

319.80 PENALTIES AND INTEREST ON ASSESSMENTS. Include penalties for delinquent assessments.

(320) (RESERVED)

(330) INTERGOVERNMENTAL REVENUES (Summary Account)

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

(331) DIRECT FEDERAL GRANTS (Summary Account)

Cash or other assets furnished by the federal government under contractual arrangements that provide aid or reimburse the district for costs incurred.

Direct federal grants are distinguished from indirect grants by the fact that direct grants are received from a federal department or agency without passing through an intermediary state or local government or other nonfederal agency. All direct federal grants should be coded using this account number. Federal loans are recorded in account 391.80.

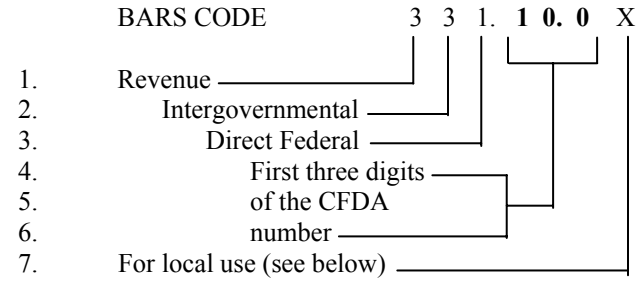
Coding Instructions

All codes for federal grants are abbreviated versions of the numbers assigned by the federal government itself in the Catalog of Federal Domestic Assistance (CFDA). Grants from all federal agencies, except Department of Health and Human Services[1], are coded using the first three digits of the number assigned that program in the Catalog.

Example: A district receives a direct federal grant from the Department of Agriculture. The title of the grant is Water Bank Program. The CFDA number is 10.062. The BARS code for this grant is 331.10.0X.

[1] For coding instructions for DHHS grants, see the BARS Manual Category 1 or 2, Part 1, Chapter 3.

REVENUE ACCOUNTS
Account Definitions



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

(333) INDIRECT FEDERAL GRANTS (Summary Account)

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

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

Federal loans are recorded in account 391.80.

(334) STATE GRANTS (Summary Account)

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

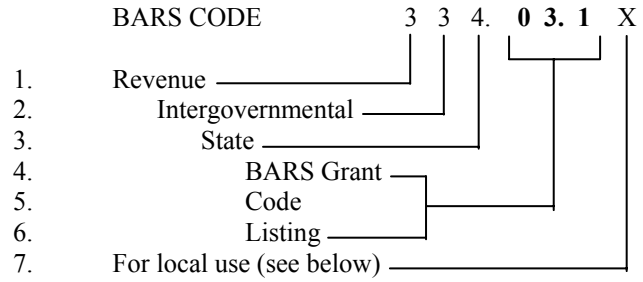
Coding Instructions

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

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

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

REVENUE ACCOUNTS
Account Definitions



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

STATE AGENCIES[1]

02.1X Department of Agriculture
02.3X Department of Natural Resources
02.5X Department of Fish and Wildlife
02.7X Interagency Committee for Outdoor Recreation

03.1X Department of Ecology
03.2X Other Environmental Agencies (e.g., Puget Sound Action Team)
03.3X Conservation Commission
- 03.31 Conservation Commission Basic Funding
- 03.32 Conservation Commission Puget Sound Basic Funding
- 03.33 Conservation Commission Non-Competitive Grants (e.g., professional engineering, dairy nutrient management, etc.)
- 03.34 Conservation Commission Competitive Grants

03.6X Department of Transportation

05.4X Universities and Four-Year Colleges

06.9X Other Agencies

(337) INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES (Summary Account)

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

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

337.07.XX MONEY FURNISHED BY A COUNTY
337.08.XX MONEY FURNISHED BY A CITY

[1] For a complete list of state agencies, see the BARS Manual Category 1 or 2, Part 1, Chapter 3.

337.09.XX MONEY FURNISHED BY OTHER GOVERNMENTS (e.g., other districts, Indian tribes, etc.)

(338) INTERGOVERNMENTAL SERVICE REVENUES (Summary Account)

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

338.83 ENVIRONMENTAL PROTECTION SERVICES

(340) CHARGES FOR GOODS AND SERVICES (Summary Account)

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

(341) GENERAL GOVERNMENT (Summary Account)

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

(341.40) FINANCIAL SERVICES (Summary Account)

341.43 ADMINISTRATIVE SERVICES (E.g., collection fees for burning permits, 10 percent county/landowner intermediary fee, etc.)
341.49 OTHER FINANCIAL SERVICES

341.50 SALES OF MAPS AND PUBLICATIONS. (E.g., space for ads in a newsletter, etc.) Sales tax collected on those items should be posted to account 386.

341.60 WORD PROCESSING, PRINTING AND DUPLICATION SERVICES (E.g., copier, phone, fax use charges, etc.)

341.70 SALES OF MERCHANDISE. Include rain gauges, district logo t-shirts, hats, etc. Sales tax collected on these items should be posted to account 386.

341.90 OTHER SERVICES

(343) UTILITIES AND ENVIRONMENT (Summary Account)

(343.10) NATURAL RESOURCE CONSERVATION AND CONTROL (Summary Account)

(343.11) CONSERVATION FEES (Summary Account)

343.11.1X SALE OF PLANT MATERIALS (E.g., tree sales, etc.)
343.11.2X SALE OF PRODUCTS (E.g., gravel, soil, bark, fertilizer, compost, firewood, Bentonite, gabions, etc.)
343.11.3X FEES FOR SCIENTIFIC TESTING (E.g., nutrient, soil, water testing, etc.)

