

BENTON COUNTY  
WASHINGTON

BUDGET POLICIES  
AND PROCEDURES

Updated December 2011

Board of County Commissioners

James Beaver  
Leo Bowman  
Shon Small

TABLE OF CONTENTS

I. BIENNIAL BUDGET ADOPTION

- A. Preliminary Budget
- B. Budget Hearings
- C. Final Budget Adoption

II. BUDGET ADMINISTRATION

- A. Mid-Biennium Review and Supplemental Appropriation Requests
- B. Processing Procedure
- C. Budget Maintenance

III. OTHER POLICES

- A. Road Fund Levies
- B. Fund Balance Policy In Accordance With GASB #54
- C. Minimum Fund Balances
- D. Obligated Funds
- E. Capital

IV. ATTACHMENTS

- 1. Capital Policies And Procedures
- 2. Computer Replacement Policies And Procedures
- 3. Supplement Transmittal Form (Example)
- 4. Supplement Transmittal Form

## **I. BIENNIAL BUDGET ADOPTION**

Under RCW Chapter 36.40 (Budget), specific guidelines detail each step of the budget process. This Chapter will be used primarily as a guide to the biennial budget process from the preliminary estimate stage through final adoption.

RCW 36.40.71 allows the Board of County Commissioners (BOCC) the flexibility, through resolution, to establish alternate dates for each step of the budget process. The BOCC opts to implement this alternate date provision using the following general format:

### **A. Preliminary Budget**

The BOCC will pass a resolution that details the alternate dates to be used for each step of the budget process.

The BOCC Chairman may deliver a letter to the County Auditor that details the method of budget (Baseline, O-Base, etc.), and any other specific issues that relate to the upcoming budget process. The letter should go to the Auditor at least two weeks prior to the date the BOCC would like the “budget call” letter sent to the other elected officials and department managers. The “budget call” letter will outline any budget instruction changes from the previous biennial budget.

Each elected official and department manager will be responsible for the timely preparation of their own budget request and those budgets that are under their responsibility.

Each elected official and department manager will be responsible for providing updated information for the GFOA Distinguished Award document, which will include but not be limited to the department’s prior year(s) notable results, key issues, future goals, objectives, and statistical information (prior year actuals and estimated projections). The information will be included with each department’s completed budget request and shall be returned to the County Auditor’s Office where the information will be compiled into the preliminary budget. The County Auditor will then deliver this document to the BOCC on or before the date specified by resolution.

**B. Budget Hearings**

The BOCC may allocate times for each elected official and department manager to address their budget requests. Those requests may include additional staff, new programs, capital, or computers.

Upon completion of these meetings, the BOCC will be charged with making any changes to the budget requests presented. Upon deliberation by the BOCC, both the final draft and approved budgets will be placed for open inspection by the public at the Prosser Courthouse, Kennewick Justice Center, and on the Benton County Internet/Intranet website.

**C. Final Budget Adoption**

A notice of public hearing shall be published once each week for two consecutive weeks in the official newspaper of the county. The public will be allowed to express opinions for or against the final budget at the public hearing. Upon completion of the public hearing, the BOCC must then adopt the final budget by resolution and forward a copy to the State Auditor. The BOCC must certify taxes pursuant to RCW 84.52.070 by November 30 of each year, whereas the biennium budget must be adopted before December 31 on even ending years.

**II. BUDGET ADMINISTRATION**

**A. Mid-Biennium Review and Supplemental Appropriation Requests**

With the implementation of a biennial budget; the mid-biennium review and supplemental appropriation requests to the approved budget should only be done under the following circumstances:

- An unforeseen situation occurs which puts the safety and welfare of the citizens of Benton County at risk.
- An unforeseen situation occurs which hinders the ability of a department to fulfill a statutory obligation imposed upon a department manager or elected official.

- A labor contract settlement, legal settlement, or other judgment that exceeds those amounts currently available within their current budget.
- An unforeseen revenue source that has associated expenditures such as grants.
- Operating transfers regarding prior year cash carry forwards (see Section III. B. under Current Expense (General Fund) 0000-101.) will only be done at the start of the next biennium budget cycle.

It is the intention of the BOCC to limit the number of public hearings for supplemental appropriation requests. If possible, line item transfers should be utilized throughout the year in order to address any supplement requests.

