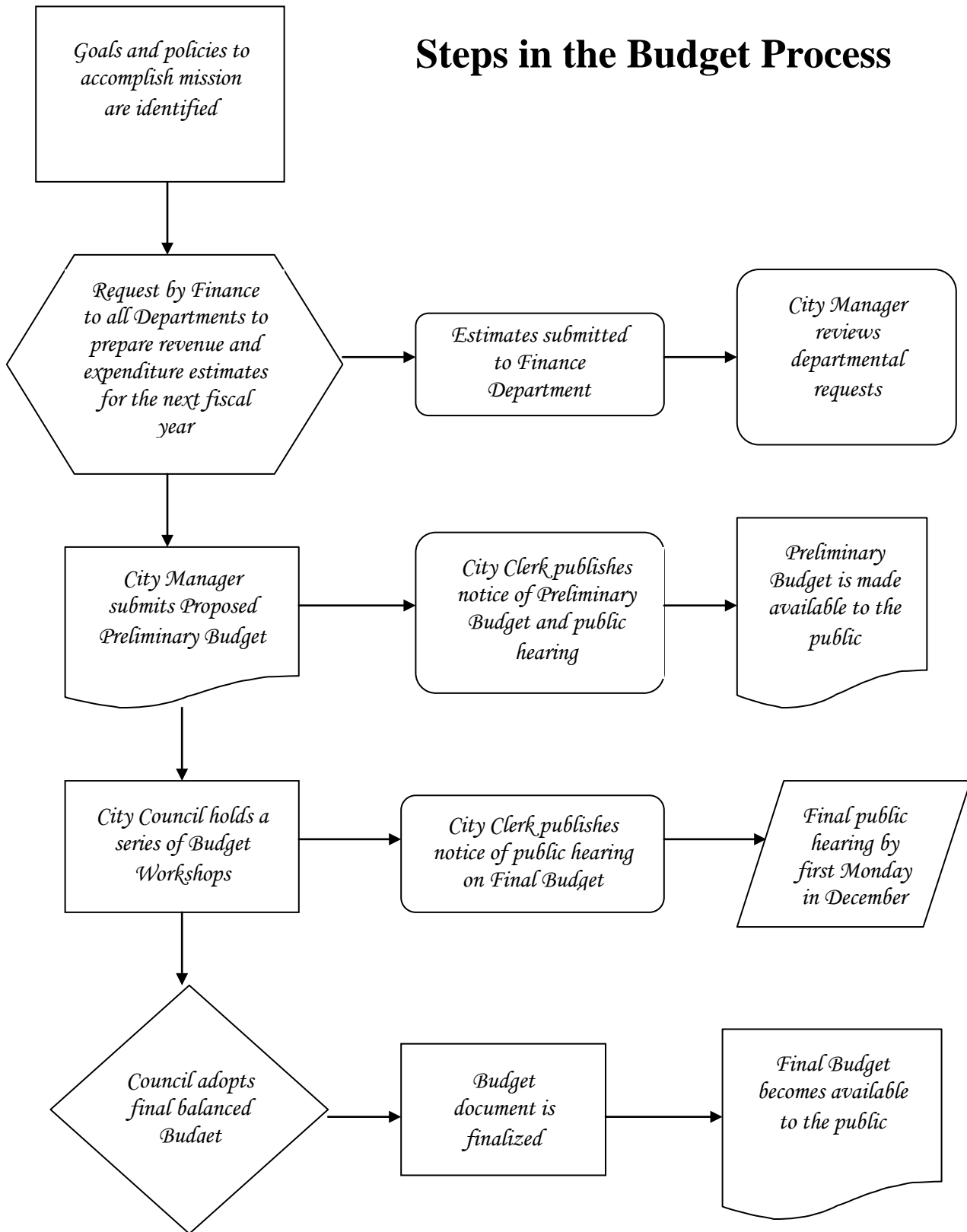


Steps in the Budget Process



Explanation of Fund Accounting

Reporting Entity: The City of Toppenish incorporated on April 29, 1907, and operates under the laws of the State of Washington applicable to a non-charter code city with a Council-Manager form of government. The City of Toppenish is a general-purpose government and provides public safety including police and fire protection, street maintenance and improvement, water supply, treatment, and distribution, sanitation services, wastewater collection and treatment, parks and recreation, municipal court, health and social services, and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

Basis of Presentation - Fund Accounting

The accounts of the City of Toppenish are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single entry accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types and account groups used by the City:

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense Fund)

(Fund No. 000) This fund is the general operating fund of the City. It accounts for all financial resources and transactions except those that are required to be accounted for in another fund.

Special Revenue Funds

(Funds in the 100 series) These funds account for revenues derived from specific taxes, grants, or other sources, which are designated to finance particular activities of the City.

Debt Service Fund Types

(Funds in the 200 series) These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt, general obligation debt, intergovernmental long-term loans, and special assessment debt.

Capital Project Fund Types

(Funds in the 300 series) These funds account for financial resources, which are designated for the acquisition or construction of general government capital improvements.

PROPRIETARY FUND TYPES:

Enterprise Funds

(Funds in the 400 series) These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business, where the intent is that costs of providing goods or services to the general public on a continuing basis must be financed or recovered through user charges.

Internal Service Funds

(Funds in the 500 series) These funds account for operations that provide goods or services to other departments or funds of the City or to other governmental units on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Toppenish in a trustee capacity or as an agent on behalf of others.

Pension Trust Funds

(Funds in the 611-620 Series) These funds are used to account for the operations of a trust established for employee retirement benefits.

700 Permanent Funds

(Fund 701) These funds are used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the cemetery.