343.11.4X RECYCLING PROGRAM (E.g., manure brokering, etc.)
343.11.9X OTHER (E.g., contest entry fees, etc.)

343.19 OTHER ENVIRONMENT PRESERVATION FEES

(350) (RESERVED)

(360) MISCELLANEOUS REVENUES (Summary Account)

(361) INTEREST AND OTHER EARNINGS (Summary Account)

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

(361.11) INVESTMENT INTEREST (Summary Account)

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

361.11.1X INTEREST ON CHECKING ACCOUNT
361.11.2X INTEREST ON SAVINGS ACCOUNT
361.11.3X INTEREST ON MONEY MARKET
361.11.4X INTEREST ON CERTIFICATES OF DEPOSIT
361.11.9X OTHER INVESTMENT INTEREST

361.30 GAINS (LOSSES) ON INVESTMENTS. Gain or loss on sale of investments. Do not include any earnings attributable to interest.

361.40 INTEREST ON CONTRACTS, NOTES, LOANS AND ACCOUNTS RECEIVABLE

(362) RENTS, LEASES AND CONCESSIONS (Summary Account)

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

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

363.00 INSURANCE PREMIUMS AND RECOVERIES

Use this account for payments from private sources, including insurance claim receipts. Use 395.20 and 395.30 for recoveries on property insurance. Experience rating credits and other premium rebates should be treated as reimbursements.

(367) CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES (Summary Account)

367.11 GIFTS, PLEDGES, GRANTS AND BEQUESTS FROM PRIVATE SOURCES
367.19 OTHER

(369) OTHER MISCELLANEOUS REVENUES (Summary Account)

369.10 SALES OF SCRAP OR JUNK

369.20 UNCLAIMED MONEY AND PROCEEDS FROM SALES OF UNCLAIMED PROPERTY. Includes sale of intangible property, unclaimed for more than two years (RCW 63.29.130).

369.40 JUDGMENTS AND SETTLEMENTS. Revenue from claims determined by legal judgment or mutual consent. Include liquidated damages. See 363 and 395 for claims related to insurable losses.

369.80 CASH ADJUSTMENTS (E.g., cashier's overages or shortages)

369.90 OTHER. Include recovery of NSF fees, corrections of minor errors and reimbursements for prior year expenditures, etc.

(370) (RESERVED)

(380) NONREVENUES (Summary Account)

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

384.00 PROCEEDS FROM SALES OF INVESTMENTS. Include proceeds derived from the sale of investments. Exclude any interest or other earnings.

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

389.00 OTHER NONREVENUES. Subdivide this account as necessary to identify nonrevenue receipts which are not included in other nonrevenue accounts. (E.g., receipt of unidentified money pending identification and posting, revenues received in advance-prepaid charges for services, etc.) This account may also be used for receipt of refunds and canceled warrants pending their posting to expenditure accounts.

(390) OTHER FINANCING SOURCES (Summary Account)

(391) DEBT PROCEEDS (Summary Account)

391.50 CAPITAL LEASES/INSTALLMENT PURCHASES PROCEEDS

391.70 NOTE/CONTRACT PROCEEDS

391.80 INTERGOVERNMENTAL LOAN PROCEEDS

391.90 PROCEEDS OF OTHER DEBT

(395) **CAPITAL ASSETS PROCEEDS** (Summary Account)

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

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

395.30 **COMPENSATION FOR LOSS OF CAPITAL ASSETS -- OTHER RECOVERIES**

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EXPENDITURE ACCOUNTS

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

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

Do **not** post transactions to summary accounts. Accounting headings and parenthesis indicate if the particular account is considered a summary account.

(508) ENDING NET CASH AND INVESTMENTS

(510) (RESERVED)

(520) (RESERVED)

(530) UTILITIES AND ENVIRONMENT

(540) (RESERVED)

(550) (RESERVED)

(560) (RESERVED)

(570) (RESERVED)

(580) NONEXPENDITURES

- **584 PURCHASE OF INVESTMENTS**
- **586 AGENCY TYPE DISBURSEMENTS**
- **589 OTHER NONEXPENDITURES**

(590) OTHER EXPENDITURES AND FINANCING USES

- **(591-592) DEBT SERVICE**
- **(594) CAPITAL EXPENDITURES**
- **(598) OTHER FINANCING USES**

(508) ENDING NET CASH AND INVESTMENTS (Summary Account)

The amount of cash and investments not spent at the end of the fiscal year.

508.10 ENDING NET CASH - Checking Account
508.20 ENDING NET CASH - Savings Account
508.30 ENDING NET CASH - Investments

(510) (RESERVED)

(520) (RESERVED)

(530) UTILITIES AND ENVIRONMENT (Summary Account)

(531) NATURAL RESOURCES (Summary Account)

(531.10) SOIL AND WATER CONSERVATION (Summary Account)

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

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

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

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

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

531.19 OTHER. This category is provided for other expenditures not otherwise included in above accounts.

(540) (RESERVED)

(550) (RESERVED)

(560) (RESERVED)

(570) (RESERVED)

(580) **NONEXPENDITURES** (Summary Account)

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

584.00 **PURCHASE OF INVESTMENTS.** Include amounts paid for investments.

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

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

(591-592) **DEBT SERVICE** (Summary Account)

591.31 **REDEMPTION OF DEBT**

592.31 **INTEREST AND OTHER DEBT SERVICE COSTS**

(594) **CAPITAL EXPENDITURES** (Summary Account)

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

(598) **OTHER FINANCING USES** (Summary Account)

598.31 **INTERGOVERNMENTAL AND OTHER AGREEMENTS.** Include district's disbursements of money to other governments and nongovernmental entities based on interlocal or other agreements.

