

**Budgeting, Accounting and Reporting System (BARS)**

# **Cash Basis**

**For Cities, Counties and Special Purpose Districts**

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- The BARS manuals are updated online frequently.
- For reporting purposes, please refer to the latest version online at <https://sao.wa.gov/bars-annual-filing/bars-cash-manual/>.
- Note that PDF versions of the BARS manuals do not include the BARS Account Codes.



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## Charts of Accounts

# **BARS Account Export**

## **BARS Account Export**

### **Select a government type/Select basis of accounting**

This government type selection will limit the accounts to those applicable to the selected government type. Although the listing provided intends to be all inclusive, it is possible that needed account codes will not be included. If this occurs, please use the *All* option to view the entire chart of accounts and contact [LGCSFeedback@sao.wa.gov](mailto:LGCSFeedback@sao.wa.gov) so the listing can be updated.

### **Select export type**

The Excel option provides a spreadsheet which you can format. The PDF is formatted to highlight the different categories of account codes. For display purposes, the account codes contain decimal points which should be excluded in your annual report.

### **Select a reporting level**

*Above and Prescribed* option includes those accounts which are aggregates of detailed account codes and are not valid for reporting in addition to *Prescribed* accounts which are the valid BARS account codes. *Prescribed* option only lists valid BARS account codes.

Your annual report requires seven digits for all account codes however, their display in the chart of accounts varies. The expenditure or expense accounts are presented without object codes. Object codes are available in the [BARS Manual](#). The reporting at the subobject level is not required.

# General Ledger Accounts

## General Ledger Accounts

### 1.2 General Ledger Accounts

1.2.10 The specific account numbers contained here are **not prescribed**, with an exception for selected liabilities accounts which are required to be reported on the Schedule of Liabilities (Schedule 09). **Use of general ledger accounts in cash basis governments is optional.** This general ledger has been carefully designed to meet several needs.

1.2.20 First, the accounts provide for identification of assets, deferred outflows, liabilities, deferred inflows and fund balances/net position that any local government fund might acquire. Throughout the general ledger, the fourth or fifth and subsequent digits have been left for local governments to use in establishing more detailed breakdowns where needed.

1.2.30 Second, the general ledger has been designed to permit logical summarization of the detailed accounts at various levels. The table which follows on the next few pages illustrates in detail the structure of the general ledger. In general, the outline is as follows:

100-193		<b>ASSETS</b>	200-26X		<b>LIABILITIES</b>
	111-152	Current Assets		210-245	Current Liabilities
		111-118 Cash and Investments			
		121-136 Receivables		246-26X	Noncurrent Liabilities
		141-152 Other Current Assets	271		<b>DEFERRED INFLOWS OF RESOURCES</b>
			280-285		<b>FUND BALANCES AND NET POSITION</b>
	156-193	Noncurrent Assets		281-282, 286-288	Fund Balance
		156-157 Restricted Noncurrent Assets		283-285	Net Position
		161-167 Receivables			
		171-191 Capital Assets			
		193 Other Noncurrent Assets			
198		<b>DEFERRED OUTFLOWS OF RESOURCES</b>			

1.2.40 Third, the comprehensiveness of the general ledger combined with the uniform summarization outlined above is designed to make the preparation balance sheets a simple matter of extracting the balances at the same level for all the funds of a government. The headings on the chart which begins on the next page identify which digits to sort or summarize by for reporting purposes. The presentation of the balance sheet is structured in similar manner as the general ledger accounts.

Report Headings and Account Titles	Report Heading	Report Accounts	Detail Accounts	Required Detail Accounts
<b>ASSETS:</b>	100-193			
<b>CURRENT ASSETS:</b>	111-152			
<b>Cash and Cash Equivalents</b>		111.		
<b>Cash with Fiscal Agents/Trustees</b>		115.		
<b>Investments</b>		118.		
<b>Taxes Receivable</b>		121.		
Taxes Receivable – Current			121.10	
Taxes Receivable – Delinquent			121.30	
Interest and Penalties Receivable – Taxes			121.80	
Allowance for Uncollectible Taxes (Credit)			121.90	
<b>Accounts Receivable</b>		122.		
Accounts Receivable			122.10	
Unbilled Accounts Receivable			122.70	
Allowance for Uncollectible Receivable (Credit)			122.90	
<b>Special Assessments Receivable</b>		123.		
Special Assessments Receivable – Current			123.10	
Special Assessments Receivable – Delinquent			123.30	
Interest Receivable on Special Assessments			123.50	
Penalties Receivable on Special Assessments			123.70	
<b>Interest Receivable</b>		124.		
<b>Notes/Contracts/Loans Receivable</b>		125.		
Notes/Contracts/Loans Receivable			125.10	
Allowance for Uncollectible Notes/Contracts/Loans (Credit)			125.90	
<b>Other Current Receivables</b>		126.		
Other Current Receivables			126.10	
Allowance for Uncollectible Receivable (Credit)			126.90	
<b>Due from Other Funds</b>		131.		
<b>Interfund Loans Receivable</b>		132.		
<b>Due from Other Government(s)</b>		134.		
<b>Due from Component Unit(s)</b>		135.		
<b>Due from Primary Government</b>		136.		
<b>Inventories</b>		141.		
<b>Prepaid Items</b>		143.		
<b>Other Current Assets</b>		145.		
<b>Current Assets Restricted for _____</b>		151.		
<b>Current Assets Restricted for Landfill Closure and Postclosure Care Costs</b>		152.		
<b>NONCURRENT ASSETS:</b>	156-193			
<b>Noncurrent Assets Restricted for _____</b>		156.		
<b>Noncurrent Assets Restricted for Landfill Closure and Postclosure Care Costs</b>		157.		
<b>Special Assessments Receivable</b>		161.		



Report Headings and Account Titles	Report Heading	Report Accounts	Detail Accounts	Required Detail Accounts
Notes/Contracts/Loans Receivable		163.		
Advances to Other Funds		165.		
Investment in Joint Ventures		167.		
<b>CAPITAL ASSETS</b>	171-191			
<b>Land</b>		171.		
Accumulated Depletion (Credit)			171.90	
<b>Buildings and Structures</b>		172.-173.		
Accumulated Depreciation (Credit)			173.90	
<b>Leasehold Improvements</b>		175.		
Accumulated Amortization (Credit)			175.90	
<b>Other Improvement</b>		176.-179.		
Accumulated Depreciation (Credit)			179.90	
<b>Machinery and Equipment</b>		181.-188.		
Accumulated Depreciation (Credit)			188.90	
<b>Construction in Progress</b>		189.		
<b>Intangible Assets</b>		191.		
Accumulated Amortization (Credit)			191.90	
<b>Other Noncurrent Assets</b>		193.		
Investments			193.10	
Property Held in Trust or for Future Use			193.40	
Pension Asset			193.50	
Capital Assets Held for Resale			193.70	
Other Noncurrent Assets			193.80	
<b>DEFERRED OUTFLOWS of RESOURCES</b>	198			
<b>LIABILITIES:</b>	200-267			
<b>CURRENT LIABILITIES:</b>	211-245			
<b>Warrants Payable</b>		211.		
<b>Accounts/Vouchers Payable</b>		213.		
Accounts Payable			213.10	
Vouchers Payable			213.40	
<b>Claims and Judgments Payable</b>		215.		
<b>Matured Long-Term Obligations Payable</b>		217.		
G.O. Bonds Payable			217.10	
Revenue Bonds Payable			217.20	
Special Assessment Bonds Payable			217.30	
Revenue Warrants Payable			217.40	
Leases and Installment Purchases Payable			217.50	
Notes Payable			217.70	
Other			217.90	
<b>Matured Interest Payable</b>		219.		
<b>Annuities Payable</b>		221.		

Report Headings and Account Titles	Report Heading	Report Accounts	Detail Accounts	Required Detail Accounts
<b>Contracts Payable</b>		223.		
Construction Contracts Payable			223.10	
Retainage Payable			223.40	
Interest on Contracts Payable			223.70	
Other Contracts Payable			223.90	
<b>Due to Other Funds</b>		225.		
<b>Due to Component Unit(s)</b>		226.		
<b>Interfund Loans Payable</b>		227.		
<b>Due to Primary Government</b>		228.		
<b>Due to Other Government(s)</b>		229.		
<b>Other Accrued Liabilities</b>		231.		
Interest Payable			231.10	
Arbitrage Rebate Tax Payable			231.20	
Accrued Wages			231.30	
Accrued Employee Benefits			231.50	
Accrued Taxes			231.70	
Other			231.90	
<b>Current Portion of Long-Term Obligations</b>		235.		
G.O. Bonds Payable			235.10	
Revenue Bonds Payable			235.20	
Special Assessment Bonds Payable			235.30	
Revenue Warrants Payable			235.40	
Leases and Installment Purchases Payable			235.50	
Notes Payable			235.70	
Other			235.90	
<b>Custodial Accounts</b>		237.		
<b>Other Current Liabilities</b>		239.		
Customer Deposits (Nonproprietary)			239.10	
Anticipation Warrants/Notes			239.60	
Registered Warrants			239.70	
Other			239.90	
<b>CURRENT PAYABLE from RESTRICTED ASSETS:</b>	241-245			
<b>Debt Principal Payable</b>		241.		
<b>Debt Interest Payable</b>		242.		
<b>Deposits and Other Payables</b>		245.		
<b>NONCURRENT LIABILITIES:</b>	246-267			
<b>NONCURRENT PAYABLE from RESTRICTED ASSETS:</b>	246-248			
<b>Debt Principal Payable</b>		246.		
Revenue Bonds Payable			246.10	
Other Bonds Payable			246.20	
Warrants/Notes Payable			246.40	
<b>Debt Interest Payable</b>		247.		
<b>Deposits and Other Payables</b>		248.		
Deposits Payable			248.10	
Other			248.90	

Report Headings and Account Titles	Report Heading	Report Accounts	Detail Accounts	Required Detail Accounts
<b>General Obligation Bonds Payable</b>		251.		
Bonds at Face Value (for Capital Purposes)			251.10	
No Vote Required				251.11
Vote Required				251.12
Advance Refunding - Defeasance Method				251.15
Advance Refunding - Crossover Method				251.16
Vote Required for Utility Purposes (Cities & Towns)				251.21
Vote Required for Open Space, Parks and Capital Facilities (Cities & Towns)				251.22
No Vote Required for Metropolitan Municipal Corporation (County)				251.31
Vote Required for Metropolitan Municipal Corporation (County)				251.32
No Vote Required for Construction (Ports)				251.41
No Vote Required for Airport Improvement (Ports)				251.42
Vote Required for Airport Improvements (Ports)				251.43
Vote Require for Foreign Trade Zones (Ports)				251.44
Bonds at Face Value (for M&O Purposes)			251.50	
No Vote Required				251.51
Vote Required				251.52
Advance Refunding - Defeasance Method				251.55
Advance Refunding - Crossover Method				251.56
Unamortized Premium			251.60	
Unamortized Discount (Debit)			251.70	
Advance Refunded G.O. Bond Issues			251.90	
<b>Revenue Bonds Payable</b>		252.		
Bonds at Face Value (for Capital Purposes)			252.10	
No Vote Required				252.11
Vote Required				252.12
Advance Refunding - Defeasance Method				252.15
Advance Refunding - Crossover Method				252.16
Unamortized Premium			252.20	
Unamortized Discount (Debit)			252.30	
Bonds at Face Value (for M&O Purposes)			252.40	
No Vote Required				252.41
Vote Required				252.42
Advance Refunding - Defeasance Method				252.45
Advance Refunding - Crossover Method				252.46
Advance Refunded Revenue Bond Issues			252.90	

Report Headings and Account Titles	Report Heading	Report Accounts	Detail Accounts	Required Detail Accounts
<b>Special Assessment Bonds Payable</b>		253.		
Special Assessment Bonds at Face Value			253.10	
LID Bonds				253.11
ULID Bonds				253.12
RID Bonds				253.13
Other Special Improvement Bonds				253.14
CRID Bonds				253.15
Advance Refunding - Defeasance Method				253.16
Advance Refunding - Crossover Method				253.17
Unamortized Premium			253.20	
Unamortized Discount (Debit)			253.30	
LID Warrant with Commitments				253.43
LID Notes Payable with Commitments				253.63
Advance Refunded Special Assessment Bond Issues			253.80	
Miscellaneous Assessment Debt			253.90	
Miscellaneous Assessment Debt with Commitment				253.98
<b>Advances from Other Funds</b>		255.		
<b>Unearned Revenue</b>		257.		
<b>Compensated Absences</b>		259.		
Compensated Absences				259.12

Report Headings and Account Titles	Report Heading	Report Accounts	Detail Accounts	Required Detail Accounts
<b>Other Noncurrent Liabilities</b>		263		
Claims and Judgments Payable				263.12
Liability for Landfill Closure and Postclosure Care Costs				263.22
Utility Operating Reserves			263.30	
Revenue Warrants Payable			263.40	
Leases and Installment Purchases (General Obligation)				263.51
Leases and Installment Purchases (No General Obligation)				263.52
Notes Payable (General Obligation)				263.61
Notes Payable (No General Obligation)				263.62
Arbitrage Rebate Tax Payable				263.72
Due to Other Governments			263.80	
Loans and Other Obligations to Federal or out-of-State Governments (General Obligation)				263.81
Loans and Other Obligations to Federal or out-of-State Governments (No General Obligation)				263.82
Loans and Other Obligations to WA State (except LOCAL and PWTFL) (General Obligation)				263.83
Loans and Other Obligations to WA State (except LOCAL and PWTFL) (No General Obligation)				263.84
Loans and Other Obligations to Other WA Local Governments (General Obligation)				263.85
Loans and Other Obligations to Other WA Local Governments (No General Obligation)				263.86
Public Work Trust Fund Loans (General Obligation)				263.87
Public Work Trust Fund Loans (No General Obligation)				263.88
Miscellaneous Noncurrent Liabilities			263.90	
Miscellaneous Debt (General Obligation)				263.91
Miscellaneous Debt (No General Obligation)				263.92
Environmental Liabilities				263.93
Line of Credit with a General Obligation Pledge				263.94
Line of Credit (No General Obligation)				263.95
LOCAL Program (No General Obligation)				263.96
Miscellaneous Liabilities (General Obligation)				263.98
Miscellaneous Liabilities (No General Obligation)				263.99
Pension Liabilities (Net)			264.30	
OPEB Liabilities			264.40	
<b>Other Credits</b>		267.		
<b>DEFERRED INFLOWS of RESOURCES</b>	271			
<b>FUND BALANCES and NET POSITION:</b>	281-288			
FUND BALANCE:	281-282			
	286-288			
<b>Nonspendable</b>		281.		
<b>Restricted</b>		282.		
<b>Committed</b>		286.		
<b>Assigned</b>		287.		
<b>Unassigned</b>		288.		

Report Headings and Account Titles	Report Heading	Report Accounts	Detail Accounts	Required Detail Accounts
NET POSITION	283-285			
Held in Trust for Pension Benefit			283.10	
Held in Trust for Pool Participants			283.20	
Held in Trust for Other Purposes			283.90	
Net Investment in Capital Assets			284.10	
Restricted for _____			284.20	
Restricted for _____, Permanent Restriction				284.21
Restricted for _____, Temporary Restriction				284.22
Unrestricted		285.		

## Assets

### 110-152 Current Assets

Include those assets which will be used up or converted into cash within the next operating cycle (e.g., twelve months).

#### 111. Cash and Cash Equivalents

Currency, coins, negotiable money orders, petty cash and checks, and balances on deposit with financial institutions. Cash equivalents are short-term highly liquid investments including Treasury bills, commercial paper, and money market funds.

#### 115. Cash with fiscal agents/trustees

Include moneys set aside within the treasury to pay matured bonds and interest, deposits with fiscal agents, such as commercial banks, for the payment of matured bonds and interest, moneys held by government outside the main treasury on behalf of private individuals or organizations, or until ultimate disposition is determined, deposits with fiduciaries including banks, brokers and insurance companies made on behalf of private individuals or organizations. Include both cash and investments.

#### 118. Investments

Include all securities and other assets acquired for the purpose of obtaining income or profit. Investments should be reported at **fair value**. Investments with original maturities of three months or less may be considered cash equivalents and accounted for in the G.L. account 111. Do not include investments restricted for specific purpose in proprietary funds. Purchased interest should be posted to the revenue account 3619000 (G.L. account 292.10).

#### 121. Taxes receivable

##### 121.10 *Taxes Receivable - Current*

Include the uncollected portion of property tax which a government has levied and for which the due date has not yet passed. Also include any amounts of other uncollected taxes (see BARS 310 series) that are measurable and available. Do not include interfund receivables (see account 131).

##### 121.30 *Taxes Receivable - Delinquent*

Include taxes remaining unpaid on and after the date on which interest is assessed or a penalty for

nonpayment attached. This segregation from current taxes is required only for the government which is the tax collection agent.

#### **121.80 *Interest and Penalties Receivable - Taxes***

The uncollected portion of interest and penalties receivable on taxes.

#### **121.90 *Allowance for Uncollectible Taxes (Credit)***

A valuation account used to indicate that portion of taxes and related interest and penalties which it is estimated will never be collected.

### **122. Accounts Receivable**

#### **122.10 *Accounts Receivable***

Amounts due from customers on open account for goods and services provided. Significant receivable balances not expected to be collected within one year of the date of financial statements should be disclosed in the notes.

#### **122.70 *Unbilled Accounts Receivable***

Amounts earned by the government for goods or services rendered for which billings have not been prepared at the end of the reporting period.

#### **122.90 *Allowance for Uncollectible Receivable (Credit)***

A valuation account used to indicate that portion of customer accounts which it is estimated will never be collected and will eventually be written off.

### **123. Special Assessments Receivable**

#### **123.10 *Special Assessments Receivable - Current***

Include the uncollected portion of special assessments which a government has levied and which are due within 60 days (for governmental funds). Exclude interfund assessments which should be reported in account 131. Also exclude any special assessments accounted for in a proprietary fund, which should be reported in account 151.

#### **123.30 *Special Assessments Receivable - Delinquent***

Include the uncollected portion of special assessments which are past due. Exclude interfund assessments, which should be reported in account 131. Also exclude any special assessments accounted for in a proprietary fund, which should be reported in account 151.

#### **123.50 *Interest Receivable on Special Assessments***

Include the uncollected portion of interest receivable on special assessments in governmental funds.

#### **123.70 *Penalties Receivable on Special Assessments***

Include the uncollected portion of penalties receivable on special assessments in governmental funds.

## **124. Interest Receivable**

Interest earned on investments, notes, contracts and miscellaneous receivables. Do not include interest on taxes or special assessments.

## **125. Notes/Contracts/Loans Receivable**

### **125.10 *Notes/Contracts/Loans Receivable***

Include current amounts due from private individuals or organizations evidenced by a written promise to pay.

### **125.90 *Allowance for Uncollectible Notes/Contracts/Loans (Credit)***

## **126. Other Current Receivables**

### **126.10 *Other Current Receivables***

Include amounts of impact or developers' fees or reimbursable charges for services receivable from private developers, rents and other receivables.

### **126.90 *Allowance for Uncollectible Receivable (Credit)***

## **131. Due from Other Funds**

A receivable for goods issued, work performed or services rendered to or for the benefit of another fund of the same government. Also use this account for subsidies and other transfers between funds that have been authorized but not yet paid. The owing fund should have an equal amount recorded under account 225. Include receivables between a primary government and blended component units.

## **132. Interfund Loans Receivable**

Include the uncollected amounts of interfund loans. See [Loans](#).

## **134. Due from Other Government(s)**

Include amounts due to the reporting government from another government. These amounts may represent measurable and available intergovernmental grants, entitlements, or shared revenues; grants or taxes collected for the reporting government by an intermediary collecting government; loans; and charges for services rendered by the reporting unit for another government. Receivables for services that are not governmental in nature, such as insurance, utilities, rents, repairs, and supplies, should not be included here. Use account 122.

## **135. Due from Component Unit(s)**

Amounts due to the reporting entity from discretely presented component unit(s). The receivables from blended component unit(s) are presented in 131. Some transactions and balances previously recorded in 131 or 134 may need to be reclassified for presentation in the reporting entity (primary government) financial statements. The owing component unit(s) should have an equal amount recorded in 228. For details see [GAAP Reporting Requirements](#).

## **136. Due from Primary Government**



Include amounts due to the discretely presented component unit(s) from the primary government. The owing reporting entity (primary government) should have an equal amount recorded in 226. For details see [GAAP Reporting Requirements](#).

#### **141. Inventories**

Include material and supplies on hand for future consumption. Also, include goods held for resale rather than used in operations and raw materials used in manufacturing goods for sale.

#### **143. Prepaid Items**

Include payments for services and benefits not yet received (e.g., prepaid rent, unexpired insurance premiums, etc.).

#### **145. Other Current Assets**

#### **150. Restricted Assets**

Restricted assets are those proprietary fund monetary assets which have their use limited by statute, bond covenant, or other contractual or trust relationship (e.g., money set aside to pay principal and interest on outstanding debt, customer deposits, retainage, assessments, etc.). For reporting purposes, restricted assets must be shown in account 150, although they may be accounted for during the year in separate funds, using current asset accounts (111, 118, 123, etc.). Separate funds are not required for restricted assets, even though bond covenants may stipulate a *bond reserve fund*, *construction fund*, etc. The bond covenant use of the term *fund* is not the same as the use in governmental accounting. For bond covenants, *fund* means only a segregation or separate account, not a self-balancing set of accounts.

Most restricted assets are offset by corresponding current liabilities (accounts 241-245, *Current Payable from Restricted Assets*), noncurrent liabilities (accounts 246-248, *Noncurrent Payable from Restricted Assets*), or by a restriction of net position (account 284.20).

#### **151. Current Assets Restricted for \_\_\_\_\_**

#### **152. Current Assets Restricted for Landfill Closure and Postclosure Care Costs**

(RCW [70.95.215](#))

#### **156-193 Noncurrent Assets**

#### **156. Noncurrent Assets Restricted for \_\_\_\_\_**

#### **157. Noncurrent Assets Restricted for Landfill Closure and Postclosure Care Costs (RCW [70.95.215](#))**

#### **161. Special Assessments Receivable**

Include the uncollected portion of special assessments not due for 60 days (governmental funds) or one year (proprietary funds). Exclude interfund assessments which should be reported in account 165. When accounting for special assessments in proprietary funds, make certain that all collections are recorded as restricted assets. The current portion and related interest and penalties should be recorded in account 123 (for governmental funds) or account 151 (for proprietary funds).

#### **163. Notes/Contracts/Loans Receivable**

Noncurrent amounts due from private individuals or organizations evidenced by a written promise to pay. The current portion should be recorded in account 125.

### **165. Advances to Other Funds**

The uncollected amounts of long-term interfund loans; that is, loans which do not meet the criteria of *temporary* defined in the [Loans](#). Also include the amount of unearned assessments owed by other funds of the same government.

### **167. Investment in Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest, or (b) an ongoing financial responsibility. The government's investment should be accounted for using the equity method, if the investment is material.

### **170-191 Capital Assets**

Those assets acquired by the government for its own use through purchase, lease, self-construction, donation, or gift, with a life expectancy of more than one year. In addition to land, buildings and equipment, capital assets also include land and air rights, depletable resources such as minerals or timber, improvements made to leased property and the cost of partly-completed capital projects.

#### **171. Land**

171.90 *Accumulated Depletion (Credit)*

#### **172-173. Buildings and Structures**

173.90 *Accumulated Depreciation (Credit)*

#### **175. Leasehold Improvements**

175.90 *Accumulated Amortization (Credit)*

#### **176-179. Other Improvements**

179.90 *Accumulated Depreciation (Credit)*

#### **181-188. Machinery and Equipment**

188.90 *Accumulated Depreciation (Credit)*

#### **189. Construction in Progress**

#### **191. Intangible Assets**

Include assets with no physical substance, such as patents, franchise fees, licenses, computer software, rights to use property, etc. with a useful life that exceeds one year.

191.90 Accumulated Amortization (Credit)

#### **193. Other Noncurrent Assets**

### 193.10 ***Investments***

Include all securities and other assets acquired for the purpose of obtaining income or profit. Investments should be reported at **fair value**.

Do not include investments restricted for specific purpose in proprietary funds (see account 156). Purchased interest should be debited to the revenue account 3619000 (G.L. account 292.10).

### 193.40 ***Property Held in Trust or for Future Use***

Include nonmonetary property acquired by distraint, foreclosure or default, record at the amount of the tax lien. Use the purchase price for land acquired for a future plant site.

### 193.50 ***Pension Asset***

The difference between the total pension liability and fiduciary net position.

### 193.70 ***Capital Assets Held for Resale***

Include capital assets which have been declared surplus but are still owned by the government until they can be sold, traded, or otherwise disposed.

### 193.80 ***Other Noncurrent Assets***

## **198. Deferred Outflows of Resources**

A consumption of net assets by the government that is applicable to a future reporting period. This account should include transactions related to accumulated decrease in fair value of hedging derivatives, deferred amount on refunding [the unamortized difference between the net carrying amount of the debt and its reacquisition price (when the reacquisition price exceeds the net carrying amount - loss on refunding)], grants paid in advance (when grantor provides resources to grantee after all requirements have been met except the grantor stipulated time requirement), pension, and other items as defined by the Governmental Accounting Standards Board. The categories should be detailed in the financial statements.

## **Liabilities**

### **211-23X Current Liabilities**

Include liabilities which are payable within next operating cycle (e.g., twelve months).

#### **211. Warrants Payable**

The amount of operating warrants issued and outstanding. This account will be credited when warrants are issued and debited when warrants are redeemed or canceled. Do not use this account to record the issuance of revenue warrants (see accounts 235 and 263). Code cities using checks instead of warrants should not use this account.

#### **213. Accounts/Vouchers Payable**

##### **213.10 *Accounts Payable***

Amounts not yet vouchered but owed on open account to private persons or organizations for goods and services furnished to a government (but not including amounts due to other funds or to other

governments).

#### **213.40 *Vouchers Payable***

Liabilities for goods and services evidenced by vouchers which have been pre-audited and approved for payment but not yet paid.

#### **215. Claims and Judgments Payable**

Amounts owed as compensation or payment for injury or damage. Include unpaid losses not covered by an insurance contract or bond and amounts owed as the result of court decisions, such as condemnation awards for private property taken for public use.

#### **217. Matured Long-Term Obligations Payable**

Include the portion of all long-term debt which has become due. For explanation of the specific categories below, see accounts 251, 252, 253 and 263.

##### **217.10 *G.O. Bonds Payable***

##### **217.20 *Revenue Bonds Payable***

##### **217.30 *Special Assessment Bonds Payable***

##### **217.40 *Revenue Warrants Payable***

##### **217.50 *Leases and Installment Purchases Payable***

##### **217.70 *Notes Payable***

##### **217.90 *Other***

#### **219. Matured Interest Payable**

Include interest due on long-term debt. For interest accrued between due dates, use account 231.10.

#### **221. Annuities Payable**

Include pension benefits due and payable to retired employees in a public employee retirement system.

#### **223. Contracts Payable**

##### **223.10 *Construction Contracts Payable***

Include amounts of progress payments due for construction of buildings and other improvements. If the amounts earned by contractors at the end of the fiscal period are material, they should be estimated and accrued if a progress billing is not available.

##### **223.40 Retainage Payable**

Include amounts due on construction contracts, representing a percentage of the progress billings. These amounts are not paid until final inspection, the lapse of a specified time period, or both.

(RCW [50.24.130](#) and Chapter [60.28](#) RCW) Include amounts deposited to escrow accounts (see account 115) as well as amounts held in the municipal treasury.

#### 223.70 Interest on Contracts Payable

Use this account to accumulate interest on retainage when requested by the contractor (RCW [60.28.010](#)).

#### 223.90 *Other Contracts Payable*

### **225. Due to Other Funds**

A payable for goods issued, work performed or services rendered from or by another fund of the same government. Also use this account for subsidies and other transfers between funds that have been authorized but not yet paid. The recipient fund should have an equal amount recorded under account 131. Include payables between a primary government and blended component units.

### **226. Due to Component Unit(s)**

Include amounts due to discretely presented component unit(s) from the primary government. The payables to blended component unit(s) are presented in 225. Some transactions and balances previously recorded in 225 and 229 may need to be reclassified for the presentation in the reporting entity (primary government) financial statements. The recipient component unit(s) should have an equal amount recorded in 136.

### **227. Interfund Loans Payable**

The amounts of interfund loans not yet repaid. See [Loans](#) for further definition.

### **228. Due to Primary Government**

Amounts due to the primary government from discretely presented component unit(s). The payables of blended component unit(s) are presented in 225. An equal amount should be recorded in 135. For details, see [GAAP Reporting Requirements](#).

### **229. Due to Other Government(s)**

Current amounts due to other governments. These amounts may represent intergovernmental grants or entitlements; loans; and charges for services rendered by another government. Payables for services that are not governmental in nature, such as insurance, utilities, rents, repairs, and supplies, should not be included here. Use account 213 or 231.

### **231. Other Accrued Liabilities**

These are amounts of expenses/expenditures that have been incurred by the end of the fiscal period but will become payable at a future date. Do not include accruals for claims and judgments, annuities, or construction contracts in this account. See accounts 215, 221, and 223.

#### 231.10 *Interest Payable*

Interest earned by creditors, including bondholders, since the last payment or coupon date.

#### 231.20 *Arbitrage Rebate Tax Payable*

The interest earnings accrued at the end of the 5th year and due and payable to the U.S. Treasury. See [Arbitrage Rebates](#).

### **231.30 *Accrued Wages***

Wages earned by employees since the last payroll. Include the current portion of the unpaid liability for employee absences (vacation and other accruable leave). Use account 259 to record the long-term liability for compensated absences.

### **231.50 *Accrued Employee Benefits***

Estimated benefits associated with accrued wages, account 231.30. Include payroll taxes.

### **231.70 *Accrued Taxes***

Estimated taxes that are not directly associated with other specific liability accounts, such as B&O taxes or excise taxes. Do not include payroll taxes (see account 231.50).

### **231.90 *Other***

## **235. Current Portion of Long-Term Obligations**

The unmatured portion of all long-term debt which will become due within one year (proprietary funds) but which is not yet due and which will require current assets to redeem (see account 240 for the current portion of long-term debt payable from restricted assets). Do not include any portion of refunded debt. Special rules apply to certain types of intermediate-length financing (see accounts 239.60 and 263.60). For explanations of the other specific types of debt, see accounts 251, 252, 253 and 263.

### **235.10 *G.O. Bonds Payable***

### **235.20 *Revenue Bonds Payable***

### **235.30 *Special Assessment Bonds Payable***

### **235.40 *Revenue Warrants Payable***

### **235.50 *Leases and Installment Purchases Payable***

### **235.70 *Notes Payable***

### **235.90 *Other***

## **237. Custodial Accounts**

A liability account for the money held by a government in a trustee capacity or as a custodian for individuals, private organizations, other governments, or other funds. Include such items as sales and leasehold taxes collected for the state, prisoners' cash, court trusts, contractors' bonds (bid deposits), etc. County treasurers should use this account to offset the assets held in custodial funds for special purpose districts. This account should be used only in fiduciary funds.

## **239. Other Current Liabilities**

### **239.10 *Customer Deposits (Nonproprietary)***

Include liability for deposits made by customers as a prerequisite to receiving services. In proprietary funds use account 245.10 instead.

#### **239.60 *Anticipation Warrants/Notes***

These are short-term financing instruments (Chapter [39.50](#) RCW). Include the entire principal of those notes and warrants unless the instruments were authorized in anticipation of a bond issue (see account 263.60). This debt should be treated as fund debt, even in governmental funds.

#### **239.70 *Registered Warrants***

#### **239.90 *Other***

### **241-245 Current Payable from Restricted Assets**

These accounts are used only in proprietary funds. Include the amounts of current liabilities and customer deposits for which the assets have been set aside as restricted in accounts 151-155. Do not include matured bonds or progress payments due to contractors; instead, the related assets should be treated as current and not restricted. For explanation of the specific types of debt, see accounts 239.60, 251, 252, 253, and 263.

#### **241. Debt Principal Payable**

#### **242. Debt Interest Payable**

#### **245. Deposits and Other Payables**

### **246-267 Noncurrent Liabilities**

### **246-248 Noncurrent Payable from Restricted Assets**

These accounts are used only in proprietary funds. Include the amounts of current liabilities and customer deposits for which the assets have been set aside as restricted in accounts 156-158. Do not include matured bonds or progress payments due to contractors; instead, the related assets should be treated as current and not restricted. For explanation of the specific types of debt, see accounts 239.60, 251, 252, 253 and 263.

#### **246. Debt Principal Payable**

##### **246.10 *Revenue Bonds Payable***

##### **246.20 *Other Bonds Payable***

##### **246.40 *Warrants/Notes Payable***

#### **247. Debt Interest Payable**

#### **248. Deposits and Other Payables**

##### **248.10 *Deposits Payable***

##### **248.90 *Other***

#### **251. General Obligation Bonds Payable**

#### 251.10 ***G.O. Bonds at Face Value (for Capital Purposes)***

The face value of all noncurrent bonds used for capital acquisitions and/or improvements for which the government has pledged its full faith and credit.

251.11 No Vote Required

251.12 Vote Required

251.15 Advance Refunding - Defeasance Method

251.16 Advance Refunding - Crossover Method

251.21 Vote Required for Utility Purposes (Cities and Towns)

251.22 Vote Required for Open Space, Parks and Capital Facilities (Cities and Towns)

251.31 No Vote Required for Metropolitan Municipal Corporation (County)

251.32 Vote Required for Metropolitan Municipal Corporation (County)

251.41 No Vote Required for Construction (Ports)

251.42 No Vote Required for Airport Improvement (Ports)

251.43 Vote Required for Airport Improvement (Ports) 251.44 Vote Required for Foreign Trade Zones (Ports)

#### 251.50 ***G.O. Bonds at Face Value (for M and O Purposes)***

The face value of all noncurrent bonds used for maintenance and operations (M and O) for which the government has pledged its full faith and credit.

251.51 No Vote Required

251.52 Vote Required

251.55 Advance Refunding - Defeasance Method

251.56 Advance Refunding - Crossover Method

#### 251.60 ***Unamortized Premium on G.O. Bonds***

The unamortized portion of the excess of G.O. bond proceeds over their face value (excluding accrued interest and issuance cost).

#### 251.70 ***Unamortized Discount on G.O. Bonds (Debit)***

The unamortized portion of the excess of the face value of G.O. bonds over the amount received from their sale (excluding accrued interest and issuance cost).

#### 251.90 ***Advance Refunded G.O. Bond Issues***

The amount of any refunded bonds included in this account should not be reported in the financial statements. For further discussion, see BARS Manual [3.4.14](#), *Refunding Debt*.



## **252. Revenue Bonds Payable**

### **252.10 *Revenue Bonds at Face Value (for Capital Purposes)***

The face value of all revenue bonds used for capital acquisitions and improvements not due within one year.

252.11 No Vote Required

252.12 Vote Required

252.15 Advance Refunding - Defeasance Method

252.16 Advance Refunding - Crossover Method

### **252.20 *Unamortized Premium***

The unamortized portion of the excess of revenue bond proceeds over their face value (excluding accrued interest and issuance cost).

### **252.30 *Unamortized Discount (Debit)***

The unamortized portion of the excess of the face value of revenue bonds over the amount received from their sale (excluding accrued interest and issuance cost).

### **252.40 *Revenue Bonds at Face Value (for M and O Purposes)***

The face value of all revenue bonds used for maintenance and operations (M and O) and not due within one year.

252.41 No Vote Required

252.42 Vote Required

252.45 Advance Refunding - Defeasance Method

252.46 Advance Refunding - Crossover Method

### **252.90 *Advance Refunded Revenue Bond Issues***

The amount of any refunded bonds included in this account should not be reported in the financial statements. For further discussion, see BARS Manual [3.4.14](#), *Refunding Debt*.

## **253. Special Assessment Bonds Payable**

### **253.10 *Special Assessment Bonds at Face Value***

The face value of bonds issued for public improvements to be repaid (wholly or in part) from assessments levied against benefited properties. Bonds expected to be financed from special assessments should be recorded here even if the full faith and credit of the municipality is pledged.

253.11 LID Bonds

253.12 ULID Bonds

253.13 RID Bonds

253.14 Other Special Improvement Bonds

253.15 CRID Bonds

253.16 Advance Refunding - Defeasance Method

253.17 Advance Refunding - Crossover Method

**253.20 *Unamortized Premium***

The unamortized portion of the excess of special assessment bond proceeds over their face value (excluding accrued interest and issuance cost).

**253.30 *Unamortized Discount (Debit)***

The unamortized portion of the excess of the face value of special assessment bonds over the amount received from their sale (excluding accrued interest and issuance cost).

253.43 LID Warrants with Commitments

253.63 LID Notes Payable with Commitments

**253.80 *Advance Refunded Special Assessment Bond Issues***

The amount of any refunded bonds included in this account should not be reported in the financial statements. For further discussion, see BARS Manual [3.4.14](#), *Refunding Debt*.

**253.90 *Miscellaneous Special Assessment Bonds***

253.98 Miscellaneous Special Assessment Debt with Commitment

**255. Advances from Other Funds**

The amounts of long-term interfund loans not yet repaid. Also include the amount of deferred assessments owed by a fund to other funds of the same government.

**257. Unearned Revenue**

Amounts recognized as receivables, including amounts due from other governments, which cannot be classified as revenues. Under the modified accrual basis of accounting, such amounts are measurable but not available. See the discussion of revenue accrual in [Accrual of Revenues in Governmental Funds](#). Also include amounts collected that will not become revenues during the next fiscal year. For example, rental payment received for the last year of a lease running for several more years.

**259. Compensated Absences**

This account is used to record the noncurrent liability for employee absences. Such compensation should be recorded for all accrued vacation and for that portion of other leave, such as sick leave, for which the employee would be paid on termination. Use account 231.30 to record the current portion of these kinds of leave.

259.12 Compensated Absences

## **263. Other Noncurrent Liabilities**

263.12 Claims and Judgments Payable

The noncurrent portion of amounts owed as compensation or payment for injury or damages.

263.22 Liability for Landfill Closure and Postclosure Care Costs

The estimated and accrued costs related to the closure of landfills in accordance with the Department of Ecology standards. See [Solid Waste Utilities: Closure and Postclosure Cost Accounting](#).

263.30 ***Utility Operating Reserves***

Amounts expensed by a proprietary fund and irrevocably set aside for pension, accident and death benefits, employee health and welfare, etc., but not included in restricted assets. Utilities may also use this account during the fiscal year for amounts expensed to meet the probable liability, not covered by insurance, for losses through accidents, fire, flood, or other hazards, and for losses from injury and damage claims. For reporting purposes, amounts that remain in this account at year-end which represent net self-insurance *reserves* must be credited against the related risk expense accounts, so that operating statements include as expenses only the actual judgments awarded and/or losses sustained.

263.40 ***Revenue Warrants Payable***

The noncurrent portion of warrants issued with a set term for redemption (also known as time warrants). In most cases, they are backed by the earnings of a specific fund rather than the full faith and credit of the issuing government. Any premium or discount should be accounted for separately from the face value, using subaccounts of this account.

263.50 ***Leases and Installment Purchases Payable***

Include the noncurrent portion of leases and lease/purchases. An explanation of capital leases and the required accounting for them is in [Leases](#).

263.51 Leases and Installment Purchases Payable (General Obligation)

263.52 Leases and Installment Purchases Payable (No General Obligation)

263.60 ***Notes Payable***

Include the noncurrent portion of promissory notes issued by a local government.

Include the entire unpaid principal of intermediate length financing instruments, such as anticipation notes and warrants (Chapter [39.50](#) RCW) authorized in anticipation of a bond issue, even though it may come due within 12 months.

Other anticipation notes or warrants should be classified as current debt even though payment may be delayed beyond 12 months (see account 239.60).

263.61 Notes Payable (General Obligation)

263.62 Notes Payable (No General Obligation)

263.70 Arbitrage Rebate Tax Payable

263.72 Arbitrage Rebate Tax Payable

The interest earnings accrued in years 1-4 that will be due to the U.S. Treasury at the end of the 5th year. Refer to discussion in [Arbitrage Rebates](#).

**263.80 *Due to Other Governments***

Include the noncurrent portion of intergovernmental loans.

263.81 Loans and Other Obligations to Federal or out-of-State Governments (General Obligation)

263.82 Loans and Other Obligations to Federal or out-of-State Governments (No General Obligation)

263.83 Loans and Other Obligations to WA State (except LOCAL and PWTF) (General Obligation)

263.84 Loans and Other Obligations to WA State (except LOCAL and PWTF) (No General Obligation)

263.85 Loans and Other Obligations to Other WA Local Governments (General Obligation)

263.86 Loans and Other Obligations to Other WA Local Governments (No General Obligation)

263.87 Public Work Trust Fund Loans (General Obligation)

263.88 Public Work Trust Fund Loans (No General Obligation)

**263.90 *Miscellaneous Noncurrent Liabilities***

263.91 Miscellaneous Debt (General Obligation)

263.92 Miscellaneous Debt (No General Obligation)

263.93 Environmental Liabilities

263.94 Line of Credit with a General Obligation Pledge

263.95 Line of Credit (No General Obligation)

263.96 LOCAL Program (General Obligation)

263.98 Miscellaneous Liabilities (General Obligation)

263.99 Miscellaneous Liabilities (No General Obligation)

**264.30 *Pension Liabilities (Net)***

The cumulative difference between annual pension cost and the employer contribution to the pension plan.

**264.40 *OPEB Liabilities***

## **267. Other Credits**

This account is used in proprietary funds to account for gains that will be amortized over succeeding fiscal periods. Use the separate accounts provided for items such as unamortized debt premium (accounts 251.20, 252.20 and 253.20), customer advances to be refunded (account 245) and amounts held pending disposition (account 237).

## **271 Deferred Inflows of Resources**

An acquisition of net assets by the government that is applicable to future reporting period. This account should include transactions related to accumulated increase in fair value of hedging derivatives, deferred service concession arrangement receipts, deferred property tax, advance payments of property tax, special assessments, deferred amount on refunding [the unamortized difference between the net carrying amount of the debt and its reacquisition price (when the net carrying amount exceeds the reacquisition price - gain on refunding)], grants received in advance (when grantee receives grantor resources after all grantor requirements have been met except the grantor stipulated time requirement), pension, and other items as defined by the Governmental Accounting Standards Board. The categories should be detailed in the financial statements.

## **281-282 Fund Balance**

### **286-288**

These accounts are used to indicate the difference between the assets and liabilities reported in governmental funds.

### **281. Nonspendable Fund Balance**

Indicates the portion of fund balance is inherently nonspendable in current period (e.g., prepaid items, inventories, long-term portion of loans receivable, nonfinancial resources held for resale, etc.).

### **282. Restricted Fund Balance**

Indicates the portion of fund balance that is subject to externally enforceable legal restrictions (imposed by creditors, grantors, donors, other governments, etc.). The restrictions may be also imposed by law through constitutional provisions or enabling legislation.

### **286. Committed Fund Balance**

Indicates the portion of fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at the highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner.

### **287. Assigned Fund Balance**

Indicates the portion of fund balance that reflects a government's intended use of resources.

### **288. Unassigned Fund Balance**

Indicates net resources in excess of nonspendable, restricted, committed, and assigned fund balance.

## **283-285 Net Position**

### **283.10 *Held in Trust for Pension Benefits***

The difference between the assets and liabilities of pension plans reported by the employer or sponsor government in a pension (and other employee benefit) trust fund.

### **283.20 *Held in Trust for Pool Participants***

The difference between the assets and liabilities of external investment pools reported by the sponsor government in an investment trust fund.

### **283.90 *Held in Trust for Other Purposes***

The difference between the assets and liabilities of fiduciary funds, other than pension (and other employee benefit) trust funds or investment trust funds.

### **284.10 *Net Investment in Capital Assets***

Capital assets net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included.

### **284.20 *Restricted for* \_\_\_\_\_**

The component of net position that consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

284.21 Restricted for \_\_\_\_\_, Permanent Restriction. Restricted component of net position that may never be spent (e.g., endowments).

284.22 Restricted for \_\_\_\_\_, Temporary Restriction. Restricted component of net position that may be spent at some time, either in the present or future.

## **285. Unrestricted**

The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

# Object Codes

## Object Codes

**Reminder:** Object 50, *Intergovernmental Services and Payments* is invalid for reports starting year 2019 and thereafter. The listing below contains new definitions for Objects 30 and 40 which are applicable to coding of your 2019 expenditures. Please review the definitions to ensure their proper application.

### 1.4 Object Codes

#### 00 Depreciation, Amortization, Other Decreases in Fund Resources and Transfers-Out

Use this category of object only with the accounts 501, 581, 582, 585, 586, 588, 589, and 597

#### 10 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).

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.

#### 20 Personnel Benefits

Those benefits paid by the employer as part of the conditions of current or past employment. Subdivide as needed for local purposes. Example: insurance, unemployment compensation, OASI (FICA) - employer-paid portion, uniforms, pension, and workers' compensation. Payments by self-insurance and trust funds to retired or disabled employees or their beneficiaries, employer payments to pension systems and to state agencies for unemployment and disability insurance. Use object 40 for payments from self-insurance funds for property and liability claims.

#### 30 Supplies for Consumption and Resale

Include:

- items purchased for **consumption** (e.g., office supplies, forms, agricultural supplies, chemicals, laboratory supplies, cleaning supplies, clothing, construction materials, drugs, electrical supplies, feed for animals, household supplies, lubricants, medicines, painting and plumbing supplies, books, publications, etc.);
- items purchased for **resale** (e.g., automotive repair parts, grave markers and liners, central store merchandise, maps, code books, concession supplies, fuel, trees, books and other literary materials, office supplies, forms, agricultural supplies, chemicals, laboratory supplies, cleaning supplies, clothing, construction materials, drugs, electrical supplies, feed for animals, household supplies, lubricants, medicines, painting and plumbing supplies, books, publications, etc.); also power, gas, water and waste disposal services purchased for resale only - if purchased for the governments' own consumption, use object 40;
- fuel used to generate power, heating, and operate engines and vehicles (e.g., coal, diesel fuel,

- gasoline, oil, propane gas, wood, etc.);
- small tools and minor equipment.

## 40 Services and Pass-Through Payments

Use this object for governmental type and other professional and technical services provided by other governments (federal, state, local), other funds, or by private entities.

Include:

- professional services (e.g., accounting, auditing, advertising, computer services, medical, dental and hospital, management consulting, custodial, messenger, testing, monitoring, cleaning, engineering, architectural, legal, investment services, etc.);
- communication (e.g., postage, internet, telephone, facsimile, shipping, etc.);
- travel (e.g., mileage, lodging, meals, etc.);
- taxes (e.g., sales and use, B&O tax, etc.) and operating assessments (i.e., payments to other governments or funds based on levies against property or income of the government or a fund);
- permits, licenses, accreditation, certification and other fees which are necessary for operations paid to the federal, state or local governments (e.g., survey fees, laboratory accreditation fees, disposal fees, discharge permits, biosolid permits, FERC licenses, etc.);
- operating rentals and leases (GAAP entities should use object 60 for capital leases; cash basis entities should use object 70 for the principal payments and object 80 for interest payments on capital leases);
- insurance (e.g., liability, theft, bonds, casualty, etc.; however use object 20 for insurance applicable to personnel benefits);
- utility services (e.g., water, sewer, gas, electricity, waste disposal, television, etc.; however **use object 30 for power, gas or water purchased for resale**);
- contracted repairs and maintenance (use object 60 for construction contracts);
- other (e.g., court costs, investigation, judgments, damages, dues, subscriptions, memberships, registrations, information and credit services, laundry and sanitation services, filing, recording, witness fees, printing, binding, tuition, etc.).

Also include eligible intergovernmental **pass-through** payments, contributions and grants from federal, state, and own or other local resources to other governments or nongovernmental entities.

## 60 Capital Outlays

Expenditures related to purchase or construction of assets considered capital according to the government capitalization threshold policy. This object should be used only with accounts 594 and 595.

Include expenditures related to acquisition of, rights to, or additions to capital assets, including incidental costs such as legal, appraisal and brokerage fees, land preparation and demolishing buildings, fixtures and delivery costs. This category of object includes purchases and construction of major capital assets which are purchased or constructed by the external party. Those constructed or fabricated by the municipality should be classified under other object classes; i.e., wages under Salaries and Wages, materials under Supplies, etc. Exclude small tools and minor equipment (use object 30).

Include land, land and other improvements (e.g., easements, site improvements such as excavation, fill, grading, utility installation, removal, relocation or reconstruction of property, retaining walls,



fencing, landscaping, land acquisition costs and related expenditures, intangible rights to land, etc.); acquisition, construction and improvements of buildings (e.g., administrative and office buildings, garage, shops, firehouses, jails, libraries, zoos, park buildings, coastal and riverine structures, alleys, athletic fields, water/sewer systems, fuel depots, dikes, levees, signs and signals, landscape and vegetation, etc.); machinery and equipment (e.g., police dogs and horses, computer software/hardware, artwork, etc.); assets acquired 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 time (GAAP only; cash basis governments should use 594PP70 (principal) and 594PP80 (interest) for capital lease payments.

### **70 Debt Service - Principal**

Use with codes 591, 593, 594 (cash basis only), 596 and 599. Include general obligation, revenue, special assessment bonds, capital leases, installment purchases, anticipation and other notes, anticipation warrants, contracts, intergovernmental loans, other debt, LOCAL program payments, etc.

### **80 Debt Service - Interest and Issuance Costs**

Use with codes 592, 593, 594 (cash basis only) and 599. Include interest on short and long-term external debt, interest on interfund debt, interests on debt to joint ventures and affiliates, LID assessments, interest on intergovernmental debt, leases, interest paid on overdue taxes (RCW 84.69.070), debt issuance and other debt service costs.

# Revenue/Expenditure/Expense Accounts Overview

## Revenue/Expenditure Accounts Overview

### 1.14 Revenue/Expenditure Accounts Overview

1.14.10 The overview includes the major categories of revenues and expenditures. For the full listing of all revenue and expenditure codes go to [BARS Account Export](#).

#### Revenues by source

300	Beginning Cash and Investments
310	Taxes
320	Licenses and Permits
330	Intergovernmental Revenues
340	Charges for Goods and Services
350	Fines and Penalties
360	Miscellaneous Revenues
380	Other Increases in Fund Resources
390	Other Financing Sources

#### Revenues by source and type

<b>300</b>		<b>Beginning Cash and Investments</b>
	308	Beginning Cash and Investments
<b>310</b>		<b>Taxes</b>
	311	Property Tax
	313	Retail Sales and Use Taxes
	316	Business and Occupation Taxes
	317	Excise Taxes in Lieu of Property Tax
	318	Other Taxes
<b>320</b>		<b>Licenses and Permits</b>
	321	Business Licenses and Permits
	322	Non-Business Licenses and Permits
<b>330</b>		<b>Intergovernmental Revenues</b>
	331	Federal Direct Grants
	332	Federal Revenues
	333	Federal Indirect Grants
	334	State Grants
	335-336	State Shared Revenues, Entitlements and Impact Payments
	337	Local Grants, Entitlements and Other Payments
<b>340</b>		<b>Charges for Goods and Services</b>
	341	General Government

	342	Public Safety
	343	Utilities
	344	Transportation
	345	Natural and Economic Environment
	346	Social Services
	347	Culture and Recreation
	348	Internal Service Funds Sales and Services
<b>350</b>		<b>Fines and Penalties</b>
	351	Superior Court - Felony/Misdemeanor Penalties
	352	Civil Penalties
	353	Civil Infraction Penalties
	354	Civil Parking Infraction Penalties
	355	Criminal Traffic Misdemeanor Fines
	356	Criminal Non-Traffic Fines
	357	Criminal Costs
	359	Non-Court Fines and Penalties
<b>360</b>		<b>Miscellaneous Revenues</b>
	361	Interest and Other Earnings
	362	Rents and Leases
	367	Contributions and Donations from Nongovernmental Sources
	368	Special Assessments
	369	Other
<b>380</b>		<b>Other Increases in Fund Resources</b>
	381	Interfund Loans
	382	Deposits
	385	Special or Extraordinary Items
	388	Other Increases in Fund Equity
	389	Custodial Activities
<b>390</b>		<b>Other Financing Sources</b>
	391	Long-Term Debt Issued
	392	Premiums on Bonds Issued
	393	Refunding Long-Term Debt Issued
	395	Disposition of Capital Assets
	397	Transfers-In
	398	Insurance Recoveries

### Expenditures by function

500	Ending Cash and Investments
510	General Government
520	Public Safety

530	Utilities
540	Transportation
550	Natural and Economic Environment
560	Social Services
570	Culture and Recreation
580	Other Decreases in Fund Resources
591*-593*	Debt Service
594*-595*	Capital Expenditures
596*, 597, 599*	Other Financing Uses
	*These codes are listed together with appropriate operating activities.