**B. Processing Procedure**

The below process for mid-biennium review and supplemental appropriation requests should be followed:

The requests should be electronically submitted on an approved form (attachment 4) by a date established by the Commissioners' Office to the Finance Manager and Commissioners' Office. Requests shall include all revenue and expenditure codes and a detailed explanation. This detailed explanation shall include any communication between the department and the Commissioners' Office and the financial analysis listing the expenditure impact and or potential revenue sources, if applicable.

The requests may be combined into two summary sheets, one for expenditures and one for revenues and delivered to the County Administrator for review.

After the County Administrator's review and approval, a notice of the public hearing will be published once each week for two consecutive weeks in the official newspaper of the county. The public will be allowed to express opinions for or against the requests at the public hearing.

Upon completion of the public hearing, the BOCC must determine which requests will be approved and then adopt the final requests by resolution.

**C. Budget Maintenance**

Board approval is required for all line item transfers except transfers between 3000's supplies (3501 excluded) and 4000's other services and charges.

Board approval is required for all coding corrections between funds. For example, a coding correction between Current Expense and Park Development would require Board approval. Coding corrections within the same fund will be allowed without Board approval. For example, a coding correction within Current Expense.

**III. OTHER POLICIES**

**A. Road Fund Levies**

Per RCW 36.82.040, all funds accruing from the "general tax levy for road funds" shall be deposited into the County Road Fund, except that revenue diverted under RCW 36.33.220 shall be placed in a separate and identifiable account within the County Current Expense Fund.

At this time, the BOCC diverts road funds to the Sheriff's Department for the purpose of traffic enforcement on county roadways. These funds are deposited into the County Current Expense Fund and are accounted for in the Sheriff's Traffic Control Department 125, a separate department.

At the end of each year the County Sheriff, County Auditor, and the BOCC Chairman are required to sign a Certification of Road Fund Expenditures for Traffic Law Enforcement, which will include the amount of diverted road tax revenue produced for the prior year compared to the total Traffic Law Enforcement expenditures for the prior year. For example, in 2010 an analysis will be done on the diverted road tax revenue and Traffic Law Enforcement expenditures for 2009. If the diverted road tax revenue is greater than the Traffic

Law Enforcement expenditures, the difference will be refunded to the County Road Fund (0101-101). If the Traffic Law Enforcement expenditures are greater than the diverted road tax revenue, no action is required.

**B. Fund Balance Policy in Accordance with GASB #54**

**Background:**

The Governmental Accounting Standards Board (GASB) issued *GASB #54 Fund Balance Reporting and Governmental Fund Type Definitions* (GASB #54). The statement substantially changes how fund balances are categorized.

**Fund Balance Classifications: Pre-GASB #54 and Post-GASB #54:**

Pre-GASB 54	Post-GASB 54	Examples
Reserved	Nonspendable	Inventories, prepaid items, long-term loans and notes receivable, non-financial assets held for resale, endowment principal, or revolving loan fund capital.
	Restricted	Limitations imposed by external parties, the County's own constitution or charter provisions, or enabled through State and Federal legislation, contracts, or grants.
	Committed	Constraints imposed by the BOCC through resolutions, policies, contracts, or ordinances.
Unreserved	Assigned	Resources intended for a purpose established by the BOCC, a committee or a designee in accordance with a policy established by the Board.
	Unassigned	Any resources not assigned to nonspendable, restricted, committed, or assigned (General Fund only).

**Purpose:**

To comply with the requirements imposed by GASB #54 and to provide guidelines during the preparation of any published financial statements prepared by Benton County.

**Fund Balance Reporting in Governmental Funds:**

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB #54:

Nonspendable Fund Balance – inherently nonspendable

Includes assets that will never convert to cash, will not convert to cash soon enough to affect the current period, or resources that must be maintained intact pursuant to legal or contractual requirements.

Restricted Fund Balance – externally enforceable limitations on use

Includes resources that are subject to externally enforceable legal restrictions by creditors, grantors, contributors, or other governments, a government's own constitution or charter, or revenues raised upon a condition that it be used for a particular purpose. Also included are nonspendable resources that are eventually collected and are subject to an externally enforceable restriction and contingency or rainy day funds.