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

OBJECT/SUBOBJECT CODES

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

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

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

10[1] SALARIES AND WAGES

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

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

20[1] PERSONNEL BENEFITS

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

30[1] SUPPLIES

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

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

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

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

35 Small Tools and Minor Equipment

---

[1] Required for reporting purposes.

40[1] SERVICES AND CHARGES

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

41 Professional Services (E.g., accounting and auditing, computer programming, scientific testing and monitoring, custodial and cleaning, engineering and architectural, management consulting, special legal services, etc.)

42 Communication (E.g., facsimile, postage, on-line charges, telephone, shipping, etc.)

43 Travel (E.g., lodging, mileage, meals, per diem, etc.)

44 Advertising

45 Operating Rentals and Leases

46 Insurance (E.g., bonds, other casualty, fire, theft, liability, etc.) Note: Use object 20 for insurance applicable to personnel benefits.

47 Utility Services (E.g., cable television, electricity, gas, sewer, waste disposal, water, etc.)

48 Repairs and Maintenance. Contracted (external) labor and supplies furnished by the contractors. See object 60 for construction contracts. (E.g., buildings, equipment, improvements, structures, etc.)

49 Miscellaneous (E.g., judgments and damages, dues, subscriptions, memberships, etc.)

50[1] INTERGOVERNMENTAL SERVICES

Amounts paid for intergovernmental services.

51 Intergovernmental Professional Services. Amounts paid to other governments for services rendered. Intergovernmental services are limited to those normally provided by governments and not by private businesses. Do not include amount paid to another government for services that are not governmental in nature, such as insurance, utility charges, rentals, repairs and supplies. Include election expenditures.

52 Intergovernmental Payments from Federal, State, or Local Funds. Use this subobject for disbursements of state or local revenues to other governments. Also use this subobject with pass-through grants.

[1] Required for reporting purposes.

60[1] **CAPITAL OUTLAYS**

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

61 Land

62 Buildings and Structures

63 Other Improvements

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

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

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

70[1] **DEBT SERVICE: PRINCIPAL**

Use with Basub 591.

77 Notes/Contracts

78 Intergovernmental Loans

79 Other Debt

80[1] **DEBT SERVICE: INTEREST AND RELATED COSTS**

Use with Basub 592.

81 Interest on Short-Term External Debt

83 Interest on Long-Term External Debt

84 Debt Issue Costs

89 Other Debt Service Costs

[1] Required for reporting purposes.

FINANCIAL REPORTING

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Other Disclosures 28

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REPORTING REQUIREMENTS

BARS REPORTING REQUIREMENTS

Pursuant to RCW 43.09.230, Annual Reports are to be certified and filed with the State Auditor's Office within 150 days after the close of each fiscal year.

Mail your completed annual report to each of the following:

State Auditor's Office Local Government Support Team PO Box 40031 Olympia, WA 98504-0031	Washington State Conservation Commission PO Box 47721 Olympia, WA 98504-7721

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

Statement

C-5 Revenues And Expenditures Arising From Cash Transactions
Notes To Financial Statements

Schedules

04 Detail Of Revenues And Other Sources
05 Detail Of Expenditures And Other Uses
16 Financial Assistance
19 Labor Relations Consultant(s)

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

In most cases, the State Auditor's Office has designed forms to use in preparing the required statements and schedules. The use of these particular forms is not required; however, the kinds and amounts of information requested by the forms are prescribed.

MCAG Numbers

The next page contains all Conservation District MCAG identification numbers. Record your number in the upper left hand corner of the various reports.

Electronic Filing Instructions

Electronic reporting is encourage when filing annual reports. Statements and schedules may be submitted on diskette or via e-mail.

File Layout: Schedules 04 and 05 should be formatted to include on each line MCAG number (4 digits as Text), Fund number (3 digits as Text), BARS account number (7 digits as Text), Description – optional (30 characters) and actual amounts (use a minus sign for Revenue debits and Expenditures credits). The remainder of the schedule should be formatted as described in the following chapters.

Acceptable Formats: Text file (ASCII Fixed Field or Delimited – Comma or Tab)
Excel 2.1 or higher
Other software should 'save as' or 'export' to a preferred format

Acceptable Media: 3.5 diskette, Zip disk (no cartridges or tapes)

E-mail files and/or questions can be sent to walzd@sao.wa.gov or call Duane Walz at (360) 664-0906.

Certification/Cover Sheet

Finally, prepare the cover sheet, sign and date the certification before submitting your report.

MCAG INDEX - CONSERVATION DISTRICTS

2383	Adams District #27
2384	Asotin County District #48
2385	Benton District #32
2408	Central Klickitat District #34
2386	Chelan County District #20
2387	Clallam District #1
2388	Clark County District #18
2389	Columbia District #46
2390	Cowlitz District #17
2409	Eastern Klickitat District #35
2493	Ferry District #36
2391	Foster Creek District #21
2394	Franklin District #33
2401	Grays Harbor District #11
2403	Jefferson County District #2
2404	King District #9
2405	Kitsap District #8
2406	Kittitas County District #28
2410	Lewis County District #15
2411	Lincoln County District #39
2412	Mason County District #12
2399	Moses Lake District #24
0670	North Yakima District #29
2741	Okanogan District #19
2382	Othello District #25
2416	Pacific District #14
2430	Palouse District #43
2428	Palouse-Rock Lake District #41
2417	Pend Oreille District #38
2418	Pierce County District #10
2429	Pine Creek District #42
2395	Pomeroy District #47
2419	San Juan County District #3
2420	Skagit District #5
2421	Snohomish District #17
2392	South Douglas District #23
2742	South Yakima District #30
0669	Spokane County District #40
2423	Stevens District #37
2424	Thurston District #13
2407	Underwood District #31
2396	Upper Grant District #22
2425	Wahkiakum District #16
2426	Walla Walla County District #45
2400	Warden District #26
2427	Whatcom County District #4
2402	Whidbey Island District #6
2431	Whitman District #44