**Expenditures by function and activity**

<b>500</b>		<b>Ending Cash and Investments</b>
	508	Ending Cash and Investments
<b>510</b>		<b>General Government</b>
	511	Legislative Activities
	512	Judicial Activities
	513	Executive Activities
	514	Financial, Recording and Election Activities
	515	Legal Activities
	517	Employee Benefit Programs
	518	Centralized Services
	519	Risk Management Services
<b>520</b>		<b>Public Safety</b>
	521	Law Enforcement Activities
	522	Fire and Emergency Medical Activities
	523	Detention/Correction Activities
	524	Protective Inspection Services
	525	Disaster Services
	527	Juvenile Services
	528	Dispatch Services
<b>530</b>		<b>Utilities</b>
	531	Storm Drainage Utilities
	532	Television/Cable/Internet Utilities
	533	Electric/Gas Utilities
	534	Water Utilities
	535	Sewer/Reclaimed Water Utilities
	536	Cemetery
	537	Solid Waste Utilities
	538	Combined Utilities

	539	Irrigation/Reclamation Utilities
<b>540</b>		<b>Transportation</b>
	541	Roads/Streets Construction - Preservation Projects
	542	Roads/Streets Maintenance
	543	Roads/Streets General Administration and Overhead
	544	Roads/Streets Operations
	545	Roads/Streets Extraordinary Operations
	595	Roads/Streets and Other Infrastructure: Improvements and New Construction Projects
	546	Airports and Ports
	547	Transit, Railroads and Other Transportation Systems
	548	Public Works - Centralized Services
<b>550</b>		<b>Natural and Economic Environment</b>
	551	Public Housing Services
	552	Employment Opportunity
	553	Conservation
	554	Environmental Services
	557	Community Services
	558	Community Planning and Economic Development
	559	Property Development
<b>560</b>		<b>Social Services</b>
	561	Hospitals, Assisted Living and Convalescent Facilities
	562	Public Health Services
	563	Coroner/Medical Examiner
	564	Mental Health Services
	565	Welfare/Veterans Services/Services for Disabled/Homeless Services/Domestic Violence
	566	Chemical Dependency Services
	567	Children Services
	568	Developmental Disabilities Services
	569	Aging and Disability Services
<b>570</b>		<b>Culture and Recreation</b>
	571	Educational and Recreational Activities
	572	Libraries
	573	Cultural and Community Activities
	575	Cultural and Recreational Facilities
	576	Park Facilities
<b>580</b>		<b>Other Decreases in Fund Resources</b>
	581	Interfund Loans
	582	Refund of Deposits
	585	Special or Extraordinary Items

	588	Prior Period(s) Adjustment(s)
	589	Custodial Activities
<b>591-593</b>		<b>Debt Service</b>
	591	Redemption of Debt
	592	Interest and Other Debt Service Costs
	593	Advance Refunding Escrow
<b>594-595</b>		<b>Capital Expenditures</b>
	594	Capital Expenditures
	595	Roads/Streets and Other Infrastructure: Improvements and New Construction Projects
<b>596, 597, 599</b>		<b>Other Financing Uses</b>
	596	Issuance Discount on Long-Term Debt
	597	Transfers-Out
	599	Payments for Refunded Debt

**Expenditures/expenses by fourth and fifth digit**

**Use this table only with accounts beginning with 591-594, 596 and 599.**

<b>General Government</b>
11 Legislative Activities
12 Judicial Activities
13 Executive Activities
14 Financial, Recording and Election Activities
15 Legal Activities
17 Employee Benefit Programs
18 Centralized/General Services
19 Risk Management Services
<b>Public Safety</b>
21 Law Enforcement Activities
22 Fire and Emergency Medical Activities
23 Detention/Correction Activities
24 Protective Inspections Services
25 Disaster Services
27 Juvenile Services
28 Dispatch Services
<b>Utilities</b>

31 Storm Drainage Utilities
32 Television/Cable/Internet Utilities
33 Electric/Gas Utilities
34 Water Utilities
35 Sewer/Reclaimed Water Utilities
36 Cemetery
37 Solid Waste Utilities
38 Combined Utilities
39 Irrigation/Reclamation Utilities
<b>Transportation</b>
41 Roads/Streets Construction-Preservation Projects
42 Roads/Streets Ordinary Maintenance
43 Roads/Streets General Administration and Overhead
44 Roads/Streets Operations
45 Roads/Streets Extraordinary Operations
95 Roads/Streets and Other Infrastructure
46 Airports/Ports
47 Transit/Railroads and Other Transportation Systems
48 Public Works-Centralized Services
<b>Natural and Economic Environment</b>
51 Public Housing Services
52 Employment Opportunity
53 Conservation
54 Environmental Services
57 Community Services
58 Community Planning and Economic Development
59 Property Development
<b>Social Services</b>
61 Hospitals, Assisted Living, and Convalescent Facilities
62 Public Health Services
63 Coroner/Medical Examiner
64 Mental Health Services
65 Other Social Services
66 Chemical Dependency Services
67 Children Services
68 Developmental Disabilities Services
69 Aging and Disability Services
<b>Culture and Recreation</b>

71 Educational and Recreational Activities
72 Libraries
73 Cultural and Community Activities
75 Cultural and Recreational Facilities
76 Park Facilities



# Account Structure

## Applicability

### 1.1 Account Structure

#### 1.1.6 Applicability

1.1.6.10 The chart of accounts and procedures contained in this manual are the minimum reporting requirements that must be used by all cash basis counties and cities and other local governments as prescribed by the State Auditor's Office (RCW [43.09.200](#)).

1.1.6.20 The uniform system of accounts is best applied consistently throughout the budgeting, accounting, and reporting cycles. However, it is permissible to use a different system of numbers for internal accounting, so long as equivalent detail is maintained for reporting purposes. The prescribed chart of accounts must be used for detail reporting of revenues and expenditures.

**1.1.6.40 Local governments using cash basis should follow single-entry accounting and cash basis reporting procedures which do not reflect financial condition and results of operations in conformity with GAAP [1].** Single-entry accounting, as permitted in this manual, requires full compliance with all legal requirements.

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## Footnotes

**[1]** Generally Accepted Accounting Principles (GAAP). Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of the entity. GAAP encompasses the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provides a standard by which to measure financial presentation. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

## Structure

### 1.1 Account Structure

#### 1.1.2 Structure

1.1.2.10 The BARS structure requires a ten-digit capability to accommodate the required coding. Of these ten digits, seven digits are fully reserved for the account code. This means, if the local government decides to use unassigned digits for local purposes, it should be aware that these digits may be prescribed in the future and the new prescription will supersede the local applications.

1.1.2.20 The remaining three digits are designated for the fund number.

1.1.2.40 The BARS code structure has the following components:

#### Fund codes

The three digit code is used to identify different fund types. Except for fiduciary funds where the second digit is prescribed, only the first digit has to follow the designated numbers. See *Fund Types and Accounting Principles* for [GAAP](#) or [cash-basis](#) governments.

General (Current Expense) Fund	<b>000-099</b>
Special Revenue Funds	<b>100-199</b>
Debt Service Funds	<b>200-299</b>
Capital Projects Funds	<b>300-399</b>
Permanent Funds	<b>700-799</b>
Enterprise Funds	<b>400-499</b>
Internal Service Funds	<b>500-599</b>
Investment Trust Funds	<b>600-609</b>
Pension (and Other Employee Benefit) Trust Funds	<b>610-619</b>
Private-Purpose Trust Funds	<b>620-629</b>
Custodial Funds (for External Investment Pool Funds use code 699)	<b>630-699</b>

#### First digit

**3 (three)** denotes revenues and other financing source accounts. [\[1\]](#)

**5 (five)** denotes expenditures/expenses and other financing use accounts. [\[2\]](#)

#### Second and third digits

**Revenues** - The numbers assigned to identify the source (origin or originating category) of revenues.

**Expenditures** - The numbers assigned to identify different functions and activities for which expenditures/expenses are incurred.

#### Fourth and fifth digits

**Revenues** - The numbers assigned to further identify specific types of revenues within a particular source.

**Expenditures** - The numbers assigned to further identify specific elements and sub-elements of activities related to the particular function and activity.

#### Sixth and seventh digits (Object Codes)

**Revenues** - The numbers have not been defined, and are available for the additional coding by the local government. However, as the BARS manual is updated, they may be assigned for specific purposes.

**Expenditures** - The numbers assigned to identify expenditures/expenses according to the character and the type of items purchased or services obtained.

#### Minimum levels for reporting revenues and expenditures/expenses

1.1.2.50 The following chart summarizes the amount of detail required.

Digit	Example	Revenues
Fund	001	Required <a href="#">[3]</a>
First	300	Required
Second	340	Required
Third	342	Required
Fourth	34220	Optional <a href="#">[4]</a>
Fifth	34221	Optional <a href="#">[4]</a>
Sixth	342211	Optional
Seventh	3422111	Optional
Digit	Example	Expenditures
Fund	001	Required <a href="#">[3]</a>
First	500	Required
Second	510	Required
Third	514	Required

Fourth	51420	Optional <a href="#">[4]</a>
Fifth	51420	Optional <a href="#">[4]</a>
Sixth	5142021	Required
Seventh	5142021	Optional

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## Footnotes

**[1]** *Except 308 - beginning fund balance/net position.*

**[2]** *Except 508 - ending fund balance/net position.*

**[3]** *Except for fiduciary funds where the second digit is required.*

**[4]** *Except when specifically prescribed in the BARS Manual.*

# Budgeting

## Budgeting Compliance

### Introduction

#### 2.4 Budget Compliance

##### 2.4.1 Introduction

2.4.1.10 A budget is a legal document that forecasts the financial resources of a government and authorizes the spending of those resources for a fiscal period. At a minimum, local governments' budget must meet the requirements of Washington state law and the State Auditor's Office. The SAO does not prescribe how to budget or what a budget should look like. The adopted budget should be of sufficient detail to be meaningful and meet the intention of the law. The SAO considers budgets showing revenues and expenditures at the legal fund level to be the minimum acceptable level of detail.

2.4.1.20 Budgeting is more than just an activity to satisfy state law. It is a sophisticated process of strategic planning, communication and policy development resulting in a detailed plan of operations for allocating and monitoring the use of limited resources among various competing demands. Teaching how to budget is outside the scope of the BARS. However, there are many educational resources available to local governments, such as the Municipal Research and Services Center ([mrsc.org](http://mrsc.org)) and the Government Finance Officers Association ([gfoa.org](http://gfoa.org)).

##### 2.4.1.30 Glossary of budgetary terms:

**Annual/biennial appropriated budget** - A fixed budget adopted for the government's fiscal period. The appropriated budget was traditionally used to determine a government's property tax levy, and a ceiling on expenditures was made absolute so that the expenditures of a government unit would not exceed its revenues. This budget was also historically a balanced budget, estimated revenues equaling appropriations. The appropriated budget is still used to set tax levies and some budget statutes still require balanced budgets, but it is more generally used to authorize a specific amount of expenditures regardless of whether estimated resources meet or exceed that amount. Appropriated budgets are required by statute in cities (Chapter [35.32A](#) RCW, Chapter [35.33](#) RCW and Chapter [35A.33](#) RCW), counties (Chapter [36.40](#) RCW), and most other local governments in Washington State. These budgets are also called legal budgets, adopted budgets, or formal budgets. The appropriated budgets should be adopted by ordinance or resolution.

**Appropriation** - The legal spending level authorized by a budget ordinance or resolution. Spending should not exceed this level without prior approval of the governing body.

**Capital improvement budget** - Consists of two elements: the annual/biennial portion of capital projects and annual/biennial appropriations for the purchase, construction or replacement of major fixed assets in the current fiscal period.

**Comprehensive budget** - An government-wide budget that includes all resources the government expects and everything it intends to spend or encumber during a fiscal period. The comprehensive budget contains annual/biennial appropriated budgets, the annual/biennial portion of continuing appropriations such as the capital improvement projects, debt amortization schedules, and grant projects, flexible budgets and all non-budgeted funds.

**Continuing appropriation** - A fixed budget which authorizes expenditures for a fiscal period that differs from the government's fiscal year, such as capital projects, debt issues, grant awards, and other service projects. These expenditures require an ordinance or resolution to authorize the project, establish the assessment roll, adopt the debt amortization schedule, or accept the grant award. Such ordinances or resolutions set an absolute maximum or ceiling on the expenditures, but the time period for incurring expenditures does not coincide with the government's fiscal year; it may even cover several years. The major difference between annual/biennial appropriated budgets and continuing appropriations is that the latter do not lapse at fiscal period end; this implies that no legislative action is required to amend the annual/biennial portion of a continuing appropriation, unless the total authorized expenditures would exceed the entire appropriation.

**Encumbrances** - Commitments related to unperformed (executory) contracts for goods or services should be utilized to the extent necessary to assure effective budgetary control and to facilitate cash planning. Encumbrances outstanding at year end represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed; they do not constitute expenditures or liabilities.

**Final amended budget** - The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

**Fixed budget** - Those budgets which set an absolute maximum or ceiling on the expenditures of a particular fund, department, or other specific category. A fixed budget can be either an annual/biennial appropriated budget or a continuing appropriation. Fixed budgets must be adopted by ordinance or resolution, either for the government's fiscal period or at the outset of a service project, debt issue, grant award, or capital project.

**Flexible budgets** - Are usually regarded as managerial tools, which do not set a ceiling on expenses or expenditures but establish a plan for them at various levels of service. They are especially appropriate for the day-to-day operations of a public utility where it is essential to plan fluctuations in the demand for services and where revenues will automatically increase with demand, so that a balanced budget does not depend on establishing a ceiling for expenses.

**Operating budget** - Presents the estimated expenditures and available resources necessary to provide the services for which the government was created. An operating budget will contain flexible budgets and fixed budgets; the fixed budgets will include annual/biennial appropriations for services and the annual/biennial portion of continuing appropriations for debt service and for service projects.

**Original budget** - The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.

**Working capital budget** - Combines flexible and fixed budget elements in one document for enterprise and internal service funds. Current operations are flexibly budgeted based on the estimated level of services to be provided and long-range sources and uses of assets are controlled by annual/biennial appropriations and continuing appropriations.

## Budget Adoption and Amendments

### 2.4 Budget Compliance

#### 2.4.3 Budget Adoption and Amendments

*This guidance applies only to cities and counties.*

2.4.3.10 All taxing districts must file certified levies and budgets with the county per RCW [84.52.020](#). All taxing districts are required to hold a public hearing on the proposed levy and budget (excluding capital, enterprise, and special assessment funds) and adopt their levy by ordinance or resolution per RCW [84.55.120](#).

2.4.3.20 Additional specific requirements for local governments that **are required to expend within their budget** are as follows:

- **Air Pollution Control Authorities (RCW [70A.15.1590](#))**. The budget year of each activated authority is July 1st to June 30th. On or before the fourth Monday in June of each year, the activated authority must adopt a budget sufficient to carry out the provisions of all applicable ordinances, resolutions, and local regulations related to the reduction, prevention, and control of air pollution.
- **Cities over 300,000 in population (Chapter [35.32A](#) RCW)**. No later than 90 days prior to the beginning fiscal year, the mayor must submit the proposed budget to the city council who may accept or revise the budget. A summary of the proposed budget must be advertised in the official city newspaper at least once. Public hearings must be scheduled on two or more days, and the scheduled hearings must be published in the city official newspaper and provided to general news media. No later than 30 days prior to the beginning of the fiscal year, the city council must adopt an ordinance approving the budget submitted by the mayor. The detail of the budget is specified by the state statute, and in no case can the adopted budget expenditure allowances exceed total estimated revenues unless accompanied by proposed legislation to raise an equivalent amount of additional revenue. The detail of the budget is specified by the state statute.
- **Cities under 300,000 in population (Chapter [35.33](#) RCW)**. At least 60 days prior to the beginning of the fiscal year (or other time as established by ordinance or charter), the chief administrative officer must submit the preliminary budget to the legislative body. The clerk must publish a notice once a week for two consecutive weeks in the official city newspaper that includes the following information: a copy of the preliminary budget is available to any taxpayer; and the date, time, and place the legislative body will meet to discuss the budget (must be on or before the first Monday of the month preceding the beginning of the fiscal year). Prior to the beginning of the fiscal year, the legislative body must adopt an ordinance approving the budget. A complete copy of the final budget as adopted must be transmitted to the association of Washington cities. The detail of the budget is specified by the state statute.
- **Counties (Chapter [36.40](#) RCW)**. On or before the first Tuesday of September each year, the auditor must submit the budget to the board of county commissioners, who may accept or revise the preliminary budget. Immediately following the adoption of the preliminary budget, the county legislative authority must publish a notice once a week for two consecutive weeks in the official county newspaper that includes the following information: a copy of the



preliminary budget is available to any taxpayer; and the date, time, and place the legislative body will meet to discuss the budget and making tax levies. Copies of the preliminary budget must be available two weeks prior to the first Monday in October. At the conclusion of the budget hearing the county legislative authority must adopt a resolution approving the budget.

- **Diking, Diking Improvement or Consolidated Diking Districts (RCW [85.38.170](#))**. On or before December 1st each year, the governing body must adopt a resolution approving the budget and special assessments sufficient to finance the budget. A copy of the resolution must be forwarded immediately to the county commissioners and county treasurer.
- **Drainage, Drainage Improvement or Consolidated Drainage Districts (RCW [85.38.170](#))**. On or before December 1st each year, the governing body must adopt a resolution approving the budget and special assessments sufficient to finance the budget. A copy of the resolution must be forwarded immediately to the county commissioners and county treasurer.
- **Flood Control Districts (RCW [86.09.466](#))**. On or before November 1st each year, the board must adopt a budget including the amount of funds necessary for any and all district purposes. The district must submit this budget for approval by the county commissioners, who may accept the budget as submitted or revised. The district's assessments for the year are limited to the approved budget.
- **Flood Control Zones (RCW [86.15.140](#))**. Annually, at the same time that county budgets are required to be prepared, the board of supervisors must adopt a budget. The detail of the budget is specified by the state statute. The budget shall only be approved after a public hearing with notice per RCW [36.32.120\(7\)](#).
- **Library Districts (RCW [27.12.210](#))**. Annually, prepare and certify a budget to deliver to the county "in ample time" for the county to levy taxes.
- **Sewerage Improvement Districts (RCW [85.38.170](#))**. On or before December 1st each year, the governing body must adopt a resolution approving the budget and special assessments sufficient to finance the budget. A copy of the resolution must be forwarded immediately to the county commissioners and county treasurer.

2.4.3.30 Requirements for local governments that **are not** limited to expenditures within their budget are as follows:

- **Fire Districts (RCW [52.16.030](#))**. Annually, after the county board has equalized the assessments for general tax purposes, the district secretary must prepare and certify a budget for each fund. The budget must be delivered to the county board in ample time for the tax levies to be made for the district.
- **Hospital Districts (RCW [70.44.060\(6\)](#))**. On or before November 1st, the superintendent must prepare and submit a proposed budget to the district commission. The district must publish a notice of a public hearing once a week for two consecutive weeks in a newspaper printed in and of general circulation of the county that states the date, time, and place the

commission body will meet to discuss the budget. The hearing must be held on or before November 15th. At the conclusion of the hearing, the commission must adopt a resolution approving the budget. *Note: Hospital districts are not required to amend their budgets if actual expenditures exceed those budgeted.*

- **Housing Authorities.** Not required by state law to create or follow a budget. However, authorities are required to create budgets for most of the federal grants they receive. The authority's responsibilities for these budgets would be a matter of grant compliance.
- **Irrigation/Reclamation Districts (RCW [87.80.160](#)).** Not required by state law to create or follow a budget. However, Boards of Joint Control established under Chapter [87.80](#) RCW must prepare annual budgets.
- **Port Districts (Chapter [53.35](#) RCW).** On or before the September 15 each year, port commission must prepare a preliminary budget showing estimated revenues and expenses. Between September 15 and the first Tuesday (following the first Monday) in October, the port must advertise, hold a hearing and adopt a final budget by resolution. The port has until the first Wednesday (following the first Monday) in October to submit a certified copy of the budget to the county. However, ports are not required to limit expenses to budgeted amounts.
- **Public Development Authorities.** Not specifically required by state law to create or follow a budget. However, PDAs operations and funds are subject to the creating government's limitations and budgeting restrictions.
- **Public Facilities Districts.** As a proprietary fund, PFDs are not subject to budgeting requirements; they are not required by state law to create or follow a budget.
- **Public Utility Districts (RCW [54.16.080](#)).** *If property taxes are levied*, a budget is required, although the PUD is not required to limit expenses to budgeted expenses. On or before the first Monday in September, the district must prepare a preliminary budget. A notice of the budget hearing must be published at least two consecutive weeks in a newspaper of general circulation within the county. The hearing must occur on the first Monday in October, at which the commission must adopt the budget by resolution.
- **Water/Sewer Districts.** As a proprietary fund, water-sewer districts are not subject to budgeting requirements.

## **Budget amendments**

2.4.3.40 For governmental funds (except those types specifically identified above in 2.4.3.30), budgeted appropriations are legally binding. This means that the government cannot spend more than the amount budgeted. As new information becomes available throughout the year, the government can amend (increase) the budget through formal processes. Budget compliance is determined at the end of the fiscal period. Therefore, amendments may be done at any time during the fiscal period, but *cannot be done after the fiscal period*. If the entity adopts a biennial budget, amendments may be made at any time during the biennium. Regardless, budgetary authority must

be in place **before** actual expenditures are made.

The following local governments have specific requirements for adoption of supplemental budgets:

- **Flood Control Zones (RCW [86.15.140](#))**. If additional funds become available, a supplemental budget may be done covering additional authorized improvements. Supplemental budgets shall only be approved after a public hearing with notice per RCW 36.32.120(7).
- **Port Districts (RCW [53.35.050](#))**. Supplemental budgets may only be adopted by resolution subsequent to a hearing that is advertised between 5 and 15 days in advance of the hearing.

# Budget Process

## 2.4 Budget Compliance

### 2.4.2 Budget Process

2.4.2.10 The budgetary process encompasses a number of different activities and decisions over a period of several months. See the budget calendar below for cities and counties. Similar steps can be used to develop all types of budgets.

		<b>BUDGET CALENDAR</b>	
<b>Steps in Budget Preparation</b>		<b>Cities</b>	<b>Counties</b>
1	<b>BUDGET ESTIMATES</b> Department heads are requested by clerk to prepare estimates of revenue and expenditures for the next fiscal year.	On or before the second Monday of the fourth month prior to the beginning of the city's/town's next fiscal year (i.e., September).	On or before the second Monday in July.
		RCW <a href="#">35.33.031</a> (2nd, 3rd, towns, 1st class<300,000)	RCW <a href="#">36.40.010</a>
		RCW <a href="#">35.34.050</a> (Biennial Budgets)	
		RCW <a href="#">35A.33.030</a> (Code Cities)	
		RCW <a href="#">35A.34.050</a> (Code Cities - Biennial Budgets)	
2	<b>BUDGET ESTIMATES</b> Estimates are to be filed with the city clerk/county auditor.	On or before the fourth Monday in September.	On or before the second Monday in August.
		RCW <a href="#">35.33.031</a> (2nd, 3rd, towns, 1st class<300,000)	
		RCW <a href="#">35.34.050</a> (Biennial Budgets)	RCW <a href="#">36.40.010</a>
		RCW <a href="#">35A.33.030</a> (Code Cities)	
		RCW <a href="#">35A.34.050</a> (Code Cities - Biennial Budgets)	

3	<b>PROPOSED PRELIMINARY BUDGET</b> Estimates are presented to the chief administrative officer for modification, revision, or additions.	On or before the first business day in October.	County auditor or chief financial officer shall prepare the county budget.
		RCW <a href="#">35.33.051</a> (2nd, 3rd, towns, 1st class<300,000)	RCW <a href="#">36.40.040</a>
		RCW <a href="#">35.34.070</a> (Biennial Budgets)	
		RCW <a href="#">35A.33.050</a> (Code Cities)	
		RCW <a href="#">35A.34.070</a> (Code Cities - Biennial Budgets)	
4	<b>PRELIMINARY BUDGET</b> Chief administrative officer provides the legislative body with:	(a) Revenue estimates (setting of levies) due no later than the first Monday in October.	(a) Revenue estimates are part of the preliminary budget process and due when preliminary budget is due. See next section.
	(a) Estimates of revenues (setting of levies),	RCW <a href="#">35.33.135</a> (2nd, 3rd, towns, 1st class<300,000)	RCW <a href="#">36.40.040</a> ; RCW <a href="#">36.40.090</a>
		RCW <a href="#">35.34.230</a> (Biennial Budgets)	
		RCW <a href="#">35A.33.135</a> (Code Cities)	
		RCW <a href="#">35A.34.230</a> (Code Cities - Biennial Budgets)	
	(b) Clerk's proposed preliminary budget, and	(b) Preliminary budget at least 60 days before the beginning of the next fiscal year and,	(b) Preliminary budget submitted by the auditor to the Board of County Commissioners on or before the 1st Tuesday in September for adoption of the preliminary budget.

	(c) Copies of the preliminary budget are made available to the public.	(c) Copies are made available to the public not later than six weeks before the beginning of the city's next fiscal period.	(c) Copies of the preliminary budget are available to the public not later than two weeks immediately preceding the first Monday in October.
		RCW <a href="#">35.33.055</a> (2nd, 3rd, towns, 1st class<300,000)	RCW <a href="#">36.40.050</a> ; RCW <a href="#">36.40.060</a>
		RCW <a href="#">35.34.080</a> (Biennial Budgets)	
		RCW <a href="#">35A.33.052</a> (Code Cities)	
		RCW <a href="#">35A.34.080</a> (Code Cities - Biennial Budgets)	
5	<b>NOTICE OF PUBLIC HEARING</b> Clerk publishes notice of filing of preliminary budget with city clerk and publishes notice of public hearing on final budget once a week for two consecutive weeks.	Published no later than the first two weeks in November.	Notice shall be published once each week for two consecutive weeks immediately following adoption of the preliminary budget.
		RCW <a href="#">35.33.061</a> (2nd, 3rd, towns, 1st class<300,000)	RCW <a href="#">36.40.060</a>
		RCW <a href="#">35.34.100</a> (Biennial Budgets)	
		RCW <a href="#">35A.33.060</a> (Code Cities)	
		RCW <a href="#">35A.34.100</a> (Code Cities - Biennial Budgets)	
6	<b>PUBLIC HEARING</b> Budget hearing is held.	On or before the first Monday of December, and may be continued from day to day but not later than the 25th day prior to the commencement of the new fiscal year.	On the first Monday in October.
		RCW <a href="#">35.33.071</a> (2nd, 3rd, towns, 1st class<300,000)	RCW <a href="#">36.40.070</a>
		RCW <a href="#">35.34.110</a> (Biennial Budgets)	
		RCW <a href="#">35A.33.070</a> (Code Cities)	
		RCW <a href="#">35A.34.110</a> (Code Cities - Biennial Budgets)	

7	<b>FINAL BUDGET</b> Adoption of budget for next fiscal year.	Following the conclusion of the hearing and prior to the beginning of the fiscal year, the legislative body shall by ordinance adopt the budget in its final form.	At the conclusion of the budget hearing, the county legislative authority shall by resolution adopt the budget.
		A copy of the finalized budget must be sent to the Association of Washington Cities.	A copy of the finalized budget must be sent to the State Auditor's Office.
		RCW <a href="#">35.33.075</a> (2nd, 3rd, towns, 1st class<300,000)	RCW <a href="#">36.40.080</a>
		RCW <a href="#">35.34.120</a> (Biennial Budgets)	
		RCW <a href="#">35A.33.075</a> (Code Cities)	
		RCW <a href="#">35A.34.120</a> (Code Cities - Biennial Budgets)	

## Budget calendar

### Which funds need budgets?

2.4.2.20 Generally, all governmental funds including the general fund (also called the current expense fund) and special revenue funds of a local government must have annual/biennial appropriated budgets. Most debt service and capital project fund budget requirements are met by the continuing appropriation contained in the enabling legislation. These funds may not need annual/biennial appropriated budgets. Which funds need budgets?

2.4.2.30 Expenses of proprietary, internal service and fiduciary funds are not considered to be appropriations and therefore are only subject to budgeting requirements as required by the government's policy.

2.4.2.40 Fiduciary and permanent funds are subject to the trust agreement and their use is restricted by such.

2.4.2.50 Local governments may separately account for different aspects of a legal fund in several "sub-funds" on their general ledger for managerial purposes and roll-up these funds for financial reporting purposes. The minimum level of detail for budget purposes is the legal fund level.

2.4.2.60 Budgeted expenditures (or estimated expenses) should be limited to the amount of budgeted revenues plus the beginning fund balance. Governments are not authorized to appropriate (or estimate) more resources for expenditures than are available. Note that this requirement only applies at the legal fund level. Entities may budget a negative fund balance for departments, programs or sub-funds so long as the combined fund balance for the legal fund is positive.

### What constitutes appropriations?

2.4.2.70 All final amounts budgeted as expenses, expenditures, transfers and other financing uses for a fund or department is the appropriation. The government cannot legally exceed this amount. Ending fund balance and nonrevenues (BARS 508 and 58X, if shown on the budget) would not be

considered an appropriation. Only line items shown as expenditures (BARS 51X-57X and 59X) would be considered appropriations.



# Accounting

## Accounting Principles and Internal Control

### Fund Types and Accounting Principles

#### 3.1 Accounting Principles and Internal Control

##### 3.1.7 Fund Types and Accounting Principles

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3.1.7.10 The following principles are basic rules of accounting and financial reporting for cash based

cities, counties and special purpose districts.

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### 3.1.7.20 Accounting and reporting capabilities

A governmental accounting system must make it possible to determine and demonstrate compliance with finance related legal and contractual provisions.

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### 3.1.7.30 Fund accounting systems

A governmental accounting system should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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### 3.1.7.40 Basis of accounting

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

Revenues are recognized only when cash is received and expenditures are recognized when chargeable against the report year's budget appropriations as required by state law. This generally results in revenues being recognized when delivered to the government or government's agent and expenditures being recognized when paid. Warrants and checks are considered *paid* when issued. An exception to expenditure recognition would be during any open period after the close of the fiscal year when expenditures can be charged against the previous period for claims incurred in the previous period. Open periods are required by statute for cities (RCW [35.33.151](#) and RCW [35A.33.150](#)) and allowed for counties (RCW [36.40.200](#)). Special purpose districts which use the county or a city as their treasurer may use the same open-period as their treasurer. If a district acts as its own treasurer, no open period is allowed by statute.

Revenues and expenditures should be reported at gross amounts by account and not netted against each other.

Revenues and expenditures should be recognized for all receipts and payments of a government's resources, including those where the cash is handled by an agent (such as a bank, underwriter, etc.) on behalf of the government rather than handled directly by the local government. For example, debt proceeds wired directly to an escrow account, payments by the State Treasurer's Office to vendors for items purchased with LOCAL resources, etc.

Interest earned on investments may be recognized at cost, amortized cost or fair value in accordance with the government's disclosed accounting policy.

In addition, revenue and expenditures should also be recognized when the government agrees to forgo revenue in exchange for reduction of expenses (offsetting agreement) or receipt of an asset

(e.g., acquiring an asset in exchange for reduced permit fees, etc.). In such cases, the transaction should be recorded as if the cash was received and expended in order to reflect the legal transaction.

This basis results in no reported assets other than cash and investments and no reported liabilities. For example, purchases of capital assets are expensed during the year of acquisition without any capitalization of capital assets or allocation of depreciation expense. However, please be aware that certain liabilities should be reported on Schedule 09 and in the notes in financial statements.

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### 3.1.7.50 **Types of funds**

In fund financial statements, governments should report governmental, proprietary, and fiduciary funds to the extent that they have activities that meet the criteria for using these funds.

Presented below is a system to classify all funds used by local government and the assignment of code numbers to identify each type of fund. A three digit code is used: the first digit identifies the fund type and the next two digits will be assigned by the governmental unit to identify each specific fund.

Since counties account for special purpose districts in their accounting systems as agency funds, they often provide the districts with reports showing assigned fund codes 630-699. These codes refer to the fund from the county perspective. A district has to “reassign” the county code to the code appropriate to the fund type it is reporting (e.g., if the district’s general fund is coded in the county records as 663, the district in its annual report has to code this fund as 001).

For reporting purposes local governments are required to follow the described below fund structure. However, the local governments may create other funds for accounting or managerial purposes. When preparing external financial reports, those *accounting* or *managerial* funds should be rolled to appropriate fund types (e.g., there should be only one general fund or if an entity accounts separately for operating, capital or/and debt activities of its proprietary function, those activities should be rolled up into the appropriate enterprise fund, etc.)

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#### **Governmental funds**

**Code 000 - General (Current Expense) Fund** - should be used to account for and report all financial resources not accounted for and reported in another fund. For reporting purposes the local government can have only one general fund.

Although a local government has to report only one general fund in its external financial reports, the government can have multiple general *subfunds* for its internal managerial purposes. These managerial subfunds have to be combined into one general fund for external financial reporting.

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**Code 100 - Special Revenue Funds** - should be used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other

than debt service or capital projects. *Restricted* revenues are resources externally restricted by creditors, grantors, contributors or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. *Committed* revenues are resources with limitations imposed by the highest level of the government (e.g., board of commissioners, city council, etc.) through a formal action (resolution, ordinance) and where the limitations can be removed only by a similar action of the same governing body. Revenues do not include other financing sources (long-term debt, transfers, etc.).

The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be foundation for a special revenue fund. They should be expected to continue to comprise a **substantial** portion of the inflows reported in the fund. It is recommended that at least 20 percent is a reasonable limit for restricted and committed revenues to create a foundation for a special revenue fund. Local governments need to consider factors such as past resource history, future resource expectations and unusual current year inflows such as debt proceeds in their analysis.

They may use the calculation below to determine whether an activity would qualify for reporting as a special revenue fund.

$$\text{Substantial portion of inflows} = \frac{(\text{restricted revenues} + \text{committed revenues})}{\text{total resources* reported in the fund}}$$

\*Total resources would include all revenues and other financing sources.

Other resources (investment earnings and transfers from other funds, etc.) also may be reported in the fund if these resources are restricted, committed, or assigned (intended) to the specific purpose of the fund.

Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

All revenues have to be recognized in the special revenue fund. If the resources are initially received in another fund, such as the general fund, and subsequently remitted to a special revenue fund, they should not be recognized as revenue in the fund initially receiving them. They should be recognized as revenue in the special revenue fund from which they will be expended. So, the local governments can either receive resources directly into the special revenue fund, or account for the resources as agency deposits in the receiving fund and, after remitting them, recognize them as revenue to the special revenue fund.

Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

The state statutes contain many requirements for special funds to account for different activities. The legally required funds do not always meet standards for external reporting. So, while the local governments are required to follow their legal requirements, they will have to make some adjustment to their fund structure for external financial reporting.

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**Code 200 - Debt Service Funds** - should be used to account for and report financial resources that

are restricted, committed, or assigned (intended) to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. The debt service transactions for a special assessment for which the government is not obligated in any matter should be reported in an agency fund. Also, if the government is authorized, or required to establish and maintain a special assessment bond reserve, guaranty, or sinking fund, it is required to use a debt service fund for this purpose.

**Note:** Debt service funds should not be used in proprietary funds (400 and 500). Use enterprise funds (400) or internal service (500) for debt payments related to utilities and other business type activities.

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**Code 300 - Capital Projects Funds** - should be used to account for and report financial resources that are restricted, committed, or assigned (intended) for expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets. Capital outlays financed from general obligation bond proceeds should be accounted for through a capital projects fund. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments (private-purpose trust funds).

**Note:** Capital project funds should not be used in proprietary funds (400 and 500). Use enterprise funds (400) or internal service (500) for capital payments related to utilities and other business type activities.

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**Code 700 - Permanent Funds** - should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is for the benefit of the government or its citizens (public-purpose). Permanent funds do not include private-purpose trust funds which account for resources held in trust for individuals, private organizations, or other governments.

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### **Proprietary funds**

**Code 400 - Enterprise Funds** - may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are **required** for any activity whose principal revenue sources meet any of the following criteria:

- **Debt backed solely by a pledge of the net revenues from fees and charges.**
- **Legal requirement to recover cost.** An enterprise fund is required to be used if the cost of providing services for an activity including capital costs (such as depreciation or debt service) must be legally recovered through fees or charges.
- **Policy decision to recover cost.** It is necessary to use an enterprise fund if the government's policy is to establish activity fees or charges designed to recover the cost, including capital costs (such as depreciation or debt service).

These criteria should be applied in the context of the **activity's principal revenue source**.

The term **activity** generally refers to programs and services. This term is not synonymous with *fund*. As a practical consequence, if an activity reported as a separate fund meets any of the three criteria, it should be an enterprise fund. Also, if a "multiple activity" fund (e.g., general fund) includes a **significant** activity whose principal revenue source meets any of these three criteria, the activity should be reclassified as an enterprise fund.

The determination of an activity's **principal revenue source** is a matter of professional judgement. A good indicator of the activity's significance may be comparing pledged revenues or fees and charges to total revenue. For example, consider a county auditor's office that charges fees to provide a payroll service to various taxing districts. Even if the fee is meant to cover the cost of the service, the county auditor function as a whole is primarily supported with tax dollars from the general fund. It would be allowable in this case to leave the activity all within general fund.

Finding an appropriate fund type requires a careful analysis since there is not always a clear choice. For example, building permit fees may be accounted for in the general fund or a special revenue fund in certain circumstances, such as when they are partially supported by taxes. However, if there is a pricing policy to recover the cost of issuing those individual building permits, they should be reported in an enterprise fund.

Separate funds are not required for bond redemption, construction, reserves, or deposits, for any utility. If separated, use 400 series number. Separate funds are not required even though bond covenants may stipulate a *bond reserve fund*, *bond construction fund*, etc. The bond covenant use of the term *fund* is not the same as the use in governmental accounting. For bond covenants, *fund* means only a segregation or separate account, not a self-balancing set of accounts.

Local governments may separate operating, capital projects and debt functions of enterprise funds. However, when reporting such proprietary activities, all those functions should be contained in one fund.

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**Code 500 - Internal Service Funds** - may be used to report any activity that provides goods or services to other funds, departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported in an enterprise fund.

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### **Fiduciary funds**

In general fiduciary funds are resources that are held by a government for the benefit of others.

To determine if an activity should be reported in a fiduciary custodial fund see BARS Manual [4.3.14, Determining Fiduciary Activities to be Reported in Custodial Funds](#).

If activity is determined to be fiduciary, the funds should be reviewed for trust arrangements and equivalents. The three criteria for determining if a fiduciary activity is a trust are:

1. The government itself is not a beneficiary
2. Dedicated to providing benefits in accordance with the benefit terms
3. Legally protected from the government's creditors

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**Code 600 - Fiduciary Funds** - should be used to account for assets held by a government in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, and/or other funds. These include (a) investment trust funds, (b) pension (and other employee benefit) trust funds, (c) private-purpose trust funds, and (d) custodial funds.

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**Code 600-609 - Investment Trust Funds** - should be used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust or equivalent that meets the criteria above.

In addition to the trust criteria requirements above, all individual investment accounts are *required* to be reported in an Investment Trust Fund.

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**Code 610-619 - Pension (and Other Employee Benefit) Trust Funds** - should be used to report fiduciary activities for pension plans and OPEB plans that are administered through qualifying trusts. Qualifying trusts are those in which:

- Contributions to the plan, and earnings on those contributions, are irrevocable. Pay-as-you-go plans do not qualify because they are "payments," not contributions.
- Plan assets are dedicated solely to providing benefits to plan members in accordance with the benefit terms. Different plans (for example a pension and an OPEB plan) cannot be commingled in the same trust. The assets must be partitioned for specific plans.
- Plan assets are legally protected from creditors.

If you are acting as administrator for someone else's pension/OPEB plans, the plans still must meet the criteria above to be reported in a trust fund.

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**Code 620-629 - Private-Purpose Trust Funds** - should be used to report all fiduciary activities that (a) are *not* required to be reported in pension (and other employee benefit) trust funds or investment trust funds, and (b) are held in a trust that meets the following criteria: the assets are (a) administered through a trust or equivalent that meets the criteria above.

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**Code 630-698 - Custodial Funds** - should be used to report all fiduciary activities that are *not* required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private purpose trust funds. The external portion of the investment pools that are not held in trust

that meets criteria listed above should be reported in a separate external investment pool fund column under the custodial funds classification.

**Note:** The custodial funds are required to be used by business-type activities and enterprise funds, **except** when the resources will normally be held for less than ninety (90) days.

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**Code 699 - External Investment Pool Fund** - The external portion of the investment pools that are not held in trust and meet criteria listed above. Although this is consider a custodial fund, it should be reported in a separate external investment pool fund column under the custodial funds classification.

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#### 3.1.7.60 **Number of funds**

Governments should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. Using numerous funds results in inflexibility, undue complexity, and inefficient financial administration.

Local governments should periodically undertake a comprehensive evaluation of their fund structure to ensure that individual funds that became superfluous are eliminated from accounting and reporting.

Elected officials should be educated to the fact that accountability may be achieved effectively and efficiently by judicious use of department, program and other available account coding or cautious use of managerial (internal) funds.

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#### 3.1.7.70 **Budgeting, budgetary control and budgetary reporting**

- a. An annual/biennial budget must be adopted by every government.
- b. The accounting system should provide the basis for appropriate budgetary control.
- c. Budgetary comparisons must be included in the appropriate financial statements and schedules for funds for which an annual/biennial budget has been adopted.

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#### 3.1.7.80 **Transfer, revenue and expenditure account classifications**

- a. Interfund transfers, proceeds of general long-term debt issues and material proceeds of capital asset disposition should be classified separately from fund revenues and expenditures.
- b. Governmental fund revenues should be classified by fund and by the sources indicated in [BARS Account Export](#). Expenditures should be classified by fund and by the categories indicated in [BARS Account Export](#).
- c. Proprietary fund revenues and expenses should be classified in essentially the same manner as



those of similar business organizations, functions, or activities.

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#### **3.1.7.80 Common terminology and classification**

A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

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#### **3.1.7.90 Interim and annual financial reports**

a. Appropriate interim financial statements and reports of operating results and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes. (RCW [35.33.141](#), RCW [35A.33.140](#) and RCW [36.40.210](#))

b. Annual reporting requirements are prescribed by the State Auditor's Office. See BARS Manual [4.1.5, Reporting Requirements and Filing Instructions for Cities and Counties](#) or BARS Manual [4.1.6, Reporting Requirements and Filing Instructions for Special Purpose Districts](#) for details.

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## **Bank Reconciliations**

### **3.1 Assets**

#### **3.1.9 Bank Reconciliations**

##### **3.1.9.5 Purpose**

The purpose of a bank reconciliation is to compare cash and investment **balances** and **activity** (also known as a “proof of cash”) according to the bank to the government’s accounting records and reconcile or follow up on any differences.

Depending on the government’s organization, the bank reconciliation process may be done in stages or parts. For example, separate reconciliations may be done on different schedules or by different people for checking accounts, investment accounts or zero balance accounts, which are later aggregated as part of a global reconciliation.

Bank reconciliations are a necessary control to safeguard cash against fraud and losses and to ensure the accuracy of accounting records. Reconciliation of cash activity is necessary to demonstrate that activity is valid and to safeguard against certain types of fraud. A global reconciliation is necessary to effectively compare and reconcile bank accounts to accounting records since individual bank accounts do not normally correspond exactly to individual cash accounts in the accounting records. It also demonstrates the completeness of the reconciliation by showing that all bank accounts and all cash accounts in the accounting records are able to be compared.

In this section, “cash” is inclusive of cash and investments. “Bank accounts” and “bank reconciliations” are likewise inclusive of investment accounts (such as certificates of deposit and bonds), zero-balance accounts (such as clearing accounts described in [BARS 3.8.6](#) and transmittal accounts described in [BARS 3.6.1](#)) and accounts kept by fiscal agents. For governments that use the County as their treasurer, bank reconciliations would refer to the reconciliation of the government’s accounting records to the county treasurer’s report.

##### **3.1.9.10 Accounting**

Accounting records typically track cash by fund and classification. This does not normally result in a one-for-one relationship between bank accounts and general ledger accounts. In absence of specific legal or contractual requirements, is it not necessary for governments to use separate bank accounts to segregate funds so long as accounting records separately track cash balances by fund in sufficient detail.

Money receipted by fiduciaries or third party vendors on behalf of the government should be considered a cash receipt for the government as described in BARS 3.6.1.60. If such deposits are remitted to the government, they may need to be identified as a deposit in transit on the bank reconciliation. If the government’s funds are receipted and held by others in a fiduciary capacity, the report from the fiscal agent may need to be treated similar to a bank or county treasurer account during the bank reconciliation process.

Imprest and petty cash funds should be recorded at their authorized amounts as described in BARS 3.8.7. Since these accounts are subject to separate monthly controls, the authorized balance is typically used as a reconciling item between accounting records and bank accounts.

Funds should not have a negative cash balance in the accounting records. Any negative cash balance in the accounting records should be resolved with an interfund loan as described in [BARS 3.9.1](#).

### 3.1.9.15 Controls

**Governments must document a global bank reconciliation that includes reconciliation of both the ending balance of cash as well as cash activity at least monthly.**

A global bank reconciliation consists of:

1. Compiling the ending balance, receipts and deposits for the month across all bank statements. This will normally be done by creating a schedule to summarize (or series of schedules that are then aggregated, if the reconciliation is done in parts or stages).
2. Compiling the ending balance, additions and deductions for the month for all cash accounts in the accounting records. This will normally be done by running a report from the accounting system.
3. Identifying reconciling items for differences between bank receipts, deposits and ending balance and the corresponding accounting record revenues, expenditures and ending balance. Reconciling items could include any of the following items:
  - a. Timing differences between when a transaction is recorded in the accounting records and when it affects the bank account. For example, some of these reconciling items would include deposits in transit, outstanding items or open period items.
  - b. Bank activity that is not recorded in the accounting records. For example, some of these reconciling items would include transfers between bank accounts or transactions that are netted when recorded in the accounting records.
  - c. Reportable activity recorded in the accounting records that is not a receipt or deposit in the bank records. For example, some of these reconciling items would include interfund transfers, loans or taxes, internal service fund charges, or the difference between gross and net amounts from offsetting agreements.
4. Identifying transactions from the bank accounts need to be recorded in the accounting records. For example, some of these items could include interest earned, bank fees or charges, NSF checks, and unrecorded deposits (such as lockbox transactions, EFTs, or other electronic deposits made directly into the bank account by outside parties).

Accounting records should be updated for all such transactions identified in the bank statements. Unrecorded deposits should be investigated and recorded. If unknown at the time of the reconciliation, they should be recorded to a suspense fund until they can be investigated and resolved as described in BARS 3.6.11.

5. Following up on any unreconciled differences. After adjusting for reconciliations, there should be no further differences between bank statements and accounting records. If there are, research should be performed to determine the cause of the differences - that is, what bank or accounting record transaction is the source of the difference and what does it represent. If it is an error in the accounting records, it should be corrected. If it is a bank error, it should be communicated and resolved with the bank.

Governments should consider more frequent reconciliations, such as daily reconciliations for accounts with a large amount of activity or that are at higher risk for fraud or invalid payments, such as the main checking account for a larger government.

SAO does not prescribe how governments might organize their bank accounts or the corresponding accounting records. However, the number and type of accounts, banking practices, organization of accounting records, and the methods, division and stages of reconciliation established by the government should not represent a barrier to effective control.

## Beginning and Ending Cash and Investments Classifications

### 3.1 Accounting Principles and Internal Control

#### 3.1.8 Beginning and Ending Cash and Investments Classifications

3.1.8.10 There are often limitations on how all or a portion of a government's resources can be spent. Accordingly, the BARS manual requires beginning and ending cash and investments be classified as nonspendable, restricted, committed, assigned, or unassigned. These classifications indicate "the extent to which the government is bound to honor constraints on the *specific purposes for which amounts in the fund* can be spent." The classifications reflect these limitations and inform management and financial statement users how much of the government's resources are reserved for a specific purpose or use and how much is freely available for spending.

3.1.8.20 BARS accounts 3082100 and 5082100 define the beginning and ending **nonspendable** cash and investments as *the amounts of cash and investments that according to laws or contracts cannot be spent (required to be maintained intact). This category applies to items like permanent endowments when the donor stipulates that the principal amount of the contribution must be preserved and invested and only the earnings can be used for governmental purposes.*

This category can only be used in permanent (700) and trust (600-629) funds.

3.1.8.21 BARS accounts 3083100 and 5083100 define the beginning and ending **restricted** cash and investments as *the amounts of cash and investments that is subject to externally enforceable legal restrictions (imposed by creditors, grantors, donors, other governments, most voter approved levies, etc.). The restrictions may also be imposed by law through constitutional provisions or enabling legislation.* For more information on external restrictions please see BARS manual 3.1.8.40 below.

This category can be used in all fund types. Custodial funds must report beginning and ending cash and investment balances in this category.

3.1.8.22 BARS accounts 3084100 and 5084100 define the beginning and ending **committed** cash and investments as *the amounts of cash and investments that is constrained by specific limitations that the government imposes upon itself at the highest level of decision making (normally the governing body) through the most binding formal action (e.g. resolution, ordinance, etc.) and that remains binding unless removed in the same manner.* For more information on internal restrictions please see BARS manual 3.1.8.50 below.

This category can be used only in governmental and proprietary funds.

3.1.8.30 BARS accounts 3085100 and 5085100 define the beginning and ending **assigned** cash and investments as *the amounts of cash and investments that reflects a government's intended use of resources. These are amounts intended to be used by the government for specific purposes that are neither restricted nor committed. Intent can be expressed in one of two ways:*

- *The governing body can state its intent to use resources for a specific purpose. The intent would be expressed in an informal way such as a motion or other form of a directive.*
- *The governing body can delegate authority to others (e.g., finance or executive director, chief, head of a department, manager, etc.) to express intent to use amounts for specific purposes.*

*Any transfer of resources to funds other than the general fund represents an assignment since the transfer represents the intent for those resources to be used for a specific purpose.*

The creation of a fund outside of the general fund is considered at least assigned, since the creation of a fund automatically sets aside the monies for a purpose.

By definition a special purpose district's monies in any fund that is not the general fund are considered at least assigned since they are only able to use the monies for the purpose of their government.

3.1.8.31 BARS accounts 3089100 and 5089100 define the beginning and ending **unassigned** cash and investments as *the amounts of cash and investments that are remaining after classifying amounts as nonspendable, restricted, committed, or assigned. Unassigned amounts are technically available for any purpose. The general fund is the **only** fund that can have a positive unassigned cash and investments balance since all other funds represent a specific purpose for their resources.*

### **External restrictions**

3.1.8.40 Any constraints on the purpose or use of resources imposed by an external party constitutes restricted classification. Any cash and investment balance subject to these restrictions **must be** reported as restricted. Generally the purpose of externally restricted revenue would need to be narrower than the purpose of the fund; unless the government has created a fund for this specific revenue. For example:

*Unspent resources contributed by other governments in accordance with an interlocal agreement (contract) for future replacement of a building would be classified as restricted because they are subject to a specific external restriction.*

*Unspent operating assessments received by a government would **not** be classified as restricted even though it's received from an external party. This could be classified as committed, assigned, or unassigned because such resources are not subject to specific restrictions but may be used for any allowable purpose of the government.*

*Any unspent taxes or other collections restricted by RCW for a specific purpose (e.g., hotel/motel tax, retainage collected or withheld, etc.)*

*All revenues generated by water sales can only be spent on water related activities and cannot be transferred to general fund to be spent for other governmental purposes. However these revenues can be spent for any water related activity and therefore would be either committed or assigned in the water fund.*

### **Internal commitments**

3.1.8.50 If the government's highest level of authority (e.g., board of commissioners, city council, board of directors, board of supervisors, etc.) imposes specific restrictions on the use of resources through the most binding formal action (resolution or ordinance), the unspent portion at the year-end would be considered committed and may be reported as such.

A motion, plan or stated management intent regarding how resources will be used does **not** meet criteria for classifying balances as committed because the commitment has to occur at the highest level of authority through the most binding formal action. While commitments may be removed, it would take that same level of authority and level of formal action to do so. For example:

*A cash balance in a capital project fund saved for future replacement of a building after verbal direction by city council members at a council meeting would **not** be classified as committed because the commitment was not established by the most binding formal action (resolution or*

ordinance).

3.1.8.60 Balances should be classified as committed when the government dedicates resources for a specific purpose, but not if only generic or functional limitations are imposed. For example:

*A cash balance in a special revenue fund committed by commissioners for transportation purposes would not be classified as committed balance because the commitment “for transportation” is not specific enough to create limitations.*

*The limitation should be narrower than the governmental function or even activity. While resources designated for “public safety”, “park and recreation” or “public health” would not be considered committed; the designations for “new dispatch equipment”, “purchase of additional land to expand existing park”, or “cleaning the hazardous area XYZ” would be.*

3.1.8.70 Budget documents approved by resolution or ordinance also do **not** meet criteria for classifying balances as committed because the budget only represents the government’s authorized spending during the period, rather than a constraint on remaining balances at year end. In other words, a budget deals with plans for anticipated revenues and expenditures – resources not yet collected and expenditures not yet incurred – whereas an internal commitment imposes a permanent constraint on **currently existing** financial resources.