Committed Fund Balance – self-imposed limitations

Includes resources that are subject to specific purposes through the formal action of the government's highest level of decision-making authority. A majority vote is required to approve or remove a commitment and must be imposed no later than the close of a reporting period. Also included are nonspendable resources that are eventually collected and are subject to an internally enforceable commitment.

Assigned Fund Balance – limitations resulting from intended use

Includes resources that are used for specific purposes through the informal action of the government's highest level of decision-making authority, a committee, or an official designated for that purpose. The BOCC delegates the County Administrator or his/her designee the authority to assign resources that are used for specific purposes. Also included are nonspendable resources that are eventually collected and are subject to specific purposes. Also such assignments cannot exceed total fund balance less its nonspendable, restricted, and committed amounts.



Unassigned Fund Balance – residual net resources

Usually the General Fund will have net resources in excess of what can be properly classified.

**Operational Guidelines:**

The following guidelines address the classification and use of fund balance in governmental funds:

Classifying Fund Balance Amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The General Fund may also include an unassigned amount.

Prioritization of Fund Balance Use – When an expenditure is incurred for purposes for which restricted, committed, assigned, and unassigned amounts are available, expenditures shall be reduced from the restricted fund balance, then from the committed fund balance, then from the assigned fund balance, and finally, the unassigned fund balance.

Appropriation of Unassigned Fund Balance – Appropriation from the unassigned fund balance shall require approval of the BOCC and shall be utilized for one-time expenditures, such as capital purchases. Unassigned fund balance shall not be used for ongoing expenditures. The BOCC may appropriate unassigned fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum as set forth in Section III C. Minimum Fund Balances.

**C. Minimum Fund Balances**

In order to assure sufficient reserves are available to meet the respective operational needs during low revenue periods within a budget cycle, the BOCC may require the following county funds to

maintain a minimum fund balance at the close of or during any given fiscal year:

**Current Expense (General Fund) 0000-101**

After year end close out, the BOCC may utilize the County's portion of net income from Out-of-County Jail Contracts to fund the Gang Task Force 0000101.121.00000.521.231.etc. The BOCC may at anytime re-evaluate priorities or change the county strategic plan direction.

In order to meet operational needs, the County shall maintain a minimum unassigned fund balance range of 10% – 13% of the current year's (in the case of a biennium budget only one year) General Fund appropriated expenditures. The BOCC considers a balance of less than 10% to be cause for concern. In the event the minimum unassigned fund balance drops below this threshold, the BOCC will pursue variations of increasing revenues and decreasing expenditures, or a combination of both in subsequent fiscal years to restore the balance. If the restoration of the minimum unassigned fund balance cannot be accomplished within three years, without causing severe hardship to Benton County, then the BOCC shall establish an extended timeline for attaining the minimum unassigned fund balance.

Any prior year cash carry forward that would bring the General Fund in excess of the 13% of the current year's operating budget, may be transferred to the following funds:

- Park Development Fund 0110-102 beginning year balance may be brought up to \$500,000;

The remaining excess transferable amount may be split between

- 87.5% to the Capital Projects Fund 0305-101;
- 12.5% to the Fairgrounds Operating and Maintenance Fund 0124-101.

However the Fairgrounds Operating and Maintenance Fund 0124-101 beginning year balance may be capped at \$500,000. If so, any remaining excess transferable amount may be split, at the discretion of

the BOCC, between the Capital Projects Fund 0305-101 and or the Sustainable Development Fund 0135-101.

**Capital Projects (0305-101)**

At all times a fund balance of at least \$500,000 should be maintained as assigned in the event a major capital improvement should be required which has not been appropriated for during the current budget cycle.

- Payment In Lieu of Taxes (PILT) Department of Energy funds will be general receipted and dedicated for the purpose for which this fund (0305-101) was created per Resolution 02-668.
- Low-Level Waste Surcharge funds will be general receipted and dedicated for the purpose for which this fund (0305-101) was created per Resolution 02-668.

**Central Services (0502-101)**

In order to meet operations needs a minimum fund balance of at least \$250,000 should be maintained.

**Election Reserve (0111-101)**

In order to meet operations needs a minimum fund balance of at least \$500,000 should be maintained. If the fund balance should drop below \$500,000 at any given time during the year, an operating transfer to the fund, based on a report of actual expenditures from either the prior month or quarter, may be approved or authorized.