ANNUAL REPORT

_____
(Name of District)

_____
MCAG No.

Submitted pursuant to RCW 43.09.230

to the

STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____

Certified correct this _____ day of _____,

to the best of my knowledge and belief:

NAME _____

TITLE _____

PREPARED BY _____

TELEPHONE NUMBER _____

FAX NUMBER _____

E-MAIL ADDRESS _____

HOME PAGE ADDRESS _____

REVENUES AND EXPENDITURES ARISING FROM CASH TRANSACTIONS (STATEMENT C-5)

Line 1. Enter beginning net cash and investments. Beginning net cash and investments for reported fiscal year must equal ending net cash and investments from previous year. If it does not, please attach an explanation. Beginning net cash and investments on Statement C-5 should equal the beginning net cash and investments (308) on Schedule 04, *Detail of Revenues and Other Sources*.

Line 2. Enter all revenues and other sources (accounts 310, 330, 340, 360 and 390).

Line 3. Add line 1 to line 2.

Line 4. Enter all expenditures and other uses (accounts 530 and 590).

Line 5. Subtract line 4 from line 3. This is the excess (or deficit) of revenues and other sources over (under) expenditures and other uses.

Line 6. Enter total nonrevenues (accounts 380-except for 384). Account 384 is a reclassification between cash and investments, and including this amount here would cause double-counting. The amount is already included in the account 308, *Beginning Net Cash and Investments*.

Line 7. Enter total nonexpenditures (accounts 580-except for 584).

Line 8. Add line 6 to line 5 and subtract line 7. This is your ending net cash and investments (508). Ending net cash and investments for reported fiscal year will become beginning net cash and investments for the following fiscal year. Ending net cash and investments on Statement C-5 should equal the ending net cash and investments (508) on Schedule 05, *Detail of Expenditures and Other Uses*.

Line 9. Attach the notes to financial statements.

MCAG NO. _____ **_____** **Statement C-5**

(DISTRICT NAME)

REVENUES AND EXPENDITURES ARISING FROM CASH TRANSACTIONS

For The Year Ended December 31, _____

			Actual
1		BEGINNING NET CASH AND INVESTMENTS (308)	$_____
2	(+)	Revenues and Other Sources (310, 330, 340, 360, 390)	_____
3	=	TOTAL REVENUES	_____
4	(-)	Expenditures and Other Uses (530, 590)	_____
5	=	EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	_____
6	(+)	Nonrevenues (Except 384)	_____
7	(-)	Nonexpenditures (Except 584)	_____
8	=	ENDING NET CASH AND INVESTMENTS (508)	$_____

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

SCHEDULE 04 - DETAIL OF REVENUES AND OTHER SOURCES

For reporting purposes, combine all the district funds into one.[1]

Specific account numbers are required, and titles must describe the revenue source clearly. All revenues must be reported to the level prescribed in the chart of accounts.

Totals should be calculated and clearly identified for each basic revenue account (i.e., 310, 330, etc.)

List all nonrevenues except 384, *Proceeds from Sales of Investments*. This is a reclassification between cash and investment, and both categories are already included in the account 308, *Beginning Net Cash and Investments*. Listing account 384 here would cause a double-counting. The account 384 should be listed as a separate line at the end of the schedule.

Total Revenues should include:

- 308 Beginning Net Cash and Investments,
- 310-360 Revenues,
- 380 Nonrevenues (except 384), and
- 390 Other Financing Sources.

To verify correctness of this schedule, compare the amount of total revenues with the amount of all 500 accounts on the Schedule 05. Both amounts must be equal.

The schedule may be submitted on a computer printout, or in handwritten form (please print). In either format, the schedule should include MCAG number (four digits), BARS account number and actual amounts received.

[1] If applicable.

MCAG NO. 9999 | SAMPLE DISTRICT | **Schedule 04**

(DISTRICT NAME)

DETAIL OF REVENUES AND OTHER SOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount
308.10	Beginning Net Cash and Investments - Checking Account	$8,000
308.30	Beginning Net Cash and Investments - Investments	2,000
308	Beginning Net Cash and Investments	10,000
334.03.10	State Grant - Department of Ecology	15,000
334.03.31	State Grant - Conservation Commission	3,000
337.07.10	Grant from a County	1,000
330	Total Intergovernmental Revenues	19,000
341.43	Fees for Issuing Burning Permits	300
343.11.12	Tree Sales	15,000
340	Total Charges for Goods and Services	15,300
361.11.11	Interest on Checking Account	150
360	Total Miscellaneous Revenues	150
386.00	State Sales Tax	1,000
380	Total Nonrevenues	1,000
	TOTAL REVENUES	$45,450
384.00	Proceeds from Sales of Investments	$400

MCAG NO. _____ **_____** **Schedule 04**

(DISTRICT NAME)

DETAIL OF REVENUES AND OTHER SOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount

SCHEDULE 05 - DETAIL OF EXPENDITURES AND OTHER USES

For reporting purposes, combine all the district funds into one.[1]

All expenditures must be reported by Basub, element, subelement and object (not subobject).

A subtotal should be calculated and clearly identified for each basic expenditures account (i.e., 530, etc.). List all nonexpenditures, except 584, *Purchase of Investments*. This account is a reclassification between cash and investments, and both categories are already included in the account 508, *Ending Net Cash and Investments*. Listing the account 584 here would cause a double-counting. The amount should be listed as a separate line at the end of the schedule.