### **Fund perspective**

3.1.8.80 The classification of cash and investments does not reflect any government-wide limitations preventing resources of one fund being spent for purposes of another fund. In other words, any constraints based solely on the purpose of the fund itself would not require classification as restricted. Such constraints imposed by RCW [43.09.210](#) are both generic and already evident from the fund title, classification and description in the notes. For example:

*All revenues generated by water sales can only be spent on water related activities and cannot be transferred to general fund to be spent for other governmental purposes. Within the water fund, unspent proceeds of bonds issued for capital improvement are restricted to this particular project (a specific, externally imposed restriction). In this case, the cash and investments balance classification will include **restricted** cash and investment for unspent proceeds of bonds and the appropriate committed or assigned balances for everything else that can be spent for any water purposes.*

3.1.8.90 Also, resources with external restrictions and internal commitments are classified in either restricted or committed regardless of what fund they are reported in. The external restriction, internal commitments, and subsequent classification of restricted and committed remain tied to the resources no matter which fund they are reported in and if the resources are transferred to other funds. For example:

*Unspent hotel/motel tax would be classified as restricted regardless of whether it is accounted for in the general fund, a special revenue fund, or a capital project fund because it is subject to a specific external restriction. The hotel/motel tax resources remains restricted until the resources are fully spent.*

*If the legislative body passed a resolution or ordinance to set aside (commit) a certain amount of money (from resources that are not restricted or committed) to be used only for a specific tourism purpose, the unspent amount of these monies would be reported as committed no matter which fund the resources are held.*

The unassigned classification in the general fund does not mean resources are not subject to any limitations whatsoever. It means that there are no specific external restrictions or internal commitments that constrain spending that money for any allowable use and purpose of the government.

### **Emergency funds, savings accounts, and rainy day funds**

3.1.8.100 Sometimes a legislative body sets aside an amount of money for the purpose of paying expenditures when there is a budgetary shortfall. Since these resources would be available for any purpose or use if needed, they should be classified as *unassigned* in the general fund unless the resolution stipulates a way that represents an actual constraint. Even if the resolution or ordinance stipulates that the money cannot be spent for any other circumstance, this limitation does **not** constitute commitment. **Purpose** refers to the object of spending or usage, rather than **circumstances**. That is, purpose limitations establish what the cash and investment balance can be spent for, not the circumstances under which the resources can be spent. The same concept applies to **emergencies**. An emergency is not the purpose of spending but a circumstance when the spending occurs.

3.1.8.110 Sometimes a legislative body creates a “reserve” fund that is a managerial fund in nature through resolution or ordinance to set money aside for a different purpose. These managerial funds are generally rolled-up into the general fund for reporting purposes. Creation of a fund and designation of cash and investment balances are two different issues. Merely creating fund to hold money destined for a specific purpose does **not** automatically classify the entire cash and investment balance as committed or assigned. A managerial fund of a proprietary fund would be rolled-up into its primary operating proprietary fund and therefore is created out of at least assigned cash and investment balances and would continue to be reported as such. The reserve fund may contain resources from many different sources and not all of them may be restricted or committed for the fund objective. Again, the purpose of the fund is separate from the constraints and limitations imposed on all resources designated for such a purpose.

When creating a new fund, please refer to [Fund Types and Accounting Principles](#) for proper fund type and reporting.

3.1.8.120 An adopted minimum cash and investment balance policy would not meet the criteria to classify ending balances as committed. Such a policy only represents a target amount that the local government believes should be maintained to provide a reasonable level of assurance in the day-to-day operations, and not a specific constraint on the purpose or use of any resources. For financial reporting purposes, such a policy may be disclosed, but would not affect classification of ending balances.

### **Flow of funds assumptions**

3.1.8.130 The government may establish a policy for its intended order of use of classification balances when an expenditure is incurred in which restricted, committed, and assigned cash and investment balances can be used to pay the expenditure. In absence of an approved policy it is assumed that the government will use the most restricted cash and investment balance first.

### **Reporting a negative cash and investment classification balance**

3.1.8.140 The classification of cash and investment balances as restricted and committed based on their respective allowable purposes will reduce the available ending cash and investment balances to be classified as assigned, and if in the general fund unassigned, in the fund in which the government



is reporting. A government should not spend restricted or committed resources on any activity that does not support the requirement that led to the restricted or committed classification. Additionally, the government can only spend the available balance of restricted and committed resources that are on hand and in cash or investment deposits. Therefore reporting negative restricted or committed cash and investment balances is not allowed. The government must reduce assigned, and if in the general fund unassigned, cash and investment balances to account for payment of expenditures that would (or will) be paid from restricted or committed cash and investment balances that the government is expecting to receive as well as for expenditures paid by the available cash in the fund that were not attributed to the allowable purpose of the restricted or committed classifications.

The classifications of the available cash and investment balances to restricted and committed, as well as the evaluation of the use of available cash in the reported fund, could result in the reporting of a negative cash and investment unassigned balance, if the government has used restricted balances to pay expenses that were not related to the restricted or committed cash and investments that the government has received. The assignment of resources should not create a negative unassigned cash and investment balance, therefore a government should reduce the assigned cash and investment balance down to cover the negative unassigned cash and investment balance. The government is not allowed to report negative assigned cash and investment balances.

On the rare occasion that a government needs to report a negative cash and investment balance in any fund, that negative balance must be classified in the unassigned cash and investment category. This is the only time unassigned can be used outside of the general fund.

## Internal Control

### 3.1 Accounting Principles and Internal Control

#### 3.1.3 Internal Control

##### Purpose and Definition of Internal Controls

3.1.3.10 Internal control refers to the means by which management runs its organization and achieves organizational objectives.

The Government Accountability Office (GAO) publishes Standards for Internal Control in the Federal Government, also known as the “Green Book,” which provides a comprehensive conceptual framework for designing, implementing and evaluating a government’s system of internal control. The Green Book is not authoritative for Washington governments, but is the basis for this section of the BARS manual and represents a resource for local governments. The Green Book is compatible with similar guidance on internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and is referenced in professional auditing standards and Uniform Guidance for federal grants.

3.1.3.20 Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations performance
- Compliance with applicable laws and regulations and safeguarding of public resources
- Reliability of financial reporting

3.1.3.30 A government's management and governing body are responsible for its performance, compliance and financial reporting. Therefore, the adequacy of internal controls is to provide reasonable assurance in achieving these objectives is also the responsibility of management, with oversight from the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as “management” throughout the rest of this section.

The State Auditor’s Office is not part of a local government’s internal control system and cannot be a replacement or supplement to an adequate system of internal control. In accordance with Washington law, the State Auditor’s Office also provides certain guidance, resources and educational materials. Such materials do not relieve management of their responsibility to evaluate the relevance of such information and decide whether and how to apply it in the context of their government. The role of the auditor is to provide independent accountability and assurance to the public and the government’s stakeholders. However, this independence assurance, along with any recommendations provided by the auditor, also represents valuable feedback to management.

3.1.3.40 An effective system of internal control is composed of five interrelated components, as follows:

1. Control environment - The tone set by management that influences the control consciousness of staff. Control environment includes communication of integrity and ethical values, commitment to ensure that staff are competent, management’s philosophy and operating style,

extent of participation by the governing board in scrutinizing activities and holding management accountable, and human resource practices (hiring, organization, development, evaluation, promotion and remedial action).

2. Risk assessment - Management's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be addressed or controlled. Risk assessment includes identification of internal and external risks to the achievement of objectives, such as new contracts or grants, changing regulations and accounting standards, new technology, new personnel, new or discontinued activities and programs, new or discontinued organizational policies and procedures, obsolescence of facilities, and so on. Risk assessment also includes evaluation of risks and determining how to best address them.
3. Information and communication - Systems to support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. This encompasses the organization's methods of capturing and sharing information as well as its software, including its accounting information systems.
4. Control activities - Specific policies or procedures that directly address risks related to the achievement of objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities such as approvals, reviews, reconciliations, segregation of duties, performance measurement, tracking events or assets, etc.
5. Monitoring - Management's review of the operation of internal controls over time. Monitoring allows the system of internal controls to be self-sustaining and self-correcting over time. Monitoring is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs during the course of operations when management observes controls and can discern whether they were effective. Separate evaluations occur when management reviews and assesses a particular control to determine if it has been effective.

3.1.3.50 Internal control should be viewed as an integral or inherent part of the policies, systems and procedures management uses to operate and oversee the organization. This is not to say effective control will never require additional or incremental effort. Rather, controls exist to provide reasonable assurance about the achievement of objectives and so should be integrated into all the organization's fundamental business processes. Controls are normally most effective when built into the government's infrastructure rather than being treated as supplemental or separate processes. In the same way, implementation and monitoring of internal controls should not be viewed as a singular event, but rather a continuous or iterative process.

3.1.3.60 Since internal control is as fundamental as the objectives the controls relate to, the need for effective control is applicable to all organizations, regardless of size. While small entities may implement internal controls differently than larger ones, effective internal control is still both necessary and possible.

### **Determining what specific controls to implement**

3.1.3.70 It is a management decision as to what specific controls to implement and how such controls are designed and operated.

3.1.3.80 There are many ways to attain effective internal control. Governments and their control needs vary considerably by statutory purpose, regulations, activities and programs, size,

organizational structure, contractual and program structures, technology and information systems, expertise of staff and the policies of the governing body. In addition, there are often many different methods or combinations of methods that would result in effective internal control for any given situation. Thus, while all entities should have effective internal control, the specific controls in place may look very different from one government to another.

3.1.3.90 When choosing among different methods of achieving effective control, management often considers the costs and benefits of different control options.

- Costs - Certain controls may be less costly or require less staff resources , or may allow the process to operate faster.
- Effect on other control or policy objectives - Certain controls may be able to achieve multiple objectives or may also serve to support the organization's values or operating principles.
- Organizational limitations - Control options may be limited by organizational or program policy or structure, expertise of staff, software limitations and other decisions made by management. However, if such factors limit options for effective control to only those that management believes are infeasible or not cost effective, management should consider how it might change the limiting factors rather than ignore the need for effective control.

3.1.3.100 The Washington State Auditor's Office does not require specific controls to be implemented by governments. Management is only required to ensure that whatever controls they choose to implement be adequate to provide reasonable assurance regarding compliance and financial reporting risks. The burden of demonstrating the adequacy of internal controls rests on management, since management is responsible both for the achievement of objectives and the determination of the design and operation of controls.

### **Controls over Compliance**

3.1.3.110 This objective refers to compliance with laws, regulations, contracts, grant agreements and government policies, including the requirement to safeguard public resources against misappropriation, misuse and loss.

3.1.3.120 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of requirements - Controls should ensure that requirements are identified and that employees whose actions may affect compliance are aware of applicable requirements. When statutory, regulatory or contractual provisions are unclear, the government should seek clarification through legal counsel, research or communication with regulatory agencies or contracting parties.
- Compliance - Controls should prevent non-compliance or detect non-compliance in a timely enough manner for the government to remedy the situation. Such controls vary greatly, depending on the nature of the compliance requirement.
- Safeguarding of public resources - Controls should prevent misappropriation or misuse of public resources or detect misappropriation or misuse in a timely manner and assign responsibility to individuals charged with custody of assets. Such controls should cover all receipts and receivables, expenditures and commitments, provisions of goods or services and the safekeeping of all public assets at risk of misappropriation, misuse or loss.

## Controls over Financial Reporting

3.1.3.140 This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

3.1.3.150 In meeting this objective, the government should have controls that accomplish the following key functions:

1. Identification of financial events - Controls should ensure financial events and transactions are properly identified and recorded.
2. Properly applying accounting standards - Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor's Office or standard setting bodies.
3. Correctly accounting for all financial events - Controls should ensure that:
  - Only valid transactions are recorded and reported.
  - All transactions occurred during the period are recorded and reported.
  - Transactions are recorded and reported at properly valued and calculated amounts.
  - Recorded and reported transactions accurately reflect legal rights and obligations.
  - Transactions are recorded and reported in the account and fund to which they apply.
4. Preparation of the annual report - Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

## Limitations of Internal Control

3.1.3.170 No matter how well designed and operated, internal controls cannot provide absolute assurance that the government will achieve its objectives due to inherent limitations. These limitations include the following:

- Judgment - If controls depend on human judgment, the effectiveness of controls may be limited by the experience and qualifications, time available, information available, motivations, and pressures on the person applying the control. Moreover, differences in these factors over time and in different people applying the control may result in inconsistencies in the operation of the control. *This limitation, when applicable, can be mitigated through a good control environment, clear policies or instructions, redundant controls, supporting controls such as check figures or exception reports and adequate monitoring of controls.*
- Breakdowns - Breakdowns could occur due to changes, failure or obsolescence of data, technology, assumptions, procedures, programming or other dependencies that controls may rely upon for effective functioning. *This limitation, when applicable, can be mitigated by thorough risk assessment, redundant controls and adequate monitoring of controls.*
- Collusion - Many controls assume that employees (or certain employees) will not collude. When individuals act together, they may be able to overcome controls. This is typically only a risk when employees have a motivation to overcome controls, such as misappropriation or misuse of public resources. *This limitation, when applicable, can be mitigated by a good control environment, redundant controls and adequate monitoring of controls.* Control override

- Personnel with responsibility to resolve issues identified by controls may decide to ignore or override prescribed policies or procedures. *This limitation, when applicable, can be mitigated by a good control environment and adequate monitoring of controls.*
- Control override - Personnel with responsibility to resolve issues identified by controls may decide to ignore or override prescribed policies or procedures. *This limitation, when applicable, can be mitigated by a good control environment and adequate monitoring of controls.*
- Mistakes - Although internal controls may be designed in such a way as to reduce the likelihood of mistakes, is it always possible that a mistake may be made. *This limitation can be mitigated by a good control environment, redundant controls, automated controls, supporting controls such as check-figures or exception reports, and adequate monitoring of controls.*
- Unforeseen circumstances - Controls may operate incorrectly when faced with unforeseen situations or permutations. *This limitation can be mitigated by thorough risk assessment and adequate monitoring of controls.*
- External factors - Achievement of operational performance objectives (efficiency and effectiveness) may depend on factors outside of the government's control, such as regulation, resource limitations, environmental changes, decisions made by service recipients or stakeholders, actions of key suppliers, customers or program partners, etc. *This limitation can be mitigated by thorough risk assessment.*

3.1.3.180 Although controls are not an absolute guarantee of success, effective internal controls are expected to consistently and reliably achieve objectives, year after year. However, even well-designed controls have a remote possibility of failure. This possibility increases with the number and primacy of external factors, as is often the case for performance objectives.

3.1.3.190 Ultimately, providing reasonable assurance of achieving compliance and financial reporting objectives is within the government's control and depends primarily on how well controls are designed and operated. Achievement of operational performance objectives also depends in large part on effective internal controls. By implementing effective controls a government can have reasonable assurance that it is doing all it can to meet its objectives.

## **Original Supporting Documentation**

### **3.1 Accounting Principles and Internal Control**

#### **3.1.4 Original Supporting Documentation**

3.1.4.10 Local governments are responsible for obtaining and ensuring the integrity and retention of the original vouchers, receipts, and other documents – regardless of physical form – necessary to isolate and prove the validity of every transaction relating to the receipt, use and disposition of public funds or property (RCW [43.09.200](#)). This requirement extends to all accounting entries, including interfund transactions or allocations of overhead costs.

In addition, governments are required to comply with public records retention requirements (Chapter [40.14](#) RCW) and the [Local Government Records Retention Schedule](#) published by the Secretary of State in accordance with RCW [40.14.070](#).

#### **Physical documentation**

3.1.4.20 Physical documentation should be recognizable and legible. Internal controls should provide reasonable assurance of the accuracy, durability and availability of physical records.

#### **Electronic documentation**

3.1.4.30 Electronic supporting documentation for transactions is appropriate where safeguards exist to ensure that the documentation cannot be changed or altered and that the documentation for as long as it is necessary to retain. In cases where source documents are initiated electronically and the local government's accounting system does **not** have sufficient controls to ensure the integrity of the data, such electronic records should be printed, reviewed and signed by an appropriate person. The printed records would then be considered the official source document supporting the transaction.

Internal controls ensuring the integrity of data supporting public transactions should include policies and procedures ensuring the accuracy, durability and availability of the data. This would include, but is not limited to, establishing an audit trail and/or system for identification of changes made and users making subsequent modification to the source documents to ensure a proper chain of custody.

See Chapter [434-662](#) WAC for records retention regulations for electronic records.

#### **Scanned documentation**

3.1.4.40 Scanned original documents are acceptable to support the receipt; use and disposition of public funds given the above mentioned controls are in place to ensure their integrity, completeness and accuracy. The original imaged source records cannot be destroyed unless the local government has complied with the Secretary of State's *Requirements for the Destruction of Non-Archival Paper Records after Imaging "Scanning and Tossing"* document. This document can be found on the Secretary of State's Records website on the Records Management webpage. Alternatively, the original imaged source records may also be destroyed if the local government's application requesting early destruction of records after electronic imaging has been approved by the Secretary of State. See Chapter [434-663](#) WAC.

#### **Authorization of transactions**

3.1.4.50 Local governments are responsible for ensuring transactions are properly authorized and

have the appropriate type of signature approval. For audit purposes, log-in authentication is an acceptable means of limiting access or segregating duties with user account permissions, establishing accountability and chain of custody for records, and evidencing review or approval. For these controls to be effective, sufficient controls must be in place over user accounts, passwords, sessions, and audit trails or logs.

### **Physical signature**

3.1.4.60 If there is a legal requirement for a signature on an electronic document (i.e. contract, etc.), it can have a digital signature. If a local government chooses to use a digital signature, they are responsible for complying with Chapter [19.360](#) RCW. Effective June 11, 2020, Chapter 19.360 RCW will be repealed and replaced by the [Uniform Electronic Transactions Act \(UETA\)](#).

### **Facsimile signature**

3.1.4.70 Instruments of payments (i.e., check/warrant) can have a legal facsimile signature. A facsimile signature is a reproduction of a signature by engraving, imprinting, stamping or other means. If a local government chooses to use a facsimile signature, they are responsible for complying with Chapter [39.62](#) RCW.

### **Non-legal facsimile signature**

3.1.4.80 Documents that do not require a legal signature can be authorized by a non-legal facsimile signature. A non-legal facsimile signature is a reproduction of a signature by engraving, imprinting, stamping, or other means.

### **Log-in identification**

3.1.4.90 A number of accounting applications have been developed to use an individual's log-in identification to authenticate an approval. This can be acceptable if there is no legal requirement for a written signature, if transaction records identify the user, and if there are sufficient user account controls in place to assign accountability for transactions to an individual.



# Assets

## Compensating Balances

3.2 **Assets** 3.2.5 **Compensating Balances** 3.2.5.10 Some banks may require a government to maintain a predetermined average daily balance in noninterest bearing bank accounts to compensate the bank for handling the government's bank services. 3.2.5.20 A government's procurement of banking services will normally consider costs such as fees, minimum balance and compensating balance requirements compared to benefits such as interest rates, locations and services, along with other factors as described in [MRSC](#) and [GFOA](#) advisory content. 3.2.5.30 As part of their procurement of banking services, governments should consider whether the amount of foregone interest revenue is reasonable in relation to fees avoided in order to ensure the agreement does not represent a gift of public funds.

## **County's External Investment Pool**

### **3.2 Assets**

#### **3.2.9 County's External Investment Pool**

***This guidance applies only to counties.***

3.2.9.10 General accounting principles require the use of fiduciary funds to account and report assets held in a trustee or agency capacity for others. Custodial funds are used to account for situations where the government's role is purely custodial. They are most commonly used by counties to account for taxes collected on behalf of special purpose districts. Trust funds normally are subject to a trust agreement that affects the degree of management involvement and length of time that resources are being held. Resources classified as trust or custodial funds cannot be used to support the government's own programs.

3.2.9.20 In accordance with accounting principles, when counties provide investment services to other entities under [RCW 36.29.020](#) whether through investment pool(s) or by individual investment accounts, the county is considered a sponsoring government, and therefore has a fiduciary responsibility for those investments. A county is sponsoring an external investment pool when commingling (pooling) the monies of more than one legally separate entity that are not part of the same reporting entity as the sponsoring government, and invests, on the participant's behalf. This includes investing in the Local Government Investment Pool when all the monies are held in the county's name. When a County Treasurer invests any funds in its custody not required for immediate expenditure, whether or not at the request of a district, the County Treasurer is investing on behalf of the districts. The districts' share in the risk of loss of those investments, so long as the County Treasurer has complied with the statutory requirements in making those investments, and said resources should be reported as an external investment pool by the county.

3.2.9.30 Sometimes resources held in custodial funds are invested in the county's investment pool. For example, the county collects property taxes on behalf of a city/special purpose district within the county and while the county holds the proceeds, the monies are invested in the county's external investment pool. The city/special purpose district may receive investment income, but does not participate in the investment losses of the pool, from the city/special purpose district's perspective, the monies held by the county are a receivable, not an investment.

3.2.9.40 Reporting investments in both investment trust fund and custodial funds will cause duplicative reporting of the same cash.

3.2.9.50 If the county invests the cities/special purpose districts' resources, while holding and before remitting the resources to the cities/special purpose districts and if there is no formal investing agreement, for financial reporting purposes, the county should show these resources not in the investment trust fund, but in the custodial external investment pool (Fund 699).

## Deposits and Investments

### 3.2 Assets

#### 3.2.1 Deposits and Investments

##### Investment requirements

3.2.1.10 Each municipal corporation should, by action of its governing body, authorize investment of any moneys which are not required for immediate expense and which are in the custody of the county treasurer or other municipal corporation treasurer.

3.2.1.20 State law (primarily Chapter [39.59](#) RCW, along with Chapter [35.39](#) RCW for cities and Chapter [36.29](#) RCW for counties) limits the types of investments allowable for local governments. Limitations on eligible investments reflect preservation of capital and liquidity of funds as primary objectives for investment of public funds. In general, local governments may invest in reasonably safe investments, such as:

- Obligations of the federal government, its agencies and government sponsored organizations
- Obligations of Washington State and local governments
- Obligations of other States and local governments located in other states that have one of the three highest credit ratings of a nationally recognized credit agency at the time of purchase
- The Washington State Treasurer's Investment Pool (Chapter [43.250](#) RCW)

Absent statutes specifically authorizing a local government to make an investment in a certain investment type. For example, the following investments are generally not eligible for investment of public funds:

- Corporate stocks
- Corporate bonds
- Foreign government obligations
- Futures, options, swaps and other derivatives
- Real estate or commodities
- Limited partnerships
- Negotiable certificates of deposit
- Certificates of deposit from banks that are not designated as qualified public depositories
- Money market or mutual funds

For a detailed description of eligible and non-eligible investments, along with policy considerations and suggested controls over investing activities, local governments should consult the Office of State Treasurer's [Guide to Public Funds Investing for Local Governments](#).

In addition to restrictions imposed by state law, investments of local governments may be further restricted by policy, contract or regulation. For example, debt covenants or arbitrage requirements may restrict investment of bond proceeds. Local governments should consult with bond counsel for guidance on such restrictions.

##### Deposit requirements

3.2.1.60 Except for funds deposited pursuant to a fiscal agency contract with the state fiscal agent or its correspondent bank, no public funds should be deposited in demand or investment deposits except in a public depository located in this state or as otherwise expressly permitted by statute (RCW [39.58.080](#)).

3.2.1.70 WAC [389-12-020\(3\)](#) allows public depositaries to arrange for the investment of public funds in certificates of deposit issued by one or more federally insured financial institutions wherever located on behalf of a treasurer provided the funds are initially invested in an authorized Washington public depository.

3.2.1.80 The total deposits of public funds by any treasurer in any one public depository may not exceed that depository's net worth. If a public depository's net worth is reduced, a treasurer may allow public funds on deposit in excess of the reduced net worth to remain until maturity as long as the depository provides collateral equal to one hundred percent of the excess deposits (RCW [39.58.130](#)). Net worth for public depositaries may be adjusted by the Public Deposit Protection Commission (PDPC) to reflect the depositaries proportional net worth position in Washington State.

3.2.1.90 A financial institution receives designation as a public depository from the PDPC. This designation is readily verified, either from the financial institution (via a letter of authority from the PDPC) or directly from the PDPC. A quarterly list of each public depository and its net worth is published on the Washington State Treasurer's website at [www.tre.wa.gov](http://www.tre.wa.gov).

3.2.1.100 Washington state and federally chartered credit unions may also accept public deposits within limitations set forth in RCW [39.58.240](#). State law allows up to two hundred fifty thousand dollars on deposit for any one depositor of public funds in any one credit union. A quarterly list of each approved credit union and its public deposit balances is also available on the Washington State Treasurer's website.

## **Money Held in Trust**

### **3.2 Assets**

#### **3.2.4 Money Held in Trust**

##### **Deposits**

3.2.4.10 Governments may require deposits from customers. For example:

- A housing authority may require deposits in relation to public housing activities.
- A public utility may require deposits from its customers for either initial or restoration services, provided the deposits are reasonable and not discriminatory.

3.2.4.20 Governments should enact policies addressing investment and disposition of interest on deposits by considering legal and contractual requirements and public policy. Governments are encouraged to disclose such policies in applications and official documents related to deposits to ensure a clear mutual understanding of such policies with depositors.

##### **Investment of superior court trust funds**

3.2.4.50 Pursuant to RCW [36.48.090](#), whenever the clerk of the superior court has moneys held in trust for any litigant or for any purpose, they should be deposited in a separate bank account designated *Court Trust Fund*. These moneys should not be commingled with any public funds. The clerk is subject to the same investment limitations as the county treasurer (RCW [36.29.020](#)). See [Sweeping Interest and Investment Returns into General Fund](#).

##### **Interest income**

3.2.4.60 Unless provided otherwise, interest earned on trust investments should be forwarded to the county treasurer as current expense fund revenue. If however, the trust principal amounts to \$2,000 dollars or more and a litigant in the matter had filed a written request, the interest should be held in trust and paid to the beneficiary upon termination of the trust. The clerk should assess a five percent investment service fee, subject to statute limitations, on interest earned on behalf of beneficiaries.

3.2.4.70 All litigants not represented by an attorney and who have \$2,000 dollars or more being held by a superior court clerk should receive written notice of the provision for receiving interest income on the funds.

##### **Accounting requirements**

Clerks making trust fund investments must maintain an investment ledger and reconcile the ledger to bank and investment account statements and the county general ledger on a monthly basis. The investment ledger must:

- (1) Be sufficient to indicate the total amount of funds invested at any given time (a control account).
- (2) List each investment purchased by purchase date, trust account check number or EFT number, description of investment and identification (passbook or CD number, financial institution holding investment, interest rate, maturity date, etc.) and purchase price.
- (3) Show for each investment sold: total proceeds, interest due the current expense fund, interest due to other recipients, sales date, clerk's receipt number, and investment fee.



## **Special Assessments**

### **3.2 Assets**

#### **3.2.7 Special Assessments**

##### **3.2.7.10 Capital assessments**

The project expenditures should be recorded in a capital projects fund. Revenues should be recognized according to the financing involved.

Capital improvement assessments projects that are an integral part of the government's enterprise activities should be recognized in the enterprise fund.

##### **3.2.7.20 Operating assessments**

The revenues and expenditures should be recorded in either the general (current expense) fund, a special revenue fund, or an enterprise fund. These types of assessments are for operating activities and do not result in the purchase or construction of capital assets (e.g., street cleaning or snow plowing). Both the revenues and expenditures should be recognized on the same basis of accounting as normally used for that fund.

##### **3.2.7.30 Assessments receivable**

A special assessment receivable should be established at the time of the levy, and an equal amount of deferred inflows of resources should be reported in the general, special revenue, or debt service funds.

##### **3.2.7.40 General long-term debt**

Special assessment debt for which the government is obligated in some manner, as defined in the [GASB Statement 6, Accounting and Financial Reporting for Special Assessments](#), should be reported with other general long-term liabilities, except for the portion, if any, that is a direct obligation of an enterprise fund or is expected to be repaid from the enterprise fund revenues.

The phrase *obligated in some manner* is defined very broadly by the [GASB Statement 6](#). It would be very rare, if ever, that special assessment debt should not meet these criteria.

No-commitment special assessment debt is a debt in which the benefitting property owners - not a government - will provide the resources needed to repay the debt. So, from the government's viewpoint, resources provided by the no-commitment special assessment debt are essentially similar to resources provided by grantors. Accordingly the issuance of no commitment special assessment debt should not be classified as debt proceeds or other financing sources; instead should be reported as revenue and described as *contributions from property owners*.

##### **3.2.7.50 Debt Service**

The long-term debt service transactions associated with a special assessment project should be recorded in a debt service fund. Recognition of bond principal and interest expense should be similar to other long-term debt. However, any portion that is an obligation of an enterprise fund or expected to be repaid from an enterprise fund revenues should be reported in the enterprise fund. Short-term debt service expenditures should be recognized in the fund recording the associated debt.

### 3.2.7.60 Capital assets

The capital assets constructed by a capital improvement special assessment should be reported together with other capital assets. The exception is when the asset is related to an enterprise fund.

### 3.2.7.70 Budgeting

Capital improvements funded by special assessments should be budgeted on a project basis. Although improvement district statutes vary, they normally require formal adoption of an assessment roll. The LID formation ordinance is a perfectly adequate budget for the life of the LID. The amount of the assessment roll is determined by the estimated costs of construction and debt service, which are accordingly approved by the same action. If construction costs exceed estimates, legislative approval is normally required. That approval should be recorded as a budget modification.

### 3.2.7.80 References

	<u>Authority to Establish and Assess for</u>	<u>RCW Reference</u>
Cities and Towns	LID & ULID	Chapter <a href="#">35.43</a> RCW thru Chapter <a href="#">35.56</a> RCW
Counties/County Roads	CRID	Chapter <a href="#">36.88</a> RCW
Fire Districts	LID & ULID	Chapter <a href="#">52.20</a> RCW, Chapter <a href="#">35.43</a> RCW thru Chapter <a href="#">35.56</a> RCW
Port Districts	LID & ULID	Chapter <a href="#">53.08</a> RCW, Chapter <a href="#">35.43</a> RCW thru Chapter <a href="#">35.56</a> RCW
Library Districts	LID	Chapter <a href="#">27.14</a> RCW, Chapter <a href="#">35.43</a> RCW thru Chapter <a href="#">35.56</a> RCW
Irrigation Districts	LID & ULID	RCW <a href="#">87.03.480</a> thru RCW <a href="#">87.03.527</a>
Irrigation Districts	O&M	RCW <a href="#">87.03.240</a> thru RCW <a href="#">87.03.420</a>
Park and Recreation Districts	LID	RCW <a href="#">36.69.200</a> thru RCW <a href="#">36.69.305</a>
Sewer Districts	ULID	Chapter <a href="#">56.20</a> RCW, Chapter <a href="#">35.43</a> RCW thru Chapter <a href="#">35.56</a> RCW
Water Districts	ULID	Chapter <a href="#">57.16</a> RCW, Chapter <a href="#">35.43</a> RCW thru Chapter <a href="#">35.56</a> RCW
Counties/Sewerage, Water and Drainage System	LID & ULID	RCW <a href="#">36.94.220</a> thru RCW <a href="#">36.94.400</a>
Flood Control Zone Districts	LID & ULID	RCW <a href="#">86.15.160</a> , RCW <a href="#">86.15.165</a>
Flood Control Districts	O&M	RCW <a href="#">86.09.380</a> thru RCW <a href="#">86.09.517</a>
Diking Districts	O&M	RCW <a href="#">85.05.270</a> , RCW <a href="#">85.05.355</a> , RCW <a href="#">85.18.150</a>
Drainage Districts	O&M	RCW <a href="#">85.06.125</a> , RCW <a href="#">85.38.140</a> thru RCW <a href="#">85.38.170</a>
Diking, Drainage and Sewage Improve. Dist.	O&M	RCW <a href="#">85.08.410</a> , RCW <a href="#">85.08.420</a> , RCW <a href="#">85.08.480</a> , Chapter <a href="#">85.16</a> RCW
Public Utility Districts	ULID	RCW <a href="#">54.16.120</a> thru RCW <a href="#">54.16.170</a>

CRID - County Road Improvement District



LID - Local Improvement District

ULID - Utility Local Improvement District

O&M - Operations & Maintenance, Debt Service, etc.

## **Sweeping Interest and Investment Returns into General Fund**

### **3.2 Assets**

#### **3.2.3 Sweeping Interest and Investment Returns into General Fund**

***This guidance applies only to cities and counties.***

3.2.3.10 Based on the current economic environment in which they operate, local governments are actively looking for ways to generate additional unrestricted revenues, so often there are questions regarding the transfer of interest income associated with certain revenues to the general fund and/or other funds.

3.2.3.20 The answers to these questions may be “Yes: or “No”, based on the statutory language that authorized the imposition of taxes and levies or the distribution of fees and taxes by the state. These answers are also affected by the type of entity receiving the revenue.

#### **Counties**

3.2.3.30 County legislative authorities have the power to direct the investment of county funds, and when they do so, the interest earned stays with the original fund. If the legislative authority does not provide this direction RCW [36.29.020](#) allows a county treasurer to allocate the interest and other income earned on the investment of a county’s own funds into county general fund.

3.2.3.40 As discussed in the AGO 2010 No. 10, the three statutes listed below are examples of a specific legislative intent which overrides the general authorization granted counties in RCW [36.29.020](#).

- RCW [73.08.080](#) - Veterans’ assistance fund
- RCW [81.100.080](#) - High occupancy vehicle system fund
- RCW [41.16.050](#) - Firefighters’ pension fund

3.2.3.50 Again, the statutes listed above are not meant to provide an exhaustive list of all revenues where the allocation of interest is restricted. It is the county’s responsibility to carefully review the statutory language governing a particular revenue source to determine restrictions related to interest and other investment income.

#### **Cities**

3.2.3.60 Cities may transfer interest income to their general fund if the transfer is in compliance with RCW [35.39.034](#) (non-code cities) or RCW [35A.40.050](#) (code cities).

# Capital Assets

## Capital Assets Management

### 3.3 Capital Assets

#### 3.3.8 Capital Assets Management

Quick Links
<a href="#">3.3.8.10 Definitions</a>
<a href="#">3.3.8.20 Reporting capital asset transactions</a>
<a href="#">3.3.8.30 General tracking requirements</a>
<a href="#">3.3.8.40 Establishing capital assets policies</a>
<a href="#">3.3.8.50 Small and attractive assets</a>
<a href="#">3.3.8.60 Capital asset tracking system</a>
<a href="#">3.3.8.70 Uniform Guidance - Property management</a>
<a href="#">Additional resources</a>

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#### 3.3.8.10 Definitions

**Capital assets** are real and personal property used in operations, above a specified value, the government intends to use or keep for more than one year. Capital assets include land and land rights; buildings, their furnishings, fixtures, and furniture; infrastructure assets, intangible assets equipment, machinery, vehicles, and tools.

**Capitalize** means to report an expenditure for real and personal property or intangible assets as a capital outlay. These expenditure transactions are coded to 594 and 595 account codes.

**Accountability** means the obligation to demonstrate good management of or control over those matters for which the government is responsible.

**Capital assets management system** is the set of written policies and procedures used to control a government's capital assets and demonstrate accountability. Public officials have several broad responsibilities with respect to capital assets such as tracking assets for accountability purposes; maintaining records for insurance purposes; ensuring assets are safeguarded from loss, waste, damage, or neglect; for compliance purposes such as when purchased with federal funds; and long term capital budgeting and planning.

**Capitalization threshold** is a dollar amount set in a formal policy defining when an item with more than one or more years of usefulness will be classified as a capital asset.

**Physical inventory** is a procedure where the existence of assets on the inventory list is confirmed by physically observing the assets at their location in the field.

**Small and attractive assets** are assets that last longer than one year, but do not qualify as capital

assets. They are less than the capitalization threshold and may be susceptible to theft or misuse.

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#### 3.3.8.20 Reporting capital asset transactions

Cash basis accounting only reports inflows and outflows of cash. When a capital asset is purchased the entire expenditure is recognized in the period as “capital outlay” when the cash outflow occurs. Because the entire asset cost is reported when it was purchased the reporting of depreciation accounts is not appropriate.

Determination of when a purchased item is classified as a capital asset (and reported as a “capital outlay”) will depend upon the capitalization threshold established in policy of the government. Each government should establish a formal policy that includes a capitalization threshold.

The cash basis financial reporting requirements for capital assets are limited; however, this does not remove the responsibility of the government from its stewardship of public resources. Entities must have policies and procedures in place to track, demonstrate accountability and ensure security of their capital assets.

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#### 3.3.8.30 General tracking requirements

Specific capital asset tracking requirements of the State Auditor's Office are contained on the subsequent pages. In addition, the federal government has issued property management requirements that apply to all governments that receive federal assistance. Title 2 of the Code of Federal Regulations (CFR) sections 200.310-316 outlines specific requirements related to real property, equipment, supplies and intangible property purchased with federal funds. Note that these requirements involve broad stewardship responsibilities and specific accounting records.

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#### 3.3.8.40 Establishing capital assets policies

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 government officials. Local governments with capital assets should develop policies and procedures for management of these public resources. At a minimum the policies should be reviewed and approved by the governing body. Once a policy is adopted, it should be periodically reviewed and updated to ensure it meets the needs of the local government.

The following are items the government must consider when developing policies for tracking and safe guarding their capital assets.

- **Capitalization threshold** – Governments must set the dollar amount at which the purchase of an asset with a useful life of more than one year will be classified as a capital asset, for which the expenditure will be recognized as a capital outlay. A government may establish a single capitalization threshold for all capital assets or different capitalization thresholds for different classes of assets. The threshold should be established at a small enough level such that the

assets excluded would be clearly insignificant to financial reporting in aggregate. In establishing a threshold, governments may consider the types and groups of capital assets they own, management information needs, and best practices ([see below](#)). Local governments that are recipients of federal grants should ensure capital asset thresholds will allow the government to meet federal requirements in the 2 CFR §200.313 related to tracking assets purchased with federal funds.

- **Inventory requirements** - Policies should require inventories at reasonable intervals to verify the existence and condition of capital assets. The policy should define the categories or types and threshold of assets to be inventoried. These policies should require an inventory interval based on the nature of assets, number of assets and extent of decentralization. The policy should also assign overall responsibility for conducting the inventory - ideally by personnel other than those charged with custody of the assets. The policy should include how to follow up on damaged or missing assets, including when inventory results or issues are communicated to the governing body. The policy should direct losses of public resources to be reported to our office, as required by state law.

Inventory policies should conform to any statutory or regulatory requirements, such as the requirement for counties to inventory all capital assets per [RCW 36.32.210](#) or the requirement for all assets over \$5,000 per unit purchased with federal grant funds to be inventoried at least once every two years per the 2 CFR §200.313.

- **Recordkeeping** - Policies should address how the capital assets will be tracked and what records will be maintained for operational and accountability purposes. Governments should maintain records of what they own, where it is located, the condition, and who is responsible for the asset. Records should be sufficient to prove any losses for insurance purposes. 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. Specific information captured may vary by type of asset.
- **Disposition procedures** - To the extent procedures are not defined by statute (such as Chapter [39.33](#), RCW for intergovernmental disposition of property, or property sales for ports in Chapter [53.08](#) RCW, etc.), policies should define authority and authorized procedures for determining assets require replacement or are otherwise surplus, and their subsequent disposition.
- **Asset replacement** - Policies should provide sufficient direction on when assets should be replaced. Replacement may be based on a set schedule, based on specified conditions, or delegated to specified staff positions or groups to determine or recommend on an asset-by-asset basis. Replacement policies often differ by asset type and should be established to align with and support the governments capital budgeting and planning process.

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#### 3.3.8.50 **Small and attractive assets**

These are assets that are below the government's capitalization threshold for financial statement reporting purposes and last longer than a year, but may be susceptible to theft or misuse. Each government should perform an assessment to identify those assets that are particularly at risk or that otherwise need to be tracked for operational purposes. Governments should implement specific

measures to track and control these assets to minimize identified risks, as appropriate for the nature of the assets, value of the assets, and risks. Controls may range from basic measures such as policies, tagging, assigned custody, restricted access or other physical controls - to limited systems such as check-out systems or reserve inventories (where only items not in use are tracked) - to comprehensive tracking and inventory controls such as that done for capital assets (complete tracking lists, periodic physical inventories, see below for more information). Governments should also consider the cost/benefit of tracking certain types of assets and the resources it has available when establishing control measures, as compared to the risks involved.

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#### **3.3.8.60 Capital asset tracking system**

When a government has capital assets it must establish and maintain a tracking system for them. It may be maintained using either a computerized or manual system.

The tracking system must adhere to the formal asset policies approved by the governing body.

It must include:

- 1) Inventory list containing capital assets owned by the government.
- 2) Individual information record for each capital asset:
  - Acquisition information, including references to source documents and acquisition dates
  - Name and detailed description sufficient to define and identify the asset, including any identifying numbers or legal description where applicable
  - Location of the asset
  - Custodian responsible for the asset, if applicable
  - Cost of the asset/source of funding (federal grant, etc.)
  - Estimated life
  - Condition of the asset
  - Identifying number for the asset
  - Disposal - date and method used to determine disposal value
- 3) A reconciliation of the capital assets list and individual supporting asset records at least once per year to ensure the information is complete and accurate.
- 4) Adequate internal controls over additions and deletions to the capital asset tracking system to ensure the capital asset tracking system is kept up-to-date and accurately reflects all activity.
- 5) A method to track changes in custody and assigned responsibility for the assets.
- 6) Performance of a physical inventory, at reasonable intervals, as established by the government's policy.

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#### **3.3.8.70 Uniform guidance - property management**

Capital assets purchased with federal funds are subject to federal property standards found in 2 CFR §§200.310-316. The requirements are known as the Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). They apply whether the assets are purchased in whole or in part with federal resources and are in addition to the accountability requirement prescribed by our office. The federal rules are in effect during the time the asset is owned by the government until official disposition has occurred. Also, government should be aware some federal agencies may publish deviations from the Uniform Guidance due to statutory requirements.

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### **Additional resources**

***Disclaimer:*** The following are links to non-authoritative resources and are not prescribed as part of BARS Manual requirements.

- [Capitalization Thresholds for Capital Assets](#), GFOA (best practices)
- [Asset Management Policies](#), MRSC (resource article)

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# Liabilities

## Accounting for LOCAL Program Financing Activities

### 3.4 Liabilities

#### 3.4.11 Accounting for LOCAL Program Financing Activities

3.4.11.10 Local governments have an efficient financing option – the [LOCAL program](#) – that allows them to pool funding needs into large offerings of securities issued by the State Treasurer in order to take advantage of favorable market conditions.

3.4.11.20 Washington governments may use the LOCAL program to purchase equipment or real estate – everything from radios and computer systems to fire or police cars to building improvements or other construction.

#### 3.4.11.30 Accounting

This innovative financing mechanism is not subject to any special accounting or reporting standards. The transactions should be reported as soon as the debt is issued and the available resources placed in the Local Governments Investment Pool (LGIP). The remittance of reimbursement requests to the Office of the State Treasurer does not necessarily date the liability has been incurred by the loaning entity.

3.4.11.40 Debt proceeds should be reported in the fund responsible for its repayment. Sometimes this may be a different fund than the fund that is actually using the capital asset. As with other general obligation debt, a local government may use the debt service fund to account for these debt payments.

3.4.11.50 Resources provided by the LOCAL financing agreements should be posted to the account 3919000, *Other Debt Proceeds*. Governments should also record premium or discount to 3920000, *Premiums on Bond Issued* or 592PP80, *Interest and Other Debt Service Cost*, respectively. Since the cash basis governments do not amortize premiums and discounts, only the face value of the debt (recognized within 3919000) is reported on the Schedule 09.

The payment of the debt principal should be recorded to account 591PPP0, *Redemption of Debt*.

The purchase of the asset should be coded to 594PPP0, *Capital Expenditures*.

3.4.11.60 The State Treasurer holds LOCAL program proceeds and makes direct payments to vendors to and from the government's specially designated LGIP account. Although proceeds are received and payments made by the State Treasurer, the government has to account and report both transactions made on its behalf: debt issuance and capital assets purchase.

3.4.11.70 The accounting for and reporting of capital assets acquired with LOCAL program money are identical to those requirements for assets purchased through debt issued by the local government.

#### 3.4.11.80 Reporting

LOCAL program proceeds must be reported as long-term debt in the financial statements and included in the Schedule 09, *Liabilities*.



Debt incurred under this program may be considered either voted or non-voted and it should be included in the calculation of the local government's debt limitation (see [3.10.5 Compliance - Limitation of Indebtedness](#)).

## **Bonds and Revenue Warrants**

### **3.4 Liabilities**

#### **3.4.3 Bonds and Revenue Warrants**

3.4.3.10 One year after the last legal payment date on matured bonds, the treasurer may send a written request to the fiscal agent to return the moneys not used to redeem such matured bonds. A bond call accelerates the maturity and the treasurer has the right to request that moneys be returned after one year. This recovery provision does not apply to matured coupons which remain unredeemed for over one year, unless the bonds to which they are related have also matured. Unredeemed bonds and coupons that remain unclaimed by the owner for more than two years after becoming payable are considered abandoned (RCW [63.29.130](#)). The treasurer is required to file a report under RCW [63.29.170](#) and pay or deliver all eligible abandoned property, including the unredeemed bonds and coupons referenced above, to the Department of Revenue.

3.4.3.20 The following regulations and procedures are prescribed with respect to the return of the above mentioned moneys.

1. Amounts returned from fiscal agencies at the request of local treasurers should be accounted for in the debt service fund. Concurrent entries should be recorded in the fiscal agency account to reflect the return of the moneys to the debt service fund. If the bonds or coupons are subsequently presented for payment, they should be paid from the moneys so held.
2. The amounts returned from fiscal agencies should not be used to meet current debt service requirements. However, interest earnings on any investments of amounts returned from fiscal agencies will be available to reduce currently required additions to the debt service funds according to the following procedures:
  - a. In the case of general obligation bonds, such interest earnings should be retained in the debt service funds, and currently required additions to such funds should be reduced accordingly.
  - b. In the case of revenue bonds, such interest earnings may be retained, thereby reducing currently required additions to such funds from operating revenues, or such interest earnings may be placed into the current or operating fund.

3.4.3.30 The state or local treasurer should remain obligated for the final redemption of the unredeemed bonds and coupons pursuant to RCW [43.80.160](#).

## **Environmental and Certain Assets Retirement Liabilities**

### **3.4 Liabilities**

#### **3.4.18 Environmental and Certain Assets Retirement Liabilities**

3.4.18.10 Many of governments' activities have a direct impact on environment and, in some cases, they may contaminate it or create potential for contamination. State and federal laws may require significant remediation work necessary to restore a property or properly dispose of hazardous materials, such as, removing underground fuel storage tanks, cleanup and removal of sewage lagoon, etc. or work to eliminate a potential adverse impact, such as decommissioning wells, proper disposal of radioactive materials, etc.

3.4.18.20 The pollution remediation may be unplanned and results from accidents, improper use of an asset (e.g., oil spill, etc.) or might be inherent for the type of assets used (e.g., x-ray machines, etc.). In some cases contamination occurred in the past on government owned property that the municipality may now be obligated to clean up.

3.4.18.30 In any case, the governments must disclose their environmental obligations [see sample note disclosure].

3.4.18.40 If the amount of liabilities can be reasonably estimated and it's probable that the government will be obligated to pay it, the amount should be reported on the Schedule 09 (ID No. 263.93). The government can use current costs to perform the required work, or present value of future costs. The federal (e.g., EPA, FERC, etc.) and state agencies (e.g., Department of Ecology, Department of Natural Resources, Department of Health, etc.) provide resources to help governments' determining possible future cost of related remediation. Periodically, the amount of estimated liabilities should be reevaluated.

3.4.18.50 The most common indicators of a governments' arising obligations are:

- Government must take an action due to imminent endangerment of public health;
- Government is or will be named as a party responsible for a remediation;
- Government is or will be named in the lawsuit requiring a remediation;
- Government started or legally obligated itself for remediation;
- Government will retire certain capital assets with special disposal or decommissioning obligations as subject to local, state and federal environmental laws and regulations. For example, if a city decides to retire a sewer lagoon, the asset cannot simply be abandoned due to the risk to groundwater. Therefore, a city might incur significant costs to decommission it. Recognition occurs on the Schedule 09 when there is certainty the asset will be retired and when costs can be estimated. The most common assets subject to such reporting are dams, wells, sewage/water treatment plants, radioactive equipment, sand/gravel/etc. mining areas, underground storage tanks, X-ray machines, etc.

3.4.18.60 The above requirements do not apply to landfills which are discussed in [3.4.10, Solid Waste Utilities: Closure and Postclosure Cost Accounting](#).

## Issuance of Duplicate Instruments

### 3.4 Liabilities

#### 3.4.5 Issuance of Duplicate Instruments [1]

3.4.5.10 Before a duplicate instrument is issued, the issuing officer should require the person making application for its issue to file in his/her office a written affidavit specifically alleging on oath that he/she is the proper owner, payee, or legal representative of such owner or payee of the original instrument, giving the date of issue, the number, amount, and for what services or claim or purpose the original instrument or series of instruments of which it is a part was issued, and that the same has been lost or destroyed, and has not been paid or received by him/her.

3.4.5.20 The following is a sample for use by all political subdivisions.

#### AFFIDAVIT

STATE OF WASHINGTON, )

ss,

County of \_\_\_\_\_)

I, \_\_\_\_\_, being first duly sworn upon oath, depose and say that I am the proper owner, payee, or legal representative of such owner or payee of (district), original (describe instrument) No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_ in the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) which said instrument was issued in payment for \_\_\_\_\_ and that the same has been lost or destroyed and has not been paid.

Signature \_\_\_\_\_

Witnessed by me this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Witness [2]

Residing at \_\_\_\_\_

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### Footnotes

[1] Chapter [39.72](#) RCW and RCW [43.08.064](#), RCW [43.08.066](#), RCW [43.08.068](#)

[2] City/county/district may require the affidavit to be signed by a notary public.

## **Other Postemployment Benefits (OPEB)**

### **3.4 Liabilities**

#### **3.4.16 Other Postemployment Benefits (OPEB)**

##### **3.4.16.10 What is OPEB?**

OPEB refers to benefits, other than pensions, that are paid in the period after employment. OPEB includes:

- Post-employment healthcare benefits such as medical, dental, vision, hearing, etc., whether provided through a pension plan or separately; and
- Other benefits such as death benefits, life insurance, disability, long-term care, etc., when provided separately from a pension plan.

OPEB includes the direct payment of benefits (e.g., LEOFF 1 medical benefits) and also explicit and implicit rate subsidies (e.g., the state's PEBB plan). An implicit rate subsidy is also referred to as a "blended premium rate." It is caused by the inclusion of retirees in the same cost pool as active employees. As a result, retirees have the same premium rates as active employees and the rates for active employees implicitly subsidize the rates for retirees. This implicit subsidy is OPEB - even if retirees pay 100 percent of their premiums.

OPEB does not include termination benefits or termination payments for compensated absences.

##### **3.4.16.20 Examples of OPEB benefits**

Some common examples of OPEB benefits include:

- Participating employers in the state's Public Employees Benefits Board (PEBB) program.
- LEOFF 1 employers who pay the healthcare costs of LEOFF 1 retirees.
- Employers who pay all or part of their retirees' healthcare premiums.
- Employers with employees who are members of OPEB plans that are not state or local government sponsored - example, a union sponsored defined contribution health plan.

If you are uncertain about whether or not an arrangement qualifies as OPEB, please contact the [SAO HelpDesk](#).

##### **3.4.16.30 OPEB reporting requirements**

###### ***Defined benefit OPEB plans:***

Defined benefit plans are those for which the benefits the employee will receive at or after separation from employment are defined by the benefit terms. OPEB may be stated as:

- A specific dollar amount.
- An amount that is calculated based on one or more factors such as age, years of service, and compensation, or
- A type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums.

See the sample OPEB note disclosure for cash-basis local governments [here](#).

Unlike pension plans, most OPEB plans in the state are not centrally administered and there is no single actuarial valuation like the DRS PEFI for the state's pension plans. The only way to determine an OPEB liability is through an individual employer actuarial valuation **or by using the Alternative Measurement Method if you have less than 100 participants in your plan.**

If you are a participating employer in the PEBB plan or provide OPEB benefits to LEOFF 1 retirees, you may use the on-line calculation tools provided by the [Office of the State Actuary \(OPEB Tools\)](#) to calculate your OPEB liability. These tools are designed only for PEBB or LEOFF 1 employers with less than 100 plan members, which includes all active employees and retirees participating in the plan (excludes spouses and dependents).