**D. Obligated Funds**

The list below is not a complete list of all of Benton County's obligated funds, but rather is a short list of specific obligated funds about which the BOCC would like to clarify additional information.

**¼% Real Estate Excise Tax (0130-101)**

Until 2031, each year up to \$250,000 will be allocated to repay outstanding bond obligations related to the construction of the Health Building per Resolution 06-390. In addition, any revenue collected above the annual \$250,000 may be used to fund other capital projects listed in the Capital Improvement Plan (CIP) and approved by the BOCC per Resolution 92-313.

**1/10% CJ Jail Juvenile (0133-101)**

Until 2021, each year up to \$500,000 will be allocated to repay outstanding bond obligations related to the construction of the Adult Jail and Juvenile Detention. In addition, any revenue collected above the annual \$500,000 may be used to fund the operation and maintenance of these facilities per Resolution 95-459 and Ordinance 269.

**Rural County Capital Fund (0144-101)**

Until 2023, each year all revenues are specifically pledged to repay outstanding bond obligations related to the construction of the Adult Jail and District Court Expansion pursuant to Resolutions 01-679 (Amended and Restated Debt Participation Agreement Jail and District Court Expansion) and 03-606 (Amended and Restated Bond Purchase Agreement).

**Debt Service Funds (0298-101 and 0299-101)**

At the discretion of the BOCC any funds received from unanticipated revenue sources or opportunities may be used to accelerate outstanding bond obligations. These funds shall be one-time, and/or windfall revenue expectations that are not anticipated as steady revenue source.

**E. Capital**

**1. Capitalization of General Fixed Assets**

Benton County has established a policy with regard to the capitalization of general fixed assets. (See Policy Attachment-1)

2. Computer Capital Replacement

Benton County currently has a policy for the purchase and replacement of computer capital. (See Policy Attachment-2)

ATTACHEMENT 1

BENTON COUNTY  
CAPITAL POLICIES AND PROCEDURES

Prepared by the Benton County Commissioners' Office  
Updated September 2011

TABLE OF CONTENTS

SECTION I. PURPOSE

SECTION II. DEFINITIONS

- 2.1 Revenue Expenditures/Supplies
- 2.2 Capital Expenditures/Fixed Assets
- 2.3 Capital Versus Revenue Expenditures
- 2.4 Infrastructure
- 2.5 Proprietary Funds
- 2.6 High-Risk
- 2.7 Depreciation
- 2.8 Tangible Property
- 2.9 Improvements
- 2.10 Original Cost/Historical Cost
- 2.11 Inventory

SECTION III. POLICY

- 3.1 Applicability
- 3.2 Budget
- 3.3 Control
- 3.4 Capital Leases
- 3.5 Depreciation
- 3.6 Grants
- 3.7 Dollar Limits

SECTION IV. ASSET TABLE

## SECTION I. PURPOSE

To prescribe a policy for the definition, appropriation, and accounting of capital outlays in order to comply with disclosure set by GAAP (Generally Accepted Accounting Principles).

## SECTION II. DEFINITIONS

### 2.1 Revenue Expenditures/Supplies

The charge to an expense account is based on the assumption that the benefits from the expenditures will be used up in the current period. A purchase may benefit several periods, but have a relatively low cost. Such items are theoretically capital expenditures, but since their costs are immaterial, they are classified as revenue expenditures.

### 2.2 Capital Expenditures/Fixed Assets

Real and personal property intended to be held or used longer than one year. This includes land and land rights; improvements and infrastructure; buildings, their furnishings, fixtures, and furniture; equipment, machinery, vehicles, and tools.

### 2.3 Capital Versus Revenue Expenditures

Expenditures to improve the efficiency or extend the asset life should be capitalized and charged to future periods. Improvements in efficiency should be charged to the asset account, and improvements extending the asset life should be charged to the accumulated depreciation account. The rationale is that improvements extending the asset life will need to be depreciated over an extended period of time, requiring revision of the depreciation schedule.

### 2.4 Infrastructure

Infrastructure refers to roads, bridges, sidewalks, water lines, sewers, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit.



## 2.5 Proprietary Funds

A proprietary fund is used to account for governmental activities that are similar to activities that may be performed by a commercial enterprise.