Total Expenditures should include:

- 510-560 Expenditures,
- 580 Nonexpenditures (except 584), and
- 590 Other Expenditures and Financing Uses.

To verify correctness of this schedule, compare the amount of total expenditure with the amount of all 300 accounts on the Schedule 04. Both amounts must be equal.

Account 508, *Ending Net Cash and Investments* will be the *Beginning Net Cash and Investments* on the next year Schedule 04.

The schedule may be submitted on a computer printout, or in handwritten form (please print). In either format, the schedule should include MCAG number (four digits), BARS account number and actual amounts received.

[1] If applicable.

MCAG NO. 9999 SAMPLE DISTRICT **Schedule 05**

(DISTRICT NAME)

DETAIL OF EXPENDITURES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Expenditures
531.11	Administration	10	Salaries	$16,500
531.11	Administration	30	Supplies	500
531.16	Contracted Processing and Operation	40	Services and Charges	1,500
531	Total Natural Resources			18,500
586.00	State Sales Tax	00	Taxes	1,000
580	Total Nonexpenditures			1,000
594.31	Capital Expenditures - Soil and Water Conservation	60	Capital Outlays	20,000
594	Total Capital Expenditures			20,000
508.10	Ending Net Cash and Investments - Checking Account			1,950
508.30	Ending Net Cash and Investments - Investments			5,000
508	Ending Net Cash and Investments			6,950
	TOTAL EXPENDITURES			$45,450
584.00	Purchase of Investments	00		$5,000

MCAG NO. _____ **_____** **Schedule 05**

(DISTRICT NAME)

DETAIL OF EXPENDITURES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Expenditures

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

The schedule of expenditures of federal awards and state and local financial assistance is an essential document for planning and conducting the audit of your organization. It also serves to provide assurance to those agencies who award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

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

Schedule of Expenditures of Federal Awards

Include on this schedule all expenditures of federal awards that were received directly from a federal agency and indirectly through a state agency or local government[1]. This schedule should be prepared for the year in which federal awards are expended. Preparation of this schedule should not be based on the date(s) that funds are received (e.g., advances or reimbursement). *Federal awards expended* include the following:

- Expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations;
- Disbursement of funds passed through to subrecipients;
- Receipt of loan proceeds under loan and loan guarantee programs;
- Receipt of federal property and surplus property;
- Receipt or use of program income (see revolving loan exception below);
- Distribution or consumption of food commodities;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

List all financial assistance from the same federal agency together on the schedule. Next, within each federal agency section, list all direct awards first followed by indirect awards.

Provide subtotals for programs with the same Catalog of Federal Domestic Assistance (CFDA) number. Also provide subtotals for assistance received directly and assistance received indirectly. Provide a total for each federal agency.

[1] If you receive any type of (direct or indirect) funding from the BPA, you need to evaluate if such funding should be classified as a financial assistance and included on this schedule or as other type of payment and excluded from it. Since the BPA does not assign CFDA numbers to its distributions, the awards should be coded using 81.999 as a CFDA number.

Valuation of Federal Loans and Noncash Assistance

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

(1) Amount of new loans received during the fiscal year, plus

(2) Balance of loans from previous years for which the federal government imposes continuing compliance requirements, plus

(3) Any interest subsidy, cash, or administrative cost allowance received.

NOTE: Loans, the proceeds of which were received and expended in prior years, are not considered federal awards expended when the laws, regulations, and the provisions of contracts or grant agreements pertaining to such loans impose no continuing compliance requirements other than to repay the loans.

Noncash Assistance: food stamps, food commodities, donated property, and donated surplus property should be valued at fair market value at the time of receipt or the assessed value provided by the federal agency. The notes to the schedule of expenditures of federal awards should disclose the nature of the amounts reported.

Revolving Loans: According to the federal regulations, repayments of principal and interest are considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purposes of the schedule 16, report only the amount of loan funds expended during the year.

Notes to Preparer

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

Records must agree or reconcile to all supporting documents.

Column 1 Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between federal agencies and state agencies with similar names or initials. If you receive federal funds indirectly, identify the state pass-through agency. Identify noncash awards in this column also.

Column 2 List the applicable CFDA number for each program. This is a five digit (XX.XXX) identification number assigned by the federal government and published in the Catalog of Federal Domestic Assistance. This number must be provided for all federal awards received either directly from a federal agency or indirectly through a state agency or local government.

Every effort should be made to obtain CFDA numbers. If the number is not provided on the award agreement or contract, contact the granting agency and request the number.

If you are unable to obtain the CFDA number, write *unknown*.

Column 3 Use this column to report contract or grant numbers assigned by federal or state agencies, in addition to the CFDA number.

Column 4 Use this column to report current year expenditures. See requirements for valuing loans and noncash assistance above.

Notes to the Schedule 16

At minimum, the notes to the Schedule 16 should disclose the basis of accounting and any other significant accounting policies used in preparing the schedule. Also provide any information that may be useful to the reader such as the nature of a revolving loan program or the method used to value commodities or other non-cash assistance.

MCAG No._____
Schedule 16

EVERGREEN COUNTY CONSERVATION DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, _____

1	2	3	4
Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
U.S. Dept. of Agriculture Pass-Through Award From WA Dept. of Natural Resources:			
Cooperative Forestry Assistance	10.664	FA-97-123	$150,000
U.S. Dept. of Interior Pass-Through Award From WA Dept. of Fish and Wildlife:			
Wildlife Conservation and Appreciation (Note 2)	15.617	N/A	25,000
Environmental Protection Agency Direct Awards:			
Environmental Education Grant	66.951	EPA-98-123	100,000
Air Pollution Control Program Support	66.001	EPA-98-4XL	75,000
Total Environmental Protection Agency			$175,000
TOTAL FEDERAL AWARDS EXPENDED			$350,000

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the cash basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant portion of the program costs. Entire program costs, including the District's portion, may be more than shown.