**Note:** If your entity provides PEBB benefits and has 100 or more plan members, OSA has created a specialized tool for you to estimate your liability. To obtain this tool, please contact the [SAO HelpDesk](#).

Report this liability on [Schedule 09 - Liabilities](#).

**Note:** If you provide OPEB through another plan (e.g. LEOFF 2) or contract with an actuary for your own valuation: the liability amount should be determined based on an actuarial valuation done by a qualified actuary using Actuarial Standards of Practice, including a roll-forward from an actuarial valuation done in the previous year.

Reminder - Even though accounting and reporting standards require you to get a valuation only every two years, you must still roll-forward the valuation to the updated measurement date in the off years.

### **Defined contribution OPEB plans:**

Defined contribution plans have terms that:

- Provide an individual account for each employee;
- Define the contributions that an employer is required to make to an active employee's account for the periods in which the employee renders service; and
- Provide that the OPEB an employee will receive will depend only on the employee's account balance.

If the government participates in (i.e. contributes to) a defined contribution plan, include the following:

- The name of the OPEB plan, the name of the plan administrator, and identification of the plan as a defined contribution plan,
- A brief description of the benefit terms,
- The contribution rates (in dollars or as a percentage of salary) for employees and the employer,
- The dollar amount the employer contributed in the reporting period.

If the government does not contribute to the plan (i.e. only employees contribute), no disclosures are required. The government may elect to disclose the plan in the notes, but must clearly state that it does not contribute.

## Pension Liabilities

### 3.4.13 Pension Liabilities

#### 3.4.13.10 Introduction

Starting with the fiscal year ended on or after December 31, 2015, cash basis local governments are required to report their pension related liabilities. This section provides guidance for accounting and reporting these liabilities.

This guidance focuses on local governments participating in the State of Washington cost-sharing, multiple-employer pension plans. However, the concepts are also applicable to single employer plans. Also, a short video providing additional guidance is available [here](#).

#### Management's responsibilities

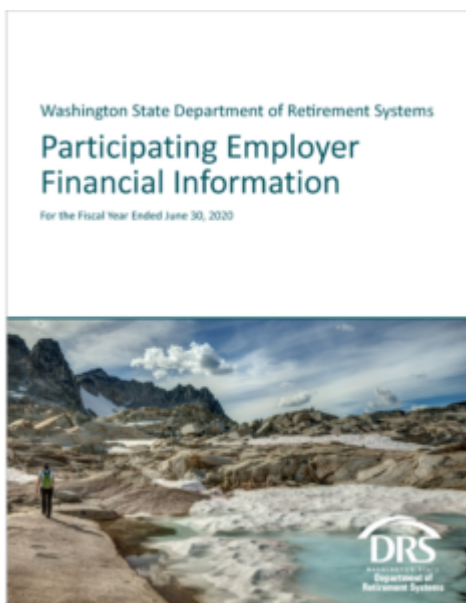
This guidance is intended to assist local governments in the application of the pension reporting requirements. Local governments must apply their own professional judgment to determine if this guidance is appropriate for their facts and circumstances and must draw their own conclusions about the proper reporting. Government's management is solely responsible for the content of the financial statements. Each local government is responsible for evaluating the information used to recognize and disclose pension amounts in its financial statements. Preparers must understand the underlying accounting and reporting concepts for pensions and retain adequate supporting documentation for all amounts reported.

#### ***Steps and procedures to calculate the proportionate share of collective pension amounts***

##### 3.4.13.20 Step 1 - Get your data

Much of the financial data necessary to report pension liabilities will be obtained from the State Department of Retirement Systems (DRS) at [www.drs.wa.gov](http://www.drs.wa.gov).

Download the June 30, 2020, *Participating Employer Financial Information* (PEFI) report from the Employers section of the website. This report is published annually as of June 30.



This report includes the ***Employer Allocation Schedules*** and the ***Schedules of Collective***

**Pension Amounts** for each pension plan.

**Employer Allocation Schedules:** Each separate plan presents a schedule of employer allocations. The schedules are sorted by allocation percentage, largest to smallest, and you will need to search each schedule for your local government's name. Note that the PERS 1 and TRS 1 schedules have separate sections for both the regular allocation and the Plan 1 UAAL allocation. You will need **both** allocation percentages. If you have more than one DRS ORG ID number, add the percentages together.

**What is the Plan 1 UAAL?**

Under RCW [41.45.060](#), part of the contributions for PERS 2/3, SERS 2/3, PSERS 2, and TRS 2/3 fund the UAAL's for PERS 1 and TRS 1.

Employers have a responsibility to exercise due care in financial reporting and to verify and recalculate amounts specific to them. Use the DRS eServices Contribution Reconciliation system, or some other reliable method, to verify the reasonableness of contributions used in the calculation of your proportionate share.

**Schedule of Collective Pension Amounts:** The PEFI also includes the schedules of collective pension amounts for each plan. Employers will use the collective pension amounts and apply their proportionate share (calculated above) to determine their own share of pension liabilities (or assets). The use of this schedule is discussed further below.

#### 3.4.13.30 Step 2 - Calculate your numbers

The Schedules of Collective Pension Amounts for each plan are published near the back of the DRS report.

**Important! Before 2018, the amounts in the schedules of collective pension amounts were presented in thousands. You needed to multiply the amounts by \$1,000 to convert to whole dollars before calculating your individual amounts. Beginning with the June 30, 2018 PEFI, the amounts in the schedules of collective pension amounts are presented in whole dollars.**

For **each plan** in which you participate, multiply the amounts in these schedules by your unique allocation percentage to calculate your entity's share of each plan's pension liability (or asset).

See *Cash Basis: Pension - Illustration 1* (found on the [BARS Reporting Templates](#) page) for calculations. The calculated numbers will represent your government's pension liability and pension assets at year-end. Only the total pension liability amount needs to be reported on the government's Schedule of Liabilities (Schedule 09). **Do not aggregate pension liabilities with pension assets.**

#### 3.4.13.40 LEOFF - Special funding situation

LEOFF Plans 1 and 2 include a special funding situation in which the State has a legal obligation to make contributions directly to the Plans.

LEOFF Plan 1 is fully funded and there have been no contributions since 2000 and the State continues to make the contributions on behalf of the individual employers to the LEOFF Plan 2.

#### 3.4.13.50 Reporting

Pension liabilities are reported on Schedule 09 under ***I.D. No. 264.30 - Pension Liabilities***.



Pension assets are reported only in the notes. For note disclosures see [Note X - Pension Plans](#).

City of Example  
Schedule of Liabilities  
For the Year Ended December 31, 20XX

Debt Type	ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligations</b>							
	251.11	Non-voted General Obligation Bonds	05/31/2026	\$1,325,730	-	\$213,725	\$1,112,005
	263.51	Capital Lease	10/31/2018	\$320,000	-	\$55,000	\$265,000
		Total General Obligations:		\$1,645,730	-	\$268,725	\$1,377,005
<b>Revenue Obligations</b>							
	<b>264.30</b>	<b>Pension Liability</b>	<b>N/A</b>	<b>\$22,034,646</b>	<b>\$5,867,039</b>	<b>-</b>	<b>\$27,901,685*</b>
							<b>*This amount should trace back to the calculated amounts on Illustration 1</b>
	259.12	Compensated Absences	N/A	\$150,000	\$13,000	-	\$163,000
		Total Revenue Obligations:		\$22,184,646	\$5,880,039	-	\$28,064,685
		<b>Total Liabilities:</b>		<b>\$23,830,376</b>	<b>\$5,880,039</b>	<b>\$268,725</b>	<b>\$29,441,690</b>

## Refunding Debt

### 3.4 Liabilities

#### 3.4.14 Refunding Debt

3.4.14.10 Any government in the state of Washington may extinguish (pay off) debt prior to the debt maturity date. This may be done with existing resources or by issuing new debt, which is referred to as a “refunding.” Refunding is authorized by Chapter [39.53](#) RCW also known as the Refunding Bond Act.

3.4.14.20 Refunding bonds may be issued to immediately repay old debt or may be issued now to repay debt in the future when it matures or becomes callable, which is referred to as an “advance refunding.”

Usually refunding is done to take advantage of lower interest rates or to modify debt service requirements. Often the proceeds from the sale of new debt with a lower interest rate are used to pay off old debt with a higher interest rate. While there are costs associated with issuing bonds, refunding results in a net cost savings when the present value of savings from lower interest payments on the refunding debt plus any income from temporary investment of refunding debt proceeds pending redemption of debt to be refunded are greater than the present value of the fees, sales discounts, redemption premiums and other costs of refunding.

3.4.14.30 The following definitions apply to the terms used here:

- Refunding debt (sometimes referred to as *new* debt) - debt issued to provide funds to replace the refunded debt at specified dates.
- Refunded debt (sometimes referred to as *old* debt) - debt for which payment at specified dates has been provided by the issuance of refunding debt.

3.4.14.40 Advance refunding may be either a legal or an in-substance defeasance.

3.4.14.50 A **legal defeasance** occurs when debt is legally satisfied based on certain provisions in the debt instrument, even though the debt is not actually paid. A legal defeasance is rare in the government environment and generally occurs only when an amount sufficient to pay both principal and interest **at the time of deposit** is placed in an irrevocable trust with an independent escrow agent. A government is released from its legal status as the primary obligor on outstanding indebtedness after an escrow account is established, leaving the government only contingently liable.

3.4.14.60 An **in-substance defeasance** debt occurs when debt is considered to be extinguished for financial reporting purposes even though a government has not met legal requirements for a defeasance and so legally remains the primary obligor on the indebtedness. The proceeds from the sale of refunding (new) debt together with any other funds the entity may set aside for payment of refunded debt must be irrevocably placed with an escrow agent in a trust. The escrow agent invests the proceeds so that the cash realized from the maturing investments together with interest earned will meet the debt service requirements of the refunded (old) debt and redeem the balance of the old debt when it becomes callable or matures. Cash or other assets used for refunding must qualify as “essentially risk-free as to amount, timing and collection of principal and interest” and they must provide cash flows that are sufficient and timed to match the scheduled interest and principal payments on the debt that is being extinguished. Also, the chance of the government being required to make any additional future payments must be remote.

3.4.14.70 Generally, the requirement for “essentially risk-free” securities may be accomplished through the purchase of U.S. government securities, securities guaranteed by the U.S. government, or U.S. government backed securities.

3.4.14.80 The government does not budget or report any refunded (old) debt. However, the government is responsible for verifying the amounts reported by the trustee. The amount of the old debt should be disclosed in a note to financial statements.

3.4.14.90 Since cash basis statements reflect only the financial resource flows related to the refunding transaction, they do not report a gain or loss on an advance refunding resulting in defeasance.

3.4.14.100 The provisions of the Refunding Bond Act (Chapter [39.53](#) RCW) satisfy the criteria for in-substance defeasance, except for the requirement to place cash and assets in an irrevocable escrow. ***If the irrevocable trust fund is not established, both the refunded (old) and the refunding (new) debt must be recorded and reported in the government’s financial statements.***

Often the refunding is coordinated by the underwriter and the money from the issuance of the new debt is directly forwarded to the escrow account. Regardless how the money is physically handled, the city/county/district is a party to and responsible for the transaction and therefore should account for and report the transaction on their financial statements. The omission of this transaction from accounting or reporting will be most likely a material error.

The following example illustrates coding and reporting of the regular and refunding transactions.

		<b>Transaction</b>		<b>BARS Code</b>
1	201X	The city/county/district issues \$5,000,000 in series A bonds at premium of \$200,000 and with \$30,000 in issuance costs for a certain purpose. The city/county/district receives cash of \$5,170,000.  Issuance of debt A (face value) Premium Issuance cost	\$5,000,000 \$ 200,000 \$ 30,000	391PP00 3920000 592PP80
2	201X	The city/county/district issues \$2,000,000 in series B bonds at a discount of \$100,000 and with issuance costs of \$10,000 for a certain other purpose. The city/county/district receives cash of \$1,890,000.  Issuance of debt B (face value) Discount Issuance cost	\$2,000,000 \$ 100,000 \$ 10,000	391PP00 593PP70 592PP80
3	201Y	In subsequent years, the city/county/district makes annual debt payments on the series A and B bonds. The city/county/district expenses cash of \$545,000.  Annual debt A payment principle Interest payment for debt B  Annual debt B payment principle Interest payment for debt B	\$ 195,000 \$ 200,000  \$ 80,000 \$ 70,000	591PP70 592PP80  591PP70 592PP80
4	201Z	Years later, the city/county/district issues \$1,500,000 in series C refunding bonds at a premium of \$100,000 and with issuance costs of \$50,000 to refund debt B. The cash proceeds are \$1,550,000.  Issuance of debt C (face value) to refund debt B Premium Issuance cost  <b>NOTE: Regardless of whether the city/county/district received the cash or the cash is directly pay by the issuer to the escrow account, this transaction must be reported in the city/county/district's financial statements.</b>	\$1,500,000 \$ 100,000 \$ 50,000	3930000 3920000 592PP80
5	201Z	Refunding bond proceeds of \$1,550,000 are combined with additional resources of \$75,000 to send to the escrow account to refund the outstanding amount of the series B bonds, which have outstanding principle of 1,450,000 at the time of refunding. The remaining amount represents the net amount interest that will accrue between this date and the call or maturity.  Payment of refunding debt C proceeds to the escrow account to refund debt B. Payment from the city/county/district's other resources to the escrow account to refund debt B.	\$1,450,000 \$ 100,000  \$ 75,000	599PP70 599PP80  593PP80

City of Example  
Schedule of Liabilities  
For the Year Ended December 31, 2012

Debt Type	ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligations</b>							
	251.11	Series A Bonds	2025	\$3,800,000		195,000 (3)	\$3,605,000
		Total General Obligations:		\$3,800,000		\$195,000	\$3,605,000
<b>Revenue Obligations</b>							
	252.11	Series B Bonds	2020	1,450,000		\$1,450,000 (5)	\$0
	252.11	Refunding Series C Bonds	2030		\$1,500,000 (4)		\$1,500,000
		Total Revenue Obligations:		\$1,540,000	\$1,500,000	\$1,540,000	\$1,500,000
<b>Total Liabilities:</b>							

(3) Refer to transaction number in the above table.

## **Solid Waste Utilities: Closure and Postclosure Cost Accounting**

### **3.4 Liabilities**

#### **3.4.10 Solid Waste Utilities: Closure and Postclosure Cost Accounting**

***This guidance applies only to cities and counties.***

3.4.10.10 The Department of Ecology (DOE) mandates solid waste landfill closure standards in WAC [173-304-467](#), WAC [173-351-600](#) and WAC [173-350-400](#) subsection 8. The standards prescribe specific closure and post-closure care procedures and the funding of them. While these standards apply to a landfill's closure, they are associated with its operation and represent a material cost to be recognized during its operation.

3.4.10.20 WAC [173-304-467](#), WAC [173-351-600](#) and WAC [173-350-400](#) require each owner or operator to prepare written closure and post-closure cost estimates as part of the facility closure and post-closure plan. This plan is to be reviewed annually and adjusted for cost changes, including inflation.

3.4.10.30 Each owner or operator is also required to either establish a reserve account or provide another form of financial assurance that, over the life of the facility, funds will be adequate to cover the costs of closing the facility and performing post-closure activities in accordance with state and federal regulations (RCW [70.95.215](#)). Ecology rules require that reserve accounts be set aside as restricted assets. These requirements apply to all landfill disposal facilities.

# Revenues

## Cash Receipting

### 3.6 Revenues

#### 3.6.1 Cash Receipting

3.6.1.10 Cash receipting is a very important function of all governments. Listed below are requirements for deposits and receipt forms.

##### 3.6.1.20 Deposits

1. Every public officer and employee, whose duty it is to collect and receive payments should deposit receipts with the treasurer of the local government at least once every 24 hours. The treasurer of the local government may grant an exception where such daily transfers would not be administratively practical or feasible (RCW [43.09.240](#)).

2. Deposits must be made intact, meaning all payments received must be deposited without substitution. This is evidenced by the composition of checks and cash listed on the deposit slip matched to related receipt records.

3. Checks must be restrictively endorsed *For Deposit Only* immediately upon receipt.

4. Separate bank accounts may be used to receipt funds and transfer to a master account in order to facilitate timely collection of cash in remote areas or as part of the government's banking structure. These accounts (which may be referred to as zero-balance, clearing, transmittal or depository accounts), should be swept at least monthly and be independently reconciled the same as all other bank accounts.

##### 3.6.1.30 Receipt forms (manual or automated)

1. Receipts should be pre-numbered and imprinted with the name of the local government.

2. Receipts must include the following information:

- Identification of payor.
- Amount received.
- Mode of payment (cash, check, credit card, other).
- Purpose of payment.
- Identification of employee who prepares receipt.

3. Generic receipt forms should not be used (e.g., Rediform, etc.).

4. In instances where cash is received at decentralized locations (e.g., police department, parks department, etc.), the local government treasurer may combine those receipts onto one treasurer's receipt. The treasurer's receipt should indicate the total amount received from each location as well as the appropriate account codes.

5. If a receipt is voided, the original and any copies of that receipt must be retained.

##### 3.6.1.40 Internal control

See the BARS Manual [3.1.3](#), *Internal Control* for general guidance on internal controls. The following are minimum expected controls for cash receipting:

1. More than one employee should open the daily mail and prepare a list of cash and checks received (remittance list). If dual custody is not feasible, the government should consider compensating controls such as having mail opened in an area observable by other employees or stronger monitoring controls over revenues.
  2. Deposits may be prepared by the person who received the payment. The government should implement a system of supervisory review of the remittance list and bank deposits to ensure deposits are made intact.
  3. Checks received in the mail should be briefly reviewed for accuracy (e.g., proper payee, date, signature of payor, etc.). Checks with obvious inaccuracies should not be included in the deposit. In such a case, the entity should contact the payor and request that the payment be corrected or reissued.
  4. The daily remittance list should be compared (reconciled) to daily deposit slips and to the cash receipts journal (or check register) on a regular basis. This should be performed by someone other than the employee who prepared the remittance list. Any shortage should be resolved.
  5. A duplicate copy of the bank-validated deposit slip showing the composition of receipts should be retained by someone other than the employee making up the deposit.
  6. The bank statement reconciliation should be performed by a person who does not have custody of or access to cash during any point in the receipting and depositing process. This reconciliation should include comparing deposits per bank to recorded receipting transactions in the general ledger.
  7. Deposits should be physically safeguarded using bank bags with locks or other tamper-proof devices.
  8. Receipts should be physically safeguarded during the operating day and secured in a safe or vault overnight. Access to the cashiering area should be appropriately restricted whenever possible.
  9. Access to the safe or vault should be limited and combination should be changed periodically.
- In addition, the safe and vault combination should be changed after employees terminate employment.
10. If the government utilizes cash registers, there should be one change fund and one cash register (or drawer) per cashier. This enables assignment of responsibility for cash to a specific individual at all times.
  11. Policies should contain instructions for identifying cash receipts and for dating cash receipts journal entries for that day's receipts.

#### **3.6.1.50 Receiving payment through third-party vendors**

Local governments should establish contractual agreements for all arrangements where a third party vendor is directed to accept payments on behalf of the local government. The contract should include details of the payment remittance process to support compliance with state law (RCW [43.09.240](#)). Funds should be remitted through direct card settlement or EFT from the vendor to the



local government's depository account.

The local government should adopt contracting policies that implement effective internal controls over funds collected through a third party vendor including safeguards to protect the funds from loss and contractual responsibilities for protecting credit card numbers and transactions.

Additional, non-prescriptive resources are linked [below](#).

### 3.6.1.60 Accounting and reporting

For accounting purposes, the method or process of receipt and deposit should not affect when funds are considered received by the government. For example, receipt by a third party on behalf of a government or deposit in a transmittal account should be recognized the same as receipt and deposit at the government's main location.

See the BARS Manual [3.6.11](#), *Suspense Funds* for additional guidance on use of suspense funds to temporarily hold unclassified transactions.

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### Additional resources

**Disclaimer:** The following are links to non-authoritative resources and are not prescribed as part of BARS Manual requirements.

- [Contracting with Vendors to Accept or Process your Payments](#), Center for Government Innovation (best practices)

## **County Auditor's Operation and Maintenance Fund (Recording Fees)**

### **3.6 Revenues**

#### **3.6.2 County Auditor's Operation and Maintenance Fund (Recording Fees)**

***This guidance applies only to counties.***

3.6.2.10 **RCW [36.22.170](#)** requires the county auditors to impose a surcharge of five dollars per instrument for each document recorded. This is in addition to any other charge authorized by law. One dollar of the surcharge should be deposited in the county's general (current expense) fund (account 3413600) and be used at the discretion of the county commissioner to promote historical preservation or historic programs, which may include preservation of historic documents. Fifty percent of remaining revenue generated by the surcharge should be deposited in a custodial fund (account 3893000) and remitted to the state treasurer. The state treasurer will distribute such funds every July to the counties in accordance with the formula described in **RCW [36.22.190](#)**. Funds distributed by the state should be deposited to the Auditor's O&M Fund (account 3360411). These resources should be used for ongoing preservation of historical documents of all county offices and departments. The other fifty percent of the surcharge should be deposited to the Auditor's Operation and Maintenance Fund (account 3413600) for ongoing preservation of historical documents of all county offices and departments.

3.6.2.20 Historical documents include both old and contemporary documents. Many contemporary county documents have importance to history and are part of a chronological record of events in the development of a particular county and the state of Washington.

3.6.2.30 **RCW [36.22.175\(1\)](#)** requires a surcharge of one dollar per instrument for each document recorded, this is in addition to any other charge authorized by law. Revenue generated through this surcharge should be transmitted monthly to the state treasurer (account 3893000) for deposit in the archives and records management account. These funds should be used solely for providing records scheduling, security microfilm inspection and storage, archival preservation, cataloging, and indexing for local government records and digital data and access to those records and data through the regional branch archives of the division of archives and records management.

3.6.2.40 **RCW [36.22.175\(3\)](#)** requires a surcharge of one dollar per instrument for every document recorded after January 1, 2002, this is in addition to any other charges authorized by law. Revenue generated through this surcharge should be transmitted monthly to the state treasurer (account 3893000) for deposit in the local government archives account to be used exclusively for the construction and improvement of a specialized regional facility.

3.6.2.45 **RCW [36.22.175\(4\)](#)** requires a surcharge of one dollar per instrument for every document recorded. Revenue generated through this surcharge should be transmitted monthly to the state treasurer (account 3893000) for deposit in the local government archives account to be used exclusively for the competitive grant program and for the attorney general's consultation program and state archivist's training services..

3.6.2.50 **RCW [36.22.178](#)** requires a surcharge of thirteen dollars per instrument for each document recorded this in addition to any other charge authorized by law. The county may retain up to five percent of this surcharge for the collection, administration, and local distribution of those funds. Of the remaining amount forty percent should be remitted monthly to the state treasurer (account 3893000). All of the remaining funds generated by this surcharge should be retained by the county and deposited into a special revenue fund (account 3412600) that must be used by the county and its

cities and towns for eligible housing activities that serve very low-income households with incomes at or below fifty percent of the area median income. See the above statute for permissible use of the resources generated by this surcharge.

3.6.2.60 **RCW 36.22.179** requires a surcharge of sixty-two dollars for each document recorded. The county auditor should retain two percent for collection of the fee (account 3412100) and of the remainder sixty percent should be deposited into a special fund designated for the homeless housing program (account 3412700) and forty percent should be remitted to the state treasurer (account 3893000) for deposit in the home security fund.

3.6.2.70 **RCW 36.22.181** requires a surcharge of one dollar at the time of the recording of each deed of trust. The auditor may retain up to five percent of the funds collected to administer the collection. The remaining funds should be transmitted monthly to the state treasurer (account 3893000) and deposited into the mortgage lending fraud prosecution account. This surcharge expires June 30, 2011.

3.6.2.75 **RCW 36.22.240** requires a surcharge of two dollars and fifty cents for each document recorded. The surcharge [through June 30, 2024] should be deposited in the growth management planning and environmental review fund created in RCW [36.70A.490](#).

3.6.2.80 The transactions are summarized as follows:

<b>Amount</b>	<b>Account Number</b>	<b>Account Description</b>
\$ ___.	3412100	General (Current Expense) Fund or other designated fund–Auditor’s Filings and Recordings–percentage of surcharges retained by the county for collection, administration and distribution of these funds
\$1.00	3413600	General (Current Expense) Fund–Historical Document Preservation and Modernization Surcharge (RCW <a href="#">36.22.170(1)(a)</a> )
\$ ___.	3412600	Special Revenue Fund–Affordable Housing (RCW <a href="#">36.22.178</a> )
\$ ___.	3412700	Special Revenue Fund–Local Homeless Housing Program (RCW <a href="#">36.22.179</a> , Chapter <a href="#">43.185C</a> RCW)
\$2.00	3413600	Auditor’s O&M Fund–Historical Document Preservation and Modernization Surcharge (RCW <a href="#">36.22.170(1)(b)</a> )
\$ ___.	3360411	Auditor’s O&M Fund–Auditor’s Historical Document Preservation and Modernization Account. The state treasurer’s distribution of the surcharge to the county. (RCW <a href="#">36.22.170(2)(a)</a> )
\$2.00	3893000	Monthly remittance to the state treasurer–Centennial Document Preservation and Modernization Account (RCW <a href="#">36.22.170(2)(a)</a> )
\$3.00	3893000	Monthly remittance to the state treasurer–Local Governments Archives Account (RCW <a href="#">36.22.175(1)</a> , <a href="#">(3)</a> , <a href="#">(4)</a> )
\$ ___.	3893000	Monthly remittance to the state treasurer (RCW <a href="#">36.22.178</a> )–Affordable Housing (RCW <a href="#">43.185C.190</a> ) and Landlord Mitigation Program (RCW <a href="#">43.31.615</a> )
\$ ___.	3893000	Remittance to the state treasurer (RCW <a href="#">36.22.179</a> )–Home Security Fund
\$ ___.	3893000	Monthly remittance to the state treasurer–Mortgage Lending Fraud Prosecution Account (RCW <a href="#">36.22.181</a> )
\$2.50	3893000	Remittance to the state treasurer–Growth Management Planning and Environmental Fund (RCW <a href="#">36.22.240</a> )

3.6.2.90 When disbursements are made, the county auditor should prepare a voucher in the regular

manner, supported by details, documenting the expenditures [\[1\]](#). The auditor should place his/her certification on the face of the voucher and then draw a warrant against the Auditor's Operation and Maintenance Fund, in the same manner as is done for any other county fund.

**3.6.2.100 *The County Auditor's Operation and Maintenance Fund is subject to budget requirements and must be appropriated.***

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## **Footnotes**

**[1]** See [Original Supporting Documentation](#) for information regarding original supporting documentation.

## County Treasurer's Operation and Maintenance Fund

### 3.6 Revenues

#### 3.6.3 County Treasurer's Operation and Maintenance Fund

This guidance applies only to counties.

3.6.3.10 RCW [84.56.020](#)(10) requires that fees and costs applicable to the foreclosure, distraint and sale of real and personal property for delinquent taxes must be deposited into the Treasurer's Operation and Maintenance Fund. These moneys should be used by the county treasurer to defray the cost of further foreclosure, distraint and sale for delinquent taxes without regard to budget limitations.

3.6.3.20 Allowable expenditures include postage, filing fees, employee time, legal notices, title searches, etc. The following standard procedure should be used for all expenditures made from the Operation and Maintenance Fund:

When disbursements are made, the county treasurer should prepare a voucher in the regular manner, supported by detail documenting the expenditures **[1]**. The treasurer should place his/her certification on the face of the voucher prior to presenting it to the county auditor, who should then draw a warrant against the Treasurer's Operation and Maintenance Fund, in the same manner as is done for any other county fund.

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**[1]** See [Original Supporting Documentation](#) for information regarding original supporting documentation.

## **Criminal Justice Funding**

### **3.6 Revenues**

#### **3.6.4 Criminal Justice Funding**

***This guidance applies only to cities and counties.***

3.6.4.10 Criminal justice funding comes to the cities and counties in a number of formulas and requirements specified in statute. The following is a summary of the distributions including BARS coding:

- a. Cities and counties will receive quarterly distributions based on formulas specified in the statute (RCW [82.14.310](#) and RCW [82.14.320](#)). For counties, the formula is based on population, crime rate and felony criminal cases filed for trial. For cities, the formula is based primarily on a high crime rate. These distributions are coded 3360610 and 3360620 accordingly.
- b. A second distribution is applicable only to cities (RCW [82.14.330](#)) and it is based on the violent crime rate and population and is allocated quarterly. This distribution is coded 3360621.
- c. The other distributions depend on programs and services provided by cities. The distribution to cities that contract with another government for the majority of the city's enforcement services is coded 3360625

The remaining resources are distributed to cities which have or provide:

- Innovative law enforcement strategy;
- Programs to help at-risk children, or child abuse victims response programs;
- Programs to reduce the level of domestic violence or provide counseling for domestic violence victims.

The distribution should be coded 3360626.

3.6.4.20 The distributions described in paragraphs A and B are limited by the following wording in the statute:

Moneys distributed under this section shall be expended exclusively for criminal justice purpose and shall not be used to replace or supplant existing funding. Criminal justice purposes are defined as activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, and includes domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates, as defined in RCW [70.123.020](#). Existing funding for purposes of this subsection is defined as calendar year 1989 actual operating expenditures for criminal justice purposes. Calendar year 1989 actual operating expenditures for criminal justice purposes exclude the following: Expenditures for extraordinary events not likely to reoccur, changes in contract provisions for criminal justice services, beyond the control of the local jurisdiction receiving the services, and major nonrecurring capital expenditures.

The following guidance is in response to the restrictions imposed by the above quotation from the law.

#### **Criminal justice purposes**

3.6.4.30 All of the moneys made available to local governments through this legislation are limited to funding of ***criminal justice purposes***. Criminal justice purposes can be defined as activities relating to the enforcement and administration of the criminal law. The term *criminal justice purposes* indicates a broad definition which would encompass all costs incurred in connection with the administration and enforcement of criminal laws, including those systems for dealing with persons suspected of, accused of, charged with, or convicted of crimes and domestic violence services.

3.6.4.40 Cities and counties need to be aware that this funding is primarily for criminal justice. However, the statute does allow for benefit to the civil justice system. The benefit to the civil justice system should be a secondary benefit as a result of expenditures primarily for the criminal justice system.

### **Supplanting of existing funds**

3.6.4.50 Existing funding is defined as calendar year 1989 actual operating expenditures for criminal justice purposes excluding expenditures for:

1. Extraordinary events not likely to reoccur;
2. Changes in contract provisions for criminal justice services, beyond the control of the local jurisdiction receiving the services; and
3. Major nonrecurring capital expenditures.

3.6.4.60 The new state funding may be used for capital and other nonrecurring expenditures so long as the expenditure is for criminal justice purposes and is reasonable (e.g., the purchase of police cars). However, if a new roof is put on the county courthouse, only that portion that applies to criminal justice purposes would qualify (i.e., allocating the cost of the roof by square footage).

3.6.4.70 An entity would be supplanting by paying back interfund loans where the borrowed funds were used for criminal justice purposes. The repayment of these loans would be the equivalent of replacing existing criminal justice funding. The intent of the act is to ensure that the new funding results in increased financial resources devoted to criminal justice purposes.

3.6.4.80 As these moneys are expended, an entity must ensure that the criminal justice expenditures are at least equal to the base of *existing funds* plus selected revenues generated by the latest legislation. Once the base is established, the accounting system may be expanded by the following methods to ensure compliance with the non-supplanting provisions of the law:

1. An accounting system may employ budgetary and accounting code controls for the use of these funds or
2. A new fund may be established should the entity feel it is necessary.

3.6.4.90 It is the entity's responsibility to provide evidence for an audit that it did not supplant existing funding. Therefore, it is important to document the base year (1989 expenditures less major capital or nonrecurring items), and the actual criminal justice expenditures and restricted fund balance for the current year.

## **Diversion of County Road Property Tax**

### **3.6 Revenues**

#### **3.6.5 Diversion of County Road Property Tax**

***This guidance applies only to counties.***

3.6.5.10 RCW [36.33.220](#) authorizes the legislative authority of a county to divert any portion of the county road property taxes to provide services in the unincorporated area of the county. RCW [36.82.040](#) requires that so diverted taxes be placed in a separate and identifiable account within the county's general (current expense) fund.

3.6.5.20 To assist compliance with the provisions of these statutes, the following procedures are prescribed:

- The county road property taxes diverted to the general (current expense) fund should be presented in the budget of the general (current expense) fund as approved in the diversion resolution.
- Those counties which divert any portion of the county road taxes should develop accounting procedures that document that the diverted county road property taxes were used to provide services in the unincorporated area of the county.



## **Electronic Funds Transfer (EFT) - Receipts**

### **3.6 Revenues**

#### **3.6.6 Electronic Funds Transfer (EFT) - Receipts**

3.6.6.10 **Electronic funds transfer (EFT)** refers to the deposit to bank account by means of wire, direct deposit, ACH or other electronic means. In accordance with RCW [39.58.750](#) we prescribe the following accounting procedures for such transactions:

##### 3.6.6.20 Receiving money by EFT:

**a.** Prepare a treasurer's receipt upon receiving notice from the payer that the funds have been transferred to your bank account. Do not wait for the bank to notify you 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 person, company or agency transferring money into your account.
- Name and number of fund(s).
- BARS or other accounting system revenue account number.
- Notation that funds were received by the EFT.

Attach or otherwise retain payer's correspondence and any supporting documentation such as transaction lists. Document any changes made from the payer's correspondence if transactions are posted differently than reflected on the list (for example customer account number corrections).

**b.** A file must be maintained of those payers who have authorized to add moneys to your account electronically including the proceeds from third party vendors for credit card remittances.

## **Liquor Tax and Profits Two Percent Substance Abuse Treatment Programs**

### **3.6 Revenues**

#### **3.6.8 Liquor Tax and Profits - Two Percent Substance Abuse Treatment Programs**

***This guidance applies only to cities and counties.***

3.6.8.10 RCW [71.24.555](#) provides that to be eligible for receiving a share of liquor taxes and profits, each city, town, or county must devote no less than two percent of its share of liquor taxes and profits to support programs for treatment of substance abuse and other drug addictions. Programs must be approved by the behavioral health organization and the secretary of the Department of Health.

3.6.8.20 A city or county that does not have its own facilities or programs for the treatment and rehabilitation of substance abusers, may share the use of another city or county facility or program as long as it contributes no less than two percent of its share of liquor taxes and profits to support these facilities or programs (RCW [71.24.555](#)).

3.6.8.30 All liquor taxes and liquor board profits received from the state should be accounted for in the city's or county's general (current expense) or special revenue fund. This money should be coded 3360694 for liquor excise taxes and 3360695 for liquor control board profits.

3.6.8.40 Distribution of the money should be handled in a manner legally authorized by the statute. Expenditures related to substance abuse treatments should be coded to account 566 whether the expenditures are in support of the city's or county's own facilities/programs or contributions to others.

3.6.8.50 The two percent portion and any additional amounts expended for the substance abuse treatment should be budgeted in accordance with the provisions of Chapter [35.32A](#) RCW, Chapter [35.33](#) RCW and Chapter [36.40](#) RCW.

## **Prosecuting Attorneys' Salaries**

### **3.6 Revenues**

#### **3.6.12 Prosecuting Attorneys' Salaries**

***This guidance applies only to counties.***

3.6.12.10 RCW [36.17.020](#) provides that: *The State of Washington shall contribute an amount equal to one-half of the salary of a superior court judge towards the salary of the elected prosecuting attorney.* This money should be coded to account 3340011.

3.6.12.20 The annual salary of the superior court judges is established by the Washington Citizens' Commission on Salaries for Elected Officials (RCW [2.08.092](#)).

## **Suspense Funds**

### **3.6 Revenues**

#### **3.6.11 Suspense Funds**

##### **3.6.11.10 Purpose**

The purpose of a suspense fund is to temporarily hold unclassified transactions while a decision is being made as to their classification. This allows for immediate recording of transactions in the general ledger and accounting control over unclassified transactions.

While it is possible for suspense funds to be used for a variety of transaction types, local governments would be expected use suspense funds exclusively for receipts. This presumption is reflected in the following guidance.

##### **3.6.11.20 Accounting**

When receipts are temporarily recorded to the suspense fund, the entry should be to increase cash and 3899000, *Holding and Clearing Account Transactions*. When the correct classification is determined, the original entry should be reversed and the correct entry made. An expenditure or transfer should never be recorded to move suspended funds.

Subsequent discovery of the correct allocation of funds should be corrected back to the date of original receipt, if possible.

##### **3.6.11.30 Controls**

See the BARS manual 3.1.3, [Internal Control](#) for general guidance on internal controls. The following are minimum expected controls for suspense funds:

- Suspense fund cash should be included in the reconciliation of bank accounts to general ledger.
- Documentation for each suspended transaction should be retained in a tickler file.
- Suspended receipts should be resolved in a timely manner.
- At all times, the amount of cash and revenue recorded in a suspense fund should match the documentation of unresolved suspended receipts in the tickler file. At all times, all transactions recorded to the fund (original and reversing) should be traceable to documentation of suspended receipts and correcting entries. The suspense fund should be periodically reconciled to this file by an independent person to ensure validity of transactions and the current balance, if any.

##### **3.6.11.40 Reporting**

Due to the nature of a suspense fund, it would not meet the definition of a custodial fund. Therefore, suspense funds should not be reported in the financial statements.

For financial reporting purposes, it is expected that all suspended receipts at fiscal year-end would be resolved - and corrections reflected in the accounting records - by the time the annual report is submitted. If not all suspended receipts as of fiscal year end have been resolved as of the date of the financial report, the unresolved receipts should be rolled up into the general fund for purposes of financial reporting.

## Utility Tax

### 3.6 Revenues

#### 3.6.13 Utility Tax

***This guidance applies only to cities.***

3.6.13.10 Tax authorized by RCW [35.22.195](#), RCW [35.23.440\(8\)](#), RCW [35.27.370\(9\)](#) and RCW [35A.82.020](#) are often referred to as “utility tax”. However, the tax is just a standard business and occupation (B&O) tax levied by the general fund on the city’s utilities. The tax is not substantially different from the B&O tax charged by the general fund to other businesses in the city.

This is a tax on the utility, not a tax on the customers. If the utility wants to recoup the tax (and there is no such obligation), it can do so by adjusting the customers’ rate for services. Also, there is no requirement to single out this rate component on the utility bill.

An increase in customers’ bills does not change the nature of the tax – it remains a B&O tax on utilities and not on customers.

3.6.13.20 For the tax limits refer to RCW [35.21.870](#). The utility tax does not have any statutory purpose or use restrictions, but governments may choose to impose restrictions on the revenues as part of the enabling ordinance.

#### 3.6.13.30 Accounting and reporting

The B&O tax should be accounted for as a revenue in the general fund (3164000) and expenditure in the utility fund (53P0040).

If the utility passes the tax on to its customers, the additional charges should be recognized as revenue (343P000) **not** in the general fund but directly in the utility fund. The utility’s payment of its B&O tax to the general fund is a separate transaction that should be reflected as an expenditure of the utility fund (53P0040) and revenue of the general fund (3164000). Since the tax is a revenue source in the general fund and expenditure in the utility fund, it is inappropriate to account for this transaction as transfer-in or transfer-out.

## **Working Advances from the Department of Social and Health Services (DSHS)**

### **3.6 Revenues**

#### **3.6.10 Working Advances from the Department of Social and Health Services (DSHS)**

***This guidance applies only to counties.***

3.6.10.10 The DSHS provides working advances to local governments in conjunction with aging, mental health, developmental disabilities and alcohol and drug rehabilitation programs. They are provided in order to alleviate the cash flow problems associated with the time lag between your expenditures and reimbursements from the DSHS.

3.6.10.20 The working advances should be treated as fund debt rather than revenue and reported on the Schedule of Liabilities (Schedule 09).

# Grants

## Grants Accounting

### 3.7 Grants

#### 3.7.1 Grants - Accounting

3.7.1.10 **CAUTION:** The Office of Management and Budget (OMB) considers the transition to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 2 CFR part 200 completed as it is applicable to all federal awards made on or after December 26, 2014, therefore, the requirements of the OMB Circulars (A-87 Cost Principles and A-102 Administrative Requirements) have been removed from this guidance. On the rare occasion the local government is still spending down awards issued prior to December 26, 2014, those circulars would apply. Click [here](#) for the Uniform Guidance.

**NOTE:** Revisions to the Uniform Guidance were issued on August 13, 2020. Revisions are effective November 12, 2020 except for amendments to sections 200.216 and 200.340, which were effective August 13, 2020. It's our understanding that e-CFR will be updated by the effective date of November 12, 2020. Further note that the revisions are not applicable to federal financial assistance awards issued prior to the effective dates provided in the dates section of the Notice of Final Guidance, including financial assistance awards issued prior to those dates under the Coronavirus Aid, Relief, and Economic Support (CARES) Act of 2020 (PL 116-136). Click [here](#) for the revised Uniform Guidance.

The requirements described below apply to all local governments who expend federal funds or pass funds through federal funds to subrecipients. Federal financial assistance can be provided to state and local governments in many forms including *project grants, block grants, formula grants, cost reimbursement contracts, cooperative agreements, loans, loan guarantees, insurance contracts, interest subsidies, food commodities, real property, personal property, and other financial assistance*. The following procedures apply to programs funded with state and interlocal monies as well as federal funds. This section does not apply to most entitlements or shared revenues, which are treated essentially as local revenues.

3.7.1.20 Excerpts from the Uniform Guidance, 2 CFR 200 are provided in this section. Please note that there are many additional federal laws and regulations that may apply to your federal agency guidance.

#### 3.7.1.30 Identification of COVID-19 related awards

As described in 2 CFR section 200.510(b), non-federal entities must complete the Schedule of Expenditures of Federal Awards (SEFA) and include CFDA numbers of federal awards and subawards. To maximize transparency and accountability of COVID-19 related award expenditures, non-federal entities should separately identify COVID-19 expenditures on the SEFA. This includes the new COVID-19 only programs. Municipalities will need to have a system that enables them to separately identify how it spent its COVID-19 awards.

#### 3.7.1.40 The Uniform Guidance - Administrative Requirements

Subpart C - Pre-Federal Award Requirements and Contents of Federal Awards and Subpart D - Post-Federal Award Requirements of the Uniform Guidance, 2 CFR 200, (§§.200-.216 and §§.300-.345, respectively) contain the Administrative Requirements for grants and cooperative agreements to

state and local governments and are effective for new awards and additional funding increments to existing awards issued by the federal government after December 26, 2014. The financial management systems of local governments and subgrantees must meet the following standards of 2 CFR §200.302:

"...(b) The financial management system of each non-Federal entity must provide for the following (see also §§200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records):

"(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

"(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance....

"(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

"(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §200.303 Internal controls.

"(5) Comparison of expenditures with budget amounts for each Federal award.

"(6) Written procedures to implement the requirements of §200.305 Payment.

"(7) Written procedures for determining the allowability of costs in accordance with Subpart E - Cost Principles of this Part and the terms and conditions of the Federal award."

#### **3.7.1.50 Uniform Guidance - Cost Principles**

For new awards and additional funding increments to existing awards issued by the federal government on or after December 26, 2014, expenditures of federal funds and costs claimed for reimbursement or used for matching must be determined in accordance with Subpart E - Cost Principles of the Uniform Guidance: 2 CFR 200 (§§.400-.475).

#### **3.7.1.60 Uniform Guidance - Audit Requirements**

Subpart F - Audit Requirements (§§.500-.521) set forth the uniform requirements for audits of federal financial assistance provided to state and local governments and is effective based upon the entity fiscal year and **not** the date of the award. Uniform Guidance audit requirements are effective for audits of fiscal years beginning on or after December 26, 2014.

A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.



3.7.1.70 Uniform Guidance outlines specific auditee responsibilities. In short, the auditee must perform the following:

1. Identify, in the accounting records, all federal awards received and expended (§200.302);
2. Establish and 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 (§200.303);
3. Comply with laws and regulations and the provisions of contracts or grant agreements related to each of its federal programs (§§200.300 and .303);
4. Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA aka Schedule 16) (§§200.508 and .510). See SEFA requirements [here](#).
5. Ensure audits are performed when required (§200.508);
6. Promptly follow up and take corrective action on audit findings, including preparation of a Summary Schedule of Prior Audit Findings and a Corrective Action Plan (§200.511); and
7. Ensure a reporting package and a Data Collection Form are submitted to the Federal Audit Clearinghouse by the applicable deadline (§200.512).

3.7.1.80 Governments that expend less than \$750,000 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 (GAO).

3.7.1.90 The Single Audit Act provides that an audit made in accordance with the Uniform Guidance should be in lieu of any financial or financial compliance audit required under individual federal assistance programs. To the extent that a single audit provides federal agencies with information and assurances they need to carry out their overall responsibilities, they should rely upon and use such information. However, a federal agency should make additional audits which are necessary to carry out its responsibilities under federal law and regulation. Any additional federal audit effort should be planned and carried out in such a way as to avoid duplication.

3.7.1.100 To satisfy the requirements of the Single Audit Act and generally accepted accounting principles, the following accounting for grants is prescribed.

### **1. Use of separate grant funds**

Grants may be accounted for in the same funds as other operations of a municipality or in one or more separate "grant funds," depending upon grant terms. The Governmental Accounting Standards Board (GASB) recommends that governments establish and maintain the minimum number of funds consistent with legal specifications and operational requirements. Grant transactions coded within the same fund as other operations may be distinguished by using the BARS local option codes.

### **2. Fund types**

Grants must be accounted for in the type of fund appropriate for the activities being financed. If a grant is to be used for general governmental purposes, it should be accounted for in the general (current expense) or a special revenue fund. If a grant is received for the payment of principal and/or interest on general long-term debt, it should be accounted for in a debt service fund. If a

grant is received to support operations of, or acquire capital assets for, a proprietary fund, the grant should be accounted for in a proprietary fund. Other capital grants should be accounted for in capital projects funds. See separate discussion in [Pass-Through Grants](#).

### **3. Project coding**

At the inception of a grant (award notification), one or more project codes should be assigned locally to identify the particular grant. This coding must be incorporated into the basic coding structure the municipality uses to identify all its transactions. Any available field or fields may be used, so long as the results do not interfere with the prescribed seven-digit BARS code.

The use of multiple codes may be necessary when there is more than one source of funds for a particular grant. For example, when some expenditures must be charged to particular revenue sources or are not allowed under some grantors' terms, separate budgets for such sources must be established. In addition, it may be desirable or necessary to account for the local share of costs (*match*) or program income in separate projects. The value of separate projects is that they immediately segregate budgets, revenues, expenditures, cash accounts, receivables, and payables for each grant and for the related non-grant resources used to accomplish the project or operate the program.

### **4. Local funding of grant projects**

Within this project or set of projects, the municipality should account not only for grant resources and expenditures but also for the municipality's own contributions to the project or program and for related program income. This is necessary to ensure uniform accounting for the entire project or program, not merely that portion supported by grant money.

### **5. Grant (project) budgets**

As soon as the terms of the grant award are known, the grant budget entries are to be made. If the exact terms of a grant agreement are not known when expenditures begin to be incurred, approximate budgets must be entered. These entries are **not** the municipality's own appropriation entries, which are still required.

To distinguish the grant budget from the municipality's own appropriated budget, municipalities may use the separate budgetary control accounts and the separate nominal control accounts. This results in tracking two budgets for the same expenditures because the grant fiscal period often will not coincide with the municipality's fiscal period. In these cases, continuing appropriations will be necessary.

These accounts are used to keep track of the resources/uses for the grant projects from inception of the grant through the current date. Comparison of these accounts to the control accounts will yield budget analysis on a project basis as opposed to current year transactions.

If a separate grant fund is used, the municipality's own legislated appropriation should be limited to the fund total, and the detail budget should be the terms contained in the grant award and related agreements. If the grant is accounted for within a fund that accounts for other operations of the municipality, either the grant terms or the municipal appropriation may be used for the detail budget. Using the municipal appropriation for the detail budget has the disadvantage that, although grant revenues and expenditures will be identified as they are incurred, they will not be compared to the detailed grant budget and therefore the municipality may have to absorb some grant related costs that turn out not to dovetail with the grant budget restrictions.

## **6. Grant schedules**

A set of grant schedules is prepared as shown in the [Expenditures of Federal Awards \(Schedule 16\)](#). These schedules meet federal requirements for the Single Audit. After these schedules are complete, the life-to-date control accounts are closed to allow the preparation of a balance sheet. The life-to-date control accounts are reopened as the first journal entry of the succeeding fiscal year.

## **7. Noncash awards**

The value of noncash awards (e.g., food stamps, food commodities, supplies and equipment, etc.) should be accounted for and reported on the Schedule of Expenditures of Federal Awards (Schedule 16) as the fair market value of non-cash awards received during the year, as determined by the awarding agency. The notes to the schedule should disclose the nature of the amounts reported.

## Pass-Through Grants

### 3.7 Grants

#### 3.7.2 Pass-Through Grants

3.7.2.10 The Governmental Accounting Standards Board (GASB) [Statement 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance](#), defines pass-through grants as those grants and other financial assistance received by a governmental entity (recipient government) to transfer to or spend on behalf of a secondary recipient. All pass-through grants received by a governmental entity should be reported in its financial statements. To determine the proper accounting for pass-through grants, the recipient government has to evaluate its administrative and direct financial involvement.

3.7.2.20 Administrative involvement may include:

- (a) Monitoring secondary recipients for compliance with program-specific requirements,
- (b) Determining eligible secondary recipients or projects, even if using grantor-established criteria, or
- (c) Having the ability to exercise discretion in how the funds are allocated.

3.7.2.30 Direct financial involvement may include:

- (a) Recipient government financing some direct program costs because of a grantor-imposed matching requirement, or
- (b) Recipient government liability for disallowed costs.

3.7.2.40 If a recipient government has administrative involvement or direct financial involvement in a pass-through grant, its responsibility in relation to the resources is more than custodial.

3.7.2.50 The recipient government essentially exercises operational responsibility or discretion over whether the grant will be awarded.

3.7.2.60 The National Council on Governmental Accounting (NCGA) Statement 1 states that custodial funds are purely custodial. In those cases in which a recipient government serves only as a cash conduit, the grant should be reported in a custodial fund. Pass-through grants with administrative or direct financial involvement should be recognized as revenue and expenditures or expenses in governmental, proprietary, or fiduciary funds of the recipient government.

3.7.2.70 The [GASB Statement 24](#) does not require that a recipient government's payment of administrative costs (indirect financial involvement) be separately evaluated in determining the reporting of pass-through grants. If a recipient government serves only as a cash conduit, it may incur some incidental administrative costs. If a recipient government's administrative costs are more than incidental that would be the result of administrative involvement.

# Expenditures

## Confidential Funds (Drug Buy Money, Investigative Funds)

### 3.8 Expenditures

#### 3.8.9 Confidential Funds (Drug Buy Money, Investigative Funds)

*This guidance applies only to cities and counties.*

3.8.9.10 Confidential funds are those funds allocated to the following three types of law enforcement undercover operations:

1. Confidential investigative expenses are for the purchase of services and would include travel or transportation of an undercover officer or an informant. The lease of an apartment, business front, luxury type automobiles, a boat, aircraft or similar effects to establish the appearance of affluence, credibility and a general atmosphere conducive to the undercover role would also be in this category. Meals, beverages, entertainment and similar expenses for undercover purposes, within reasonable limits, would also be included.
2. Confidential funds for the purchase of evidence would include the purchase of evidence and/or contraband such as drugs, firearms, stolen property, etc., required to determine the existence of a crime or to establish the identity of a participant in a crime.
3. Confidential funds for the purchase of specific information from informants.

3.8.9.20 Confidential expenditures are subject to appropriation by the municipality's governing body. The governing body must assure that the controls over disbursements are adequate to safeguard against misuse of such funds. When the funds are replenished, legislative approval should be based on a finding that the expenditures were necessary and reasonable for proper and efficient administration of the program under which they were used.

3.8.9.30 The funds authorized should be established in an imprest fund. [Imprest, Petty Cash and Change Funds](#) prescribes the minimum requirements for the establishment and operation of an imprest fund. In addition to all those requirements the following apply:

1. The supervisor of the unit to which the imprest fund is assigned must authorize all advances of moneys to agents or officers for the purchase of information. Such authorization must specify the information to be received, the amount of expenditures, and assumed name of informer.
2. The investigation unit must maintain confidential files of the true names, assumed names, and signature of all informers to whom payments have been made. To the extent practicable pictures and/or fingerprints of the informer payee should also be maintained.
3. The custodian should receive from the agency or officer authorized to make a confidential

payment, a receipt for cash advanced to him/her for such purposes.