The Reserve for Endowments in the Cemetery Perpetual Care Fund represents amounts paid for perpetual care of the cemetery plots. Income on the investment of the principal is used to maintain the plots and for cemetery beautification. The endowment principal is considered non-expendable.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Accounting records for the City of Toppenish are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State law, Chapter 43.09 RCW. The City uses the revenue and expenditure classifications contained in the Budgeting, Accounting and Reporting System (BARS) prescribed by the State Auditor.

Revenues are recognized only when received in cash and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

This is a departure from generally accepted accounting principles, which require revenue and expenditure recognition on the accrual basis of accounting (GAAP). Purchases of fixed assets are expensed during the year acquired. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

Revenue Categories

Revenues are arranged by fund, categorized in a basic account format. Following is a brief summary of those basic accounts:

308 Beginning Net Cash & Investments

This account includes the estimated and actual amounts of cash and investments available for appropriation at the beginning of the year.

310 Taxes

This account includes tax assessments levied for the support of the City. Including property taxes, sales and use taxes, franchise fees, business and occupation taxes, excise taxes and gambling taxes.

Licenses and Permits

This account includes revenues for charges for the issuance of licenses and permits. Including, but not limited to, proceeds from the issuance of business licenses, animal licenses, land use permits (and fees) and parking fees. Licenses and permit

fees are designed to cover the cost of administration, inspection and continuing services in connection with regulation.

Intergovernmental Revenue

This account includes revenues derived from Federal and State grants, State and Interlocal shared revenues, entitlements, and in-lieu taxes. Revenues collected in this account include motor vehicle fuel tax, criminal justice, liquor excise tax and liquor board profits.

Charges for Goods & Services

This account includes fees and charges for professional or other services rendered. Included in this account are water and sewer collections, garbage collections, and late charges on utilities.

Miscellaneous Revenues

This account is used for all other resources collected, which are not otherwise provided for through the above referenced accounts. Included in this account are investment interest earnings and sales interest.

380/90 Non-Revenues

This account is used for non-revenues such as investment sales and transfers between funds. This account is not recognized within the budget.

Expenditure Categories

Expenditures are arranged by fund, categorized in a basic account format. Following is a brief summary of those basic accounts:

508 Ending Net Cash & Investments

This account is defined as the estimated amount of cash and investments that have not been appropriated or the actual amount that has not been spent at the end of the fiscal year.

510 General Government Services

This account is a major class of services provided by the legislative, judicial and administrative branches of the governmental entity for the benefit of the public or governmental body as a whole.

520 Public Safety

This account includes all Public Safety services including Police; Fire; Detention and/or Corrections; Protective Inspections; Ambulance, Rescue, and Emergency Aid; and Communications, Alarms and Dispatch.

530 Utilities and Environment

This account includes all utilities provided by the City such as Water, Sewer and Solid Waste.

540 Transportation

This account is used for all aspects of transportation including road and street preservation, maintenance and operations.

550 Economic Environment

This account is used for those services including Community Services, Planning and Community Development, and Housing and Community Development.

560 Mental and Physical Health

This account provides for all aspects of Public Health including mental health services and substance abuse.

570 Culture and Recreation

This account is used for Library services; Spectator and Community Events; Participant Recreation; Cultural and Recreational Facilities; and Park Facilities.

580 Non-Expenditures

This account is used for Interfund Loan Disbursements; Redemption of Long-Term Debt for Proprietary Funds (utility funds); Agency type disbursements; and any other miscellaneous non-expenditures.

594/95 Capital Expenditures

This account is used for the purchase of capital items including roads/street construction and other infrastructure.

597/99 Other Financing Uses

This account is used for Transfers-Out between funds and Intergovernmental Payments.

The City of Toppenish's fund accounting detail is as follow:

General Fund Details

011.00	Legislative Services
012.00	Municipal Court Services
013.00	Executive Services
014.20	Financial Services
014.30	Records Services
014.70	Risk Management
015.10	Legal Services
016.20	Personnel Services
018.30	Central Services
018.80	Information Technology Services
019.00	General Government Services
021.10	Administration Law Services
021.21	Police Investigations Services
021.22	Police Patrol Services
021.30	Crime Prevention Services
021.60	Care & Custody of Prisoners
021.80	Com, Alarms & Dispatch Services
021.00	Animal Control Services
022.10	Fire Administration Services
022.20	Fire Suppression Services
022.80	Rescue & Emergency Aid Services
024.20	Protective Inspections
024.60	Code Enforcement
058.60	Planning & Comm. Development
074.20	Recreation Services
076.20	Swimming Pool Services
076.80	Park Maintenance Services

General Fund (Management Funds)

002.00	General Fund Capital Reserve
003.00	Welcome Center
004.00	Railroad Depot Facility
030.00	Criminal Justice

Special Revenue Fund Detail

101	Street Operations & Maintenance
102	Street Capital
104	Trails & Path Services
106	Tourism Development
108	Cemetery Services
116	Municipal Capital Improvement
119	Miscellaneous Grants
121	Urban Development Action Grant
129	Special Investigative Drug Account
150	Special Projects
170	Housing Rehabilitation

Debt Service Fund Details

225 CERB Grant/Loan

Enterprise Fund Details

401 Water Operations

403 Wastewater Operations

405 Solid Waste Operations

410 Water Capital

413 Wastewater Capital

427 DOE Centennial Loan/Sewer Reserve

457 Cable TV

458 Cable TV Capital Reserve

Internal Service Fund Details

510 Vehicle Replacement

Trust Fund Details

611 Firemen's Pension Trust

Permanent Fund Details

701 Cemetery Perpetual Care