MCAG NO. _____ **_____** **Schedule 16**

(DISTRICT NAME)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, _____

1	2	3	4
Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Other Identification Number	Current Year Expenditures

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

Schedule of State and Local Financial Assistance

List on this schedule expenditures from grants received directly or indirectly from state agencies (334), grants from other local governments (337), and program income.

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

Notes to Preparer

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

Records must agree or reconcile to all supporting documents.

Column 1 Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between agencies with similar names or initials.

Column 2 Use this column to report grant, contract or award numbers assigned by state or local agencies. If a number is not available, write "N/A."

Column 3 Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements).

MCAG NO. _____ **_____** **Schedule 16**

(DISTRICT NAME)

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE

For The Year Ended December 31, _____

1	2	3
Grantor/Program Title	Identification Number	Current Year Expenditures

SCHEDULE 19 - LABOR RELATIONS CONSULTANT(S)

The 1993 Legislature has required the State Auditor's Office to collect information regarding the role labor relations consultants play in local governments. This reporting requirement is found in RCW 43.09.230, as amended by the 1993 Legislature. The statute provides that "the legislature finds and declares that the use of outside consultants is an increasing element in public sector labor relations. The public has a right to be kept informed about the role of outside consultants in public sector labor relations. The purpose of this act is to help ensure that public information is available."

Labor relations is a broad spectrum of activities which concern the relationship of employees as a group with the local government as employer. It includes employee representation issues, negotiation of contracts, and preparation and conduct of interest arbitrations.

A *labor relations consultant* is someone who agrees to perform such services for compensation. For example, a labor relations consultant includes an attorney or other professional engaged by the local government to negotiate a collective bargaining agreement. It would not include a firm engaged to establish a personnel manual or to prescreen job applicants. The determining factor is the substance of services the consultant has been engaged to perform.

This schedule is used to identify expenditures for labor relations consultants. Disclosure should include identification of each consultant and the terms and conditions of each agreement.

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

_____
(DISTRICT NAME)

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)

For the Year Ended _____

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

GENERAL INSTRUCTIONS

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

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

NOTES TO FINANCIAL STATEMENTS
SAMPLE TEXT

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

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

a. Reporting Entity

The (district) is a special purpose government and provides (list major types of services) to the general public and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

b. Basis Of Accounting

The accounting records of the (district) are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The (district) uses the *Budgeting, Accounting and Reporting System for Conservation Districts in the State of Washington*.

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

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

c. Cash

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

d. Deposits

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

e. Capital Assets

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

f. Compensated Absences 1/

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

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

NOTE 2 - INVESTMENTS

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

Investments by type at December 31, _____ are as follows:

Type of Investment	Balance
_____	$_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Total	$_____

NOTES TO PREPARER:

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

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

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

NOTE 3 - ASSESSMENTS

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

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

(or)

This district has not imposed a special assessment.

NOTE 4 - LONG-TERM DEBT

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

Type of Debt 1/	Amount Incurred	Date Incurred	Final Maturity	Interest Rate(s)	Amount Outstanding
_____	$_____	_____	_____	_____	$_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
			Total Long-Term Debt		$_____

(or)

As of December 31, ____, the district had no debt.

NOTES TO PREPARER:

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

NOTE 5 - PENSION PLANS

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

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

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

OTHER DISCLOSURES

Disclose any information which may be important to understand the district's financial statements. (E.g., corrections of material errors in previous year, extraordinary events, commitments, contingencies and litigations, etc.)

INTERNAL CONTROL

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

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

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

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

The ultimate responsibility for good internal controls rests with a conservation district's board of supervisors. In order to ensure the proper conduct of conservation district business, the board must periodically review its internal control systems.

INTERNAL CONTROL STANDARDS

The following internal control standards, based on those established by the U.S. General Accounting Office (GAO), define the minimum level of quality acceptable for conservation district internal control systems in operation and constitute the criteria against which systems will be evaluated.

General Standards

1. Reasonable Assurance. Internal control systems are to provide reasonable assurance that the objectives listed in the section above will be accomplished. The standard of reasonable assurance recognizes that the cost of internal control should not exceed the benefit derived. In making this determination, the conservation district should identify 1) risks inherent in district operations, 2) the criteria for determining low, medium, and high risks, and 3) acceptable levels of risk under varying circumstances.
2. Appropriate Organizational Structure. The organization of a conservation district is designed to provide its board of supervisors a framework for planning, directing, and controlling its operations. Good internal control requires clear lines of authority and responsibility; appropriate reporting relationships; and appropriate separation of authority.
3. Competent Personnel. Conservation district supervisors and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls.
4. Control Objectives. Internal control objectives are to be identified or developed for each conservation district activity and are to be logical, applicable, and reasonably complete.
5. Control Techniques. Internal control techniques are the mechanisms by which control objectives are effectively and efficiently achieved. Techniques include, but are not limited to, such things as specific policies, procedures, plans of organization (including separation of duties), and physical arrangements (such as locks and fire alarms).

Specific Standards

1. Documentation. Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination. This standard requires written evidence of 1) a conservation district's internal control objectives and techniques and accountability systems, and 2) all pertinent aspects of transactions and other significant events of a district.
2. Recording of Transactions and Events. Transactions and other significant events are to be properly classified and promptly recorded.
3. Execution of Transactions and Events. Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.
4. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.
5. Supervision. Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.
6. Access and Accountability for Resources. Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained.