## 2.6 High-Risk

A description given to items which are relatively valuable, small, easily transportable and adaptable and have a higher susceptibility to theft and other loss.

## 2.7 Depreciation

The method by which the cost of an asset is allocated over the useful life of the asset therefore the cost is matched with the productive output over the asset's life.

## 2.8 Tangible Property

Any physical or substantive property, literally, anything which can be touched, which has an intrinsic value because of its substance, origin, license, copyright, patent, and etc.

## 2.9 Improvements

Property or equipment which is an integral part of a larger item of property or equipment, the addition of which either increases the cost or the useful life of the larger item.

## 2.10 Original Cost/Historical Cost

The total original amount paid to a vendor or supplier for the item purchased.

## 2.11 Inventory

Tangible property or goods held for sale or consumption concurrent with the normal activity of a business or enterprise.

## SECTION III. POLICY

### 3.1 Applicability

Capital outlay under this policy applies to the appropriation and expenditure of funds for capital assets, high-risk items, and improvements subject to the limits prescribed below. Capital leases will also be addressed in the following policies.

To qualify under capital outlay, the item must provide a predictable and tangible future benefit over a specified period of time.

For the purposes of this policy, capital outlay does not include inventory or infrastructure.

### 3.2 Budget

Capital outlay disbursements must be specifically appropriated in item and amount by the BOCC in the biennial budget process, or in a regular public hearing as an amendment to the biennial budget.

Substitutions of capital outlays for previously approved appropriations must be approved by the BOCC. Appropriations for capital outlay lapse at the end of each budget cycle, and must be specifically approved in the following year budget process.

### 3.3 Control

All disbursements for capital outlay shall be accounted for in accordance with the provisions of the most current State of Washington Budgeting, Accounting, and Reporting Systems (BARS) as prescribed by the State Auditor.

A serial number or parcel number will record all capital outlay expenditures in a separate fixed asset ledger.

The fixed asset ledger will be maintained by the Auditor's Accounting Department. Departments must notify the Auditor's Accounting Department each time a capital asset is acquired, transferred, sold, or otherwise modified.

At the beginning of each year, a physical inventory will be performed of all capital assets, improvements, and high-risk assets. The inventory will verify identifying characteristics, location, and condition.

The information contained in the fixed asset system will be compared to the physical inventory. Additions, deletions, and adjustments will be to the fixed assets control records as necessary. A summary of said additions, deletions, and adjustments will be provided to the BOCC.

### 3.4 Capital Leases

A lease agreement is classified as a capital lease when substantially all of the risks and benefits of ownership are assumed by the lessee. A capital lease is, for the most part, viewed as an installment purchase of property rather than the rental of property.

FASB-13 requires that a lease be capitalized if any one of the following four criteria is a characteristic of the lease transaction:

- a. Transfer of ownership to the lessee by the end of the lease term.
- b. A bargain purchase option is included in the lease. This is an option that allows the lessee, upon termination of the lease, to purchase the leased asset at a price significantly lower than the expected fair market value of the asset.
- c. The lease term is equal to 75% or more of the estimated economic life of the leased asset.
- d. The present value at the beginning of the lease term of minimum lease payments equals or exceeds 90% of the excess of the fair value of the leased property at the inception of the lease.

### 3.5 Depreciation

Except for lands and infrastructure, all capital assets with an original cost (per item) equal to or greater than \$5,000 must be depreciated. Scrap value can be ignored in establishing the amount to depreciate, unless it is expected to exceed 10% of the cost.

Depreciation must be based on a reasonable estimate (see Section IV. Asset Tables on pages 7 and 8) of expected useful life; that is number of years, miles, service hours, etc., that each department expects to use that asset in operations. The straight-line method of depreciation will be used for all assets based on useful life.

Depreciation expense should be recorded in the financial statements using depreciation accounting and reporting standards applicable to commercial enterprises.

### 3.6 Grants

Title to equipment and real property acquired under a grant is subject to the obligations and conditions set forth in the original contract. In most cases, proceeds from sale of the asset will be returned to the agency, which supplied the grant.

In order to simplify the grant process, a copy of each grant should be sent to the accounting department. Each asset purchased with grant money should be clearly marked in order to notify personnel upon disposal of each particular asset.