4. The agent or officer should receive from the informer a receipt of the following nature:

<p><u>RECEIPT FROM INFORMER PAYEE</u></p> <p><u>Receipt</u></p> <p>For and in consideration of the sale and delivery to the (state/county/city) of _____ of information or evidence identified as follows:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>I hereby acknowledge receipt of \$ _____ paid to me by (state/county/city) of _____.</p> <p>Date: _____, 20____ Signature: _____</p> <p>_____ Witness (if any)*</p> <p>* The witness requirement is not mandatory in all instances, depending on the nature of the meeting and exchange of funds. A requirement should be in effect that on 25 percent of the contacts, when payments are made, second agent appear as the witness to the transaction. In addition, on ten percent of the meetings the agent or officer in charge should be present to verify the payment to the informer.</p>
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5. The signed receipt from the informer payee with a memorandum detailing the information received must be forwarded to the agent or officer in charge. The agency or officer in charge must compare the signature on the receipt with the confidential file of assumed name signatures. He/she must also evaluate the information received in relation to the expense incurred, and add his/her evaluation remarks to the report of the agent or officer who made the expenditure. A certification of payment to the custodian should serve as support for the expenditure from the imprest fund. The certification should be witnessed by the agent or officer in charge on the basis of the report and informer payee's receipt.

6. Each agent or officer in charge must prepare a quarterly report showing status and reconciliation of the imprest fund and itemizing each payment, name used by informer payee, information received and use to which information was put. This report must be made part of the files and reviewed quarterly by the head of the municipality's law enforcement agency.

## **Electronic Funds Transfer (EFT) - Disbursement**

### **3.8 Expenditures**

#### **3.8.11 Electronic Funds Transfer (EFT) - Disbursement**

3.8.11.10 **Electronic funds transfer (EFT)** refers to the disbursement from a bank account by means of wire, direct deposit, ACH or other electronic means. In accordance with RCW [39.58.750](#) we prescribe the following accounting procedures for such transactions.

##### **3.8.11.20 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/expense account number.
- Name and number of fund(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 by payees who have thereby agreed to have moneys added to their accounts electronically.

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

3.8.11.30 Policies should be adopted to establish effective internal control to protect EFT transactions from internal and external threats. These policies should include:

- Implementation of bank offered security measures to prevent unauthorized individuals from initiating or modifying a transfer. Each user initiating or approving bank transactions must have a separate banking user id.
- Define the process for creating, securing, sending and authenticating direct deposit transmittal files to prevent unauthorized modification or submission.
- Adoption and implementation of computer standards, policies and procedures to protect the computers and computing processes used for EFTs from computer malware.
- Policies and procedures should be in place to validate these authorization to protect resources being transferred electronically.

## **Employee Travel**

### **3.8 Expenditures**

#### **3.8.2 Employee Travel**

3.8.2.10 For the purpose of the BARS, travel expense includes 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.

3.8.2.20 The legislative body of each municipality must pass an ordinance or resolution to establish rules and regulations for the reimbursement of travel expense. There should be rules to cover all municipal officials and employees. The ordinance or resolution should discuss the municipal policy on tipping, charging expenses to the municipality, and it should prohibit reimbursement for personal expenses and entertainment.

3.8.2.30 If any municipal corporation wishes to issue credit cards for travel related expenditures, the legislative body must pass an ordinance or resolution to establish rules and regulations that satisfy provisions of Chapter [42.24](#) RCW, including:

1. Submission of a fully itemized travel expense voucher by the employee or officer;
2. Settlement by the officer or employee within 30 days of the billing date; and,
3. The establishment of a lien against salary for any disallowed charges.

3.8.2.40 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.*

3.8.2.50 In addition, if an officer or employee is filing a claim on behalf of others, he/she must prepare a detailed account that includes:

1. Names of the others who traveled, partook of meals, or otherwise incurred expenses.
2. Whether they were municipal employees and, if not, who they were and what connection they had with municipal business. This should not be construed to permit promotional hosting.
3. Who provided the lodging, meals or other services in question, dates and times.
4. A detailed breakdown of amounts.
5. Some statement sufficiently explicit to show what municipal business was being carried out when the expenses were incurred.

3.8.2.60 If a municipality chooses the option of using monthly reimbursements for use of personal automobiles for official business, the following procedures apply.

1. The monthly rate schedule established should be limited to officers and/or employees who actually use their personal automobiles for travel on a regular basis. It is the responsibility of the municipality to assure that each traveler is on official business.
2. The rate must be based on actual costs.



3. A periodic review must be performed to determine whether or not the rate continues to reflect actual costs.

4. A record is needed of the governing body's determination.

3.8.2.70 If the above procedures are not followed, the "monthly reimbursement for use of personal automobiles" may be treated as additional compensation. According to the Internal Revenue Service, municipalities could be assessed the withholding tax of the employees if the amounts advanced/reimbursed for travel were not for expenses incurred or reasonably expected to be incurred, unless these amounts are reported as taxable wages on the W-2.

3.8.2.80 If a municipality chooses to establish an *advance travel expense account* (imprest account), pursuant to RCW [42.24.120](#), the following procedures apply:

1. The imprest amount must be established and maintained in accordance with the procedures prescribed for petty cash (e.g., amount must be established by ordinance or resolution).

2. Upon receipt of the moneys, the custodian will open a checking account in a local bank in the name of the governmental unit entitled *Advance Travel Expense Account - John Doe, Custodian*. Moneys received from the following sources will be deposited to the account:

From the treasurer or other disbursing officer, the total amount originally establishing the account or subsequently added; from officers and employees, refunds of any unexpended advances; and from the warrant-issuing officer, amounts that reimburse the custodian for travel expenses allowed in the settlement of employee advances.

3. The *advance travel expense account* must be used solely for travel advances, not direct payments to vendors. In other words, moneys may be advanced to an individual who is going on travel status for travel-related expenses that he/she will pay out of his/her own pocket. It must not be used for personal loans, registration fees, reimbursements to employees or officers for travel already incurred, etc.

4. A check register will be maintained in which will be recorded all transactions of the account, including deposits, disbursements and bank service charges. A reconciliation should be made with the bank statement at the end of each month. When possible, the reconciliation should be made by someone other than the custodian. The balance remaining in the checking account as of a given date, together with any outstanding advances and travel expense claims on hand but not yet reimbursed, should always equal the amount established by the governing body for the account.

5. Employee advances for travel expenses should be made by the issuance of checks drawn on the special bank account, payable to the applicant. Approved requests should be retained in the files of the custodian to support such advances until final settlement is made and claim for reimbursement has been submitted. Requests for such advances should be reasonable estimates of the applicants' travel expense requirements and should contain as a minimum the following information:

- Date of request
- Name of applicant
- Destination
- Purpose of travel
- Anticipated departure and return dates
- Amount requested
- Signature of applicant
- Official approval of trip
- Check number, amount and date (to be provided by the custodian when the advance is made)

6. Settlement of advances should be made on or before the 15th day following the close of the travel period by filing with the custodian an expense voucher as required by RCW [42.24.090](#). The custodian should verify the amount shown on such form as having been advanced to the employee. In the event the traveler's actual expense is less than the amount of the advance received, his/her expense voucher should be accompanied by the unexpended portion of the advance. The expense voucher and original request for the advance will then be used to support the custodian's claim for a warrant replenishing the account for travel expenses reported. Expense vouchers containing expenses in excess of the amount advanced will be submitted in duplicate to the custodian at the time of final settlement. The original copy of the expense claim and the traveler's request for an advance will then be used to support the custodian's claim for a warrant replenishing the account. The other copy of the expense claim will be submitted to the warrant issuing officer for reimbursement of the excess to the traveler. Claims for reimbursement to the account should be submitted by the custodian periodically as needed and at the end of the fiscal year in order that all expenses incurred will be charged against the appropriations for the period then ending.

7. Any default in accounting for or repaying an advance should render the full amount which is unpaid immediately due and payable with interest at the rate of 10 percent per annum from the date of default until repaid. To protect against any losses on advances, the governing body should have a prior lien against and a right to withhold any and all funds payable or to become payable to such officer or employee to whom such advance has been given, up to the amount of the advance and an annual interest rate of 10 percent until repayment or justification is made (RCW [42.24.140](#)). No advance of any kind may be made to any officer or employee at any time when he/she is delinquent in accounting for or repaying a prior advance.

## **Imprest, Petty Cash and Other Revolving Funds**

### **3.8 Expenditures**

#### **3.8.8 Imprest, Petty Cash and Other Revolving Funds**

##### **3.8.8.10 Purpose**

Guidance in this section applies to petty cash, imprest accounts, working funds, advance travel, stamp funds, change funds, or any other revolving funds set aside for facilitating minor disbursements, making change, and similar uses. When revolving funds are disbursed, they are restored to the authorized balance by a warrant drawn and charged to the applicable fund.

##### **3.8.8.11 Budgeting**

Imprest, petty cash and other revolving funds are not budgeted because they represent working capital for expenditures that are properly budgeted in other funds.

##### **3.8.8.15 Accounting**

The authorized balance of imprest, petty cash and other revolving funds should be reported as cash in the general ledger in whichever fund expenditures are expected to be paid from. Expenditures should be recorded when such funds are replenished to their authorized balance.

##### **3.8.8.20 Controls**

See the BARS Manual [3.1.3, Internal Control](#) for general guidance on internal controls. The following are minimum expected controls for revolving funds:

1. The governing body must authorize each revolving fund in the manner that local legislation is officially enacted, i.e., resolution or ordinance. This applies also to all subsequent increases or decreases in the imprest amount.
2. The governing body or its delegate must appoint one custodian of each petty cash account who should be independent of invoice processing, check signing, general accounting and cash receipts functions. As part of the appointment, the custodian should render a receipt for the imprest amount to the treasurer, clerk-treasurer or auditor from whom he/she receives it. When it is not practical to hire additional personnel or to reallocate these duties among existing personnel, the governing body must establish some mechanism of review that accomplishes the objectives of the segregation of duties. For example, periodic monitoring of cash receipts and/or independent performance of the reconciliation may be adequate compensating controls for when complete segregation of duties is not possible.
3. The authorized balance should not exceed one month's salary or the surety bond covering the custodian.
4. On at least monthly basis, the fund should be reconciled to the authorized balance and to the actual balance per bank statements or a count of cash on hand. If this reconciliation is done by the custodian, it should be checked or re-performed periodically by someone other than the custodian. It is recommended that independent checks not be scheduled with the custodian but be done on a surprise basis.

5. For funds on hand (such as petty cash or change funds), the custodian must ensure cash is kept in a secured place, such as a locked drawer or box.
6. Whenever disbursements are made, the fund must be replenished at least monthly by warrant or check. 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 canceled by some other appropriate 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 balance.
7. No receipts may be deposited to the fund other than approved replenishments and increases to the authorized balance as described above.
8. Revolving funds are public funds and may never be used for personal cash advances, loans or expenditures.
9. Funds may also never be used to provide check-cashing services for employees or others (except in cities that have approved a policy to cash employee's checks in accordance with RCW [35.21.087](#) or RCW [35A.40.110](#); in which case a separate change cash fund should be created solely for this purpose with deposits of cashed items made daily). See the separate procedures applicable to advances for travel expenses.
10. Whenever a revolving fund is abolished or an individual's appointment as custodian is terminated, the fund must be replenished to the authorized amount, reviewed and certified as being turned over to the treasurer or new custodian.
11. See the BARS Manual [3.8.2, Employee Travel](#) for additional guidance specific to advanced travel revolving funds.
12. See the BARS Manual [3.8.9, Confidential Funds](#) for additional guidance specific to revolving funds established for confidential investigative purposes.
13. A list of all authorized revolving funds should be maintained. At a minimum, this list should include the type of account, purpose, authorized balance, custodian, and which fund the cash is reported in. This list acts as support for controls and for the government's bank reconciliation, which will include the authorized balance of all revolving funds as a reconciling item between bank and general ledger.

#### **3.8.8.30 Reporting**

The authorized balance should be reported as cash in the financial statements in whichever fund expenditures are normally paid from. All funds should be reconciled and replenished to the authorized balance as of fiscal year end to ensure expenditures are recorded.

## **Memberships in Civic and Service Organizations**

### **3.8 Expenditures**

#### **3.8.13 Memberships in Civic and Service Organizations**

3.8.13.10 There has been a dramatic shift in business, social, and governmental cultures which has impacted the way the legal community views implied powers of municipal corporations. Included in this contemporary analysis is recognition that membership in a local civic or service organization may; indeed, benefit a municipal corporation.

3.8.13.20 The AGO and SAO has concluded that the intent of membership payments by a municipal corporation should be considered. However, payments of memberships to fraternal organizations, or community/social organizations such as golf and country clubs, should continue to be questioned. While municipal corporations have no obligation to pay for employee and officer memberships, should they choose to do so, a formal policy should be adopted to include:

1. The legislative body's intent that officers and employees be active participants in service and civic organizations.
2. Those services and civic organizations to which membership fees will be paid on behalf of officers and employees.
3. The limit on the number of individuals for whom membership payment will be made to any on organization, and a delineation of criteria for multiple memberships.
4. The benefit, which the municipal corporation will derive from the membership in an organization and the authorized activity to which such benefit, is related.
5. Those municipal corporation positions for which membership fees will be paid.
6. Ancillary costs of membership which the municipal corporation will or will not pay, or provide reimbursement (i.e. meal costs incurred during meeting, costs incurred traveling to and from meetings, costs incurred as a result of the employees membership such as, time required to attend meetings or for committee participation and time required to perform duties of appointed/volunteer/elected positions) or time and expenses incurred as a result of attendance at related meetings such as regional, state, or national conventions.
7. Approval authority for payment of expenses incurred as a result of membership in civic or service organizations, or for deviation from established policy.
8. Limitations on the dollar amount that will be paid to a single organization or on behalf of an individual.
9. A prohibition of employee or officers, whose civic or service organization dues are paid in whole or in part by the municipal corporation:

(a) Exerting influence on other employees or officers to provide financial contributions or other support to the civic or service organization.

(b) Using the civic or service organizations as a forum for lobbying in support of or opposition to

political or legislative actions, or the promotion of endeavors in which the officer or employee may have a direct or indirect financial interest or may acquire a personal benefit or gain.

## **Mobile Devices**

### **3.8 Expenditures**

#### **3.8.3 Mobile Devices**

3.8.3.10 Local governments are responsible for the usage of their cellular telephones. They should decide what type of phone service package (call minutes, texting, internet, etc.) to purchase and whether to allow personal use by employees. If personal use is allowed, a policy should be established identifying the parameters for the allowable use of the phone and its service features. In addition, the local government should be monitoring employee compliance with the policy and whether there are non-public related costs incurred that would require reimbursement from employees.

## **Paths and Trails - Accounting**

### **3.8 Expenditures**

#### **3.8.10 Paths and Trails - Accounting**

***This guidance applies only to cities and counties.***

3.8.10.10 Under Chapter [47.30](#) RCW, certain cities, towns, and counties may use a portion of their motor vehicle fuel tax funds to establish and maintain paths and trails for pedestrians, equestrians or bicyclists as a part of streets, roads and highways.

3.8.10.20 The amount a city or county expends annually must be at least .42 percent of the total amount of funds received from the motor vehicle fund according to the provisions of RCW [46.68.090](#). In lieu of expending the funds each year, however, a city or county may set aside such funds into a financial reserve account or a separate fund to be held for this specific purpose provided it is expended within ten years.

3.8.10.30 Chapter [47.30](#) RCW is limited to those cities in which the .42 percent exceeds \$500 per year and to those counties in which the .42 percent exceeds \$3,000 per year. In effect, this means that the annual income from motor vehicle fuel tax must exceed approximately \$120,000 for a city or approximately \$715,000 for a county before it is mandatory to fund paths and trails. Cities and counties with less annual income from motor vehicle fuel tax may fund paths and trails, but are not required to do so.

3.8.10.40 Also, per the Attorney General Memorandum dated June 7, 1982, until a city or county has set up a comprehensive plan for arterial streets and roads as required by RCW [47.26.170](#), they are not required to allocate any portion of the motor vehicle funds to a paths and trails fund. If the local government wishes to receive urban arterial trust moneys, they must have a comprehensive plan which includes provisions for paths and trails. Once a plan is set up, the requirements of RCW [47.30.050](#) apply.

3.8.10.50 Revenues from the motor vehicle fuel tax should be deposited in the respective city street, arterial street, or county road fund and be credited to the appropriate 336 account. All expenditures for paths and trails should be made from the city street, arterial street or county road fund. Account 59562P0 should be charged for construction, 54162P0 for preservation (GAAP entities using modified approach to infrastructure only), and 54262P0 for maintenance.

3.8.10.60 In the event the expenditures accumulated in these accounts at the end of each year do not equal the percentage of motor vehicle fuel tax revenue that is reserved for this exclusive use, the unexpended balance should be set aside (either in the fund or in a separate fund).

3.8.10.70 Cities or counties exercising the option to reserve unspent motor vehicle fuel tax should classify the unspent amount as restricted within the fund balance. Cities or counties exercising the special fund option should create a paths and trails reserve fund.



## **Purchase Cards**

### **3.8 Expenditures**

#### **3.8.4 Purchase Cards**

3.8.4.10 Credit, debit, fuel, prepaid or other forms of purchase cards are commonly used for purchases when appropriate to improve cash management, reduce administrative costs and increase efficiency.

3.8.4.20 In accordance with RCW [43.09.2855](#), local governments using credit cards must adopt policies and procedures to control credit card payments, including distribution of cards, credit limits, authorization of purchases and support and payment of bills. If cards are used for travel purchases, policies must conform to requirements of RCW [42.24.115](#).

3.8.4.30 Credit card payments must be supported by documentation for every purchase and be audited and certified in accordance with RCW [42.24.080](#) or RCW [42.24.180](#).

3.8.4.40 Officials and employees are prohibited by law from:

- Using publicly-used credit cards for personal purchases, even if the purchase is reimbursed prior to the date that the bill becomes due.
- Using credit cards for cash advances, regardless of the purpose.

## **Redeemed Warrants/Cancelled Checks**

### **3.8 Expenditures**

#### **3.8.7 Redeemed Warrants/Cancelled Checks**

3.8.7.10 Due to many local governments no longer receiving redeemed warrants and canceled checks from their financial institutions the following is guidance which pertains to such effected entities.

3.8.7.20 The State Auditor's Office recommends local governments receive and retain all redeemed warrants and canceled checks from public accounts as part of their public records. This may be either the original (actual) document or *read-only* (certified electronic format). Those entities using the county as their fiscal agent may continue allowing the county to maintain these documents.

3.8.7.30 The reasons for this recommendation are twofold:

1. Receiving and reviewing these documents is an integral part of the entities internal control system. Many disbursement frauds may be detected by having an independent party scan the front and back of all redeemed warrants and canceled checks.
2. Our office is responsible for auditing the receipt, safekeeping and disbursements of public funds. To fulfill this responsibility, we must have access to all original source documents, including redeemed warrants and canceled checks.

3.8.7.40 The SAO recognizes a small cost may be associated with receiving these documents from your financial institutions. However, this cost will be substantially less than costs associated with the SAO requesting these documents during an audit.

# Unemployment and Deferred Compensation

## 3.8 Expenditures

### 3.8.1 Unemployment and Deferred Compensation

<b>Quick Links</b>
<b>Accounting for state unemployment compensation</b>
<a href="#">3.8.1.20 Option 1 - Taxable (RCW 50.44.035, RCW 50.24, RCW 50.29)</a>
<a href="#">3.8.1.30 Option 2 - In-lieu contribution (Reimbursable) (RCW 50.44.060)</a>
<b>Accounting for State Unemployment</b>
<a href="#">3.8.1.50 Background</a>
<a href="#">3.8.1.70 General requirements</a>
<a href="#">3.8.1.90 Administrative requirements</a>
<a href="#">3.8.1.100 Reporting</a>

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#### 1) Accounting for state unemployment compensation

3.8.1.10 All local governments have a choice between either the tax basis or in-lieu contribution basis for making payments to the Department of Employment Security (ESD) (RCW [50.44.030](#)). The accounting procedures for the two options are detailed below:

##### 3.8.1.20 **Option 1 - Taxable** (RCW [50.44.035](#), [RCW 50.24](#), [RCW 50.29](#))

With this option the entity is assigned a rate and pays quarterly based on wages paid to employees. Rates are reassessed annually by the Employment Security Department. Contact the Department of Employment Security to determine the appropriate tax rate(s) for your particular unit of government. Apply the rate to all functional expenditure/expense accounts that have direct salary or wage charges, using the employer fringe or personnel benefits object applicable to your local government, each time a payroll is prepared. Do not apply the rate to salaries and wages of the following: (1) elected officials; (2) Job Training Partnership Act (JTPA) employees to the extent their earnings are within the maximum gross pay allowable under the JTPA programs; or, (3) policy-making employees that do not work more than eight hours per week.

Remit unemployment taxes quarterly to the Department of Employment Security.

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##### 3.8.1.30 **Option 2 - In-lieu contribution (Reimbursable)** (RCW [50.44.060](#))

This option would be considered self-insurance. Entities must be approved for this status by the Employment Security Department. Entities report quarterly wages to the Employment Security Department, but only pay when an unemployment claim is filed. Under this option, the ESD will pay unemployment claims and then bill the local governments for reimbursement.

#### **Method A**

The local government may individually self-insure for unemployment claims. This can be accounted for in the general fund or the local government can create an internal service fund for unemployment - Unemployment Compensation Fund. The purpose of this fund is to create a reserve for future unemployment claims by receiving periodic cash contributions from operating funds. The amount of these cash contributions depends on the estimate of future unemployment claims. The estimates should be reviewed and adjusted periodically, based on experience. Typically, estimates are based on a three to five year history of actual claims, but each entity should determine the method that works best for them. There may be different rates for departments and funds within the same government. The periodic cash contributions from operating funds will be charged to the functional expenditure/expense accounts in the operating funds in the same manner as premium payments paid to the ESD. Payments to the ESD must be made from the Unemployment Compensation Fund. Interest earnings on investment of the contributions may be used for the benefit of the Unemployment Compensation Fund (thereby reducing charges to the operating funds) or the general (current expense) fund per RCW [35.39.034](#). An ordinance or resolution must govern this choice.

### **Method B**

The local government may participate with other local governments in an unemployment pool or cooperative as provided for in RCW [39.34.030](#). If you participate in such a cooperative, the contributions from your funds should be charged as expenditures/expenses functionally according to the applicable chart of accounts. In this case, the pool or cooperative will pay the billed amounts to the ESD.

Rates charged to the participants should be adjusted periodically based on the experience of each participant.

3.8.1.40 Since claims made by the ESD must be paid by statute, it is not necessary to appropriate funds for their payment; however, we recommend that appropriations be made by local governments to ensure their ability to pay future claims.

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## **2) Deferred compensation plans**

### **3.8.1.50 Background**

RCW [41.50.770](#) authorizes all local governments to establish deferred compensation plans for the benefit of their employees in conformity with the requirements of Section 457 or Section 401(a) of the Internal Revenue Code. RCW [28A.400.250](#) further authorizes school districts to establish plans in conformity with the requirements of Section 403(b) of the Internal Revenue Code.

Deferred compensation plans permit employees to accept less than the full amount of salary earned thus reducing their current federal income tax liability. The amount by which the salary is reduced is invested by the employer and upon retirement, disability, termination, unforeseen emergency, or death may be withdrawn by the employees or their beneficiaries.

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### **3.8.1.70 General requirements**

The plan must be established correctly and administered properly so that the Internal Revenue Service (IRS) does not rule that the plan is not in conformity with the requirements of the Internal Revenue Code.

3.8.1.80 Because of the many administrators and plans available, it is strongly recommended that any local government which intends to establish a deferred compensation plan seek legal counsel to determine conformance with the Internal Revenue Code, and obtain approval of the chosen plan by the district.

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### 3.8.1.90 **Administrative requirements**

Caution should be exercised in implementing a plan, not only to protect the employer's legal liability, but also to prevent undue administrative complexities. Some major administrative requirements are as follows:

#### ***a. Make written agreements with plan administrator***

All local government deferred compensation plans should provide for written agreements which clearly define the duties and responsibilities of the employer and the administrator.

#### ***b. Keep an employee file for each employee***

A file to keep a deferred compensation record for each participating employee is necessary. Most carriers will provide the forms and basic accounting information for the employer, but the employer is responsible for maintenance of the files.

The participating employees must complete and sign joinder agreements stipulating the amount of their gross salaries or wages to be deferred. The local government should also maintain a written agreement which details any responsibilities of the employer for contributions, fees, charges, earnings, losses and withdrawals.

#### ***c. Withdrawals***

The procedures for withdrawals should be clearly defined and the employer should be very careful in accepting any employee requests for amounts to be withdrawn from accumulated deferred compensation assets for unforeseeable emergencies, as any employee withdrawal granted which does not qualify under Internal Revenue Code could cause the entire deferred compensation plan for all employees to be considered in violation and invalid by the IRS.

Normally, all withdrawals as a result of retirement, disability, termination, unforeseen emergency or death, will be paid to the employer by the bank, credit union, or other institution (the agent) with which the employer (the principal) has the agreement.

In such cases, the employer will receipt for the payment referred to above, deduct the appropriate amount for federal income tax withholding and disburse the remaining amount to the employee, former employee or beneficiary as applicable. The employer will then remit the federal income tax withheld to the IRS or to the official depository as it presently is required to do. The employer will issue W-2 forms to the participants in

the plan who have received payments of deferred income.

The W-2 will show the gross payment made to the participant or beneficiary and any deductions made.

However, the IRS has approved some plans whereby the administering company acts as agent for payments to the employees, issuance of W-2 forms and remittances to the IRS. Such IRS approved plans, which are still in conformance with the requirements of the Internal Revenue Code, will be permitted.

***d. Maximum contribution***

Local governments should refer to the Internal Revenue Service for allowable annual contribution limits.

***e. Budget salaries and wages in year earned***

All local governments required to budget revenues and expenditures by fund should be required to budget the gross salaries and wages including the deferred compensation amounts as expenditures of the year in which the salaries or wages are earned.

***f. Establish plan as a pension (and other employee benefit) trust fund (if applicable)***

All plans established in conformity with the Internal Revenue Code are expected to be held in a trust for the exclusive benefit of participants and their beneficiaries.

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**3.8.1.100 Reporting**

Local governments do not own either the amounts deferred by employees or related income on those amounts. Accordingly, reporting will depend on whether the government is acting as the administrator for the plan. Administration involves managing the assets of the plan through a qualifying trust. In Washington State, this situation is expected to be rare for local governments. When your plan is administered by a third party administrator (example ICMA-RC), the government is not considered the plan administrator for financial statement reporting purposes. If the government contracts with a third party administrator, the government should make disclosures required for defined contribution pension plans and report contributions to the plan as payroll expense but would **not** report plan assets as a fiduciary fund. In the rare circumstance where a government acts as the administrator for the plan, governments should report their plans as pension (and/or other employee benefit) trust funds in their financial reports.

3.8.1.110 The local governments should keep detailed accounting records of the deferred compensation plan. However, if those records can be provided by the administrator of the plan, no duplication is necessary.

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## Use of Payroll and Claims Funds

### 3.8 Expenditures

#### 3.8.6 Use of Payroll and Claims Funds [\[1\]](#)

##### 3.8.6.10 Purpose

For the purposes of the BARS, the term *clearing fund* includes both payroll and claims clearing funds.

Clearing funds are an internal accounting control that allow for separate tracking of outstanding warrants or other disbursements. Such funds provide an additional check as part of the bank reconciliation process and provide visibility to the amount of outstanding items for cash management purposes.

##### 3.8.6.20 Budgeting

Payroll and claims clearing funds are not budgeted because they represent an additional internal accounting control for disbursements that are properly budgeted in other funds.

##### 3.8.6.40 Accounting

Money transferred to the clearing fund should be coded in the clearing fund as nonrevenues (3890000) and disbursements should be coded as nonexpenditures (589PP00). For more details see [BARS Account Export](#).

3.8.6.50 The clearing funds are not operating funds, so accounting entries should be limited to beginning cash and investments, nonrevenues for cash transferred from other funds when warrants (or other disbursements) are issued, nonexpenditures for redemptions and ending cash and investments.

3.8.6.60 Therefore, ***at all times***:

- Beginning cash and investments should be equal to the total outstanding and open period disbursements at the beginning of the period;
- Nonrevenues should be equal to disbursements issued during the period;
- Nonexpenditures should be equal to disbursements redeemed during the period; and
- Ending cash and investments should be equal to the total currently outstanding disbursements plus any amounts withheld from payrolls and temporarily unremitted (such as quarterly L&I payments). At year end, the ending balance will also include any disbursements issued during the open period.

3.8.6.30 Clearing funds cannot be provided with any working capital. Therefore, the money for redemptions must be transferred to the clearing fund from the appropriate operating fund on the same day that the warrants (or other disbursements) are issued. If the operating fund is insolvent, it must issue a registered interest-bearing warrant to the clearing fund instead of a transfer. This registered warrant should be deposited along with other cash receipts. When a clearing fund disbursement is canceled, the amount of the canceled warrant must be transferred back to the appropriate operating fund.

3.8.6.70 The warrants issued against a clearing fund must be recorded in the appropriate warrant register in strict numerical and chronological order and the expenditures applicable to the claim

vouchers supporting the warrant issue must be recorded in the distribution of expenditure ledgers for the various operating funds in the same order and bear the same dates.

#### 3.8.6.80 **Controls**

The approved warrants should be recorded in the minutes of the governing body (see BARS Manual [3.8.5](#), *Voucher Certification and Approval*).

3.8.6.90 The distribution of expenditures from the vouchers to the budgetary control records must agree with the totals accumulated in the warrant registers. On a monthly basis, nonrevenues should be compared to warrants or checks issued, nonexpenditures compared to redemptions and the ending balance to outstanding warrants or checks. Any differences should be investigated and resolved. This process should be documented as part of the bank reconciliation.

#### 3.8.6.100 **Reporting**

Statutes require use of clearing funds for counties, and use of clearing funds is a common practice for cities and other governments that issue their own warrants and checks. However, clearing funds should not be reported on the financial statements because they represent an internal accounting control for disbursements that are properly reported as expenditures in other funds.

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#### **Footnotes:**

[1] RCW [35.21.085](#), RCW [36.33.060](#), RCW [36.33.065](#)



## **Voter Registration and Election Cost Allocation**

### **3.8 Expenditures**

#### **3.8.12 Voter Registration and Election Cost Allocation**

***This guidance applies only to counties.***

3.8.12.10 This interpretation establishes uniform procedures for allocating voter registration and election costs incurred by counties. These procedures are mandatory for elections held after January 1, 2010.

**RCW [29A.04.410](#)** Every city, town, and district is liable for its proportionate share of the costs. Special election costs must be borne by the city, town, or district concerned.

**RCW [29A.04.420](#)** The state should assume a prorated share of election costs when state officers or measures are voted upon at a state primary or general election held in an odd-numbered year under RCW [29A.04.321](#).

**RCW [29A.08.150](#)** The expense of registration in all rural precincts must be paid by the county. The expense of registration in all precincts lying wholly within a city or town must be paid by the city or town. Registration expenses for this section include both active and inactive voters.

**RCW [29A.32.270](#)** The cost of a local voters' pamphlet shall be considered an election cost to those local jurisdictions included in the pamphlet and shall be prorated in the manner provided in RCW [29A.04.410](#).

#### **A. Voter registration or election costs to be allocated**

3.8.12.20 BARS account 51490P0 is prescribed for voter registration and voter precinct costs. Costs charged to this account must be specifically for voter registration purposes and will include proper object codes. Time records and other documentation must be maintained to support expenses allocated to voter registration costs.

3.8.12.30 BARS account 51440P0 is prescribed for election costs. Costs charged to this account must be specifically for election purposes and will include proper object codes. Time records and other documentation must be maintained to support expenses allocated to election costs.

3.8.12.40 Allowable costs that may be included for either voter registration or elections are:

##### ***1. Salaries and Wages (BARS Object Code 10)***

Include all personnel costs, including salaries, wages, and overtime, for time specifically devoted to voter registration or elections. Personnel may include:

- a. Permanent office staff
- b. County auditor
- c. Extra or temporary help
- d. Paid election observers
- e. Poll workers
- f. Voting center workers
- g. Security

Adequate records are to be maintained to support payroll charges.

## **2. Benefits (BARS Object Code 20)**

Include those benefits associated with the salaries and wages identified above.

## **3. Supplies (BARS Object Code 30)**

Include supplies for voter registration or an election (e.g., stationery, forms, cards, pencils, small items of equipment, items for repair and maintenance of equipment, etc.). The cost of large supply purchases should be apportioned between the elections and/or voter registration if benefited. (Also see number 6 below.)

## **4. Services (BARS Object Code 40)**

**a. Communication** - Charges for telephone and related costs associated with voter registration or elections.

**b. Postage** - Charges associated with voter registration or elections. Include postage for mailing ballots, letters, notices to voters, voter pamphlets, post office charges, and other mailings.

**c. Transportation** - Cartage for voting equipment, messenger service, and travel expenses including mileage allowances.

**d. Advertising** - Include the cost of publishing required notices, paid announcements, and voter outreach specific to an election or voter registration.

**e. Printing and binding** - Include the cost of printing materials used for voter registration or in an election. If the printing order is used for more than one election and/or voter registration, the cost should be apportioned between the elections or voter registration benefited.

**f. Repairs and maintenance** - Charges for repair and maintenance to election and voter registration equipment. (Also see number 5 below.)

**g. Rentals** - Charges for rental of office space, storage spaces, vehicles, etc.

**h. Training** - Include in house training, workshops, conferences, and other educational opportunities.

## **5. Equipment (BARS Object Code 40)**

Do not include charges for capital outlays. However, depreciation or use charges for such items as ballot tabulation equipment, accessible voting units, ballot sorters, voting center equipment, computers, printers, voter registration management systems, etc., are allowable. Charges must be based on rates that will result in a reasonable recovery of the original equipment over its useful life. Ledgers detailing historical cost, estimated salvage value, useful life, and accumulated charges should be available.

No depreciation or use charge is allowable where the 15 percent overhead factor is used or when grant funds were used to purchase the equipment.

Equipment replacement fees are not considered depreciation or use charges and may be included in

the total costs for an election or voter registration.

### **6. Interfund charges (BARS Object Code 30 or 40)**

Interfund charges are billed services from other county funds/departments. Charges must be consistent with those to other funds and departments.

Interfund charges directly attributable to an election or voter registration are considered direct costs and may be included in the total costs of an election or voter registration. Other interfund charges are not allowable where the 15 percent overhead factor is used.

### **B. Election operations may be recorded in an internal service fund**

3.8.12.50 Election operations may be accounted for in an internal service fund or the general fund.

### **C. Overhead is allowable**

3.8.12.60 Overhead or indirect costs attributed to the county auditor are allowable as determined by a federal indirect cost allocation plan. The plan must be prepared in accordance with the Uniform Guidance. Do not include any cost in the plan costs that are already included as an internal service fund charge.

3.8.12.70 In the absence of a federal cost allocation plan, or at the option of the county auditor, a flat 15 percent of adjusted general costs is allowable for overhead. Adjusted general costs are the total of salaries and wages, employee benefits, supplies, and other services and charges properly charged to the appropriate BARS account.

3.8.12.80 The 15 percent overhead factor is in lieu of interfund charges and depreciation. The factor may be used when accounted for in an internal service fund or the general fund.

### **D. Charge a minimum fee**

3.8.12.90 The county auditor should collect a minimum fee of at least \$50 from each jurisdiction. The fee will be used for all jurisdictions charged with voter registration/election costs and will be added after the allocation of costs.

### **E. The method of allocating costs**

#### **3.8.12.100 1. Allocation of voter registration costs**

a. Determine the total voter registration costs for the entire fiscal year. Include amounts from the federal indirect cost allocation plan only if not using a flat 15 percent overhead factor.

b. Subtract revenue attributable to voter registration services.

c. Subtract any direct costs associated with a specific jurisdiction.

d. Total the number of active and inactive registered voters for all jurisdictions.

e. Determine the number of active and inactive registered voters in each city/town. Subtract total active and inactive voters of every city/town from the total active and inactive voters (step 4) in the county voter registration rolls to obtain those voters under county jurisdiction.

f. Divide each jurisdiction's number of active and inactive registered voters (step 4) by the total number of active and inactive registered voters (step 5) to yield a percentage cost factor.

g. Multiply the percentage cost factor (step 6) times the voter registration costs to determine each jurisdiction's allocated cost.

h. Add any direct costs, and the 15 percent overhead factor, if applicable, to each jurisdiction's allocated costs. This will give the total amount due from each jurisdiction.

### **3.8.12.110 2. Allocation of election costs**

Two approved methods for allocating election and/or voter pamphlet costs are detailed below. A county, once having adopted a method of allocating election costs or voter pamphlet costs, should use the same parameters for all elections within the next election cycle.

Allocate costs between all jurisdictions participating in an election by using one of the two prescribed methods. The county will absorb costs allocated for federal offices, state offices and state issues whenever the state does not reimburse for these costs.

Only jurisdictions that participate in voter pamphlets will share those costs.

#### **3.8.12.120 a. Method one**

This method allows for recovery of additional expenditures associated with multiple offices or issues on the ballot for each jurisdiction. Use of this method requires selecting a factor to be applied to each additional office or issue within a jurisdiction. The factor must be between ranges of 0 to 0.2 and should represent the most accurate recovery of costs.

1. Determine the total costs for an election. Include amounts from the federal indirect cost allocation plan, if applicable.
2. Subtract a minimum service amount of at least \$50 per jurisdiction and any direct costs associated with a specific jurisdiction, resulting in the election costs to be allocated.
3. For each jurisdiction participating in the election determine the number of active registered voters.
4. Determine the factor for the number of issues and offices for each jurisdiction. A base factor of 1.0 will be assigned for the first ballot issue or office for the jurisdiction. For each additional issue or office the selected factor will be added. For example in a county using 0.15, a city with 3 offices to be decided would have a factor of 1.3 ( $1.0+0.15+0.15$ ).
5. Multiply the issue and office factor (determined in step 4) times the number of active registered voters (determined in step 3). This will give a weighted registration factor.
6. Total the weighted registration factors (step 5) for all jurisdictions.
7. Divide the weighted registration factor (step 5) for each jurisdiction by the total weighted factor (step 6) to yield a percentage cost factor.
8. Multiply the percentage cost factor (step 7) times the election costs to be allocated to determine each jurisdiction's share.
9. Add the minimum service amount, any direct costs, and the 15 percent overhead factor, if applicable, to the allocated election costs for each jurisdiction. This is the total amount due from each jurisdiction.

### 3.8.12.130 **b. Method two**

This method allocates costs based on the number of registered voters in each jurisdiction. Jurisdictions are not charged for additional offices or issues placed on the ballot.

1. Determine the total costs for an election. Include amounts from the federal indirect cost allocation plan, if applicable.
2. Subtract a minimum service amount of at least \$50 per jurisdiction and any direct costs associated with a specific jurisdiction, resulting in the election costs to be allocated.
3. For each jurisdiction participating in the election determine the number of active registered voters.
4. Total the number of active registered voters (step 3) for all jurisdictions.
5. Divide each jurisdiction's number of active registered voters (step 3) by the total number of active registered voters (step 4) to yield a percentage cost factor.
6. Multiply the percentage cost factor (step 5) times the election costs to be allocated to determine each jurisdiction's share.
7. Add the minimum service amount, any direct costs, and the 15 percent overhead factor, if applicable to the allocated election costs for each jurisdiction. This is the total amount due from each jurisdiction.

### **F. Charge a minimum fee**

3.8.12.140 The county auditor should collect a minimum fee of at least \$50 from each jurisdiction. The fee will be used for all jurisdictions charged with election costs and will be added after the allocation of costs.

### **G. Account for Costs of Recounts Separately**

3.8.12.150 When a recount is requested, the requestor is charged the cost of the recount. (See Chapter [29A.64](#) RCW.) Mandatory recount costs are billed to the affected jurisdiction as direct costs and should be shown separate from charges for other election costs. The fee collected is a charge for a service.

### **H. Effective date**

3.8.12.160 Effective for elections held after January 1, 2010.

### **I. Election reserve fund**

3.8.12.170 As authorized by the RCW [36.33.200](#), the board of county commissioners may establish an election reserve fund for the payment of expenses of conducting regular and special state and county elections and compensation of election and registration officers and annually budget and levy a tax therefor. It may also make transfers into the election reserve fund from the current expense fund and receive funds for such purposes from cities, school districts and other subdivisions.

## Voucher Certification and Approval

### 3.8 Expenditures

#### 3.8.5 Voucher Certification and Approval [\[1\]](#)

3.8.5.10 All claims against a municipality must be preaudited by the auditing officer of the municipality or his/her delegate. In addition, all claims must be certified by the auditing officer. *Claims* refer to all external payments that are made to satisfy obligations of the entity, regardless of how payments are processed (i.e., through warrants, checks, EFTs, etc.). *Claims* would include refunds or reimbursements, bond payments, federal tax payments, payments to other governments, grants, transfers or payments made to component units or joint ventures, etc. *Claims* would not include interfund loans, interfund reimbursements or payments (i.e., to internal service funds), indirect cost allocations or other internal accounting transactions, purchases of investments or transfers between bank accounts both owned by the entity, etc.

The auditing officer's certification may be made on each individual claim voucher or, subject to the acceptance and approval of the municipal legislative body, 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 auditing officer of his/her responsibility and liability for each individual voucher so certified. The certification must be signed and dated by the auditing officer or his/her delegate. For all claims, except expense reimbursement claims certified by officers or employees (see BARS Manual [3.8.2](#), *Employee Travel*), 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, or that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the (city/county/district), and that I am authorized to authenticate and certify to said claim.*

3.8.5.20 The auditing officer's certification for employee/officer expense 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 (city/county/district), and that I am authorized to certify to said claim.*

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

3.8.5.40 To indicate governing body approval for payment of claim vouchers and payroll, the following should be entered in the minutes:

**The following voucher/warrants/electronic payments are approved for payment:**

<b>(Funds) Voucher (Warrant)</b>	<b>Total</b>
--------------------------------------	--------------

numbers: ____ through ____	\$ ____
<b>Payroll warrant</b>	
numbers: ____ through ____	\$ ____
<b>Electronic Payments</b>	
dates: ____ through ____	\$ ____

3.8.5.50 If the legislative body authorizes the procedure, cities, counties and districts may issue warrants, checks or electronic payments before the legislative body approves claims. To do this the municipality must enact the following policies and procedures (required in Chapter [42.24](#) RCW):

1. The auditing officer and the officer designated to sign the checks, warrants or initiate an electronic payment must have an official bond. The amount should be determined by the legislative body but cannot be less than \$50,000 (RCW [42.24.180](#));
2. The legislative body should adopt contracting, hiring, purchasing, and disbursing policies that implement effective internal control; for electronic payments, the legislative body should adopt information technology policies that implement effective internal control over technology used to initiate and approve electronic payments.
3. The legislative body must review and approve the claims paid at its next regularly scheduled public meeting, or for cities and towns, at a regularly scheduled public meeting within one month from issuance; and
4. If the legislative body disapproves some claims, the auditing officer and the officer designated to sign the checks, warrants or initiate the electronic payment must recognize these claims as receivables of the taxing district and pursue collection diligently until the amounts are either collected or the legislative body is satisfied and approves the claims.

3.8.5.60 The legislative body may stipulate that certain kinds or amounts of claims should not be paid before the board has reviewed the supporting documentation and approved the issue of checks, warrants or electronic payments in payment of those claims.

3.8.5.70 The original copy of all vouchers should be filed in the office of the auditing officer of the municipality. The detailed accounts to which the expenditures are to be posted must be clearly designated. Supporting documentation must be retained and either attached to the vouchers or canceled by the auditing officer to prevent reuse. See BARS Manual [3.1.4](#), *Original Supporting Documentation* for requirements.

3.8.5.80 Districts that do not issue their own warrants should send either original vouchers or other supporting documentation (e.g., listing of approved vouchers, etc.) to the county auditor.

## Footnotes

[1] Chapter [42.24](#) RCW  
[Back to Reference 1](#)

# Interfund Activities

## Equipment Rental and Revolving (ER&R) Fund

### 3.9 Interfund Activities

#### 3.9.7 Equipment Rental and Revolving (ER&R) Fund

3.9.7.10 Equipment Rental and Revolving funds, also known as ER&R funds, are established to provide equipment rental services within a local government. They increase government efficiency by giving the government a way to allow expensive equipment and supplies to, in essence, be rented to the government's various departments. ER&R funds are internal service funds and should operate on a cost reimbursement basis (without generating a profit). Their rental equipment can include items such as computers, police and fire vehicles, heavy road equipment and specialized high voltage trucks.

All counties (RCW [36.33A.010](#)) and cities with populations over 8,000 (RCW [35.21.088](#)) are legally required to have an ER&R fund for operating county road and city street departments. ER&R funds may be expanded to provide services to other departments including public works, utilities, fire and police.

ER&R funds are created by county commissions or city councils. Counties pass a resolution and cities pass an ordinance defining the origin of the resources, purpose, and specific duties of the fund. Start-up resources usually come from an interfund transfer of cash and/or equipment. The transfer may be as a loan or a permanent transfer. Further discussion of internal service funds and overhead cost allocations can be found in the Budgeting, Accounting and Reporting System (BARS) Manual [3.9.5, Overhead Cost Allocation](#) (and **GAAP only** [BARS GAAP Manual 3.9.6, Internal Service Funds](#)).

#### 3.9.7.20 Operation of the fund

Management of the ER&R fund is responsible for ensuring that the fund's operation complies with what is set out in the resolution or ordinance.

Goals of the ER&R program may include: setting rates that sufficiently cover the costs of operation and provide for equipment replacement; charges to departments that are equitable, fair, and reasonable; proper tracking of assets and equipment; and proper investment of reasonable and necessary reserves.

The assets of ER&R funds should be tracked and inventoried as with other assets, but also for purposes of assisting management with having sufficient information to establish rates and plan for asset replacement. As such, information about historical cost, purchase date, primary user versus pooled asset, expected life, and anticipated replacement cost of the asset is important. Further discussion on records that should be maintained for revenue assets can be found in BARS Manual [3.9.6, Internal Service Funds](#), paragraphs .120 and .130.

ER&R funds should charge fees for all services, staff, facilities or equipment in a manner that is consistent and equitable to all participating funds or departments.

ER&R funds, as with other internal service funds, are collected for a specific purpose. The ER&R funds should be segregated, tracked and used for their intended purpose or returned to the originating funds in an equitable manner if they are no longer needed.



The fund balance of the ER&R fund should reflect a level that is anticipated to assure continued operation of the fund. Management policies should support the amount of cash reserves necessary for continued operation of the fund and timely replacement of vehicles or equipment; as determined during the rate setting process.

Guidance on accounting, management and controls over capital assets is available in the BARS Manual [3.3.8](#), *Capital Assets Management*.

### 3.9.7.30 **Rate setting**

ER&R rate structures should cover all costs associated with the operation of the fund. In counties, the rate structures are determined by the county engineer and must be reviewed annually by the legislative body (RCW [36.33A.040](#)).

Rates can be developed for individual assets or similar groups of assets. They can also be billed as a single rate or separately. Composite rates (single rates that apply to dissimilar assets) should be avoided as they tend to lead to overcharges or undercharges.

All actual costs associated with the operation of the ER&R fund should be included when determining the rate structure for equipment. Allocation of the costs should be made on an equitable basis, such as asset life. Costs should be allocated for salaries and benefits, general cost of operations, attorney fees, insurance, etc.

Rental rates are typically composed of four components:

1. Expenses due to maintenance and operation (e.g., employee wages, building rental, equipment repair, supplies, etc.).
2. Depreciation of equipment (for equipment replacement).
3. A surcharge for equipment replacement.

Replacement cost is that amount that is anticipated to replace the existing asset above the cost being recovered through depreciation. It is extremely important to have a system in place that separates charges for replacing equipment from the other components. Most federal grants allow only actual costs to be submitted for reimbursement. Surcharges for equipment replacement are an estimate and not allowable under the [Uniform Guidance, 2 CFR 200, Subpart E - Cost Principles](#). Inclusion of surcharges for equipment replacement in federal reimbursement requests could lead to questioned costs.

4. Corrections for prior year charges.

Rates should be re-evaluated on a yearly basis, and adjusted when needed. This would include review of the inflation factor as well as operational costs. Governments should avoid locking in rates contractually with departments over long periods as they will need to be periodically adjusted to ensure adequate amounts are charged to recoup costs and plan for the replacement of equipment.

Deficiencies in revenues should be made up from rate increases, or transfers from the general fund or funds of the departments using the services. Excess revenue should be allocated back to departments that are over charged. Governments should ensure practices are equitable to prevent one fund benefitting another inappropriately (RCW [43.09.210](#)).

### 3.9.7.40 **Charges to federal programs**

As noted above, governments should be cautious when charging ER&R costs to federal programs

and be aware of the terms and conditions of the federal award and the following federal guidelines in the Uniform Guidance, including, but not limited to:

- [2 CFR §200.416](#) Cost allocation plans and indirect cost proposals
- [2 CFR §200.465](#) Rental costs of real property and equipment
- [Appendix V to Part 200](#) State/Local Government-Wide Central Service Cost Allocation Plans
- [Appendix VII to Part 200](#) - States and Local Government and Indian Tribe Indirect Cost Proposals

## Interfund Activities Overview

### 3.9 Interfund Activities

#### 3.9.8 Interfund Activities Overview

3.9.8.10 BARS requires that each fund be supported by its own separate set of self-balancing accounts. As such, funds will often interact with one another.

**Interfund activity** is defined as financial interactions between the funds of a government (including legally separate blended component units).

3.9.8.15 Interfund activity should be reported within each fund as described below. Governments that roll up or consolidate a fund (or funds) with another fund of the government (for example, the consolidation of managerial funds or activity between departments within a single fund) should redefine the interfund activity between these funds as **intrafund** activity and eliminate it for reporting.

3.9.8.20 Interfund activity is split into two broad categories and four smaller subcategories. The categories and subcategories are as follows:

**1. Reciprocal interfund activity** - A situation or transaction involving the exchange of equal or almost equal value between funds. There are two types of reciprocal interfund activity:

**a. Interfund loans** - Borrowings or advances from one fund to another fund with the expectation of repayment through collection of principal payments and interest as stipulated in a loan document, resolution, and/or ordinance. Please note that if there is no reasonable expectation for repayment, the loan should instead be reported as an interfund transfer. For more information about loans and what constitutes as reasonable expectation of repayment see BARS Manual [3.9.1, Loans](#).

**b. Interfund services provided and used** - As part of regular fund activity, one fund could sell goods or services to another fund in return for assets (such as cash or goods) of equal or almost equal value. Interfund services provided and used are accounted for and recognized as normal revenues and expenditures/expenses. Examples of interfund services include:

- Purchase of goods or service: water fund selling water to the parks department of the general fund, parks facility rental to the water department for public meeting, permitting department selling a permit to the sewer department (sewer fund).
- Property transfers: Property transferred between funds of the same local government. For details see BARS Manual [3.9.2, Property Transfers](#).
- Cities only: Utility tax levied by the general fund on its own utility. For details see BARS Manual [3.6.13, Utility Tax](#).

**2. Nonreciprocal interfund activity** - A situation that does not involve the equal or near equal exchange of value between funds. One fund gives (or receives) value without receiving (or giving) value in return.

**a. Interfund transfers** - A flow of assets (such as cash or goods) from one fund to another without the return of equivalent assets, goods or services, or requirement for repayment. An example of an interfund transfers include:

- Regular operations subsidies such as the general fund provides an annual operating subsidy to a transit enterprise fund.

- Cities only: Utility surplus transfers as allowed by RCW. For details see BARS Manual [3.9.3](#), *Utility Surplus Transfers*.

**b. Interfund reimbursements** - A repayment from the fund responsible for a particular expenditure or expense to a fund that initially paid for them. Interfund reimbursements are reported as an expenditure/expense in the fund ultimately responsible and as a reduction of the expenditure/expense in the fund being reimbursed.

Reimbursement situations generally result out of convenience, because of errors, or due to from routine administrative transactions; however, these can also occur when a government is not able to determine proper fund allocation of an expenditure at the time it is incurred. Interfund reimbursements examples include:

- Reimbursements to correct errors or allocate payments for pooled activities (payments for a convenience) such as distribution of telephone bills among the departments and funds after one department has paid the bill. For details see BARS Manual [3.9.4](#), *Reimbursements*.
- Overhead cost allocation - Costs of central services or support functions shared across departments and provided on a cost reimbursement basis. For details see BARS Manual [3.9.5](#), *Overhead Cost Allocation* (and **GAAP only**: [BARS GAAP Manual 3.9.6](#), *Internal Service Funds*).