Audit Resolution Standard

Prompt Resolution of Audit Findings. A conservation district's board of supervisors is to 1) promptly evaluate findings and recommendations reported by auditors, 2) determine proper actions in response to audit findings and recommendations, and 3) complete, within established time frames, all actions that correct or otherwise resolve the matters brought to the board's attention.

ELECTRONIC FUNDS TRANSFER

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

1. Receiving money by EFT:

a) Prepare a receipt upon receiving notice from the payer that the funds have been transferred to the conservation district's bank account. Do not wait for the bank to notify the conservation district of receipt of the funds. However, you may want to contact your bank to confirm the expected funds have arrived.

Enter the following information on the receipt:

- Date of receipt
- Name of entity transferring money into the district's account
- Grant number, if applicable
- BARS account number
- Notation that funds were received by EFT

b) A file must be maintained of those payers who have agreed in writing to add money to the conservation district's account electronically.

2. Disbursing money by the EFT:

a) Prepare a record which shows:

- Chronological number of the EFT payment.
- Time and date of disbursement.
- Payee – name, address and account number.
- Amount of disbursement.
- Purpose of disbursement.
- BARS or other accounting system expenditure account number.
- Name and number of funds (s).
- Disbursing bank's unique transaction identification number, if available.
- Receiving bank or financial institution's identification number.

b) A file must be maintained of authorizations signed by payees who have thereby agreed to have money added to their accounts electronically.

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

CASH RECEIPTING

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

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

DISTRICT INTERNAL CONTROL POWERS AND DUTIES

1 The treasurer of the county in which a conservation district is located is ex officio treasurer of the district. If the district does not utilize the county as the ex officio treasurer, the board must appoint some other person having experience in financial or fiscal matters as treasurer of the conservation district.

2 The district must appoint an auditor of the conservation district.

3 The treasurer and auditor must be bonded in an amount determined by the board, but not less than fifty thousand dollars.

4 The premium on the bond will paid by the district.

5 All district funds must be disbursed only on checks signed by the district auditor and one other board authorized signer.

6 All district funds will be disbursed only after authorization by the board.

7 If the treasurer of the county acts as the district treasurer, all district funds must be deposited with the county depositaries under the same restrictions, contracts, and security as provided for county depositaries. Otherwise, all funds must be deposited in an approved depositary authorized to do business in this state as determined by the Public Deposit Protection Commission. RCW 39.58.040.

8 A district may provide and require a reasonable bond of any other person handling moneys or securities of the district, if the district pays the premium.

TRAVEL (Chapter 42.24 RCW)

For the purpose of the BARS, travel expenses include amounts paid for use of personal automobiles, other transportation, and actual expenses or reimbursement in lieu of actual expenses for meals, lodging, and related items.

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

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

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

Claims for reimbursement of travel expenses must contain a signed certification that includes the following language:

> "I hereby certify under penalty of perjury that this is a true and correct claim for necessary expenses incurred by me and that no payment has been received by me on account thereof."

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

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

PETTY CASH

For the purpose of the BARS, petty cash includes change funds, working funds, revolving funds, stamp funds, etc. In other words, any sum of money or other resources set aside for such specific purposes as minor disbursements, making change, and similar uses. If petty cash is disbursed, it is periodically restored to its original amount by a check charged to the applicable expenditure account. The amount of the check should be equal to the total disbursements.

The following are minimum requirements for the establishment and operation of a petty cash fund:

1. The board of supervisors must authorize the petty cash fund by resolution. This applies to any subsequent increase or decrease in the total petty cash amount.
2. The board must appoint one custodian of the petty cash fund. In a perfect world, the person handling petty cash would be independent of invoice processing, general accounting, and cash receipts functions. However, since conservation districts have limited staff, a system of periodic supervisory review of the cash receipts and/or bank reconciliation adds controls when complete segregation of duties is not possible. The custodian should sign a receipt upon receiving petty cash funds.
3. The board should assure that the amount in petty cash is periodically counted and reconciled by someone other than the custodian.
4. The custodian should assure the petty cash is kept in a safe place.
5. The petty cash amount may be established by check.
6. If petty cash is disbursed, it must be replenished at least monthly by check payable to the custodian. The replenishment should be subject to the same review and approval as processed invoices. The replenishment must be by voucher with the appropriate receipts attached. The receipts should show the date, recipient, purpose, and amount of each cash disbursement. These receipts must be signed by the person receiving the money, stamps, etc. The receipts should be perforated or cancelled by some other means to prevent reuse. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized petty cash amount.
7. The fund may not be used for personal cash advances even if secured by check or other IOUs.
8. Petty cash should always be replenished at the end of the fiscal year so that expenditures will be reflected in the proper accounting period.
9. Whenever an individual's appointment as custodian is terminated, the fund must be replenished and the petty cash amount turned over to the board.

VOUCHER CERTIFICATION AND APPROVAL

Claims Certification

All claims against the district must be preaudited and certified by the district board treasurer. This certification may be made on each individual claim voucher, or subject to the acceptance and approval of the board of supervisors. A blanket voucher certification may be used so long as it indicates the particular vouchers so certified. The use of a blanket certification in no way relieves the board treasurer of the responsibility and liability for each individual voucher so certified. The certification must be signed and dated by the treasurer.

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

> "I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein and that the claim is a just, due and unpaid obligation against _____ Conservation District, and that I am authorized to authenticate and certify to said claim."