### 3.7 Dollar Limits

This policy applies to the following categories:

- a. Capital assets and improvements to capital assets with an original cost (per item) equal to or greater than \$5,000.
- b. Capital assets and improvements to capital assets with an original cost (per item) equal to or greater than \$5,000 will be tracked separately and depreciated to meet GASB 34 reporting requirements.
- c. Major component parts, of an existing fully depreciated asset, with an original cost (per item) equal to or greater than \$5,000. These component parts must extend the useful life of an asset, which will not function or has no value other than scrap. Example: a complete remodel of an existing structure would be capital; a repair of a leak in the roof would not.

**Benton County**

WASHINGTON

---

- d. High risk items with an original cost (per item) greater than \$500 and less than \$5,000. (See Section IV for a list of assets that may fall into this category).
  
- e. The Benton County system of roads is public infrastructure assumed to have an infinite life and a maintenance program to assure its permanent usefulness. All improvements to the road system are to be capitalized, and all maintenance costs are to be expensed. Each road project will be evaluated if it is an improvement or maintenance. All improvements to the road system, including contributions from private parties (roads built by developers, local improvement district assets, etc.) are to be capitalized, regardless of dollar amount.

**SECTION IV. ASSET TABLES**

<u>ASSET</u>	<u>USEFUL LIFE</u>	<u>SALVAGE %</u>
Computers (do not tag keyboards or standard monitors). Printers, Scanners, and File Servers	4 years	5%
Automobiles, Light Trucks, Telephone, Equipment, Fax Machines, and Radio Equipment	5 years	5%
Heavy Duty Trucks, Light Road Equipment, Firearms, Cleaning and Maintenance Equipment	7 years	5%
Office Furniture, Heavy Road Equipment	10 years	5%
Buildings, Parking Lots, Major Improvements to Buildings	20 years	5%

High Risk Assets: These items are to be coded under the object line #3501 on the voucher and are expenses in the year of the purchase. They are to be tagged and reported to the County Auditor at the time of payment. No payment will be made on these items until an inventory number has been attached to the asset and reported to the County Auditor. These items must have a purchase price (including tax) of at least \$500 and no more than \$5,000. They are listed as follows:

Camera, Television, Video Camera, VCR, Cellular Phone, Portable Radio, Typewriter, Tape Recorder, Firearms, Stereo Equipment, Chain Saw, Power Tools, and any other asset which may fit the criteria for High Risk Assets in Section 2.6.

ATTACHMENT 2

BENTON COUNTY  
COMPUTER REPLACEMENT POLICIES AND PROCEDURES

Prepared by the Benton County Commissioners' Office  
Updated September 2011

TABLE OF CONTENTS

SECTION I. PURPOSE

SECTION II. DEFINITIONS

SECTION III. POLICY

- 3.1 Applicability
- 3.2 Budget
- 3.3 Revenue Billing and Interest Revenue
- 3.4 Inventory Control
- 3.5 Residual Equity Transfer
- 3.6 Replacement
- 3.7 Replacement Upgrade
- 3.8 Capital Versus Maintenance

SECTION IV. BASIS FOR POLICY

- 4.1 Generally Accepted Accounting Principles
- 4.2 Budgetary, Accounting, Reporting System
- 4.3 Source Index



## SECTION 1. PURPOSE

To prescribe a policy for the definition, appropriation, and accounting in the Computer Replacement Fund following generally accepted accounting principles (GAAP). The procedures addressed are in response to concerns over the methods used in charging computer replacement fees and the expenditures driving those fees. Today's voter is more critical of government spending and demands accurate disclosure of how funds are being spent. This policy will establish the detailed procedures necessary to comply with complex disclosure requirements.

## SECTION II. DEFINITIONS

- 2.1 Accountability: The concept that governmental management must be held "publicly accountable" to user groups, providing sufficient information so that user groups can evaluate whether or not a unit is operating within the confines created by the law.
- 2.2 Accountant: One who keeps, audits, and inspects financial records and prepares financial reports.
- 2.3 Appropriation: A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes within a designated time frame.
- 2.4 Book Value: The purchase cost of an asset as shown by the books of the account decreased by accumulated depreciation.
- 2.5 Budgetary Control: The control or management of a government fund, in accordance with an approved budget, for the purpose of keeping expenditures within the limitations of available revenue.
- 2.6 Capital Outlay: Expenditures, which result in the acquisition of or addition to fixed assets as, defined in the Benton County Capitalization Policy.
- 2.7 Capital Program: A plan, for capital expenditures to be incurred over a fixed period of years, to meet capital needs arising from long-term work programs. It sets forth that each project or major expenditure requires a detailed estimate of its funding source. Programs, which extend into more than one budget period, should be evaluated to ensure accurate cost estimates are being followed.