3.9.8.30 Reporting of transactions in funds for interfund activity [note: for GAAP entities this activity should be recognized according to the fund’s basis of accounting]:

<b>Type of Interfund Activity</b>	<b>Fund Providing/Receiving</b>	<b>Fund Benefitting/Paying</b>
Interfund loans (Cash)	5811 - Loan disbursed 3812 - Repayment receipts 3614 - Interest receipts	3811 - Loan received 5812 - Loan payment 592PPPX - Interest paid
Interfund loans (GAAP)	Interfund loan receivable 3614 - Interest receipts	Interfund loan payable Interest expense
Interfund services provided and used	Revenue	Expenditure/Expense
Interfund transfers	397 - Transfer-in	597 - Transfer-out
Interfund reimbursements	Reduction of expenditure or expense	Expenditure/Expense

## **Loans**

### **3.9 Interfund Activities**

#### **3.9.1 Loans**

3.9.1.10 This section does not attempt to determine which moneys of a local government may or may not be available for interfund lending, since the special character of some moneys involves commitments and restrictions which would require individual consideration. As a rule of thumb, however, it may be considered permissible to make interfund loans of those moneys which are clearly inactive or in excess of anticipated cash needs throughout the duration of the loan **and** legally available for investment.

3.9.1.20 The minimum acceptable procedures for making and accounting for interfund loans are as follows:

1. The legislative body of a local government must, by ordinance or resolution, approve all interfund loans, indicating the lending and borrowing funds, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the local government) to be paid to the lending fund. The planned schedule of repayment should specify the due date(s) of payment(s) needed to repay the principal and interest on the loan.

2. Interest should be charged in all cases, unless:

- a. The borrowing fund has no other source of revenue other than the lending fund; or

- b. The borrowing fund is normally funded by the lending fund.

3. The borrowing fund must anticipate sufficient revenues to be able over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance or resolution.

4. The loan status should be reviewed annually by the legislative body at any open public meeting.

5. The term of the loan may continue over a period of more than one year, but must be "temporary" in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund. A loan that continues longer than three years will be scrutinized for a permanent diversion of moneys. (Note: these restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)

6. Appropriate accounting records should be maintained to reflect the balances of loans in every fund affected by such transactions.

3.9.1.30 No debt instrument issued by one fund and held by another fund can be considered an investment. Such activity should be accounted for and reported as an interfund loan. Although the accounting treatment for such situations is not specified within a source of authoritative pronouncements, GAAP standards require transactions to be with an external party in order to classify them as other than interfund.

3.9.1.40 For reporting interfund loan transactions, see 3.9.8, [Interfund Activities Overview](#), paragraph 3.9.8.30.

# Overhead Cost Allocation

## 3.9 Interfund Activities

### 3.9.5 Overhead Cost Allocation

Quick Links
<a href="#">3.9.5.10 Overhead costs</a>
<a href="#">3.9.5.20 Laws and requirements applicable to cost allocations</a>
<a href="#">3.9.5.90 Methods of overhead allocation</a>
<a href="#">3.9.5.100 Sound practices for fairly and equitably allocating overhead costs to benefiting funds</a>
<a href="#">Exhibit 1 – Sound practices and requirements for allocating overhead costs</a>
<a href="#">Exhibit 2 – Sound allocation factors to equitably allocate overhead costs across multiple funds and departments</a>
<a href="#">Exhibit 2 – Notes</a>
<a href="#">Exhibit 3 – Flowchart</a>
<a href="#">Additional resources</a>

3.9.5.10 **Overhead costs** consist of the costs of central services or support functions shared across departments. They may include accounting, human resources, payroll, information technology, janitorial services and others. Overhead costs may include not only the salaries, wages and benefits of the employees who work in these departments, but the utilities, supplies, information technology, building maintenance and other costs that support these employees. Typically, such services are initially paid through the general fund or an internal service fund and charged back to the departments and programs that directly benefited from them. The cost allocation process must be guided by an **overhead cost allocation plan** that describes how the organization will allocate costs reasonably and equitably across funds and departments and identifies the documentation required to support the charges.

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#### Laws and requirements applicable to cost allocations

3.9.5.20 Under state law, government officials may charge a portion of the costs for their central overhead services to restricted funds, like utility funds or special revenue funds, only to the extent that each fund benefits from those services. Utilities charge user fees based on the cost of operating the utilities, and deposit those fees into utility operating accounts. Other restricted funds have dedicated revenue streams that can only be used for specific purposes. Governments must not allocate general government service costs, such as public safety, parks, law enforcement, community and economic development, or worker apprenticeship programs to the utilities or to other funds with restricted revenue sources that cannot pay for such charges.

3.9.5.30 RCW [43.09.210](#) indicates that when one fund is charging another, the fund being charged may only pay for the actual costs of the services it receives. Governments are expected to document

those services and the costs of providing them to demonstrate these charges are fair, equitable and valid and reflect services provided.

3.9.5.40 RCW [43.09.210](#) states in part:

*All service rendered by...one department, public improvement, undertaking, institution and public service industry to another, shall be paid for at its true and full value by the department...receiving the same, and no department, public improvement, undertaking, institution or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another...*

3.9.5.50 Unlike all other funds, the general fund's revenues consist largely of unrestricted sales taxes and property taxes that can be used to support any fund or undertaking of the government, including utilities or other restricted funds and their share of government-wide overhead costs. In contrast, a utility fund's revenues consist of user fees that are restricted to paying for the costs of operating the utility, including necessary capital and debt service costs. These user fees cannot be used to support other funds or general government activities that benefit the public at large. Utility funds and other funds with restricted revenue sources should only reimburse the general fund for costs incurred to render services to those funds. **Overhead allocation plans that equitably share overhead costs facilitate compliance with the above statute.**

3.9.5.60 Similar to RCW [43.09.210](#), RCW [35A.33.122](#), RCW [35A.34.205](#) and RCW [35.33.123](#) indicate that a city may only charge its utilities for the value of services provided by general government staff:

RCW [35A.33.122](#) Administration, oversight, or supervision of utility - Reimbursement from utility budget authorized . . . **Whenever any code city apportions a percentage of the city manager's, administrator's, or supervisor's time, or the time of other management or general government staff, for administration, oversight, or supervision of a utility operated by the city, or to provide services to the utility, the utility budget may identify such services and budget for reimbursement of the city's current expense fund for the value of such services.**

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3.9.5.70 **Consistent with state law, local government is not allowed to charge general government costs that benefit the public at large to the utilities or to other funds with restricted revenues that cannot pay for such costs.** General government costs that benefit the public at large, such as police, parks and recreation, community and economic development, worker apprenticeship programs, and other similar costs should not be charged to the utilities or to other funds with restricted funding sources that cannot be used for such expenditures. These costs do not benefit the utilities and may not benefit other funds with restricted revenue sources. In most instances, these costs must be charged to the general fund.

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3.9.5.80 **Local governments should carefully consider whether to charge the costs associated with elected officials to the utilities or other funds with legally restricted revenues.** Ask the following question: "Do elected officials benefit the public at large in the form of citizen representation, or do they benefit the funds they oversee or legislate (municipal code, budget, etc.)?" If governments choose to allocate executive and legislative costs to the utilities or other funds with restricted revenues sources, they should exercise caution and should maintain



documentation to show that those charges are equitable and reflect the cost of actual services provided to the utilities and other funds with restricted revenues.

If local governments decide to allocate council/commission/oversight board costs across funds, the use of agenda items as the basis to allocate these costs across funds likely results in a fairer and more equitable allocation than one based solely on budgeted expenditures. Cities, counties and other local governments are typically prohibited by the cost principles requirements located in Subpart E of 2 CFR 200 - Uniform Guidance from allocating the costs of elected officials to federal awards.

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### **Methods of overhead allocation**

3.9.5.90 Local governments must allocate overhead costs fairly and equitably to those funds that benefit from overhead services. Charges to the benefiting funds must not exceed the cost and level of service that each fund receives.

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### **Sound practices for fairly and equitably allocating overhead costs to benefiting funds**

3.9.5.100 The **beneficiary pays** principle provides a foundation for cost allocation. Under this principle, the extent to which a support service provides a benefit to a fund/department, and the cost of providing those benefits, guides how much of the cost is paid by the fund/department. To achieve equity, the overhead allocation process must be well designed. By using leading practices for allocating overhead, local governments ensure they charge their utilities and other funds fairly. Such practices for allocating overhead among funds are discussed in our performance audit on Local Government Allocating Overhead Costs published November 28, 2011.

3.9.5.110 Sound practices start with a written cost allocation plan. Written overhead allocation plans document why and how an organization allocates overhead costs. The sound practices identified by our performance audit for accurately and equitably allocating overhead costs are summarized in Exhibit 1. These practices and requirements apply to all overhead cost allocations, including those that are accomplished through the use of internal service funds.

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<p><b>Exhibit 1</b> <b>Sound practices and requirements for allocating overhead costs</b></p>
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**1. Develop and maintain an overhead allocation plan that reflects decisions about which overhead costs will be allocated to which funds or departments and on what basis.** A well-developed plan must:

- a. Include relevant, up-to-date information about overhead and how to allocate it equitably. It must describe each overhead cost center, which costs are allocable and which are not, and what allocation factors and data sources will be used to calculate the allocations. It must describe the decisions made and the rationale for those decisions. It must contain the calculations of overhead charges to each fund and department. Cities, counties and other local governments should update the plan annually.
- b. Use factors that equitably allocate central overhead costs to each fund or department. Allocation factors are used to allocate overhead costs to departments and funds that benefit from overhead services. Different factors are necessary to equitably allocate the various overhead costs. For example, square footage is an appropriate factor to allocate maintenance and janitorial costs. The number of transactions is an appropriate factor to allocate accounting costs. Good allocation factors result in each fund and department paying only for the overhead services it received. Local governments must ensure that allocation factors are based on current and accurate information. If estimates or budgeted figures are used, governments should adjust them to actual at least annually. Exhibit 2 shows appropriate allocation factors for common types of overhead costs.
- c. Allocate overhead to all benefitting funds and departments for overhead services received. If governments decide not to charge overhead to a particular fund or department, the general fund must absorb that fund or department's share of the costs. Excluding a fund or department from the calculation results in overcharges to all remaining funds and departments.
- d. Ensure that general government costs or questionable costs that do not clearly benefit the utilities (or other funds with legally restricted revenues) are charged entirely to the general fund. The primary purpose of general government programs is to serve the public at large. Charging such costs to the utilities or other funds with restricted revenue sources that cannot pay for such expenses is questionable because they do not support these funds. The costs of such programs are typically paid for by the general fund.

## **2. Properly charge department**

- a. Charge departments and funds only after overhead services are provided. Overhead allocation plans allow a government to forecast the amount of overhead it will charge each department in a given year. Although costs can be charged quarterly, monthly or more frequently, they must *always* be charged after services are rendered. If the general fund charges overhead costs before services are rendered, it has borrowed money from other funds, and interfund loan rules must be followed ([Loans](#)).
- b. Charge departments and funds only for actual costs. If local governments charge departments and funds based on estimated overhead costs, they should reconcile and adjust those estimates to actual costs at least once a year. Similarly, the administrative requirements, cost principles, and audit requirements located in 2 CFR 200 - Uniform Guidance requires such reconciliation and adjustment if estimated overhead costs have been allocated to federal grants.

**3. Maintain appropriate documentation** to support what overhead costs were charged to each department and fund, the amount of the charge and how it was determined. State law (RCW [43.09.210](#)) says that when one fund charges another for services provided, the receiving fund should pay the full value of the services. Governments cannot demonstrate compliance with this law unless they maintain documentation that shows (1) the cost of each overhead cost center, (2) the level of service each provided to benefitting funds and departments and how it was determined, and (3) the amount charged to each fund and department.

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## **Exhibit 2**

### **Sound allocation factors to equitably allocate overhead costs across multiple funds and departments**

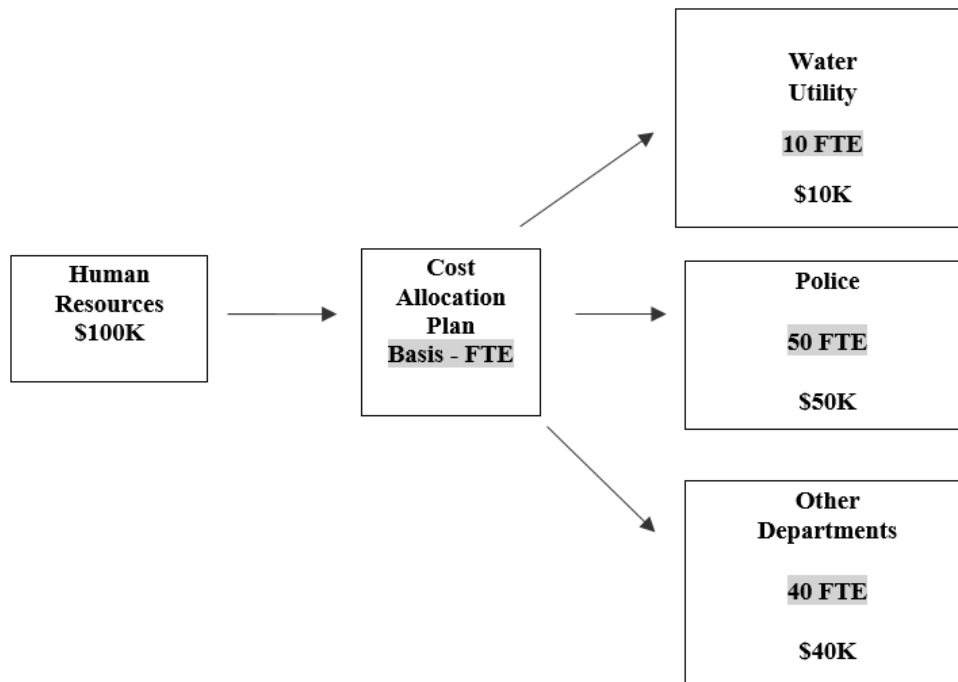
<b>Type of costs</b>	<b>Factors used to calculate overhead costs</b>
Maintenance and janitorial	Square footage
Electric and other externally provided utilities	Square footage
Accounting	Actual expenses or number of transactions
Budget	Actual expenses, budgeted expenses or number of staff (FTE) (a)
Payroll	Number of staff (FTE) or payroll warrants
Human resources	Number of staff (FTE)
IT services	Number of computers, servers, databases or ports (b)
Legal - indirect costs	Actual expenses or hours worked
Insurance	Number of staff (FTE), claims or loss history, square footage, property values insured, and risk factor
Accounts payable	Number of transactions (including vouchers or invoices)
Purchasing	Number of transactions (procurements)

Notes: If local governments are allocating other overhead costs not shown above, they must choose allocation factors that result in allocations that are fair, equitable and reflect the cost of services actually received by the benefiting funds.

(a) Using actual expenses, budgeted expenses, the number of staff - or a combination of the three - can all result in fair and equitable allocations. Governments must document why the approach they selected results in fair and equitable allocations that best reflect the cost of services actually received by the benefiting funds.

(b) Ports alone may not be the best basis for organizations that have moved to a wireless network model.

**Exhibit 3**  
**Example Allocation of Human Resource Costs**



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**Additional resources**

**Disclaimer:** The following are links to non-authoritative resources and are not prescribed as part of BARS Manual requirements.

- [Center for Government Innovation](#): Resource Database, search *cost allocation* (guidance).
- [GFOA](#): search *indirect cost allocation* (best practice).

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## Property Transfers

### 3.9 Interfund Activities

#### 3.9.2 Property Transfers

3.9.2.10 RCW [43.09.210](#) requires that, when property is transferred between funds of the same local government, it should be paid for at its full value by the fund which receives it. This requirement applies only if the capital assets were acquired with restricted resources. The following rules are intended to clarify the application of this statute and provide other guidance related to the property transfers:

**1.** When a local government wishes to acquire capital assets for an internal service fund, such as the Equipment Rental and Revolving Fund, the budgets of the contributing funds should specifically identify the item(s) of equipment to be purchased. Documentation of the equipment purchase must be adequate to show that the funds originally budgeted for a specific piece of equipment were actually used for the purchase of that item.

If the asset is purchased from the contributing fund resources, the transaction in the internal service fund should be accounted for as a capital contribution (DR Capital Asset/CR Capital Contributions).

When nonmonetary assets are contributed or transferred within the government, the assets must be recorded at book value. If governments transfer assets acquired with restricted resources, they must track their usage and disposal to assure that one fund is not benefitting from another.

The transfer of assets between the governmental fund and an internal service fund must be approved by the local government's legislative body.

**2.** The transfer of general capital assets (originally purchased with unrestricted resources) between two governmental funds of the same government should be accounted for merely as a change in location and/or custodian because the assets are not owned by the particular funds. Such transfers are not subject to budgetary control, but the assets should be declared surplus to the needs of the relinquishing fund and the transfer approved by the local government's legislative body. The [GASB Statement 48](#) enunciates the principle that the reported value of an asset can neither decrease or increase simply as the result of movement within the financial reporting entity. If the resources involved with the original purchase were restricted, the capital assets must be paid for by the receiving fund.

**3.** The transfer of assets between the governmental fund and an enterprise fund should be budgeted and accounted for as a sale and purchase of property. Proceeds of such sale should be deposited to the fund which originally paid for the item or to the general (current expense) fund at the discretion of the legislative body unless a particular statute requires another treatment. The capital asset should be reported in the recipient fund at the same net book value previously reported (i.e., historical cost less accumulated depreciation) in the government-wide statement of net position or proprietary funds.

## **Reimbursements**

### **3.9 Interfund Activities**

#### **3.9.4 Reimbursements**

3.9.4.10 For financial reporting purposes, all revenue, expenditures/expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the transaction takes place. This means transactions should be presented at gross amounts unless the transaction is a reimbursement or else netting is specifically allowed by GAAP. Examples of allowable netting other than reimbursements include reinsurance activities for public entity risk pools ([GASB Statement 10](#)), pollution remediation obligation ([GASB Statement 49](#)) and some insurance recoveries ([GASB Statement 42](#)), etc.

#### ***Interfund reimbursements***

3.9.4.20 Reimbursements are repayments from the fund responsible for particular expenditures/expenses to the fund that initially paid for them. They are adjustments to correct the assignment of the expenditures/expenses. Reimbursements reduce expenditures/expenses in the fund that is reimbursed and move the expenditures/expenses to the fund that ultimately pays for it. The offsetting transaction should be posted on an object level.

3.9.4.30 There is one major exception to this definition: frequently, internal service funds are created to account for cost allocation and purchasing. In those funds, cost allocations and payments for pooled purchases are treated as revenues rather than reimbursements.

3.9.4.40 Examples of reimbursements include: correction of errors, internal allocation of overhead and payments received for others' share of pooled activities (payments for a convenience) such as the distribution of utility and telephone bills among the departments and funds after one department has paid the bill or the allocation of insurance premiums and payrolls among various departments and funds.

3.9.4.50 Reimbursements do not include recoveries for damages, whether from insurance or from private sources, grants, contractual payments, impact payments, or shared costs of providing services from the federal, state or local governments. Also, do not include expenditures which constitute direct cost of the activity like interfund taxes, utility payments, licenses, interest, etc.

#### ***Reimbursements to external parties***

3.9.4.60 Only corrections of error (including discounts/rebates awarded after the transactions were completed) would qualify as reimbursement and as such, they should be treated in similar manner like interfund reimbursements. If a local government has an ongoing relationship with an external entity (e.g., phone company, etc.) the amounts of reimbursements most likely would be included in the upcoming bill, so no adjusting entry is required. If the reimbursement is related to the expenditure/expense from the previous fiscal year and is immaterial, the amount of reimbursement may be recorded as revenue. If it is material, the government should adjust its fund balance.

3.9.4.70 Examples of transactions that should not be accounted for as reimbursements include: state payments for public health services, expert witnesses, police salaries while attending criminal justice training; federal/state/local payments for the care and custody of prisoners and for election costs; local payments for data processing services, police/sheriff services, street maintenance, etc.; private payments for street repairs, culvert installations, weed control, demolition of dangerous

property, subleases, etc.

3.9.4.80 For an overview of reporting interfund loan transactions, BARS Manual [3.9.8](#), *Interfund Activities Overview*, paragraph 3.9.8.30.

## Utility Surplus Transfers

### 3.9 Interfund Activities

#### 3.9.3 Utility Surplus Transfers

***This guidance applies only to cities.***

3.9.3.10 **Surplus** - The amount by which operating revenues exceeds operating expenses. When determining the available surplus in a proprietary fund, the following must first be deducted from the proprietary fund balance: capital asset replacement cost, future capital expansions and improvements and any legally restricted resources.

3.9.3.20 The surplus can be transferred to the general (current expense) fund under the following circumstances:

- Second class cities may transfer the excess income to the general (current expense) fund (RCW [35.23.535](#)).
- Cities under 20,000 (except first class) must transfer any surplus in utility funds to the general (current expense) fund unless the legislative body finds the money necessary for certain utility fund purpose (RCW [35.37.020](#)).



# Compliance

## Bond Coverage for Public Officials and Employees

### 3.10 Compliance

#### 3.10.3 Bond Coverage for Public Officials and Employees

3.10.3.10 These recommendations are intended to make local governments aware of possible bond restrictions and limitations. Any modifications made in bond coverage should be thoroughly reviewed with your legal counsel.

##### 3.10.3.20 Cover all employees

Bond coverage should be provided for all employees. Since individual position bonds often are limited in coverage, the entity should consider an employee blanket bond.

##### 3.10.3.30 Increase amounts of coverage

Dollar limits of current bond coverage may be established by the statute; however, this minimum amount may not be enough. The bond coverage amounts should be reviewed to ensure that there is adequate coverage over loss. Costs associated with increased bond coverage are often minimal considering the protection that increased coverage provides.

A reasonable amount of bond coverage will vary with the size and financial activities of each local government. In determining the amount of coverage needed the insurance broker, legal counsel and other municipalities should be consulted when determining amount of coverage needed.

##### 3.10.3.40 Improve type of coverage

Consideration should be given to the value of the less restrictive coverage of faithful performance bonds. Honesty bonds often require evidence of the employee's dishonesty before recovery can be made. Faithful performance bonds only require proof that a loss has been incurred.

##### 3.10.3.50 Eliminate restrictions on coverage

**Non-cumulative coverage** - A common restriction in bond coverage is limiting any recovery to the face amount of the bond, regardless of the number of years the loss covered.

For example: Assume losses of \$10,000, \$20,000 and \$20,000 were incurred in three consecutive years, respectively, and a \$20,000 bond was in force for all three years. Non-cumulative coverage would limit the total bond recovery to \$20,000, thereby resulting in an uninsured loss of \$30,000.

The effect of the non-cumulative limitation should be considered when determining amounts of coverage.

**Audit costs** - Sometimes an extensive audit is required in order to prove and document a loss. Audit costs are often not recoverable due to limitations in bond coverage. Specifically including audit costs in the bond coverage should be considered when establishing coverage.

**Filing on bond** - Restrictions as to who can file for recovery on behalf of the bondholder should be reviewed. Such restrictions could prevent filing by the Attorney General's Office or other regulatory agency, resulting in additional legal costs to the local government.

### 3.10.3.60 **Bond coverage does not replace errors and omission coverage**

A bond is not insurance. Although the bonding company may pay on a loss, it can seek to recover the amount it paid from the bonded official. To protect officials from such liability, local governments should consider carrying errors and omission insurance.

## **County Fair Operations**

### **3.10 Compliance**

#### **3.10.1 County Fair Operations**

***This guidance applies only to counties.***

##### **3.10.1.10 Management of fair operations**

RCW [36.37.040](#) states in part:

"The board of county commissioners may employ persons to assist in the management of fairs or by resolution designate a nonprofit corporation as the exclusive agency to operate and manage such fairs."

##### **3.10.1.20 Deposit of funds received by a county fair operation**

All funds received by a county fair operation, such as allocated parimutuel funds, donations, and proceeds from the operation of the fair, must be properly deposited in the county treasury under the provisions of RCW [36.29.010](#) and RCW [36.29.020](#).

However, if the county has contracted with a nonprofit corporation as the exclusive agency to operate the county fair, funds would be received by the county in accordance with such contract and subject to audit under Chapter [43.09](#) RCW.

##### **3.10.1.30 Establishment of fund to operate fair**

At the option of the board of county commissioners, the county fair may be operated as a department within the general (current expense) fund or it may be operated as a separate County Fair Fund. If a fair fund is established and borrows from the general (current expense) fund, interfund loan procedures must be followed, except that no interest on the interfund loan needs to be charged.

Within the fund chosen for the operation of the fair, the board of county commissioners may authorize the county auditor to provide a revolving fund to be used by the fair officials for the conduct of the fair. The purpose of the revolving fund is to allow for immediate payment of premiums, casual labor and the many other items needed during the period the fair is being conducted without going through the formality of a warrant issue.

BARS Manual [3.8.8](#), *Imprest, Petty Cash and Other Revolving Funds*, contains the minimum requirements for the establishment and operation of a revolving fund. All those requirements apply except that a paid receipt or properly executed invoice voucher will not be required for premiums or prizes disbursed. A list of premium or prize winners, supplemented by entry records and certified by the fair board, will suffice to evidence expenditures for this purpose.

## Limitation of Indebtedness

### 3.10 Compliance

#### 3.10.5 Limitation of Indebtedness

3.10.5.10 The amount of debt a government may incur is limited by the State constitution (Article VIII, Section 6) and individual statutes. Debt limits are based on total taxable property value and vary by type of government. Each government should calculate its available debt capacity each time it is considering issuing additional debt.

3.10.5.20 The following information is needed to complete the calculation:

1. Total taxable property value
2. Total amount of general obligation debt; nonvoted and voted
3. Amount of assets available to pay debt

3.10.5.30 Use the appropriate government type spreadsheet in the [Calculation of Limitation of Indebtedness](#) to automatically perform the calculation. If the specific entity type is not available, use the general spreadsheet. With the proper adjustments, this spreadsheet can be used by any municipality to compute its debt limit. Calculate both the constitutional and statutory debt limits.

#### 3.10.5.40 What is the difference between the constitutional debt limit and the statutory debt limit?

Although state law (RCW [39.36.060](#)) allows cities and counties to exclude public loans from the statutory debt limit, these loans are **not** excluded from the constitutional limit (RCW [39.69.030](#)).

Example - Assume a city has taken out Public Works Trust Fund loans that are considered to be general obligation debt and equal to 1 percent of its assessed valuation. These loans are excluded from the statutory debt limit calculation (1.5 percent), but not from the constitutional debt limit calculation (also 1.5 percent). Its statutory margin of indebtedness without a vote would still be 1.5 percent. However, it could only issue an additional 0.5 percent of non-voted debt because to issue any more would exceed the constitutional limit.

Note that many government loans (including some of the Public Works Trust Fund loans) are not considered a *debt* because utility revenues will pay the debt service. [\[1\]](#) Therefore, they are outside both the statutory and constitutional debt limit calculations.

#### 3.10.5.50 What is *debt* for the purpose of calculating my debt limit?

Debt has been broadly interpreted to mean all borrowed money payable from taxes. This includes all **general obligation debt**, but not obligations payable from nontax revenue sources, such as revenue bonds. Also, obligations that can be discharged from funds currently available, such as warrants and accounts payable, are not considered *debt* for purposes of these statutes.

3.10.5.60 General obligation debt includes the following:

- **General Obligation Bonds (Voted and Non-voted)**, including bond anticipation notes which are to be paid off with the proceeds of the bonds. Include interest only if it has matured and is due and payable.
- Deep discount debt (e.g., zero coupon bonds). Report the face amount of the bond less the

unamortized portion of the discount.

- Registered warrants issued against the general (current expense) or other **tax supported funds**.
- Lines of Credit, to the extent they are drawn upon.
- Executory conditional sales or installment sales contracts pledging the full faith and credit of the taxing district. (RCW [39.30.010](#))
- Other obligations of the general or other **tax supported funds**, except for loan agreements with agencies of the state of Washington or the U.S.A. dated on or after April 3, 1987. (RCW [39.36.060](#) and RCW [39.69.020](#))
- Capital leases, principal only (RCW [35.42.200](#))

**Note:** Counties should not include the debt of junior taxing districts.

3.10.5.70 The following obligations do not constitute debt for debt limitation purposes:

- Outstanding warrants or checks (except for registered warrants)
- Accounts payable and other obligations that will be paid from funds currently available
- Obligations payable from special funds and solely from unanticipated service revenue
- Accrued interest that has not matured
- Refunded or revenue debt
- Special assessment debt
- Interfund loans
- Pension and OPEB obligations
- Pollution remediation liabilities
- Compensated absences
- Contingent liabilities (unless the contingency has been triggered and a liability is recognized)

#### 3.10.5.80 **What is the difference between non-voted and voted debt?**

Non-voted debt is issued without a vote of the taxpayers. The debt service on non-voted debt is paid out of general government revenues. Voted debt is authorized by the taxpayers at an election. The debt service on voted debt is paid from excess property tax levies under RCW [84.52.056](#).

#### 3.10.5.90 **What is the government's total taxable property value?**

It is the assessed value of taxable property in the county, city or town, ascertained by the last assessment for state or county purposes. Incorporated cities should also include the timber value as defined in RCW [84.33.035](#).

For purpose of calculating the debt limit, local governments should use the last assessed valuation of taxable property. The **last assessed valuation** is the valuation placed on the last completed and balanced tax rolls of the county preceding the date of contracting the debt (RCW [39.36.010](#), RCW [39.36.015](#) and RCW [84.52.080](#)).

#### 3.10.5.100 **What assets are available to pay debt?**

Include all applicable cash and cash equivalents available for the payment of general obligations. This includes cash in debt service funds that are reserved for the payment of general obligation debt. Generally, cash outside of debt service funds is used to meet current obligations. Do not include cash or investments that are restricted for other than debt payment purposes. Do not include cash or investments that will be used to make interest payments during the initial months of the subsequent fiscal year prior to property tax collections. Also, do **not** include uncollected taxes from

prior years except taxes specifically levied for debt redemption.

#### 3.10.5.110 **What is the government's debt limit?**

See the table below for constitutional, general and entity specific limits. If the entity type is not listed, use the general (for all other taxing districts) limits. Also, review the RCW's for the specific entity type to identify any additional requirements.

<b>Debt Limits</b>	<b>Non-Voted</b>	<b>Voted</b>
<i>Cities/Towns</i> additional for utilities additional for open space/facilities (RCW 39.36.020)	1.50%	2.50% 2.50% 2.50%
capital leases – principal (RCW 35.42.200)	1.50%	
<i>Counties</i> additional for counties that have assumed powers of metropolitan municipal corporation (Chapter 36.56 RCW) (RCW 39.36.020)	1.50% 0.75%	2.50% 2.50%
<i>Fire Districts</i> (RCW 52.16.061, RCW 52.16.080)	0.375%	0.75%
<i>Public Hospital Districts</i> (RCW 39.36.020)	0.75%	2.50%
<i>Library Districts</i> (RCW 27.12.222)	0.10%	0.50%
<i>Metropolitan Municipal Corporation</i> (RCW 35.58.450)	0.75%	5%
<i>Metropolitan Park Districts</i> (RCW 35.61.100, RCW 35.61.110)	0.25%	2.50%
<i>Ports – general</i> additional for airport capital improvements (RCW 53.36.030)	0.25% 0.125%	0.75% 0.375%
additional for foreign trade zone (RCW 53.08.030)		1.00%
additional for construction (RCW 39.28.030)	0.1875%	no change
<i>Public Utility Districts – for property acquisition</i> (RCW 54.24.018)	0.75%	
<i>School Districts</i> additional for capital outlay (RCW 39.36.020)	0.375%	2.50% 2.50%
<i>Transits</i> (RCW 81.112.130)	1.50%	5%
<i>Water/Sewer Districts</i> (RCW 57.20.110, RCW 57.20.120)	0.50%	2.50%
<i>Cemetery Districts</i> (RCW 68.52.310)	\$ .1125 per \$1,000	
General – for all other taxing districts (RCW 39.36.020)	0.375%	1.25%
<b>CONSTITUTIONAL DEBT LIMIT</b> Article VIII, Section 6		
General	1.50%	5%
additional for utilities – Cities/Towns only		5%
additional for capital outlay – School Districts only		5%

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## Footnotes

**[1]** *Debt* is defined as borrowed money payable from taxes (State ex rel. Witter v. Yelle, 65 Wn.2d 660, 339 P.2d 319 (1965); Troy v. Yelle, 36 Wn.2d 192, 217 P.2d 337 (1950)). Because most of the Public Works Trust Fund loans are utility infrastructure loans in which user fees payable into special funds are pledged for repayment, these loans fall under the *special fund doctrine* and are considered revenue bond debt, rather than a *debt* of the municipality. (Municipality of Metropolitan Seattle v. Seattle, 57 Wn.2d 446, 357 P.2d 863 (1960)).

[Return to Reference 1](#)



## **New Entity Creation or Dissolution Notification**

### **3.10 Compliance**

#### **3.10.6 New Entity Creation or Dissolution Notification**

**3.10.6.10 This requirement is in addition to the reporting requirements for counties contained in state law (RCW [36.96.090](#)).**

3.10.6.20 In recent years we have encountered public entities that were created by local governments through interlocal agreements or other arrangements (e.g., transportation benefit districts, community facility districts and any entities created by interlocal agreements). These entities were not audited timely or found themselves facing issues that may have been avoided if our Office had known about these entities. To avoid similar situations, we are requiring all local governments to continuously report to our Office information regarding the creation or dissolution of such entities.

3.10.6.30 This will allow our Office to provide timely advice and assistance in the initial stages of formation so entities understand state, local and federal requirements and foster public accountability and meet public expectations. Our Office will be able to assist the new entity in establishing the appropriate accounting and financial reporting model and determine if the entity requires a separate audit and, if it does, schedule it in a timely manner.

3.10.6.40 Similarly, the ongoing report regarding dissolution of entities would allow us to conduct timely final audits and provide us with opportunities to provide advice or referral regarding issues associated with dissolutions.

3.10.6.50 The *New Entity Creation or Dissolution Notification* form (available on our [BARS Reporting Templates](#) page) outlines the required details. The completed form should be submitted electronically to the local audit team. For questions regarding this process, please use the [HelpDesk](#) through our Online Services.

## Promotional Hosting

### 3.10 Compliance

#### 3.10.7 Promotional Hosting

***This guidance applies only to port districts.***

3.10.7.10 Promotional hosting means furnishing customary meals, refreshments, lodging, transportation or any combination of those items in connection with:

- business meetings,
- social gatherings, and
- ceremonies honoring persons or events, relating to the authorized business promotional activities of a port.

3.10.7.20 Hosting may also include reasonable, and customary entertainment and souvenirs of nominal value, all incidental to such events.

3.10.7.30 Promotional hosting ***must be explicitly related to promoting trade and industrial development.***

3.10.7.40 RCW [53.36.120](#) authorizes expenditures for industrial development, trade promotion, and promotional hosting and requires that such expenditures be “. . . pursuant to specific budget items as approved by the port commission . . . .” RCW [53.36.130](#) limits funds for promotional hosting expenses to a formula based upon total gross operating revenues. RCW [53.36.140](#) requires the port commission to adopt written rules and regulations governing promotional hosting expenses, and RCW [53.36.150](#) directs the State Auditor to audit promotional hosting expenses and to promulgate appropriate rules and definitions as a part of its uniform system of accounts.

3.10.7.50 Promotional hosting expenses should include not only money spent directly by the port officers and employees, but also money spent by contractors or consultants when a contract explicitly or by clear implication calls for contractors or consultants to engage in promotional hosting with the funds they received from the port.

3.10.7.60 Ports may host a variety of people: private individuals, union officials, foreign or U.S. government dignitaries, officials from local, Washington and other states, officials from out-of-state or in-state ports. In all cases, to correctly categorize the incurred costs as promotional hosting expenses, the port must reasonably believe that a particular individual or a group of people could sufficiently influence trade or industrial development. The indiscriminate hosting of people who have no conceivable influence in that area is a violation of the statute.

3.10.7.70 Ports should also exercise a caution regarding hosted officials and the legality of accepting gifts and gratuities (e.g., the federal employees may be prohibited from doing that). Also representatives from state or local governments are often reimbursed for expenses incurred in connection with such port events. However, if those costs are unreimbursable or when they are inseparable as practical matter from otherwise promotional activities, they can be treated correctly as appropriate promotional hosting expenditures. Above rule may also apply to the port’s own officials or employees participating in the promotional event.

3.10.7.80 If a port official or employee is authorized by the port commissioners to make expenses for promotional hosting and if such hosting is done while in travel status, then that cost may be paid with moneys advanced from the *Advance Travel Expense Account*.



## Reporting Losses of Public Funds or Assets or Other Illegal Activity

### 3.10 Compliance

#### 3.10.2 Reporting Losses of Public Funds or Assets or Other Illegal Activity

3.10.2.10 Revised Code of Washington (RCW [43.09.185](#)) requires that all state agencies and local governments **immediately** notify the State Auditor's Office (SAO) in the event of a known or suspected loss of public funds or assets or other illegal activity.

3.10.2.20 Entities are encouraged to develop policies and procedures to implement this statute. This guidance should establish an individual responsible for informing managers and employees about these reporting requirements and ensuring the SAO is promptly informed of losses as required. These actions will also help to ensure that:

- Losses are minimized.
- Investigations and audits are not hampered.
- Improper settlements are not made with employees.
- Incorrect personnel actions are not taken.
- Employees are protected from false accusations.
- Bond claims are not jeopardized.

3.10.2.30 Entities should take the following actions when a loss of public funds or assets or other illegal activity is suspected or detected:

1. Report the loss to the [SAO](#) at or to the Audit Manager in your area, or his/her designee.
2. Protect the accounting records from loss or destruction. All original records related to the loss should be secured in a safe place, such as a vault, safe or other locked file cabinet, until the SAO has completed an audit.
3. Notify appropriate entity managers who are not involved in the loss. This may include the governing body, agency head or deputies, chief financial officer or internal auditor, depending upon the circumstances. Providing notification to your legal counsel may also be appropriate.
4. Do not enter into a restitution agreement with an employee prior to an audit to establish the amount of loss in the case.
5. Ensure that any personnel action is taken based on the employee not following entity policies and procedures, rather than for misappropriating public funds (civil versus criminal).
6. File a police report with the appropriate local or state law enforcement agency when advised to do so by the SAO.

3.10.2.40 Entities should **immediately** notify the appropriate local or state law enforcement agency of the following:

- Suspected losses involving the health or safety of employees or property.
- Losses resulting from breaking and entering or other vandalism of property.

3.10.2.50 Entities **are not required** to report the following to the SAO:

- Normal and reasonable *over and short* situations from cash receipting operations. Record these transactions in the accounting system as miscellaneous income and expense, respectively, and monitor this activity by cashier for any unusual trends.
- Reasonable inventory shortages identified during a physical count. Record inventory adjustments in the accounting system.
- Breaking and entering or other vandalism of property.

3.10.2.60 Please do not attempt to correct the loss without reporting to the authorities identified above. In addition, RCW [43.09.260](#) requires written approval of the State Auditor and Attorney General before state agencies and local governments make any restitution agreement, compromise, or settlement of loss claims covered by RCW [43.09.185](#).

# Special Topics

## Transportation Benefit Districts (TBD)

### 3.11 Special Topics

#### 3.11.1 Transportation Benefit Districts (TBD)

***This guidance applies only to cities, counties and transportation benefit districts.***

3.11.1.10 Transportation Benefit Districts (TBDs) are separate legal entities that are created by cities or counties under [Chapter 36.73 RCW](#) for the purpose of financing their transportation improvements. The governing body of the creating city/county serves also as the governing body of the district and the district's area of operation is limited to the boundaries of the creating city/county.

3.11.1.20 Any transportation improvement funded by the district must be owned by either the creating city or county or by the State or a participating port or transit district. Transportation improvement projects may also include the operation, preservation, and maintenance of facilities, so not all spending must result in an asset.

3.11.1.30 Generally, a TBDs only activity is to collect a non-voted car tab fee or a voter-approved sales tax and to remit the proceeds to the creating city/county. However, under [Chapter 36.73 RCW](#), TBDs may also collect voter-approved property taxes, impact fees and tolls. Districts may also issue bonds, accept grants and donations, and create LIDs.

3.11.1.40 Per [RCW 36.73.050](#), the ordinance that establishes the district must specify the functions and transportation improvements to be funded by the district. Some ordinances establishing TBDs identify projects with a definitive completion date and restrict allowable expenditures to specific costs; however, most ordinances provide for ongoing projects and any spending allowable for a street or road fund.

**3.11.1.50 Each TBD should have its own MCAG number, submit its own annual report, and is subject to a separate audit in accordance with [Chapter 43.09 RCW](#).**

#### 3.11.1.60 Accounting

Per [RCW 36.73.020\(3\)](#), districts must use the creating city or county as their fiscal agent. Accordingly, the TBD should be accounted for in the city/county's general ledger and its transactions should be processed through the city/county's regular bank accounts and systems. There is no requirement for the city/county to open a separate bank account for the TBD.

Typically, all TBD revenues are immediately disbursed to the creating city/county as contract expenditure. Under this typical model the TBDs would not have any direct expenditures or hold any cash or assets.

#### 3.11.1.70 Accounting for revenues and expenditures

The TBD's revenues should be accounted for as BARS code 3176000 for car tab fees and 3132100 for sales tax. If the TBD disburses these revenues to the city/county, it should record the payment as contract expenditure (54PPP40). The city/county would then record 3441000 for receipt of the contract revenues and record actual expenditures using appropriate expenditure codes (54PPPP0,

595PPP0, etc.). If the TBD expends funds directly, it would record expenditures using appropriate expenditure codes for the transaction. The city/county should ensure that there is no double counting of the same expenditures in the city/county and TBD's accounting system. Furthermore, the city/county's capital assets value should be adjusted to reflect improvements accounted for directly in the TBD.

### **Financial reporting by creating city/county**

TBDs should be reported in the financial statements of their creating city/county as follows:

**3.11.1.80 Cash basis cities/counties:** The TBD should be reported in the city/county's annual report as a fiduciary custodial fund. Also, the city/county as a treasurer should prepare a separate annual report for the TBD since the TBD is a separate legal entity. From the TBD's perspective, it reports as a general fund and the fund number should be 001.

**3.11.1.90 GAAP cities/counties:** For reporting purposes, TBDs are considered blended component units. This relationship should be disclosed in the notes to financial statements. Generally, the TBD is blended into the city/county fund that receives and spends the tax revenues (e.g., general fund, street fund, etc.). Blending into the city/county fund that receives and spends the TBD's revenues results in an **intra**-fund elimination to avoid double counting and reporting. The city/county should also report actual expenditures related to performed work (54PPPP0, 595PPP0, etc.). However, the city/county may choose to blend the TBD by reporting it as a separate special revenue fund of the city/county, in which case eliminations would only be made for the government-wide statements.

**3.11.1.100** Also, the city/county as a treasurer should prepare a separate annual report for the TBD since the TBD is a separate legal entity. From the TBD's perspective, it reports as a general fund and the fund number should be 001.

### **3.11.1.110 Compliance requirements**

General compliance requirements apply to TBD's, including the Open Public Meetings Act, public disclosure, expenditure audit and certification, conflict of interest, insurance/bonding requirements, limitation of indebtedness and authorized investments.

[RCW 36.73.160\(2\)](#) requires the district to issue an annual report describing the status of transportation improvements, expenditures, revenues and construction schedules. This requirement is separate from, and in addition to, the BARS annual reporting requirements of [RCW 43.09.230](#).

### **3.11.1.120 Assumption of TBDs by Cities and Counties**

[Chapter 36.74 RCW](#) authorizes cities and counties assumption of existing TBDs. When the TBD ceases to exist as a separate legal entity, the district is still required to prepare the final annual report (financial statements and appropriate schedules) for the last (entire or partial) year of its existence. The district will be also subject to close-out audit. The assumption of TBDs by cities and counties require reporting to the State Auditor's Office through the [New Entity Creation or Dissolution Notification form](#). This form should be submitted electronically to your local audit team.

GAAP governments should treat this transaction as a transfer of operations described in [GASB Statement 69, Governments Combinations and Disposals of Governments Operations](#).

In both GAAP and cash basis entities, the final entry should be coded to either account 3850000 or 5850000, *Special/Extraordinary Items*. These accounts should be used in both situations: (1) in the TBD (5850000) when disposing the operations, and (2) in the city/county (3850000) when receiving

the money. It should not be coded as street expenditure in the TBD.

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### **Additional resources**

***Disclaimer:*** The following are links to non-authoritative resources and are not prescribed as part of BARS Manual requirements.

The [MRSC website](#) has an expanded discussion of the history of TBDs and a list of active districts.



# Reporting

## Reporting Principals and Requirements

### Reporting Requirements and Filing Instructions for Cities and Counties

#### 4.1 Reporting Principles and Requirements

##### 4.1.5 Reporting Requirements and Filing Instructions for Cities and Counties

4.1.5.10 Pursuant to RCW [43.09.230](#), Annual Reports are to be certified and filed with the State Auditor’s Office (SAO) within **150 days** after the close of each fiscal year.

Statements and Schedules	Cities and Counties	
	With annual revenue of \$2 million or more	With annual revenue of less than \$2 million
<b>C-4</b> Fund Resources and Uses Arising from Cash Transactions	<b>X</b>	See caution
<b>C-5</b> Fiduciary Fund Resources and Uses Arising from Cash Transactions	<b>X</b>	See caution
<b>01</b> Revenues/Expenditures/Expenses	<b>X</b>	<b>X</b>
<b>06</b> Summary of Bank Reconciliation	<b>X - See footnote 1</b>	<b>X - See footnote 1</b>
<b>09</b> Liabilities	<b>X</b>	<b>X</b>
<b>15</b> Expenditures of State Financial Assistance	<b>X</b>	<b>X</b>
<b>16</b> Expenditures of Federal Awards	<b>X</b>	<b>X</b>
<b>17</b> Public Works	<b>X</b>	<b>X</b>
<b>19</b> Labor Relations Consultant(s)	<b>X</b>	<b>X</b>
<b>20</b> Sale and use Tax for Public Facilities – Rural Counties	<b>X</b>	<b>X</b>
<b>21</b> Risk Management	<b>X</b>	<b>X</b>
<b>22</b> Assessment Questionnaire		<b>X - See footnote 2</b>

**X Required to be prepared by cities and counties and submitted to the SAO.**

#### Footnotes

**[1]** Cities were required to prepare the Schedule 06 beginning in reporting year 2019. Counties are required to prepare the Schedule 06 for reporting year 2020.

**[2]** Cities with total revenues usually less than \$300,000 are **also** required to submit an Assessment Questionnaire.

4.1.5.20 The following [matrix](#) provides additional details regarding reporting requirements for

governmental, proprietary and fiduciary funds.

## **Caution**

4.1.5.30 Local governments with total revenues of \$2 million or less are not required to prepare C-4 or C-5 statements unless debt covenants, a contract, a grantor or the city/county's legislative body requires the city/county to prepare the financial statements or to receive a financial statements audit. If this request is made, C-4 and C-5 statements and notes should be prepared. The \$2 million threshold calculation excludes any proceeds from issuance of long-term debt and resources held by the city/county in its fiduciary capacity. Local governments which choose not to prepare C-4 and C-5 statements must have their budgeted information available for the audit.

4.1.5.40 If more than \$750,000 in federal funding was expended by the entity during the year and a federal single audit is required, the entity must prepare financial statements if it has expenditures of federal moneys from more than one program or cluster. However, an entity that normally does not prepare financial statements may not need to prepare them for the single audit if it has expenditures from only **one** program or cluster. Entities should consult with their local SAO team or the SAO HelpDesk if they have questions about this requirement.

### **4.1.5.50 Forms**

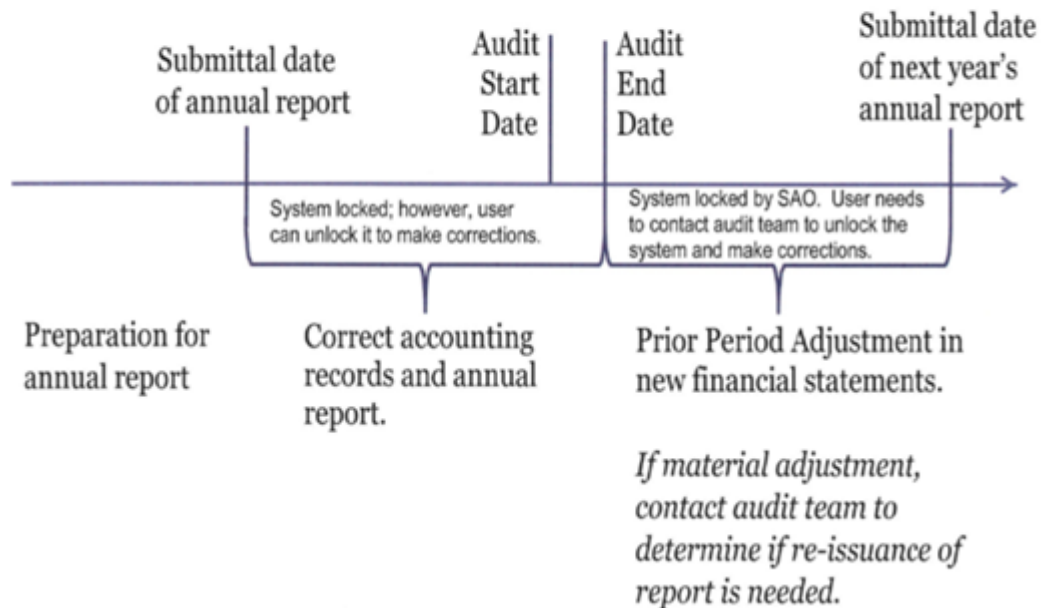
The templates for Online Filing for Schedules 01, 06, 09, 15 and 16 are available on the [BARS Reporting Templates](#) page on the SAO website. When using the Online Filing option, the system will create the Schedule based on data provided by the city/county on these templates.

Blank forms for other schedules are provided on the [BARS Reporting Templates](#) page. The use of these particular forms is **not** required; however, information requested by the form is prescribed. Specific instructions accompanying each statement and schedule identify which, if any, details are optional.

### **4.1.5.60 Subsequent corrections**

All subsequent discoveries of errors and omissions in the annual report - from the date of original submission up through the end of the audit applicable to that period - are **required** to be corrected by resubmitting the annual report. For any misstatements discovered during the audit, governments should ensure open communication with the audit team about the correction. Any misstatements discovered after the audit is completed that affect Schedule 01 should be recorded as a prior period adjustment. If misstatements discovered after completion of the audit are material, governments should immediately alert their audit team.

# Making corrections



## 4.1.5.70 Filing instructions

Electronic reporting is strongly encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: <https://portal.sao.wa.gov/saoportal/>. Acceptable file should adhere to the prescribed record layout and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Actual Amount* column which is numeric. More details are provided on the website.

For questions and/or support e-mail the SAO [HelpDesk](#) through Online Services.

If the city or county cannot provide the annual report in the electronic format it should mail it to:

Annual Report  
State Auditor's Office  
Local Government Support Team  
P.O. Box 40031  
Olympia, WA 98504-0031

## 4.1.5.80 Certification

Electronic reporting through the SAO website will require electronic certification of the annual report during the final steps of the submission process.

If the city or county **cannot** utilize the electronic reporting, prepare the certification form (provided on the [BARS Reporting Templates](#) page), including signature and date and include this form when mailing your report.

4.1.5.90 The following matrix describes required statements and schedules for cash basis cities and counties and the scope of each schedule.

Reporting Requirements		
Governmental Fund Types (000, 100, 200, 300 and 700) and Proprietary Funds (400 and 500) Fiduciary Funds (600-699): Trust and Custodial Funds		
Statement/Schedule No.	Statements/Schedules Title	
C-4	Fund Resources and Uses Arising from Cash Transactions	Prepare for general <sup>[1]</sup> and all other governmental and proprietary funds.
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	Prepare for all trust and custodial funds. Exclude claims and payroll clearing funds.
	Notes to Financial Statements	Prepare one set for the government as a whole.
01	Revenues/Expenditures/Expenses	Prepare for each fund.
06	Summary of Bank Reconciliation	Prepare one set for the government as a whole.
09	Liabilities	Prepare one schedule for all types of short and long-term debt and liabilities. The schedule should exclude fiduciary funds activities.
15	Expenditures of State Financial Assistance	Prepare one schedule for the government as a whole. The schedule should exclude fiduciary funds activities.
16	Expenditures of Federal Awards	Prepare one schedule for the government as a whole. The schedule should exclude fiduciary funds activities.
17	Public Works	Prepare one schedule for the government as a whole. The schedule should exclude fiduciary funds activities.
19	Labor Relations Consultant(s)	Prepare one schedule for each consultant.
20	Sales and Use Tax for Public Facilities – Rural Counties (Counties Only)	Prepare one schedule for the county as a whole. The schedule should exclude fiduciary funds activities.
21	Risk Management	Prepare one schedule for the government as a whole. The schedule should exclude fiduciary funds activities.
22	Assessment Questionnaire	Prepare one schedule for the government as a whole if annual revenues are usually less than \$300,000.

### Footnote

**[1]** There should be only **one** general fund. Also, if the local government accounts for the debt and capital projects related to proprietary activities in funds other than proprietary, these activities should be incorporated in the appropriate proprietary fund. All interfund transactions between funds which are combined for reporting purposes should be eliminated to avoid double counting.