Employee Reimbursement Certification

The treasurer's certification for employee/district supervisor expenditure reimbursement claims must include the following language:

> "I, the undersigned, do hereby certify under penalty of perjury that the claim is a just, due and unpaid obligation against the _____ Conservation District, and that I am authorized to certify to said claim."

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

Approval Methods

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

> "The following voucher/warrants are approved for payment:
> Voucher (check) numbers: _____ through _____ and totaling $ _____
> Payroll check numbers: _____ through _____ and totaling $ _____."

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

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

EXPENDITURES AND DISBURSEMENTS

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

The original copy of all vouchers or receipts must be filed in the conservation district office. The detailed accounts to which the expenditures are to be posted must be clearly designated. Supporting documentation must be retained and attached to the vouchers, and cancelled by the treasurer to prevent reuse.

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

`ACCOUNTING FOR GRANTS

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

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

The Common Rule

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

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

OMB Circular A-87

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

OMB Circular A-133

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

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

Circular A-133 outlines specific responsibilities for the auditee:

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

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

CAPITAL ASSET SYSTEM REQUIREMENTS

Definition

Generally, the term *capital assets* means real and personal property the conservation district intends to use or keep for more than one year. Capital assets include land and land rights; buildings, their furnishings, fixtures, and furniture; equipment, machinery, vehicles, and tools.

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

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

General Requirements

Specific requirements of the State Auditor's office are contained in subsequent sections. In addition, the federal government has issued property management requirements which apply to all governments that receive federal assistance. Each federal agency has published a *Federal Agency Implementation of the Common Rule*. Excerpts from the Common Rule have been included in this section. Note that these requirements involve broad stewardship responsibilities and specific accounting records.

Rationale

The duty to make certain that public property is adequately protected and that its use is properly managed is one of the fundamental responsibilities of conservation district supervisors. District supervisors have several broad responsibilities with respect to capital assets:

1. Custody. The responsibility for custody means having the answers to such questions as:
   - What property and equipment does this district own?
   - Where is it?
   - What condition is it in?
   - Is it protected from loss and unauthorized use?
2. Insurance. The second major responsibility for capital assets is providing adequate insurance. A capital asset accounting system should provide adequate records to prove any losses. Location, inventory, and maintenance records will confirm that a lost or damaged asset has been in use recently, which will support the validity and timeliness of a theft or damage report.
3. Maintenance and Repair. The third major responsibility is maintenance. As a steward of public property, a district supervisor has the obligation not only to safeguard assets from loss but also to ensure that they are not neglected or wasted.
4. Planning. The fourth general category of responsibility is planning for future asset needs, both short and long term. Here a district supervisor needs answers to questions such as:
   - How well is the conservation district using the facilities and equipment it already has?
   - Which items must be replaced, when and at what cost?
   - When will additional facilities or equipment be needed and at what cost?
   - Which facilities or equipment will not be needed, and what cost reductions in maintenance, insurance, and security will result from liquidating them?

Establishing the Capital Asset System

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

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

A detailed guide for establishing a capital asset system is available on request from the State Auditor's Office.

FEDERAL COMMON RULE

Excerpts for Property Management

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

3. Equipment

a) Title. Subject to the obligations and conditions set forth in this section, title to the equipment acquired under a federal grant will vest upon acquisition in the conservation district.

b) Use.

(1) Equipment will be used by the conservation district in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a federal agency.

(2) The conservation district will also make equipment available for use on other projects or programs currently or previously supported by the federal government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use will be given to other programs or projects supported by the awarding agency.

(3) The conservation district must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted by federal statute.

(4) When acquiring replacement equipment, the conservation district may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.

c) Management Requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with federal grant funds, until disposition takes place will, at a minimum, meet the following requirements:

(1) Property records must be maintained that include:

(a) A description of the property

(b) A serial number or other identification number

(c) The source of the property

(d) Who holds title

(e) The acquisition date and cost of the property

(f) Percentage of federal participation in the cost of the property

(g) The location, use and condition of the property

(h) Any ultimate disposition data including the date of disposal and sales price of the property

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated.

(4) Adequate maintenance procedures must be developed to keep the property in good condition.

(5) If the conservation district is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

d) Disposition. When original or replacement equipment acquired under a federal grant is no longer needed for the original project or program or for other activities currently or previously supported by a federal agency, disposition of the equipment will be made as follows:

(1) Items of equipment with a current per-unit fair market value of less that $5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

(2) Items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold and the awarding agency will have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

e) Federal Equipment. In the event a conservation district is provided federally-owned equipment:

(1) Title will remain vested in the federal government.

(2) Conservation districts will manage the equipment in accordance with federal agency rules and procedures, and submit an annual inventory listing.

(3) When the equipment is no longer needed, the conservation district will request disposition instructions from the federal agency.

f) Right to Transfer Title. The federal awarding agency may reserve the right to transfer title to the federal government or a third party named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers will be subject to the following standards:

(1) The property will be identified in the grant or otherwise made known to the grantee in writing.

(2) The federal awarding agency will issue disposition instructions within 120 calendar days after the end of the federal support of the project for which it was acquired. If the federal awarding agency fails to issue disposition instructions within the 120 calendar-day period, the conservation district will follow the proceeding guidelines provided in Section d, *Disposition*.

4. Supplies

a) Title. Title to supplies acquired under a grant will vest, upon acquisition, in the conservation district.

b) Disposition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate fair market value upon termination of completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the conservation district will compensate the awarding agency for its share.

5. Copyrights. The federal awarding agency reserves a royalty-free, non exclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for federal government purposes:

a) The copyright in any work developed under a grant; and

b) Any rights of a copyright to which a conservation district or a contractor purchases ownership with grant support.