- 2.8 Depreciation: The portion of the cost of a fixed asset, which is charged as an expense during a particular period may be based upon estimated useful life.
- 2.9 Financial Burden: An obligation to finance or provide financial support to a fund or organization.
- 2.10 Fixed Assets: Assets, which are acquired for use over an extended period of time, such as land and buildings.
- 2.11 Function: Related activities aimed at accomplishing a major service for which a fund is responsible.
- 2.12 Fund: A fiscal and accounting entity, which a self-balancing set of accounts for recording cash and other financial resources, established to carry out specific activities or attain certain objectives within its limitations.
- 2.13 Improvements: Additions to or acquisition of equipment that makes another asset more effective or efficient. These actions must add to the useful life of the asset and are bound by the Benton County Capitalization Policy.
- 2.14 Interfund Transactions: There are four kinds of transactions between funds. All exchanges that involve more than one fund will fall into one of the following categories.
- a. Loans: These include borrowing of cash or assets.
  - b. Reimbursements: These are repayments of expenditures, which belonged to another fund.
  - c. Residual Equity Transfers: The movement of capital for the purpose of establishing a new fund, increasing working capital or subsidizing operations.
  - d. Operating Transfers: This transaction is the equivalent of an operating subsidy. Their purpose is to support the normal level of operations in the recipient fund.

- 2.15 Internal Control: The plan of organization and the procedures and records used in approving transactions, safeguarding assets, and providing reliable financial records.
- 2.16 Inventory: A detailed list of quantities and descriptions of property, units of measure, and unit prices.
- 2.17 Maintenance: The routine upkeep of physical property that is done to ensure reliability.
- 2.18 Modified Accrual Basis of Accounting: The basis of accounting where revenues are recognized when they become measurable and available, and expenditures are recognized when the related liability is incurred.
- 2.19 Operating Expenses: Those expenses directly related to a fund's primary activities.
- 2.20 Operating Revenues: Those direct revenues, primarily user fees, related to a fund's primary activities.
- 2.21 Pay As You Go Basis: A financial policy where all capital outlays are financed through current revenues rather than by borrowing.
- 2.22 Perpetual Inventory: A system where inventory levels may be obtained directly from records without resorting to an actual physical count.
- 2.23 Pooled Assets: The grouping together of like assets for the purpose of setting a rate to charge users of the assets.
- 2.24 Unit Cost: A term used to denote the cost of producing a unit of product or rendering a unit of service.

## SECTION III. POLICY

### 3.1 Applicability

This policy applies to the appropriation and expenditure of funds for all computer replacement. This policy will set guidelines from which all parties will be charged a replacement fee. It will also set guidelines for the parties responsible for the disbursement of such funds so that they will be consistent and fall within the guidelines set by GAAP.

Equipment that may be charged a replacement fee is limited to the following:

- a. Equipment budgeted in a department's object code 9305 or 9401 and purchased by Central Services through object code 594.180.6401 or 518.400.3507.
- b. Equipment purchased by Central Services for Central Services under object code 594.180.6409 or 518.400.3507.
- c. Equipment budgeted in object code 9305 or 9401 of the Replacement Fund and purchased by Central Services through object code 594.180.6408 or 518.400.3508.
- d. Equipment for which a residual equity transfer has been completed under the guidelines set forth in Section 3.5 of this policy.

Equipment purchased from other funds (i.e. Current Expense, Election Reserve, and etc.) that the Central Services Manager deems necessary to be included in the replacement charge. Such equipment should be authorized by Resolution.

Items that are left in service after they are replaced may be assessed an additional replacement fee and charged to the department.

### 3.2 Budget

The budget appropriation, for replacement of computer equipment, should be based upon an analysis by Central Services identifying the equipment that will qualify for replacement during the biennial budget.