Annual Report Disclosure Form  
MCAG No. \_\_\_\_\_  
(City/County)

(This form is **not** required if you are submitting the annual report electronically.)

Use the column which is appropriate for your government type. Please place a check mark or "Y" if the statements/schedules are attached. If financial statements and/or are not applicable, mark the spot "NA" (*not applicable*). An "NA" in your government type column will indicate that a schedule is

not attached due to lack of activities described in the schedule in reported year. The blocked spot indicates the schedule is not required for that government type.

	<b>City</b>	<b>County</b>
Certification		
Financial Statements (including notes) <sup>[1]</sup>		
Schedule 01, Revenues/Expenditures/Expenses		
Schedule 06, Summary of Bank Reconciliation		
Schedule 09, Liabilities		
Schedule 15, Expenditures of State Financial Assistance		
Schedule 16, Expenditures of Federal Awards		
Schedule 17, Public Work <sup>[2]</sup>		
Schedule 19, Labor Relations Consultant(s)		
Schedule 20, Sales and Use Tax for Public Facilities		
Schedule 21, Risk Management		
Schedule 22, Assessment Questionnaire <sup>[3]</sup>		

**Footnotes**

**[1]** Only cities and counties with revenue of \$2 million or more are required to prepare the financial statements. See [Caution](#), above.

**[2]** See BARS Manual for detailed instructions indicating which cities are required to prepare this schedule.

**[3]** Only cities with revenue usually less than \$300,000 are required to prepare this schedule.

# Reporting Requirements and Filing Instructions for Special Purpose Districts

## 4.1 Reporting Principles and Requirements

### 4.1.6 Reporting Requirements and Filing Instructions for Special Purpose Districts

4.1.6.10 Pursuant to RCW [43.09.230](#), Annual Reports are to be certified and filed with the State Auditor’s Office (SAO) within **150 days** after the close of each fiscal year.

Statements and Schedules	Special Purpose Districts		
	No Financial Activity (see caution)	With annual revenue of \$2 million or more	With annual revenue of less than \$2 million
C-4 Fund Resources and Uses Arising from Cash Transactions	See caution	X	See caution
C-5 Fiduciary Fund Resources and Uses Arising from Cash Transactions	See caution	X	See caution
01 Revenues/Expenditures/Expenses	X	X	X
09 Liabilities	N/A	X	X
15 Expenditures of State Financial Assistance	N/A	X	X
16 Expenditures of Federal Awards	N/A	X	X
19 Labor Relations Consultant(s)	N/A	X	X
21 Risk Management	N/A	X	X
22 Assessment Questionnaire <sup>1</sup>	N/A	See footnote 1.	See footnote 1.

**X Required to be prepared by special purpose districts and other entities and submitted to SAO.**

**N/A Not applicable; not required to be prepared by special purpose districts.**

**Footnote:**

**[1] Conservation, fire, diking, drainage, cemetery, mosquito, pest, weed, transportation benefit districts, local/regional trauma care councils and industrial development corporations are required to prepare the Schedule regardless of the amount of revenue.**

**Caution**

4.1.6.20 Local governments with total revenues of \$2 million or less are not required to prepare C-4 or C-5 statements unless debt covenants, a contract, a grantor or the district’s legislative body requires the district to prepare the financial statements or to receive a financial statements audit. If this request is made, C-4 and C-5 statements and notes should be prepared. The \$2 million threshold calculation excludes any proceeds from issuance of long-term debt and resources held by the government in its fiduciary capacity. Local governments which choose not to prepare C-4 and C-5 statements must have their budgeted information available for the audit.

4.1.6.25 Local governments with **no financial activity**, defined as having neither expenditures nor revenues other than interest income on any cash balances, have the option to submit summarized annual reports. These governments need only to submit a Schedule 01 reporting cash balances at the beginning and end of the reporting year as well as any investment income received on those balances if applicable. Note that by selecting this submission option, preparers of the annual reports are certifying that their government meets the definition of not activity as explained above.

For questions and/or support e-mail the SAO [HelpDesk](#) through our Online Services.

4.1.6.30 If more than \$750,000 in federal funding was expended by the entity during the year and a federal single audit is required, the entity must prepare financial statements if it has expenditures of federal money from more than one program or cluster. However, an entity that normally does not prepare financial statements may not need to prepare them for the single audit if it has expenditures from only one program or cluster. Entities should consult with their local SAO team or the SAO HelpDesk if they have questions about this requirement.

#### 4.1.6.40 Forms

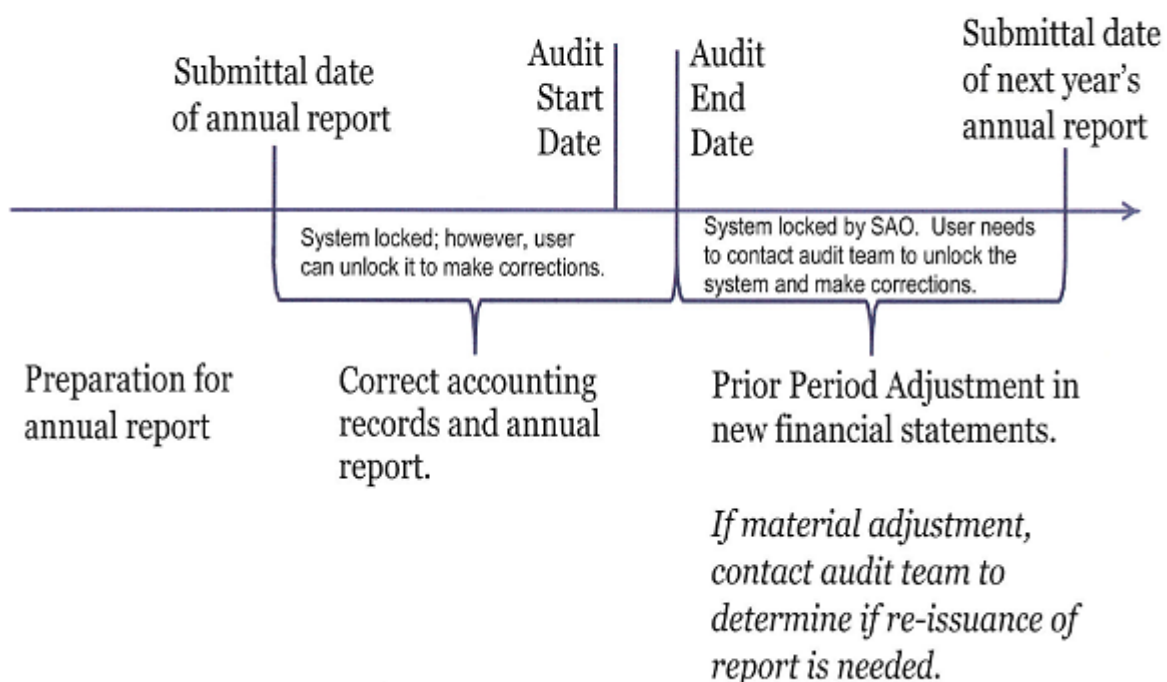
The templates for Online Filing for Schedules 01, 09, 15 and 16 are available on SAO’s website page, [BARS Reporting Templates](#). When using the Online Filing option, the system will create the Schedule based on data provided by the districts on these templates.

Blank forms for other schedules are provided in this Manual. The use of these particular forms is not required; however, information requested by the form is prescribed. Specific instructions accompanying each statement and schedule identify which, if any, details are optional.

#### 4.1.6.50 Subsequent corrections

All subsequent discoveries of errors and omissions in the annual report – from the date of original submission up through the end of the audit applicable to that period – are **required** to be corrected by resubmitting the annual report. For any misstatements discovered during the audit, governments should ensure open communication with the audit team about the correction. Any misstatements discovered after the audit is completed that affect Schedule 01 should be recorded as a prior period adjustment. If misstatements discovered after completion of the audit are material, governments should immediately alert their audit team.

## Making corrections



#### 4.1.6.60 **Filing instructions**

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: [SAO](#). Acceptable file should adhere to the prescribed record layout and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Actual Amount* column which is numeric. More details are provided on the website.

For questions and/or support e-mail the SAO [HelpDesk](#) through our Online Services.

If the special purpose district cannot provide the annual report in the electronic format it should mail it to:

Annual Report  
State Auditor's Office  
Local Government Support Team  
P.O. Box 40031  
Olympia, WA 98504-0031

The conservation districts are also required to submit their annual report to:

Washington State Conservation Commission  
PO Box 47721  
Olympia, WA 98504-7721

#### 4.1.6.70 **Certification**

Prepare the Certification (available on the [BARS Reporting Templates](#) page), sign and date the certification before submitting the report.

4.1.6.80 The following matrix describes required statements and schedules for cash basis special purpose districts and the scope of each schedule.



REPORTING REQUIREMENTS		
Governmental Fund Types (000, 100, 200, 300 and 700) and Proprietary Funds (400 and 500) Fiduciary Funds (600-699): Trust and Custodial Funds		
Statement/Schedule No.	Statements/Schedules Title	
C-4	Fund Resources and Uses Arising from Cash Transactions	Prepare for general <sup>1</sup> and all other governmental and proprietary funds.
C-5	Fiduciary Fund Resources and Uses Arising from Cash Transactions	Prepare for all trust and custodial funds. Exclude claims and payroll clearing funds.
	Notes to Financial Statements	Prepare one set for the entity as a whole.
01	Revenues/Expenditures/Expenses	Prepare for each fund.
09	Liabilities	Prepare one schedule for all types of short and long-term debt and liabilities. The schedule should exclude fiduciary funds activities.
15	Expenditures of State Financial Assistance	Prepare one schedule for the entity as a whole. The schedule should exclude fiduciary funds activities.
16	Expenditures of Federal Awards	Prepare one schedule for the entity as a whole. The schedule should exclude fiduciary funds activities.
19	Labor Relations Consultant(s)	Prepare one schedule for each consultant.
21	Risk Management	Prepare one schedule for the entity as a whole. The schedule should exclude fiduciary funds activities.
22	Assessment Questionnaire	Prepare one schedule for the entity as a whole if annual revenues are usually less than \$300,000. <b>Conservation, fire, diking, drainage, cemetery, mosquito, pest, weed, transportation benefit districts, local/regional trauma care councils and industrial development corporations are required to prepare the schedule regardless of the amount of revenue.</b>

**Footnote:**

**[1]** There should be only **one** general fund. Also, if the local government accounts for the debt and capital projects related to proprietary activities in funds other than proprietary, these activities should be incorporated in the appropriate proprietary fund. All interfund transactions between funds which are combined for reporting purposes should be eliminated to avoid double counting.

Annual Report Disclosure Form

MCAG No. \_\_\_\_\_

(District)

(This form is NOT required if the district is submitting the annual report electronically.)

Please check if the statements/schedules are attached. Use the column which is appropriate for the district. If financial statements and/or Schedule 22 are not applicable mark the spot *NA* (*not applicable*). An unmarked spot will indicate that a schedule is not attached due to lack of activities described in this schedule in reported year.

	<b>Special Purpose District</b>
Certification	
Financial Statements (including notes) <sup>1</sup>	
Schedule 01, Revenues/Expenditures/Expenses	
Schedule 09, Liabilities	
Schedule 15, Expenditures of State Financial Assistance	
Schedule 16, Expenditures of Federal Awards	
Schedule 19, Labor Relations Consultant(s)	
Schedule 21, Risk Management	
Schedule 22, Assessment Questionnaire	

**Footnote:**

**[1]** Only special purpose districts with revenue of \$2 million or more are required to prepare the financial statements. See the [Caution](#) on the previous page.

## **Certification**

### **4.1 Reporting Principles and Requirements**

#### **4.1.3 Certification**

##### **Instructions**

Every annual report must be certified per RCW [43.09.230](#). If the local government uses the Online annual reporting system, the certification is built into the filing process.

##### ***Official Name***

Enter the official name of the government. If the government operates under a *DBA* this should also be listed. For example: *Thurston County Fire Protection District No. 5, doing business as Black Lake Fire Department*.

##### ***MCAG No.***

The MCAG is a unique identifying number assigned by the State Auditor's Office to each local government. This number can be found on SAO's website page, [BARS Reporting Templates](#). If you are not sure of the government's assigned MCAG number, please use the SAO [HelpDesk](#) through our Online Services.

##### ***Fiscal Year Ended***

Enter the date (day, month and year) of the end of the 12 month period covered by the annual report. For example, most local governments close their books and report on a calendar year and would report *December 31, 2018*, for their 2018 annual report.

##### ***Official Address***

Enter the legal business address of the government.

##### ***Official Website***

Enter the official website of the government. If the government does not have a website, then enter *none*.

##### ***Audit Contact or Preparer Information***

Enter the name and position of the person the State Auditor's Office should contact with any questions regarding the annual report. Enter the phone number or numbers where our Office can reach the contact person during regular business hours to discuss the annual report. Also, enter the email address where our Office can communicate with the contact person. If there is no email address for this person, then enter *none*.

##### **Certification**

Annual reports are required to be certified by RCW [43.09.230](#). The certification should be made by the person preparing the annual report. Certifications do not alter or add to the fundamental responsibilities of employees or officials. Rather, they acknowledge and attest to management's existing responsibilities for accurate reporting. We understand that representations made are not a guarantee, but rather constitute a good faith statement to the best of your knowledge and belief. Although the Office prescribes the language of the certification, the representations are yours. If you are not sure about the meaning of the certification or feel that you cannot certify the annual report in good faith, please contact the SAO [HelpDesk](#).

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**ANNUAL REPORT CERTIFICATION**

\_\_\_\_\_  
(Official Name of Government)

\_\_\_\_\_  
MCAg No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended \_\_\_\_\_, 20\_\_

GOVERNMENT INFORMATION:

Official Mailing Address \_\_\_\_\_

Official Website Address \_\_\_\_\_

Official E-mail Address \_\_\_\_\_

Official Phone Number \_\_\_\_\_

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title \_\_\_\_\_

Contact Phone Number \_\_\_\_\_

Contact E-mail Address \_\_\_\_\_

I certify \_\_\_\_ day of \_\_\_\_\_, 20\_\_, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature: \_\_\_\_\_

# GAAP Versus Cash Basis Reporting

## 4.1 Reporting Principles and Requirements

### 4.1.7 GAAP Versus Cash Basis Reporting

4.1.7.10 Approximately 20 percent of local governments – the largest and most complex in the state – report financial information in accordance with generally accepted accounting principles (GAAP). All other local governments report on a cash basis as prescribed in the *Budgeting, Accounting, and Reporting System* (BARS) Manual.

4.1.7.20 Under authority of RCW [43.09.200](#), the Washington State Auditor’s Office allows local governments the option to report on either a GAAP or cash basis. However, while the State Auditor’s Office does not require reporting on a GAAP basis, it may be a requirement of federal grants, bonds, contracts, or other oversight agencies.

4.1.7.30 As discussed in the BARS Manuals, the design of a government’s accounting system and controls for financial reporting is a management decision – including the selection of the basis of reporting. Adequate accountability, oversight and control can be achieved whether reporting on a cash or GAAP basis.

4.1.7.40 The most appropriate basis of reporting for a particular government is a matter of judgment based on the needs, activity and resources of that government. Each method has advantages and disadvantages. We recommend that governments carefully consider the costs versus benefits. To assist governments in this decision, a summary of common benefits and drawbacks of different reporting options is provided below.

#### 4.1.7.50 GAAP basis reporting

Advantages	Disadvantages
<ul style="list-style-type: none"><li>• Financial reports that are more comprehensive, sophisticated and potentially informative</li><li>• Improved ability to evaluate government’s financial position and changes in its net position</li><li>• Consistent with nationally recognized financial reporting standards</li><li>• More familiar to external users</li><li>• May be required by grantors or oversight agencies</li></ul>	<ul style="list-style-type: none"><li>• May be more difficult to understand and use for managers or governing bodies who are unfamiliar with accrual concepts and terminology</li><li>• Requires more qualified staff, a more complex accounting system, and more time devoted to preparation and controls over financial reporting</li><li>• More costly financial reporting</li><li>• May need to reconcile between multiple basis of accounting for financial reporting and operational purposes</li></ul>

#### 4.1.7.60 Cash basis reporting

Advantages	Disadvantages
<ul style="list-style-type: none"><li>• Financial reports that are more simple and easier to understand and use</li><li>• Clear presentation of cash flows and available cash</li><li>• Financial reporting that is aligned with budgets</li><li>• Financial reporting may be less costly</li><li>• Less training required for staff</li></ul>	<ul style="list-style-type: none"><li>• Statements are focused on short-term rather than long-term financial position</li><li>• Less information on non-cash assets, including infrastructure, and changes in these assets</li><li>• Less information on liabilities and changes in liabilities</li><li>• May not be as familiar to external user</li></ul>

4.1.7.70 Governments should evaluate these general benefits and costs in relation to their specific situation, including their personnel, software systems, organizational structure and activities. Other factors that may be specifically considered include:

- Accounting and reporting basis used by the government's fiscal agent or by entities for which the government acts as the fiscal agent;
- Accounting and reporting basis used by other entities with which the government engages in joint ventures or service contracts;
- Familiarity of management and the governing body with a particular basis of reporting;
- Importance and amount of the government's non-cash assets;
- Importance and amount of the government's liabilities not reported on Schedule 09;
- Whether there is uncertainty about future reporting needs, as it is easier to convert from GAAP to cash basis than the other way;
- Needs and expectations of external users of the government's financial statements.

# Financial Statements

## Determining Fiduciary Activities to be Reported in Custodial Funds

### 4.3 Financial Statements

#### 4.3.14 Determining Fiduciary Activities to be Reported in Custodial Funds

Quick Links
<a href="#">4.3.14.10 Purpose</a>
<a href="#">4.3.14.20 Determination questions</a>
<b><a href="#">4.3.14.30 Prescribed custodial transactions</a></b>
<a href="#">Leasehold tax and other state mandated taxes</a>
<a href="#">Department of Licensing accounts (counties only)</a>
<a href="#">Permits and certificates fees (concealed pistol permits, birth certificates, etc.)</a>
<b><a href="#">4.3.14.40 Prescribed non-custodial activities</a></b>
<a href="#">Impact fees (cities &amp; counties only)</a>
<a href="#">Retainage and refundable deposits</a>
<a href="#">Payroll clearing accounts</a>
<b><a href="#">Court accounting</a></b>
<b><a href="#">Cities and counties with their own court</a></b>
<a href="#">1. Administrative Office of the Courts (AOC) mandated fees (BARS Codes 386/586)</a>
<a href="#">2. Local government revenue fines and fees BARS Codes</a>
<a href="#">3. State distributions to local government</a>
<b><a href="#">Cities and counties that contract for court</a></b>
<a href="#">1. Administrative Office of the Courts (AOC) mandated fees (BARS Codes 386/586)</a>
<a href="#">2. Local government revenue fines and fees BARS Codes</a>
<a href="#">3. Payment for court services</a>
<b><a href="#">Cash basis - providing court services</a></b>
<a href="#">1. Administrative Office of the Court (AOC) mandated fees (386/586)</a>
<a href="#">2. Court provider's collection/remittance of the fines and fees for the city/county receiving the court service</a>
<a href="#">3. Revenue for court services</a>

#### 4.3.14.10 Purpose

Due to the generally accepted accounting principles established by the Governmental Accounting Standards Board in [GASB Statement 84, Fiduciary Activities](#) and Washington State law that requires the Office of the Washington State Audit to prescribe a uniform system of accounting for local governments, fiduciary activities implementation is required by all local governments. The accounting standards for these activities only provide a framework which could lead to incorrect

implementation, therefore the Auditor's Office has prescribed certain activities as custodial and therefore should be reported in a Fiduciary Custodial Fund. Additionally, the Auditor's Office has prescribed certain activities that, may appear custodial, but are ultimately not custodial and therefore would be reported in the appropriate governmental or proprietary fund.

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#### 4.3.14.20 Determination questions

##### 1. Are the assets associated with the activity controlled by the government?

A government is considered to be controlling assets if either:

**(a)** The government holds the assets. An example of holding assets is when a government receipts money or has the money in the government's bank account.

*or*

**(b)** The government has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended recipients.

*For purposes of this criteria a government uses an asset when it expends or consumes that asset for the benefit of individuals, organization, or other governments, outside of the government's provision of services to them.*

Restrictions from legal or other external restraints that stipulate the assets can be used only for a specific purpose do not negate a government's control of the assets. When a government appoints a designee to act on its behalf, the designee is performing the government's fiduciary duties and not assuming them. Thus, appointing a designee to act on its behalf does not alter the government's ability to direct the use, exchange, or employment of the assets.

*Examples include:*

*The holding government is the treasurer for another government or acting as their bank.*

*The government is on the bank account such as construction accounts with contractors.*

*Any asset the government is holding for another government where the holding government is not using the asset for their own operations.*

**If "no", this is not a fiduciary custodial activity; if "yes", proceed.**

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##### 2(a). Are the assets derived solely from the government's own-source revenues?

Own-source revenues are revenues that are generated by a government itself. They include exchange and exchange-like revenues (for example, water and sewer charges for service) and investment earnings. Derived tax revenues (such as leasehold taxes) and imposed nonexchange revenues (such as property taxes) are also included in own-source revenue.

***Each component of a transaction must be separately evaluated.***



Examples include:

*When a local government leases office space the lease revenue is own-source revenue while the collected leasehold excise tax is not own-source revenue because that portion is imposed by the state under Chapter [82.29A](#) RCW.*

*When a county or city imposes an impact fee those revenues are generated by that government and are own-source revenue even when those resources are required to be 100 percent remitted to other governments (such as to a school, fire or park district). The county's or city's ability to levy the fee by RCW means this revenue is own-source revenue.*

**If "yes", this is not a fiduciary custodial activity; if "no", proceed.**

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**2(b). Are the assets associated with the activity from either government-mandated or voluntary nonexchange transactions?**

Government-mandated nonexchange transactions, occur when a government provides resources to another government and requires the recipient government to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform or state programs that local governments are mandated to perform).

Examples include:

*Washington State's mandate on cities and counties to perform concealed permit processing.*

Voluntary nonexchange transactions, result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (for example, certain grants and private donations for government programs).

Examples include:

*Washington State Department of Licensing functions that counties are contracted to perform.*

*Donations to a government for one of its programs would be voluntary nonexchange revenue and the answer would be "yes". However, a donation given to a government for the benefit of a third party would be answered "no" (this revenue classification does not apply because the resources are not governmental revenue)*

**If "no" (meaning not government-mandated or voluntary exchange transactions), proceed to step (3); if "yes" proceed to 2(c).**

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**2(c). Are the assets from pass-through grants for which the government does not have administrative involvement or direct financial involvement?**

A government has administrative involvement if it, for example (a) monitors secondary recipients for compliance with program-specific requirement, (b) determines eligible

secondary recipients or projects, even if using grantor-established criteria, or (c) has the ability to exercise discretion in how the funds are allocated.

A government has direct financial involvement if it, for example, (a) finances some direct program costs because of grantor-imposed matching requirements, or (b) is liable for disallowed costs.

*An example is:*

*A government does not have administrative involvement when a jail corrections officer approves inmate purchases ordered outside the corrections facility (to help ensure that contraband does not enter the facility). Keeping contraband out of the facility is a general goal of the government and not specific to overseeing the use of those funds.*

**If "no" (meaning the government has administrative or direct financial involvement), this is not a fiduciary activity; if "yes", proceed.**

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**3. Are any one of the following three sets of criteria true? (all parts of the individual set must be met)**

**3(a).** The assets are:

- (a) administered through a trust in which the government itself is not a beneficiary,
- (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and
- (c) legally protected from the creditors of the government.

*If this set of criteria is true the assets should be reported in a fiduciary trust fund.*

or

**3(b).** The assets are:

- (a) for the benefit of individuals and
- (b) the government does not have administrative involvement with the assets or direct financial involvement with the assets.
- (c) In addition, the assets are not derived from the government's provision of goods and services to those individuals.

*Provision of goods and services examples:*

*The government sells maps, umbrellas, utilities (water/sewer), etc.*

*The government provides services such as finger printing, background checks, etc.*

*Examples of when this set of criteria is true is inmate accounts for commissary purchases and patient accounts in certain medical facilities.*

**or**

**3(c).** The assets are:

(a) for the benefit of organizations or other governments that are not part of the financial reporting entity and

(b) not derived from the government's provision of goods or services to those organization or other governments.

*Examples include:*

*In evaluating each component of a transaction — collected leasehold excise tax is fiduciary because those specific dollars are for the benefit of the state and the tax is not derived from the collecting governments provision of goods or service to the state (the provision of services is to a third party).*

*When a government has a component unit that is considered part of the financial reporting entity, the component unit would not be reported in the fiduciary funds. The exception would be if the government was the acting fiscal agent, then the government would report the component unit in its custodial funds.*

**If "yes" to any one of the three sets of criteria, fiduciary reporting is applicable and activities should be reported in the custodial funds; if "no", this is not a fiduciary activity.**

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#### 4.3.14.30 Prescribed custodial transactions

Below is a list of prescribed custodial fund activities, including the responses to the custodial criteria questions.

##### ***Leasehold tax and other state mandated taxes***

Step 1 - Are the assets associated with the activity controlled by the government?

Yes, the collecting government receives the tax and is holding the monies in their bank account until the monies are remitted to the State.

Step 2(a) - Are the assets derived solely from the government's own-source revenues?

No, these taxes are levied by the State through RCWs therefore they are not solely from the reporting government's own-source revenue.

Step 2(b) - Are the assets associated with the activity from either government-mandated or voluntary nonexchange transactions?

Yes, these monies are from derived government-mandated tax revenue.

Step 2(c) - Are the assets from pass-through grants for which the government does not have administrative involvement or direct financial involvement?

No, these monies are not from a grant and the reporting government does not have administrative or direct financial involvement.

Step 3(a) - Are the assets held in a trust or equivalent arrangement and the government itself is not a beneficiary?

No, these monies are not in a trust.

Step 3(b) - Are the assets for the benefit of individuals and the government does not have administrative involvement or direct financial involvement?

No, these monies are not for the benefit of individuals.

Step 3(c) - Are the assets for the benefit of organizations or other governments that are not part of the financial reporting entity? Are assets held for organizations or other governments not derived from the collecting government's provision of goods or services to those organizations or other governments?

Yes, these monies are for the benefit of the State and the State is not part of the collecting government's financial reporting entity. Yes, the collecting government did not provide a good or service to the State.

**Conclusion** - Leasehold tax and other state mandated taxes are fiduciary activities and should be reported in the custodial funds.

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### ***Department of Licensing accounts (counties only)***

Step 1 - Does the government control the asset?

Yes, the collecting government's name and tax identification number are on the bank account.

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

No, the State amounts are collected in addition to the local government's revenues and are mandated by state law.

Step 2(b) - Are the assets derived from government-mandated or voluntary nonexchange transactions?

No, these monies are not from a government-mandated or nonexchange transaction.

Step 2(c) - Are the assets derived from a pass-through grant for which the government has administrative involvement or direct financial involvement?

No, these monies are not from a grant and the collecting government does not have administrative or direct financial involvement.

Step 3(a) - Are the assets held in a trust or equivalent arrangement and the government itself is not a beneficiary?

No, these monies are not in a trust.

Step 3(b) - Are the assets for the benefit of individuals and the government does not have administrative involvement or direct financial involvement?

No, these monies are not for the benefit of individuals.

Step 3(c) - Are the assets for the benefit of organizations or other governments that are not part of the financial reporting entity? Are assets held for organizations or other governments not derived from the collecting government's provision of goods or services to those organizations or other governments?

Yes, these monies are for the benefit of the State and the State is not part of the collecting government's financial reporting entity. Yes, the collecting government did not provide a good or service to the State Department of Licensing.

**Conclusion** - The portion of the licensing fees that are the State's portion are fiduciary activities and should be reported in the custodial funds. The collecting government's portion of these fees are the government's own-source revenue and should be reported in the reporting government's governmental or proprietary funds.

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### ***Permits and certificates fees (concealed pistol permits, birth certificates, etc.)***

Step 1 - Does the government control the asset?

Yes, the collecting government receives the fees and is holding the monies in their bank account until the monies are remitted to the State.

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

No, the State amounts are collected in addition to the local government's revenues and are mandated by state law.

Step 2(b) - Are the assets derived from government-mandated or voluntary nonexchange transactions?

No, these monies are not derived from a government-mandated or nonexchange transaction.

Step 2(c) - Are the assets derived from a pass-through grant for which the government has administrative involvement or direct financial involvement?

No, these monies are not from a grant and the reporting government does not have administrative or direct financial involvement.

Step 3(a) - Are the assets held in a trust or equivalent arrangement and the government itself is not a beneficiary?

No, these monies are not in a trust.

Step 3(b) - Are the assets for the benefit of individuals and the government does not have

administrative involvement or direct financial involvement?

No, these monies are not for the benefit of individuals. While the citizen is receiving a certificate/permit from the city or county the citizen is not receiving a good or service from the government imposing the fee and issuing the permits and/or certificates (the State).

Step 3(c) - Are the assets for the benefit of organizations or other governments that are not part of the financial reporting entity? Are assets held for organizations or other governments not derived from the collecting government's provision of goods or services to those organizations or other governments?

Yes, these monies are for the benefit of the State and the State is not part of the collecting government's financial reporting entity. Yes, the collecting government did not provide a good or service to the State.

**Conclusion** - The portion of the permit/certificate fees that are the State's portion are fiduciary activities and should be reported in the custodial funds. The collecting government's portion of these fees are for the direct benefit of the collecting government and should be reported in the collecting government's governmental or proprietary funds.

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#### 4.3.14.40 **Prescribed non-custodial activities**

##### ***Impact fees (cities & counties only)***

Step 1 - Does the government control the asset?

Yes, the collecting government receives the fees and is holding the monies in their bank account until the monies are remitted to the school, fire, or park district.

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

Yes, these fees can only be levied by the collecting government per state law (RCW [82.02.050.110](#) and WAC [365-196-850](#)).

**Conclusion** - Not a fiduciary activity. Under state law, only cities and counties can authorize and levy impact fees for school, fire, or park districts. Since the city or county is levying the impact fees these monies would be own-source revenue and reported in the governmental funds of the city or county.

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##### ***Retainage and refundable deposits***

Step 1 - Does the government control the asset?

Yes, the collecting government receives the fees and is holding the monies in their bank account until the contracting party meets their obligations.

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

Yes, although these deposits could be revenues for the collecting government, as revenue recognition is dependent on the contracting party meeting certain criteria in order for the collecting government to remit the retainage and/or deposit to the contracting party.

**Conclusion** - Not a fiduciary activity, since these monies are derived from the government's own-source revenue. Therefore the retainage and refundable deposits should be reported in the government's governmental or proprietary funds.

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### ***Payroll clearing accounts***

Step 1 - Does the government control the asset?

Yes, the collecting government receives the fees and is holding the monies in their bank account until remittance to the mandating government (federal and/or state).

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

No, these deposits are from the employee's revenues and not the government's directly.

Step 2(b) - Are the assets derived from government-mandated or voluntary nonexchange transactions?

No, these monies are not government-mandated or voluntary nonexchange transaction.

Step 2(c) - Are the assets derived from a pass-through grant for which the government has administrative involvement or direct financial involvement?

No, these monies are not from a grant and the reporting government does not have administrative or direct financial involvement.

Step 3(a) - Are the assets held in a trust or equivalent arrangement and the government itself is not a beneficiary?

No, these monies are not in a trust.

Step 3(b) - Are the assets for the benefit of individuals and the government does not have administrative involvement or direct financial involvement?

No, these monies are not for the direct benefit of individuals. While the employee benefits from the employing government withholding and paying the employee's portion of taxes and other payroll items, the employee's government is obligated by law to withhold and pay the appropriate employee related payroll withholdings.

Step 3(c) - Are the assets for the benefit of organizations or other governments that are not part of the financial reporting entity?

No, the mandating authority (federal and/or state government) requires the employing government to collect and remit these monies and has the legal authority to enforce the

liability on the employing government.

**Conclusion** - Not a fiduciary activity, since these monies are for the benefit of the collecting government and therefore these items should be reported on the financial statements of the collecting government.

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## **Court accounting**

### ***Cities and counties with their own court***

#### 1. Administrative Office of the Courts (AOC) mandated fees (BARS Codes 386/586)

Step 1 - Does the government control the asset?

Yes, the government is collecting the fines and fees and holding the monies in their bank account until remitting the monies to the State.

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

No, the AOC/state amounts are collected in addition to the local government's revenue.

Step 2(b) - Are the assets derived from government-mandated or voluntary nonexchange transactions?

No, these monies are not a government-mandated or nonexchange transaction.

Step 2(c) - Are the assets derived from a pass-through grant for which the government has administrative involvement or direct financial involvement?

No, these monies are not from a grant and the reporting government does not have administrative or direct financial involvement.

Step 3(a) - Are the assets held in a trust or equivalent arrangement and the government itself is not a beneficiary?

No, these monies are not held in a qualifying trust.

Step 3(b) - Are the assets for the benefit of individuals and the government does not have administrative involvement or direct financial involvement?

No, these monies are not for the benefit of individuals.

Step 3(c) - Are the assets for the benefit of organizations or other governments that are not part of the financial reporting entity? Are assets held for organizations or other governments not derived from the collecting government's provision of goods or services to those organizations or other governments?

Yes, these monies are for the benefit of the state and the state is not part of the collecting government's financial reporting entity. Yes, these funds are for the state and



the local government's court is not providing a direct service to the state.

**Conclusion** - AOC fees are fiduciary activities and should be reported in the custodial funds.

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## 2. Local government revenue fines and fees BARS Codes

Step 1 - Does the government control the asset?

Yes, the government is collecting the fines and fees and holding the monies in their bank account.

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

Yes, as an example, the city's police department or the county's sheriff department issued the tickets during the performance of their public safety function and the revenue is generated by the city/county for their own use.

**Conclusion** - Not a fiduciary activity, the local government's fines and fees are the government's own revenue.

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## 3. State distributions to local government

Step 1 - Does the government control the asset?

No, the State controls the money and distributes the money.

**Conclusion** - Not a fiduciary activity, the monies are not reported by the city/county until the money is received by the city/county from the state and would be considered own-source revenue upon receipt.

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## ***Cities and counties that contract for court***

### 1. Administrative Office of the Courts (AOC) mandated fees (BARS Codes 386/586)

Step 1 - Does the government control the asset?

Cities and counties that contract out for court services generally do not remit monies to the Administrative Office of the Courts (AOC). The court providing the service to the city/county generally remits the AOC monies for the contracting city/county. The city/county contracting for court services would therefore not report AOC fines and fees in their custodial funds.

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## 2. Local government revenue fines and fees BARS Codes

Step 1 - Does the government control the asset?

No, the city or county does not control the asset, since the court the city contracted with holds the asset in their bank account.

**Conclusion** - Not a fiduciary activity, the monies are not the city/county until remitted from the court provided to the city/county.

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## 3. Payment for court services

Step 1 - Does the government control the asset?

No, there is no asset. This is an expense for the city or county receiving the court services.

**Conclusion** - Not a fiduciary activity, this is a direct expense for the city/county receiving the court services and should be coded to BARS code 512.50.PP.

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## Cash basis - providing court services

1. Administrative Office of the Court (AOC) mandated fees (386/586) - Please see above [section](#).

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2. Court provider's collection/remittance of the fines and fees for the city/county receiving the court service

Step 1 - Does the government control the asset?

Yes, the court provider is collecting the fines and fees and holding the monies in their bank account.

Step 2(a) - Are the assets derived solely from the government's own-source revenue?

No, these fines and fees are levied/ticketed by another government.

Step 2(b) - Are the assets derived from government-mandated or voluntary nonexchange transactions?

No, these monies are not a government-mandated or nonexchange transaction.

Step 2(c) - Are the assets derived from a pass-through grant for which the government has administrative involvement or direct financial involvement?

No, these monies are not from a grant and the collecting government does not have administrative or direct financial involvement.

Step 3(a) - Are the assets held in a trust or equivalent arrangement and the government itself is not a beneficiary?

No, these monies are not held in a qualifying trust.

Step 3(b) - Are the assets for the benefit of individuals and the government does not have administrative involvement or direct financial involvement?

No, these monies are not for the benefit of individuals.

Step 3(c) - Are the assets for the benefit of organizations or other governments that are not part of the financial reporting entity? Are assets held for organizations or other governments not derived from the collecting government's provision of goods or services to those organizations or other governments?

Yes, these monies are for the benefit of the city or county and the city or county is not part of the collecting government's financial reporting entity. No, the collecting government is providing a service (court) for a fee to another government.

**Conclusion** - Not a fiduciary activity, the fines and fees are collected by the court provider for the local government for a fee and would be reported in the collecting government's financial reports under BARS codes 382.30 and 582.30.

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### 3. Revenue for court services

Step 1 - Does the government control the asset?

Yes, the government is collecting the fee holding the monies in their bank account.

Step 2 - Are the assets derived solely from the government's own-source revenue?

Yes, this is the court provider's revenue for performing the court service for a fee.

**Conclusion** - Not a fiduciary activity, the revenues are the court providers own revenue and should be coded to BARS code 341.49.00.

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## Fund Resources and Uses Arising from Cash Transactions (C-4)

### 4.3 Financial Statements

#### 4.3.12 Fund Resources and Uses Arising from Cash Transactions (C-4)

##### Applicability

4.3.12.10 Statement C-4 should be prepared for the general (current expense) fund, and all other governmental, and proprietary funds. Do not prepare it for trust and agency funds. Statement C-4 does not need to be prepared if the government is filing the required schedules using the SAO Online Filing option. The SAO online reporting system will automatically generate this Statement.

4.3.12.15 Local governments are **required** to update the incorrect financial statements. The requirement applies to all errors found prior or during an audit.

4.3.12.20 Local governments with total revenues of \$2 million or less are not required to prepare C-4 or C-5 statements unless debt covenants, a contract, a grantor or the city/county/district's legislative body requires the city/county/district to prepare the financial statements or to receive a financial statements audit. If this request is made, C-4 and C-5 statements and notes should be prepared. The \$2 million threshold calculation excludes any proceeds from issuance of long-term debt and resources held by the government in its fiduciary capacity. Local governments which choose not to prepare C-4 and C-5 statements must have their budgeted information available for the audit.

4.3.12.30 If more than \$750,000 in federal funding was expended by the entity during the year and a federal single audit is required, the entity must prepare financial statements if it has expenditures of federal funds from more than one program or cluster. However, an entity that normally does not prepare financial statements may not need to prepare them for the single audit if it has expenditures from only **one** program or cluster. Entities should consult with their local SAO team or the SAO [HelpDesk](#) if they have questions about this requirement.

4.3.12.40 In addition to reporting all of their funds on a cash basis, as described in this chapter, cash basis cities and counties may chose to **separately** report their utility funds on the GAAP basis, if necessary to meet their individual needs. In such a case, they need to prepare two reports:

- One comprehensive cash basis report containing all governmental and proprietary funds (including utility funds), and
- An additional GAAP basis report only for their utility funds.

4.3.12.50 Instructions for preparing GAAP basis financial statements can be found in the GAAP BARS Manual.

##### Instructions

4.3.12.60 Sometimes governments will create other funds for internal accounting or managerial purposes. When preparing annual report schedules and financial statements, any such accounting or managerial funds should be rolled into appropriate fund types. For example, there should be only **one** general fund reported, even if several fund numbers are used internally for different general fund programs; or if several funds are used internally to account separately for operating capital and/or debt activities of proprietary function, those activities should be rolled up into a single enterprise fund.

a. To prepare, enter the beginning amounts of cash and investments (3082100, 3083100, 3084100, 3085100, 3089100). In line below should include any adjustments (accounts 388/588). Then list *revenue* accounts (310, 320, etc.) and *expenditures* (510, 520, etc.). The *other increases* should include: debt proceeds (391-393, 596), transfers-in (397), special/extraordinary items (385/585), and other increases (381, 382, 395, 398). The *other decreases* should include: capital expenditures (594-595), debt service (591-593, 599), transfers-out (597) and other decreases (581, 582, 589). Display of the ending cash and investments (5082100, 5083100, 5084100, 5085100, 5089100) is required.

b. *Beginning and ending cash and investments* on Statement C-4 should equal the *beginning and ending cash and investments* on Schedule 01. These amounts should also agree to the *beginning and ending cash and investments* on Schedule 06.

4.3.12.70 Each fund should be presented in a consolidated manner. That is, any intrafund activity, representing transactions or transfers occurring within the fund between departments, programs or managerial funds, should be eliminated.

4.3.12.80 Fund names should be appropriately clear for external financial reporting purposes. The name does not need to match exactly to the fund name used in the government's accounting system.

4.3.12.90 The *Total for All Funds (Memo Only)* column is a sum total of amounts reported for all funds. It is labeled as a memorandum total because interfund activity is not eliminated.

4.3.12.100 For external financial reporting purposes, amounts should be presented in whole dollars.

**Sample County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		Total for All Funds (Memo Only)	001 Current Expense	103 E911	104 IHCS
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	2,000,000	2,000,000	-	-
388 / 588	Net Adjustments	29,941	29,941	-	-
<b>Revenues</b>					
310	Taxes	9,100,204	5,466,391	545,042	8,243
320	Licenses and Permits	299,391	216,000	-	82,688
330	Intergovernmental Revenues	13,379,431	1,625,469	447,174	2,374,612
340	Charges for Goods and Services	6,216,320	840,561	40,599	77,606
350	Fines and Penalties	770,058	769,236	-	-
360	Miscellaneous Revenues	1,967,308	886,008	270	199,421
Total Revenues:		<u>31,732,712</u>	<u>9,803,665</u>	<u>1,033,085</u>	<u>2,742,570</u>
<b>Expenditures</b>					
510	General Government	5,652,540	4,597,750	-	-
520	Public Safety	4,393,106	3,512,245	674,434	-
530	Utilities	1,493,963	-	-	-
540	Transportation	9,377,959	-	-	-
550	Natural/Economic Environment	906,845	275,436	-	-
560	Social Services	2,628,242	37,035	-	2,351,857
570	Culture and Recreation	302,060	294,118	-	-
Total Expenditures:		<u>24,754,715</u>	<u>8,716,584</u>	<u>674,434</u>	<u>2,351,857</u>
Excess (Deficiency) Revenues over Expenditures:		<u>6,977,997</u>	<u>1,087,081</u>	<u>358,651</u>	<u>390,713</u>
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,107,627	287,024	-	146,301
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	935,729	78,850	-	-
Total Other Increases in Fund Resources:		<u>2,043,356</u>	<u>365,874</u>	<u>-</u>	<u>146,301</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	5,104,237	85,595	73,192	81,781
591-593, 599	Debt Service	384,190	28,133	-	-
597	Transfers-Out	1,107,627	728,839	-	11,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	89,370	73,696	-	-
Total Other Decreases in Fund Resources:		<u>6,685,424</u>	<u>916,263</u>	<u>73,192</u>	<u>92,781</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>2,335,929</u></b>	<b><u>536,692</u></b>	<b><u>285,459</u></b>	<b><u>444,233</u></b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	50,000	-	-	-
50831	Restricted	20,594,384	2,902,426	1,056,821	2,587,445
50841	Committed	461,144	461,144	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	(2,000)	(2,000)	-	-
<b>Total Ending Cash and Investments</b>		<b><u>21,103,528</u></b>	<b><u>3,361,570</u></b>	<b><u>1,056,821</u></b>	<b><u>2,587,445</u></b>

*The accompanying notes are an integral part of this statement.*

**Additional resources**

**Disclaimer:** The following are links to non-authoritative resources and are not prescribed as part of BARS Manual requirements.

- [Checklist for Cash Basis Financial Statements Preparers](#), Center for Government Innovations (SAO Resource Database)
    - *Can be used as a baseline by local governments to develop control activities (policies and procedures) that address areas of deficiencies most often found in the preparation of financial statements.*
-

## **Fiduciary Fund Resources and Uses Arising from Cash Transactions (C-5)**

### **4.3 Financial Statements**

#### **4.3.13 Fiduciary Fund Resources and Uses Arising from Cash Transactions (C-5)**

##### **Applicability**

4.3.13.10 Statement C-5 should be prepared for all trust and custodial funds. Exclude all payroll and claims clearing funds. Statement C-5 does not need to be prepared if the government is filing the required schedules using the SAO Online Filing. The SAO online reporting system will automatically generate this Statement.

4.3.13.15 Local governments are **required** to update the incorrect financial statements. The requirement applies to all errors found prior or during an audit.

4.3.13.20 Local governments with total revenues of \$2 million or less are not required to prepare C-4 or C-5 statements unless debt covenants, a contract, a grantor or the city/county/district's legislative body requires the city/county/district to prepare the financial statements or to receive a financial statements audit. If this request is made, C-4 and C-5 statements and notes should be prepared. The \$2 million threshold calculation excludes any proceeds from issuance of long-term debt and resources held by the government in its fiduciary capacity. Local governments which choose not to prepare C-4 and C-5 statements must have their budgeted information available for the audit.

4.3.13.30 If more than \$750,000 in federal funding was expended by the government during the year and a federal single audit is required, the government must prepare financial statements if it has expenditures of federal funds from more than one program or cluster. However, a government that normally does not prepare financial statements may not need to prepare them for the single audit if it has expenditures from only one program or cluster. Governments should consult with their local SAO team or the SAO [HelpDesk](#) if they have questions about this requirement.

##### **4.3.13.40 Instructions**

a. To prepare, enter beginning cash and investments. Enter any adjustments (net 388/588). Then enter total additions (310-390) and total deductions (510-590). Then foot the statement to calculate ending cash and investments.

b. *Beginning and ending cash and investments* on Statement C-5 should equal the *beginning and ending cash and investments* on Schedule 01.

4.3.13.50 Each fund type should be presented in a consolidated manner. That is, any intrafund activity, representing transactions or transfers occurring within the fund between departments, programs or managerial funds, should be eliminated as well as any interfund transactions within the fund type.

4.3.13.60 Fund types should be appropriately clear for external financial reporting purposes.

4.3.13.70 The *Total for All Funds (Memo Only)* column is a sum total of amounts reported for all funds.



4.3.13.80 For external financial reporting purposes, amounts should be presented in whole dollars.

The accompanying notes are an integral part of this statement.

**Fiduciary Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 20\_\_**

		<b>Total for All Funds (Memo Only)</b>	<b>Pension/OPEB Trust</b>	<b>Investment Trust</b>	<b>Private- Purpose Trust</b>
308	Beginning Cash and Investments	-	-	-	-
388/588	Net Adjustments	-	-	-	-
310-390	Additions	-	-	-	-
510-590	Deductions	-	-	-	-
	Net Increase (Decrease) in Cash and Investments	-	-	-	-
508	Ending Cash and Investments	-	-	-	-

		<b>Custodial</b>	<b>External Investment Pool</b>
308	Beginning Cash and Investments	-	-
388/588	Net Adjustments	-	-
310-390	Additions	-	-
510-590	Deductions	-	-
	Net Increase (Decrease) in Cash and Investments:	-	-
508	Ending Cash and Investments	-	-

The accompanying notes are an integral part of this statement.

# Notes to Financial Statements

## Instructions

### 4.6 Notes to Financial Statements

#### 4.6.2 Instructions

4.6.2.10 Notes to financial statements are intended to communicate information necessary for a fair presentation of financial position and results of operations that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes are an integral part of the financial statements and should supplement them. The notes which follow are designed to illustrate the disclosures required for cash basis local governments. The notes must reflect the local government's accounting policies and must include disclosure in the areas listed as they relate to the government's financial position.

4.6.2.20 **Delete** the notes that do not apply and **add** others that are needed for readers to understand the financial statements:

- Example notes presented in the manual are considered the minimum requirement for disclosure, as applicable. Since the basis of accounting is other than GAAP, disclosures required for fair presentation include a description of the basis of accounting, how it differs from GAAP and disclosures similar to those required by GAAP for any elements presented in the financial statements that are similar to GAAP (e.g., example deposits and investments, property taxes, etc.). Additional disclosures not specifically shown as examples may also be required to achieve fair presentation for unique facts and circumstances.
- Notes should not include irrelevant, obsolete, trivial or superfluous information. For example, governments should refrain from negative disclosure (stating that a potential disclosure is inapplicable, such as *there were no subsequent events requiring disclosure*).

4.6.2.30 The notes to financial statements can be presented in any format (i.e., narratives, tables, schedules, matrixes, etc.) as long as they contain the required information. Note disclosures should be expressed as clearly and simply as possible and include explanations as necessary to ensure it is understandable by users. However, this does not mean that disclosures should avoid precise technical terms or omit or abridge information that may be complicated or difficult to understand.

4.6.2.40 Attach the notes immediately behind the financial statements.

4.6.2.50 Example notes in BARS Manual consist of *Sample Text* and *Instructions to Preparer*.

*Sample Text* - example of common or standard language meant to help write the note. Sample text should be modified, deleted or added to as necessary to fairly present the government's circumstances. While sample text is given, it is the local government responsibility to determine accuracy and adequacy of the disclosure.

*Instructions to Preparer* - comments and instructions on how to write the note, including required elements or additional versions of the note not shown in the sample text.

## Note 1 - Summary of Significant Accounting Policies

### Note 1 - Summary of Significant Accounting Policies

The (official name of the government) was incorporated on (date) and operates under the laws of the state of Washington applicable to a (type of government). **[1]** The (city/county/district) is a (general/special) purpose local government and provides (list major types of services). **[2]**

The (city/county/district) reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see [Note X - Component Unit\(s\), Joint Ventures, and Related Parties](#)).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

#### A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

#### Governmental Fund Types: **[3]**

##### General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

##### Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

##### Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

##### Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

#### Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

Proprietary Fund Types: [\[3\]](#)

#### Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

#### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

Fiduciary Fund Types: [\[3\]](#)

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

#### Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

#### Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust. [\[4\]](#)

#### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

#### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

### B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the (city/county/district) [\[5\]](#) also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

### C. Cash and Investments

See [Note X - Deposits and Investments](#).

#### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$ \_\_\_ and an estimated useful life in excess of \_\_\_ years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### E. Compensated Absences

Vacation leave may be accumulated up to \_\_\_ days and (is or is not) payable upon separation or retirement. Sick leave may be accumulated (indefinitely or up to X hours). Upon separation or retirement employees (do or do not) receive payment for unused sick leave. Payments are recognized as expenditures when paid.

#### F. Long-Term Debt

See [Note X - Long-term Debt \(Formerly Debt Service Requirements\)](#).

#### G. Restricted and Committed Portion of Ending Cash and Investments **[6]**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by \_\_\_\_\_. When expenditures that meet restrictions are incurred, the (city/county/district) intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of \_\_\_\_\_.

---

#### **Instructions to preparer:**

**[1]** For *type of government* describe the legal formation of your government, such as *second-class city with a mayor-council form of government*.

[Return to Reference 1](#)

**[2]** For *major types of services*, summarize the functions that your government performs, such as:

*Public safety, fire prevention, street improvement, park and recreation, health and social services, and general administrative services. In addition, the (city/county/district) owns and operates a sewer system.*

[Return to Reference 2](#)

**[3]** Eliminate labels and descriptions of any funds that your government does not use. The external portion of investment pools that are not held **in trust** should be reported in a separate *external investment pool fund column* under the custodial funds classification.

[Return to Reference 3 - Governmental](#)

[Return to Reference 3 - Proprietary](#)

[Return to Reference 3 - Fiduciary](#)

**[4] Counties only** - If there is an external investment pool, the county should use these fund types for all transactions for the Special Purpose Districts. The county should not record the maturity and repurchase transactions as additions and reductions.

[Return to Reference 4](#)

**[5]** Counties that elected under RCW [36.40.200](#) to allow appropriation account to remain open after the end of the fiscal year should include the following disclosure:

*In accordance with state law, the (county) also recognize expenditures paid during (number of days) after the close of the fiscal year for claims incurred during the previous period.*

[Return to Reference 5](#)

**[6]** In relation to internal commitments, describe the government's highest level of decision-making authority and the formal action required to establish, modify or rescind a fund balance commitment. For example: "...by ordinance or resolution of the City Council."

If the government reports any restricted and committed amounts of ending cash and investments, it should describe the specific purposes (not functions) and amounts of these restrictions and commitments.

[Return to Reference 6](#)

## Note X - Budget Compliance

### Note X - Budget Compliance [1]

The (city/county/districts) adopts (annual/biennial) appropriated budgets for \_\_\_\_ [2] funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). [3] The budget constitutes the legal authority for expenditures at that level. (Annual/biennial) appropriations for these funds lapse at the fiscal year end.

(Annual/biennial) appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow: [4]

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
..... Department	\$	\$	\$
Total General Fund	\$	\$	\$
..... Fund	\$	\$	\$
..... Fund	\$	\$	\$
..... Fund	\$	\$	\$

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the (city/county/district's) legislative body. [5]

---

### Instructions to preparer:

[1] The note is applicable only if the city/county/district is legally required to appropriate its

expenditures. The data in the matrix should match the amounts in the city/county/district's budget document (i.e., ordinance, resolution, etc.). If the city/county/district adopts budgets for the managerial funds that are combined for the financial presentation, the note should disclose the legally adopted budgets information.