### 3.3 Revenue Billing and Interest Revenue

Central Services will maintain the inventory and billing for the Computer Replacement fund. Each department with replacement equipment will be assessed a replacement fee which may be equal to the original purchase cost of each item divided by the Useful Life of the equipment. Since Benton County switched from an annual budget to a biennial budget, only the first year replacement fee is known and the second year replacement fee has to be estimated. The replacement fee may be broken down as follows: The first year will be based on actual expenditures from the previous July to June timeframe. For example, purchases made from July 1, 2009 through June 30, 2010 will be used for the 2011 replacement fee. The second year will be estimated with an adjustment being done during the mid-biennium review to account for actual expenditures from the previous July to June timeframe. In some cases the original purchase cost may be adjusted by the Central Services Manager to assure that sufficient funds are available in the future to replace the item in question with one of comparable functionality. The expense for this fee will be budgeted in each department's object code 9501. All computer and printer purchasing activity, done by purchase by Central Services will be routinely reported to the County Auditor as part of the purchasing process.

### 3.4 Inventory Control

A computer or printer is to remain in service in the department for which it was purchased until it is replaced or suffers an irreparable hardware failure. Central Services will make every reasonable effort to keep equipment in service while it is paying into the Replacement Fund. When an item is replaced, it may be left in service at the discretion of the department manager with the approval of the Central Services Manager. If the item is not left in service, it may be used by Central Services as a utility device, as a temporary substitute for a comparable item that is being repaired, as a temporary loaner, or as a source for replacement parts. Items that have been replaced and are still in service in some capacity may not be repaired if they cease to operate. When an item no longer has useful value for any county department, it is to be reported to the Benton County Auditor to be included as property declared surplus.

### 3.5 Residual Equity Transfer

All residual equity transfers must be done by the Benton County Board of Commissioners and reviewed by the County Auditor's Office.

### 3.6 Replacement

Only assets that have been part of the replacement-billing program are replaced. Any replacement funds in excess of what is required to replace the item will be applied as a credit to the future replacement fee paid by the department. The Benton County Board of Commissioners must, on a case-by-case basis approve all expenditures above the budgeted appropriation.

### 3.7 Replacement Upgrade

A replacement upgrade may be done under one of the following conditions:

- a. An item has paid into the fund for the period specified, however a more expensive item is required to meet the same functionality.
- b. An item has not paid into the fund for the prescribed period, but must be replaced with a newer item in order to meet requirements of a new or upgraded application.
- c. The replacement upgrade is the difference between the funds that have been paid into the Replacement Fund for the item and the amount required for the more expensive or new item. The Benton County Board of Commissioners must approve a replacement upgrade during the budget preparation, mid-biennium review, or supplemental process.

### 3.8 Capital Versus Maintenance

Computer software, maintenance, and training, will not be paid by the replacement fund. These costs have been added to the billing charge associated with fund 0502-101 (Central Services Fund).

The only exception to the above-mentioned restriction is when computer equipment is purchased with relevant software already included, for example, operating system, database server, or hardware management utility.

## **SECTION IV. BASIS FOR POLICY**

### 4.1 Generally Accepted Accounting Principles

The rules for accounting, created by the American Institute of Certified Public Accountants (AICPA) provide a basis for assessing the financial condition and results of operations of a governmental unit. They are sovereign of the governments issuing the financial statements, and they form the generally accepted accounting principles (GAAP). GAAP is a technical accounting term that includes the rules, conventions, procedures, and practices necessary to define accepted accounting principles. These rules, conventions, procedures, and practices provide a standard by which to judge financial presentations.

### 4.2 Budgetary, Accounting, Reporting System

This system of accounting is consistent with the standard set forth by the governmental accounting standards board. All counties and cities and other local governmental units must use the chart of accounts and the procedures as prescribed by the State Auditor's Office, Division of Municipal Corporations (RCW 43.09.200).

### 4.3 Source Index

Budgetary Accounting, Reporting Systems, State of Washington Auditor's Office, 1985.

Governmental Accounting and Auditing Disclosure Manual. Afterman and Jones, 1993.

Governmental GAAP Guide, Larry Bailey, 1994.

Applying Governmental Accounting Principles, Mortimer Dittenhofer, 1993

Revised Code of Washington, 1993