[Back to Reference 1](#)

**[2]** List the funds for which the city/county/district adopts appropriated budgets.

[Back to Reference 2](#)

**[3]** If the city/county/district adopts budgets on a level other than fund, list the funds and describe the level.

[Back to Reference 3](#)

**[4]** Present general fund budget on the department level **only** if the city/county/district legally approves the budget on that level.

Also, if in any of the proprietary funds the budget is legally approved on a level lower than fund (e.g., activities, etc.) the government needs to present the budgeted information on that level.

[Back to Reference 4](#)

**[5]** Provide a description, including affected fund(s) and amount(s), of any material budget transfers or amendments during the fiscal year. If there are significant variances, provide an explanation.

[Back to Reference 5](#)



## Note X - Component Unit(s), Joint Ventures, and Related Parties

### Note X - Component Unit(s), Joint Ventures, and Related Parties

*A template is not provided since each situation is unique. The instructions below provide information on what should be included in the note disclosure.*

---

#### Instructions to preparer:

##### Component units and joint ventures

Are any legally separate organization that the government either controls (e.g., because it appoints a voting majority of the board) or holds an ongoing financial interest (e.g., equity interest) or has an ongoing financial responsibility (e.g., government is obligated in some manner for the debts of the organization).

The notes should provide the following information:

1. Description of the Component Unit/Joint Venture; such as:
  - date of formation,
  - governing body, who oversees the management of the organization,
  - the purpose of the component unit/joint venture, why the organization was formed.
2. Information regarding the nature of the relationship with the government.
3. Information regarding the performance and activity of the organization by providing financial information such as:
  - Operating budget
  - Revenues received
  - Total expenditures
4. Provide other information that may be of interest or benefit to the users of the financial statements; such as if separate financial statements are provided, how to obtain more information, etc.

#### Example

**Note:** Each situation is unique, this sample may not provide complete disclosure of the component unit or joint venture; adjust the note as necessary.

*The (Component Unit/Joint Venture) was formed by (ordinance/vote of the citizens/etc.) of (County/City/District). The (Component Unit/Joint Venture) provides (purpose of formation, function, activity) for the (County/City/District/etc.). The (Component Unit/Joint Venture) is governed by a (number of officials) board composed of (appointed by County/City/District or voted by the citizens).*

*The (County/City/District) is/isn't obligated to (provide nature of relationship, such as required funding from County/City/District, support for component unit/joint venture operations, revenue or net income sharing arrangements, etc. If applicable, provide information on who receives assets of the component unit/joint venture upon dissolution).*

*In 20XX the (Component Unit/Joint Venture)'s (operating budget/total budget) was \$ \_\_\_\_\_, reported \$ \_\_\_\_\_ in operating (income/loss) (and remitted/received \$ \_\_\_\_\_ to/from the (County/City/District).*

### **Related party**

Significant transactions with related parties should be disclosed. These disclosures are required for any transactions with related parties, other than normal transactions conducted in the ordinary course of operations (such as compensation of employees or licensing or permitting for other governments). When evaluating the necessity of a disclosure, governments should consider both the form and substance of the transaction.

Related parties include:

- A government's related organizations, joint ventures, and jointly governed organizations
- Elected and appointed officials of the government, executive management and immediate family members of officials and executive managers
- Other parties that the government can significantly influence
- Other parties that can significantly influence the government
- Other parties that are under the influence of a related party to the government

Disclosure should include:

1. The nature of the relationship(s) involved.
2. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which financial statements are presented, and such other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements.
3. The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period.
4. Amounts due from or to related parties as of the date of each statement of net position presented and, if not otherwise apparent, the terms and manner of settlement.

## **Note X - COVID-19 Pandemic**

### **Note X - COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

(Include relevant information about actual or potential financial or operational (including the direct and indirect impact) on the government, and management's plans or actions to address the situation, to the extent known. High-level info is sufficient.)

The length of time these measures will continue to be in place, and the full extent of the financial impact on the (city/county/district) is unknown at this time.

## Note X - Deposits and Investments

### Note X - Deposits and Investments

Investments are reported at (amortized cost/original cost/fair value). **[1]** Deposits and investments by type at December 31, 20\_\_ are as follows:

Type of deposit or investment <b>[2]</b>	(City/County/District's) <b>own</b> deposits and investments <b>[3]</b>	Deposits and investments held by the (City/County/District) as custodian for other local governments, individuals, or private organizations <b>[4]</b>	Total
Bank deposits	\$	\$	\$
Certificates of deposit			
Local Government Investment Pool			
U.S. Government securities			
(Other)			
(Other)			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Also see [Instructions 2](#), [Instructions 3](#) and [Instructions 4](#).

It is the (city/county/district's) policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds (or if not prorated, explain your unique circumstances). **[5]**

Investments in the State Local Government Investment Pool (LGIP)

The (city/county/district) is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

Investments in (county investment pool) **[6]**

The (city/county/district) is a (voluntary/involuntary) participant in the (county investment pool), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with [RCW 36.48.070](#). The (city/county/district) reports its investment in the pool at (amortized cost/fair value),

which is (the same as the value of the pool per share/or disclose the difference between the reported amount and the value of pool shares). (The pool does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates).

#### Custodial Credit Risk [\[7\]](#)

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the (city/county/district) would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The (city/county/district's) deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the (city/county/district) or its agent in the government's name.

#### Other Disclosures [\[8\]](#)

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### Instructions to preparer

**[1]** Investments may be presented at amortized cost, original cost or fair market value. With amortized cost, interest earnings are recorded when earned. With original cost, interest earnings are recorded only when received. With fair value, unrealized changes in fair value are recorded as interest revenue. If presentation varies by investment type or fund, these differences must be described.

[Return to Reference 1](#)

**[2]** If cash on hand is not significant, governments may report it as part of the "Bank Deposits" category.

[Return to Reference 2](#)

**[3]** The total deposits and investments disclosed in this column should equal total ending cash and investments reported on the Statement C4.

[Return to Reference 3](#)

**[4]** The total deposits and investments disclosed in this column should equal total ending cash and investments reported on the Statement C5. If the government does not report any fiduciary funds, then this column should be deleted.

[Return to Reference 4](#)

**[5]** Disclose any income from investments associated with one fund that is assigned to another fund. See Sweeping Interest and Investment Returns into General Fund for legal requirements related to

interest diversion.

[Return to Reference 5](#)

**[6]** Participants in external investment pools must disclose:

- For pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether fair value of the position in the pool is the same as the value of the pool shares.
- Whether participation is voluntary or involuntary.
- Whether investments in the pool are reported at amortized cost or fair value.
- For pools reported at amortized cost, any limitations or restrictions on withdrawals from external investment pools (such as redemption notice periods, maximum transaction amounts, and the external investment pool's authority to impose liquidity fees or redemption gates).
- If the government cannot obtain information from a pool sponsor to make one or more disclosures, the government's understanding of the pool should be disclosed along with the fact that the government was unable to obtain confirmation from the pool about this understanding.

[Return to Reference 6](#)

**[7]** If the city/county/district deposits are not entirely insured, disclose the amount that is uncollateralized. If investments are uninsured, unregistered and held by the counterparty's trust department or agency in the government's name, disclose the circumstances.

[Return to Reference 7](#)

**[8]** Additional disclosures are needed if the government holds any of the following types of deposits or investments:

If the government participated in any securities lending transactions during the period, disclose the type of securities lent and collateral received, the amount by which the value of the collateral provided is required to exceed the value of underlying securities, any loss indemnification, whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, amount of credit risk, if any, related to the securities lending transactions and any losses resulting from defaults.

- If the government used, held, or sold any derivatives or similar instruments during the period covered by the financial statements, it must disclose the nature of transactions, objective for entering into transactions, the notional amount, effective date and other significant terms and the fair market value of the derivatives as of fiscal year end.
- If the government has any compensating balance agreements (See BARS Manual [3.2.5, Compensating Balances](#)) with banks in lieu of payments for services rendered, disclose the average compensating balances maintained during the year.
- If the government has any deposits or investments denominated in foreign currency, disclose the US dollar value, organized by each different foreign currency denomination and type of investment.

[Return to Reference 8](#)

## **Note X - External Investment Pool (Counties Only)**

### **Note X - External Investment Pool**

The External Investment Pool sponsored by the County was established in (date). Revised Code of Washington (RCW) [36.29.022](#), [36.29.010](#), [36.29.020](#), authorize the County Treasurer to invest its surplus cash and any funds of municipal corporations which are not required for immediate expenditure and are in the custody or control of the county treasurer. The External Investment Pool's investments are invested pursuant to the Revised Code of Washington. Any credits or payments to pool participants are calculated and made in a manner as required by RCW [36.29.024](#).

The investments are managed by the Treasurer, which reports investment activity to the County Finance Committee on a (describe timing, i.e. monthly, quarterly, etc.). Additionally, the County treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The County has not provided nor obtained any legally binding guarantees during the year ended December 31, 20\_\_, to support the value of shares in the Pool.

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the County Finance Committee. The Committee is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Committee's primary role is to oversee the allocation of the Pool's portfolio among the asset classes, investment vehicles, and investment managers.

The interest or other earnings of income from the funds of any municipal corporation of which the governing body has not taken any action pertaining to the investment of funds and that have been invested in accordance with state statutes, shall be deposited in the current expense fund of the county and may be used for general county purposes. The total amount of income from the External Investment Pool assigned to the County's general fund for the year was \$\_\_\_\_\_. These investments made by the County Treasurer on behalf of the participants is involuntary participation in the County Treasurer's Investment Pool as they are required to be invested by statute.

(Percentage) of the County Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County Treasurer's Pool include (describe). The deposits held for both involuntary and voluntary entities are included in the (Investment Trust Fund or External Investment Pool - Custodial Fund).

The Treasurer also maintains Individual Investment Accounts, as directed by external depositors, which are invested pursuant to the Revised Code of Washington. This investment activity occurs separately from the County's Pool and is reported in the Individual Investment Trust Fund in the amount of \$\_\_\_\_\_. Income from the specific investments acquired for the individual municipalities, and changes in the value of those investments, affect only the municipality for which they are acquired, and are aggregated in the Individual Investment Fund.

## **Note X - Fiduciary Activities (Counties Only)**

### **Note X - Fiduciary Activities**

Washington State law requires counties to act as a fiscal agent on behalf of special purpose districts. The resources collected and held for these districts in a custodial capacity were previously omitted from the financial statements. Starting in fiscal year 2017, counties are required to report the custodial amounts on their financial statements. This requirement resulted in addition of \$\_\_\_\_\_ in custodial deposits reported in the statement of *Fiduciary Fund Resources and Uses Arising from Cash Transactions* for the year ended December 31, 20\_\_ . In addition, these amounts are now required to be presented by fund type rather than by individual fund.

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### **Instructions to preparer:**

This note is required only for the first year of implementing the BARS requirement to report custodial deposits for special purpose districts. It is not required for subsequent years. So, if a county reported the resources held in custodial capacity for special purpose districts in 2017 and provide this disclosure, the note should be omitted from the statements for fiscal year 2018.



## Note X - Going Concern

### Note X - Going Concern

#### ***Substantial doubt alleviated by management's plans***

### Note X - Financial Condition

(Describe conditions or events giving rise to a substantial doubt about the government's ability to continue as a going concern for a reasonable period of time). [1]

(Describe management's plan) [2] These planned actions are expected to enable the government to continue operating and meeting its obligations as they come due.

#### ***Substantial doubt not alleviated***

### Note X - Going Concern

The financial statements have been prepared on a going concern basis, which assumes the (city/county/district) will be able to realize its assets and settle its liabilities in the normal course of business for the foreseeable future. (Describe conditions or events giving rise to a substantial doubt about the government's ability to continue as a going concern for a reasonable period of time). [1]

These conditions raise substantial doubt about the (city/county/district)'s ability to continue operating as it has in the past. (Describe management's plan) [2] The ability to continue as a going concern is dependent upon (describe conditions needed, such as a favorable outcome to litigation, ability to secure permanent financing, continuing to receive outside assistance with deficits, reduction of certain expenditures or increase in certain revenues, success of management's plans as described above, etc.).

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## Instructions to preparer

Management's evaluation of the government's ability to continue as a going concern for a reasonable period of time involves making a judgement, at a particular point in time, about inherently uncertain future outcomes of conditions or events. The following factors are relevant to that judgment:

- The degree of uncertainty associated with the outcome of a condition or event increases significantly the further into the future a condition or event or the outcome occurs. For that reason, management is required to take into account all available information.
- The size and complexity of the government, the nature and condition of its business, and the degree to which it is affected by external factors affect the judgment regarding the outcome of the condition or events.
- Any judgment about the future is based on conditions or events that are known and reasonably knowable at the date that the financial statements are issued (or at the date that the financial statements are available to be issued, when applicable). Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made.

[1] If conditions or events raise a substantial doubt about a government's ability to continue as a

going concern for a reasonable period of time (fifteen months beyond the date of the financial statements), the notes to the financial statements should include disclosure of the following, as appropriate:

- Relevant conditions and events giving rise to the assessment of substantial doubt
- The possible effects of such conditions and events, including possible discontinuance or severe reduction of operations, if applicable
- Government officials' evaluation of the significance of those conditions and events and any mitigating factors,
- Government officials' plans, including relevant prospective financial information or subsequent events

**[2]** The following list includes examples of plans that management may implement to mitigate conditions or events and specific considerations regarding information to disclose about those plans (examples are not all inclusive). For all plans, consider disclosure of estimated time frame for action, whether the planned action has been approved by the governing body or is just being considered, and possible direct or indirect effects of disposal on operations or levels of service.

- Discontinuing or outsourcing certain activities or operations. Consider disclosing estimated transition costs and future cost savings (if known) and any restrictions, whether services are expected to be assumed by other governments, and any encumbrances or uncertainties related to the discontinuance, such as the need to negotiate with service providers or contractors.
- Reducing or delaying expenditures. Consider disclosing whether reductions are planned to be temporary or permanent and any restrictions, encumbrances or uncertainties related to the reduction, such as the need to negotiate with unions, vendors or other parties.
- Raising revenues. Consider disclosing any conditions or uncertainties such as the outcome of a vote or grant application.

## Note X - Interfund Loans

### Note X - Interfund Loans

The following table displays interfund loan activity during 20\_\_:

Borrowing Fund	Lending Fund	Balance 1/1/20__	New Loans	Repayments	Balance 12/31/20__
		\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
	TOTALS	\$ _____	\$ _____	\$ _____	\$ _____

## Note X - Long-Term Debt (formerly Debt Service Requirements)

### Note X - Long-Term Debt (formerly Debt Service Requirements)

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the (city/county/district) and summarizes the (city/county/district's) debt transactions for year ended December 31, 20\_\_.

The debt service requirements for general obligation bonds, revenue bonds and \_\_\_\_\_ [1] are as follows:

	Principal	Interest	Total
20__ [2]	\$	\$	\$
20__			
20__			
20__			
20__			
20__ - 20__			
TOTALS	\$	\$	\$

### Debt Refunding [3]

The (city/county/district) issued \$\_\_\_\_\_ of (general obligation, revenue) refunding bonds to retire \$\_\_\_\_\_ of existing \_\_\_\_\_ series bonds. This refunding was undertaken to reduce total debt service payments over the next \_\_\_\_\_ years by \$\_\_\_\_\_. The financial statements reflect other financing sources of \$\_\_\_\_\_ and other financing uses of \$\_\_\_\_\_ pertaining to this transaction.

### Debt Guarantees [4]

In \_\_\_\_\_, (city/county/district) guaranteed the (debt instrument name) of the (other entity name), a legally separate entity. In the event that the (other entity name) is unable to make a payment, (city/county/district) will be required to meet the obligation. The total amount of outstanding debt subject of this guarantee at year end was \$\_\_\_\_\_.

### Unused Lines of Credit [5]

At fiscal year end, the (city/county/district) had \$\_\_\_\_\_ available in unused lines of credit.

### Assets Pledged as Collateral for Debt [6]

The following debt is secured by assets that are pledged as collateral:

Debt:	Asset:
[2020 G.O. Bond]	123 Oak St. Building

## Significant Debt Agreement Terms [\[7\]](#)

The following financial instruments contain debt agreement terms with finance related consequences:

Debt:	Clause:
[2020 G.O. Bond]	[E.g., If the borrower defaults on two or more payments, the lender may require the borrower to repay the entire amount of the loan immediately.]

### Instructions to preparer:

**[1]** Include other debt such as notes, public works loans, special assessment bonds, etc. When reporting loans, only the amount actually drawn should be included here.

[Return to Reference 1](#)

**[2]** Separately list total debt payments for the next five years and in five-year increments thereafter.

[Return to Reference 2](#)

**[3]** The city/county/district should provide this disclosure in the year of transaction. Details concerning debt service reductions should be part of closing documents provided by the financial advisor.

[Return to Reference 3](#)

**[4]** If it is determined that the city/county/district is more likely than not to become obligated under the debt guarantee add the following disclosure:

As a result of (reason for trigger), the (city/county/district) determined that it was more likely than not that the (city/county/district) would be required to pay \$\_\_\_\_\_ of the (other entity's name) debt service payments based on this guarantee. This amount has been added to the (city/county/district's) Schedule of Liabilities (Schedule 09).

[Return to Reference 4](#)

**[5]** Amounts available on purchase, store and fuel cards should not be included.

[Return to Reference 5](#)

**[6]** Identify the specific debts and their related pledged assets. In the event of any default event, these assets have been identified in the debt agreement as providing recourse to the bond holder. For example, a loan to purchase a building will likely have that building identified as collateral to the lender.

[Return to Reference 6](#)

**[7]** Identify the specific debt and describe any default or termination events included in the debt agreements which have a stated financial consequence. For example, missed payments may result in a new accelerated payment schedule (an acceleration clause).

[Return to Reference 7](#)

## Note X - Other Disclosures

### Note X - Other Disclosures

*A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

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#### Instructions to preparer:

Disclose any additional information that are essential to a user's understanding of the financial statements, for example:

- **Corrections of material errors** in previous years. A disclosure should be made describing any significant transactions recorded as prior year(s) corrections in the BARS account 3880000 or 5880000.
- If there was a **violation of finance-related legal or contractual provisions** the city/county/district should disclose **both** the description of the violation(s) and the action(s) taken to address the violation(s).
- **Extraordinary events** with a significant effect on reported cash transactions. The disclosure should describe the event and its impact on cash transactions. Extraordinary means both (1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to the ordinary and typical activities of the entity) and, (2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future). For example, this may include a natural disaster, discontinuance of a major program or merger with another government.
- **Special items** are significant items subject to management's control that meet one but not both of the criteria used for identifying extraordinary items. For example, a major sale of land.
- **Contingencies and litigations.** Include contingencies that have at least a reasonable possibility of an unfavorable outcome resulting in a financial loss such as those related to litigation, claims and assessments (including due to unasserted or threatened claims that are probable of assertion). Disclosure is not required for claims covered by insurance unless it is material or significant and would otherwise be misleading to omit. For example, claims that may exceed insurance coverage or with significant deductibles should be disclosed. Other examples of potential contingencies requiring disclosure are material uncollectable receivables, uncompleted contracts that city/county/district is obligated to perform, disallowable grant expenditures, lawsuits settled adversely, their appeals (if applicable), material disputed contracts and any other uninsured risks affecting the government. Disclose all financial guarantees regardless of the probability of a loss. Include contingencies existing at the date of the financial statements and any that arose since that date. Disclose the nature of the contingency and, if possible, the estimated range of the potential loss or state that such an estimate is not possible. Be sure to consult with the government's attorney and auditor for appropriate wording of the disclosure.
- **Subsequent events** occurring after the end of period but before issuance of the statements that are essential to a user's understanding of the financial statements (e.g., issuance of new debt, discontinuation or divestiture of major operations, settlement of major litigation, or an extraordinary event occurring after the end of the period).

- **Significant commitments or obligations** which impose restrictions on the future use of financial resources that are not already disclosed in other sections (e.g., pollution remediation, construction and other contracts, etc.).

Construction Commitment

The (city/county/district) has active construction projects as of December 31, 20\_\_ . The projects include: \_\_\_\_\_.

At year-end the district's commitments with contractors are as follows: **[1]**

Project	Spent to Date	Remaining Commitment
	\$	\$
	\$	\$

(Of the committed balance of \$\_\_\_\_\_ the (city/county/district) will be required to raise \$\_\_\_\_\_ in future financing.)

**Footnote:**

**[1]** Describe the financing arrangements for each project

- **Pollution remediation/retirement of certain assets**

List polluted site(s), type of contamination, clean-up action(s), assets subject to special retirement rules, potential liability and any payments incurred during reporting year. Add any other significant information (e.g., money set aside for this purpose, sources of future funding, method used to determine the liabilities, etc.).

The (city/county/district) has contaminated ground under oil storage tanks. Under the (federal/state) law, the (federal/state agency) named the (city/county/district) as potentially responsible for remediation. The (city/county/district) is working with the (federal/state agency/contractor, etc.) to clean up the site. The (city/county/district) recorded \$\_\_\_ as pollution remediation liability on the Schedule of Liabilities. During (reported year) the (city/county/district) paid \$\_\_\_ for the clean-up.

The (city/county/district's) airport was found to have pesticide residue from previous agricultural activities. No clean-up action is required at this time.

The (city/county/district) has ground contaminated with fuel from fuel storage tanks. Under the (federal/state) law, the (federal/state agency) named the (city/county/district) as potentially responsible for remediation. At this time, the (city/county/district) doesn't have sufficient information to reasonably estimate the liability related to potential cleanup of the site.

The (city/county/district) has several wells requiring capping in the future. Due to inability to estimate the dates and cost of the decommissioning of the wells, the (city/county/district) cannot estimate the related liability.

The (city/county/district) has several wells requiring capping in the foreseeable future.



Due to the (*federal/state*) law and/or the legal agreement with (\_\_\_\_\_) the (*city/county/district*) will incur estimated \$\_\_\_\_ related to the project. These liabilities are reported on Schedule of Liabilities. During (*reported year*) the (*city/county/district*) paid \$\_\_\_\_ for the related work.

The (*city/county/district*) owns contaminated property due to the former tenant dry cleaning business. The (*city/county/district*) is working with the (*federal/state agency/contractor, etc.*) to clean up the site. The (*city/county/district*) recorded \$\_\_\_\_ as pollution remediation liability on the Schedule 09. However, the recent work at the cleanup site revealed additional contaminated areas requiring to reevaluate the future cost of the project. As a result the (*city/county/district*) increased the amount of liabilities reported on Schedule of Liabilities by \$\_\_\_\_. During (*reported year*) the (*city/county/district*) paid \$\_\_\_\_ for the clean-up.

Based on the engineering firm's estimate, the (*city/county*) has the following liabilities associated with the closure of its landfill(s). These amounts were updated in (*year*) to values determined by the engineering firm. The amounts were last updated for inflation as of (*date*). The amount of post-closure costs reported on the Schedule of Liabilities is \$\_\_\_\_.

- **Government combinations**

This disclosure is required when the government underwent any changes related to its operations due to a merger, acquisition, or transfer of operations (e.g., annexation, shared service arrangement, redistricting, reorganization, etc.) or disposed of some operations.

Any monetary consideration should be accounted for and reported as special item and the note should disclose at minimum:

- Brief description and reason for the combination,
- Effective date or expected date of the cease of existence,
- The amount of added/reduced cash (i.e., amount of the special item),
- Assumed/transferred debt.

- **Any other items you may consider significant.**

## Note X - Other Postemployment Benefits

This note is required if you provide any other than pension postemployment benefits (OPEB). Please see [Accounting/Liabilities/Other Postemployment Benefits \(OPEB\)](#) for details.

### Note X - OPEB Plans

**The following paragraph is recommended in the year of implementation:**

*During the year ended (fiscal year end), the (city/county/district) adopted guidance for the presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a postemployment benefit liability reported on the Schedule of Liabilities.*

**The following is required in the year of implementation and each year thereafter:**

If the government provides other postemployment benefits (OPEB), include the following information for **each** plan:

1. The name of the OPEB plan, the name of the plan administrator, and identification of the OPEB plan as either a defined benefit plan or a defined contribution plan.
2. A brief description of the benefit terms.
3. The number of OPEB plan participants (active and retired).
4. For defined benefit plans only - The amount of the OPEB liability as of the reporting date (should agree to Schedule 9). If the alternative measurement method was used (e.g. the Office of the Washington State Actuary tools), that fact should be disclosed.
5. The dollar amount the employer contributed during the reporting period.

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### Instructions to preparer:

#### Examples:

*The (city/county/district) is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The (city/county/district) had (number) active plan members and (number) retired plan members as of December 31, 20\_\_. As of December 31, 20\_\_, the (city/county/district)'s total OPEB liability was (\$\_\_) as calculated using the alternative measurement method. The (city/county/district) contributed (\$\_\_) to the plan for the year ended December 31, 20\_\_.*

*The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan*

administered by the (city/county/district) as required by (RCW\_\_.\_.\_\_). The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 20\_\_, the plan had (number) members, all retirees. As of December 31, 20\_\_, the (city/county/district)'s total OPEB liability was (\$\_\_), as calculated using the alternative measurement method. For the year ended December 31, 20\_\_, the (city/county/district) paid (\$\_\_) in benefits.

The (city/county/district) administers the Retirees Life Insurance Plan. The defined benefit OPEB plan provides a death benefit for eligible retirees of \$50,000. The (city/county/district) pays 100% of annual life insurance premiums on a pay-as-you-go basis. For the year ended December 31, 20\_\_, the plan had (number) active employees and (number) retirees and the (city/county/district) contributed (\$\_\_) in premium payments. The total OPEB liability was (\$\_\_) at December 31, 20\_\_.

## **Note X - Paid Family Medical Leave Act Self-Insurance**

### **Note X - Paid Family Medical Leave Act Self-Insurance**

The (city/county/district) administers a voluntary plan for paid family (and/or) medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family & Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis.

The (city/county/district) paid \$\_\_\_\_ in claims during (20XX) and held \$\_\_\_\_ of employee premiums at fiscal year-end.

## Note X - Pension Plans

### Note X - Pension Plans

#### A. State Sponsored Pension Plans [1]

Substantially all (city/county/district's) full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (list only applicable plans [2]).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

[3] The (city/county/district) also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington Comprehensive Annual Financial Report available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 20\_\_ (the measurement date of the plans), the (city/county/district's) proportionate share of the collective net pension liabilities [4], as reported on the Schedule of Liabilities [5], was as follows: [6]

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1		%	\$
PERS 2/3			
PSERS 2			
LEOFF 1			
LEOFF 2			
VFFRPF			

#### [3] LEOFF Plan 1

The (city/county/district) also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no

further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

### **[3]** LEOFF Plan 2

The (city/county/district) also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

### B. Local Government Pension Plans **[7]**

C. Defined Contribution Pension Plans - If the government participates in (i.e. contributes to) a defined contribution plan, include the following:

- The name of the pension plan, the name of the plan administrator, and identification of the plan as a defined contribution plan,
- A brief description of the benefit terms,
- The contribution rates (in dollars or as a percentage of salary) for employees and the employer,
- The dollar amount the employer contributed in the reporting period.

If the government does not contribute to the plan (i.e. only employees contribute), no disclosures are required. The government may elect to disclose the plan in the notes, but must clearly state that it does not contribute.

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### **Instructions to preparer:**

**[1]** Additional information helping with preparation of this note are available [here](#).

**[2]** Example: Public Employees' Retirement System (PERS), Public Safety Employees' Retirement System (PSERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), etc.

**[3]** If applicable disclose this information.

**[4]** For DRS sponsored plans, list the allocation percentage and collective liability for each plan.

**[5]** Report only liabilities; do not report assets on the Schedule 09.

**[6]** Report only applicable plans.

**[7]** If the government administers its own pension plan, include the following:

The (city/county/district) is the administrator of the (name of plan, e.g., Firefighter's and Police Officer's Pension plan, etc.), a closed, single-employer, defined benefit pension plan established under (RCW 14.16, 14.18, and 14.20 - as applicable). As of December 31, 201\_\_, membership consisted of (number of individuals) and the net pension liability (or asset) was \$ \_\_\_\_\_ as reported on the Schedule 09.

## **Note X - Property Tax**

### **Note X - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed (at/after) the end of each month.

Property tax revenues are recognized when cash is received by (city/county/district). Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The (city/county/district's) regular levy for the year 20\_\_ was \$ \_\_\_\_\_ per \$1,000 on an assessed valuation of \$ \_\_\_\_\_ for a total regular levy of \$ \_\_\_\_\_.

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### **Instructions to preparer:**

If your government has any special levies, they should be disclosed separately. For example:

*In 20, the (city/county/district) levied also \$ \_\_\_\_ per \$1,000 for (give purpose) for a total additional levy of \$ \_\_\_\_.*

Counties should add the following paragraph and should supplement the note with disclosure of any *diverted road levy* as authorized by RCW 84.52.043(1)(d).

*The county is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy for 20\_\_ was \$ \_\_\_\_ per \$1,000 on an assessed valuation of \$ for a total road levy of \$ \_\_\_\_.*



## **Note X - Risk Management**

### **Note X - Risk Management**

*A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

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#### **Instructions to preparer:**

Disclose a description of the types of risk the city/county/district faces and how it is handling those risks; indicate whether you individually self-insure, individually purchase commercial insurance policies, participate as a member of a joint insurance pool, or use a combination of the above.

Provide a sufficient amount of information (e.g., the type of coverages, type of funds to account for risk management activities, the expected annual claims, name of insurer, amount deductible, etc.) to inform the user of the financial statements about the risk management activities of the government.

If the government is a member of a public entity risk pool, disclose where the reader can obtain the risk pool's financial statements.

**Self-insurance** - If the city/county/district retained any risk, it should specifically describe the retained risk.

# Supplementary and Other Information

## Liabilities (Schedule 09)

### 4.14 Supplementary and Other Information

#### 4.14.13 Liabilities (Schedule 09)

4.14.13.10 The purpose of this schedule is to provide information about the **liabilities** of the local government. This schedule is required to be included as supplementary information with any audited financial statements.

4.14.13.30 Local governments are **required** to update the incorrect financial data submitted on this schedule. The requirement applies to all errors found prior or during an audit.

4.14.13.40 The schedule should be prepared on the same basis of accounting, for the same period and reporting entity, and using the same underlying accounting records as the Schedule 01 and financial statements. The schedule should include **current** and **noncurrent** liabilities. Local governments should report short-term liabilities even if they are both incurred and fully redeemed during the reporting period.

4.14.13.50 The schedule should **exclude** the following:

- Payments due to vendors or employees that are expected to be paid normally as part of the disbursement cycle, such as any accounts payable and payroll accruals that may not have been resolved during the open period.
- Operating leases or other contracts or commitments for future purchase of goods or services that have not yet been realized.
- Interfund payables and loans (for details regarding interfund loans see [Loans](#)).
- Liabilities of custodial funds.
- Assessment debt without commitments.

4.14.13.60 Governments should not report liabilities of fiduciary funds for which the government is not itself obligated. For example, a county would **not** report liabilities of special purpose districts.

4.14.13.71 Proper classification of grant and loan transactions require the analysis of the underlying documentation. The criteria for determining if a funding source is a grant (revenue) or loan (other financing source) is the existence of a note payable or loan contract. For annual report purposes, Schedule 09 should report all loans. Schedule 16 should report all federal grants, including grant loans - that is, loans from federal granting agencies that have continuing compliance requirements as described in the Schedule 16 instructions. For this reason, federal grant loans will be reported on both the Schedule 09 and 16.

4.14.13.81 A loan with a forgiveness clause is a contract that contains provisions for the loan to be forgiven if certain criteria is met. For example, a lender may provide a loan to a government to construct a building and allow for forgiveness of the loan if the building is used for low income housing for 40 years. Most loans with forgiveness clauses do not require any payments for a specified time, but some can require regular payments or interest-only payments. Transactions should be reported as loans if a note payable or loan contract is outstanding, even if the lender does not require payments and the loan contains a forgiveness clause that the government expects to eventually meet.

Loans with forgiveness clauses should be accounted for as debt proceeds when received. Terms of these transactions need to be presented in the notes to the financial statements. The disclosures should include the assets acquired with the resources, conditions to be met for the transaction to become a grant, what circumstances require repayment, and the amount to be repaid (e.g., interest, appreciated value, etc.). When a government has satisfied the criteria for the loan to be forgiven, grant revenue can be recognized along with a loan repayment.

A recoverable grant is a contract where the grantor can require repayment if the government fails to fulfill the requirements. Some recoverable grant contracts also require return of the appreciation in value of the asset as well as the original funding amount. Recoverable grants are non-exchange transactions and should be reported as revenue when the eligibility requirements are met. If the government has received a recoverable grant, the conditions for recoverability must be disclosed in the notes to the financial statements. The items requiring disclosure include: the asset the grantor has an interest in, the amount the grantor can require to be returned, and the conditions that trigger return of the grantor interest.

4.14.13.90 All debt should be listed on Schedule 09, regardless if it is for operating, capital or refunding purposes. Debt should be reported at face value (that is, only the principal amounts of debt should be reported and not any anticipated interest). Provide total amounts of beginning balance, additions, reductions and ending balance. For reporting the LOCAL program related liabilities see [3.4.11.50](#).

Refunding transactions (including advance refunding through legal or in-substance defeasance) should be reported on the schedule as reduction of the refunded debt and addition of the new debt.

4.14.13.100 All the following types of liabilities should be included in the schedule using the most appropriate identifying number.

### **General obligation debt/liabilities**

A general obligation debt or liability is one that is secured by a pledge of the full faith and credit of the government and its taxing power. This means that the government would be obligated to repay the debt using all available means, including raising taxes to the extent allowable by law. General obligation debt and liabilities are subject to constitutional and, for certain government types, statutory debt limits.

<b>I.D. No.</b>	<b>General obligation debt/liabilities</b>
251.11	Non-voted general obligation bonds, excluding those issued for certain purposes listed below
251.12	Voted general obligation bonds, excluding those issued for certain purposes listed below
251.21	Voted general obligation bonds for utility purposes issued by <b>cities and towns</b>
251.22	Voted general obligation bonds for open space, parks, and capital facilities issued by <b>cities and towns</b>
251.31	Non-voted general obligation bonds for <b>metropolitan municipal corporations</b> issued by counties
251.32	Voted general obligation bonds for metropolitan municipal corporations issued by <b>counties</b>
251.41	Non-voted general obligation bonds for construction issued by <b>ports</b>
251.42	Non-voted general obligation bonds for airport improvements issued by <b>ports</b>
251.43	Voted general obligation bonds for airport improvements issued by <b>ports</b>

251.44	Voted general obligation bonds for foreign trade zones issued by <b>ports</b>
263.51	Capital leases, lease-purchase agreements, conditional sales and COPS - report changes in balances of the amount of future payments due under the contract
263.61	Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)
263.81	Loans and other obligations to the federal government or other out-of-state governments
263.83	Loans and other obligations to Washington state agencies (except LOCAL and Public Works Trust Fund loans)
263.85	Loans and other obligations to other Washington local governments
263.87	Public Works Trust Fund loans
263.91	Miscellaneous debt - report any formal debt instruments that have a specific general obligation pledge that are not properly categorized to other Debt IDs, such as mortgages, loans from non-government organizations or loans from individuals.
263.94	Lines of credit with a general obligation pledge
263.96	LOCAL program
263.98	Miscellaneous liabilities - report any other liability with a specific general obligation pledge within the scope of the schedule but not properly categorized under any other Debt ID.
239.70	Registered warrants

### Revenue and other (non G.O.) debt/liabilities

Include in this category all obligations that do **not** have a specific general obligation pledge debt **regardless** of the fund type that is reporting this debt or liability. This category should include revenue debt, other secured debt (e.g., mortgages, etc.) and unsecured debt (e.g., compensated absences, etc.). Exclude the assessment debt. Revenue debt is secured by a pledge of revenue from a particular activity, such as a water utility. Unsecured debt and liabilities are those that do not specifically pledge an asset as collateral or revenue source for repayment. In cases where a debt or liability is secured by either a revenue or asset *as well as* a specific pledge of the government's full faith and credit, the debt should be classified as *general obligation* using the codes listed above.

I.D. No.	Revenue and other (non G.O.) debt/liabilities
252.1 1	Non-voted revenue bonds
252.1 2	Voted revenue bonds
259.1 2	Compensated absences. List the amount of beginning balance, additions, reductions and the outstanding balance of compensating absences at the year end. That is, the amount that would be due to employees to buy-out vested leave balances if employment had been discontinued at fiscal year-end. It is acceptable to show only the net change as an addition or a reduction. The calculation should include the associated employer costs such as social security taxes, FICA, and retirement contributions, when applicable. Governments without any buy-out provisions for sick or vacation leave would not report any liabilities.
263.1 2	Claims and judgments - only report amounts of any unpaid settlement agreements or judgments against the government as of year-end. All unpaid judgments should be reported regardless of whether the government intends or is in process of appealing or settling the judgment.

263.2 2	Liabilities for landfills closure and postclosure - report balances and changes in the same amount as reported to the Department of Ecology on your financial assurance analysis annual update (as required by WAC <a href="#">173-351-600</a> , WAC <a href="#">173-350</a> and WAC <a href="#">173-304</a> ).
263.4 0	Revenue warrants issued by cities pursuant to RCW <a href="#">35.41.050</a> , by ports pursuant to RCW <a href="#">53.40.135</a> , by municipal airports pursuant to RCW <a href="#">14.08.118</a> , or by water districts pursuant to RCW <a href="#">57.20.027</a> .
263.5 2	Capital leases, lease-purchase agreements, conditional sales and COPS - report changes in balances of the amount of future payments due under the contract
263.6 2	Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)
263.7 2	Arbitrage rebate tax
263.8 2	Loans and other obligations to the federal government or other out-of-state governments
263.8 4	Loans and other obligations to Washington state agencies (except LOCAL and Public Works Trust Fund loans)
263.8 6	Loans and other obligations to other Washington local governments
263.8 8	Public Works Trust Fund loans
263.9 2	Miscellaneous debt - report any formal debt instruments that are not properly categorized to other Debt IDs, such as mortgages, loans from non-government organizations or loans from individuals.
263.9 3	Environmental liabilities (e.g. pollution remediation, certain assets retirement, etc.) - report balances and changes in the portion to be paid by the government based on the cost estimate prepared or approved by the Department of Ecology or other federal agencies.
263.9 5	Lines of credit
263.9 9	Miscellaneous liabilities - report any other liability within the scope of the schedule but not properly categorized under any other Debt ID.
264.3 0	Pension liabilities - report the net pension liability amount in accordance with BARS section <a href="#">3.4.13</a> . For all state-sponsored pension plans (such as PERS, PSERS and LEOFF), this amount is available from the Department of Retirement Services; a short video providing a guidance on finding these amounts is available <a href="#">here</a> .
264.4 0	OPEB Liabilities - report the actuarially determined liability for defined benefit other postemployment benefit plans in accordance with BARS section <a href="#">3.4.16</a> .

### Assessment debt/liabilities (with commitments)

An assessment debt or liability is issued by the government but secured only by revenue from taxes on a certain area, such as a Local Improvement District. Only assessment debt with commitments should be reported on the Schedule 09. If the government is obligated in some manner to assume payments on special assessment debt in the event of default by the property owners, it is assumed the government has a *commitment*. In cases where the debt or liability is also secured by the government's full faith and credit, the debt should be classified as *general obligation* using the codes listed above.

I.D. No.	Assessment debt/liabilities (with commitments)
253.11	Special assessment bonds with commitments

253.13	Road Improvement District (RID) debt
253.15	County Road Improvement District (CRID) debt
253.43	Local Improvement District (LID) warrants with commitments
253.63	Local Improvement District (LID) notes payable with commitments
253.98	Miscellaneous assessment debt with commitments

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#### 4.14.13.110 **Instructions for preparer**

List each obligation separately.

**Identifying Number:** Include appropriate number (see the listing on the previous page).

**Description:** Include the identifying name, number and/or description of the debt or liability. For bonds, notes, and other loans, list each debt issue separately providing date of original issuance.

**Due Date:** Use this column if there is a fixed date for final payment of the liability. If there is a payable or liability in which the final payment/due date is amended or re-evaluated annually via a contract or agreement (example: DSHS advances), the beginning contract date of the new contract should be used for the due date. If there is no fixed date for final payment, this column should be left blank.

*This column is **not** required for the following I.D. Numbers:*

239.70 Registered Warrants

259.12 Compensated absences

263.12 Claims and judgments

263.22 Liabilities for landfills closure and postclosure

263.51 Capital leases, lease-purchase agreements, conditional sales and COPS

263.52 Capital leases, lease-purchase agreements, conditional sales and COPS

263.93 Environmental liabilities (e.g. pollution remediation, certain assets retirement, etc.)

263.94 Lines of credit with a general obligation pledge

263.95 Lines of credit

263.98 Miscellaneous Liabilities

263.99 Miscellaneous Liabilities

264.30 Pension liabilities

264.40 OPEB liabilities

**A due date is required for all Identifying Numbers not listed above.**

**Beginning Balance:** This column should include the amount that was owed at the beginning of this

period. **The amount shown should equal the last year ending balance.** If there is a discrepancy, please attach an explanation. Amounts should be rounded to the nearest dollar.

**Additions:** In this column report the entire amount of any new debt, any additional debt issued (or borrowed) and any increase in liabilities during the current period. For example, if a G.O. bond was authorized in the previous year at \$5,000,000, with \$4,000,000 issued that year and an additional \$500,000 issued in the report year, this column should show \$500,000.

**Reductions:** In this column, report the amount of debt that was paid or reduction of liabilities during reported period. Do NOT include interest paid on the redeemed debt. The total amount of redeemed debt should equal payments reported on Schedule 01 (object code 70). Include here decreases due to triggering a forgiveness clause or otherwise having debt forgiven.

**BARS Code for Redemption:** Applies to debt only. **The code is optional except for cities and counties which are required to use 59195 for all debt related to streets and roads.** This column is not presented in the final version of the schedule.

**Ending Balance:** In this column, report the amount of debt and other liabilities that were owed at the end of reported period.

**Ending balance is calculated by adding Beginning Balance and Additions and subtracting Reductions.**

4.14.13.120 The template for Online Filing is available on SAO’s website page at [BARS Reporting Templates](#). When using the Online Filing option, the system will create the schedule based on data provided by the local government on the template. Governments can manually enter the information or upload an Excel file that adheres to the prescribed record layout. The prescribed record layout is shown in the template provided on the website. The following is an example of a completed schedule.

**City of Example  
Schedule of Liabilities  
For the Year Ended December 31, 201X**

<u>Debt Type</u>	<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligations</b>							
	263.51	Xerox	11/20/2017	2,274	-	371	1,903
	263.96	LOCAL Program - 201X	6/1/2020	-	154,721	41,730	113,131
	251.11	UTGO Bond - 2004	9/1/2024	970,000	-	970,000	-
	251.11	UTGO Bond - 201X Refunding	3/1/2029	-	970,000	95,000	875,000
		Total General Obligations:		22,379	14,841	19,909	17,311
<b>Revenue Obligations</b>							
	252.11	DOE L9800024	1/1/2019	69,784	-	9,969	59,815
	252.11	DOE L9800025	1/1/2019	50,000	-	7,692	42,308
	263.95	Example Bank - Line of Credit		-	33,550	33,550	-
	252.11	Columbia - Water	6/1/2027	799,030	-	48,339	750,691
	263.52	Copy Machine	11/30/2027	4,548	-	742	3,806
	259.12	Compensated Absences		31,472	17,323	20,912	27,883
		Total Revenue Obligations:		1,907,368	17,323	147,417	1,777,274
		<b>Total Liabilities:</b>		<b>1,929,747</b>	<b>32,164</b>	<b>167,326</b>	<b>1,794,585</b>

## Expenditures of Federal Awards (Schedule 16)

### 4.14 Supplementary and Other Information

#### 4.14.5 Expenditures of Federal Awards (Schedule 16)

4.14.5.10 **The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance), requires auditees to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements that includes certain required elements described below. Click here for the [Uniform Guidance](#). Note the US Office of Management and Budget finalized proposed changes to the Uniform Guidance, which are effective November 12, 2020, except for the amendments to §§200.216 and 200.340, which are effective on August 13, 2020.**

**Caution:** If the government expends \$750,000 or more in federal grant awards in a year, it must contact the Office of the Washington State Auditor and arrange for an audit of its federal grants, a single audit in accordance with the [Uniform Guidance, 2 CFR 200, Subpart F – Audit Requirements](#). Further, the government must submit the single audit reporting package to the federal government within 30 calendar days after receiving the SAO report (report issuance date) or within nine months following the end of the audit period, **whichever is earlier**. All governments that need a single audit must prepare financial statements even if they are not otherwise required to under the BARS Manual, with this Schedule included as supplementary information with the statements. If the government received and spent federal funds under only **one** program, and the federal program's statutes, regulations, or the terms and conditions of the federal award do not require a financial statement audit, the auditor may be able to conduct a *program specific* audit.

4.14.5.20 The purpose of this Schedule is to summarize federal grant expenditures as a basis for planning and conducting the single audit. It also serves to provide assurance to those agencies that 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**.

4.14.5.30 Include on this Schedule all expenditures of federal awards that were received **directly** from a federal agency and **indirectly** (pass-through) from a state agency, local government or other nongovernmental entities.

4.14.5.40 Uniform Guidance: 2 CFR §200.510(b) describes the criteria and requirements for preparing the Schedule. The SEFA must be prepared for the same period and reporting entity, and using the same underlying accounting records as the Schedule 01 and (as applicable) financial statements, *except for specific exceptions described below starting at paragraph 4.14.5.80*. The Schedule includes amounts **required to be recorded**, if any, during the **statutorily required open period for cash basis cities and towns (20 days) and optional open period for cash basis counties (30 days to receive the invoice with the option to remain open for up to 60 days thereafter (per the county auditor's discretion) to pay claims incurred prior to the close of the year)**.

**Example:** A calendar year grantee orders supplies and receives the invoice in December 2018. The grantee has an open period of 20 days after yearend. The grantee pays the invoice on February 5, 2019.

- **Accrual basis:** The expenditure is reported in the 2018 SEFA, because the activity, a receipt



of goods in this situation, occurred during fiscal year 2018 and the invoice was received before the end of the period. In the financial statements this expenditure would have been reported as an expense with offsetting liability even though not yet paid. Since the SEFA is reported on the same basis of accounting as the other financial reports, it too would report the expenditure.

**Cash basis:** The expenditure is reported in the 2019 SEFA, because cash-basis entities report expenditures when paid. However, note that had this invoice been paid **within** the grantees open period, a cash-basis city, town or county would report the expenditure on the 2018 SEFA (for a cash basis county, this assumes it opted to remain open for the 30 day open period and the County auditor elected for the additional 60 days to pay claims incurred prior to the close of the year).

Report grant-related expenditures in the year they take place, **even if the government will not be reimbursed by the grantor until the following year**. For most programs, do not report amounts on this Schedule based on the date(s) that funds are received from the grantor (e.g., the date the government submitted a reimbursement request or received a reimbursement payment). Note however that there are some exceptions whereby the revenue received is the “federal award expended” for purposes of SEFA reporting, such as for fixed price awards.

4.14.5.50 *Federal awards expended* include the following (2 CFR §200.1 Definitions *Expenditures* and §200.502 Basis for determining Federal awards expended):

- Direct costs of expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations.
  - Indirect costs claimed for reimbursement using an indirect cost rate or cost allocation plan.
  - Disbursement of grant funds that the entity’s passed through to subrecipients. (*See additional information below regarding period of reporting.*)
  - Use of loan proceeds under loan and loan guarantee programs. (*Refer to loan valuation guidance below.*)
  - Receipt of federal property (e.g., equipment and supplies), including some surplus property.
  - Receipt or use of program income. (*Refer to program income guidance below.*)
  - Receipt of non-cash assistance such as food commodities and vaccines.
  - Disbursement of amounts entitling a non-federal entity to an interest subsidy.
  - Insurance contracts in force during the period under audit.

#### 4.14.5.60 **COVID-19 EXPENDITURES**

To maximize the transparency and accountability of COVID-19 expenditures, governments must separately identify COVID-19 expenditures on the SEFA. This includes the new COVID-19 only programs. This may be accomplished by identifying COVID-19 expenditures on a separate line by CFDA number with “COVID-19” as a prefix to the program name.

#### **Indirect costs**

4.14.5.70 Include in the SEFA any indirect costs that were claimed for reimbursement using an indirect cost rate or cost allocation plan. Revenues received from indirect cost recoveries should be coded as federal revenue (BARS accounts 331 or 333 as appropriate).

#### **Equipment and supplies (non-cash assistance)**

4.14.5.80 The receipt of federally-funded equipment, materials or supplies that are either received directly from a federal agency or received indirectly from another non-federal entity that purchased them with federal funds, is considered a non-cash award that must be reported on the SEFA. The grantee must report the fair market value at the time of receipt or the assessed value provided by the grantor of the non-cash items on the SEFA. *Despite the basis of accounting used by the grantee, non-cash awards are reported in the fiscal year they are **received**.*

#### **Other non-cash assistance**

4.14.5.90 Food stamps, food commodities, vaccines, donated property (including surplus), and other non-cash assistance should be valued at fair market value at the time of receipt or the assessed value provided by the grantor. The notes to the Schedule of expenditures of federal awards should disclose the nature of the amounts reported. *Despite the basis of accounting used by the grantee, non-cash awards are reported in the fiscal year they are **received**.*

#### **Matching/cost sharing**

4.14.5.100 The amount of state and/or local funding contributed by the entity in the form of matching funds or in-kind match required by the grantor should not be reported on the SEFA.

#### **Program income**

4.14.5.110 Many grantees earn program income while administering federal programs or projects. For most programs, the use or expenditure of program income is reported on the SEFA in the period the expenditure occurs in accordance with the basis of accounting. However, some federal agencies differ on the treatment of program income on the SEFA. Therefore, it is recommended that the government consults with the grantor about how it requires the program income to be reported.

When the expenditure of program income is reported, it is added to the amount of expenditures that occurred during the fiscal year that have been or will be applied to the program through a reimbursement or advance request. A note disclosure regarding the inclusion of expenditures from program income is recommended.

**Note:** The BARS revenue code for program income should be the same as the code of the grant generating this income. (See next section for accounting for program income related to revolving loans.)

**Note:** If the grantee has received written (documented) approval to use program income as match/cost sharing, it is not reported on the SEFA.

Unless otherwise specified in the grant agreement, interest earned on cash advances or idle grant funds is not considered program income. Interest earnings are recorded in the BARS account 361.

#### **FEMA Disaster Assistance - CFDA 97.036**

4.14.5.120 Disaster assistance awards are made based upon a Project Worksheet (PW) and are classified by FEMA as either a "small" or "large" project according to the cost of the eligible work for the project. The thresholds for project costs can be found in the Compliance Supplement Part 4.

Some grantees might experience a long delay from the time they incur costs to recover from a disaster and the date they actually are approved to receive federal disaster relief funding. In the Compliance Supplement to the Uniform Guidance (2 CFR Part 200 Appendix XI), FEMA has stated that for purposes of recording expenditures of federal Disaster Grants (CFDA 97.036 - IV. Other

Information) on the Schedule of Expenditures of Federal Awards (SEFA):

*Non-Federal entities must record expenditures on the SEFA when: (1) FEMA has approved the non-Federal entity's Project Worksheet (PW), and (2) the non-Federal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the non-Federal entity's SEFA in those subsequent years.*

*For example:*

- 1. If FEMA approves the PW in the non-Federal entity's fiscal year 2018 and eligible expenditures are incurred in the non-Federal entity's fiscal year 2019, the non-Federal entity records the eligible expenditures in its fiscal year 2019 SEFA.*
- 2. If the non-Federal entity incurs eligible expenditures in its fiscal year 2018 and FEMA approves the non-Federal entity's PW in the non-Federal entity's fiscal year 2019, the non-Federal entity records the eligible expenditures in its fiscal year 2019 SEFA with a footnote that discloses the amount included on the SEFA that was incurred in a prior year.*

#### **Equitable sharing program - Department of Justice and Department of Treasury**

4.14.5.125 Equitable Sharing funds **must** be reported on the SEFA. Those are funds received from the Department of Justice (CFDA 16.922) or the Department of Treasury (see 4.14.5.180 [Column 3] for the guidance regarding coding when the CFDA number is not available). The Equitable Sharing funds are for payments to state and local law enforcement agencies that directly participate in an investigation or prosecution resulting in a federal forfeiture.

#### **4.14.5.126 Retainage**

Retainage is an amount withheld from contractor payments until the end of the project when work has been completed to satisfaction. Per 2 CFR §200.305(b)(6)(iv), retainage is not an allowable cost that can be charged to the federal award and should not be reported on the SEFA as a federal expenditure until one of the following has been met

- a) The retainage is paid to the contractor. *Despite the basis of accounting used by the grantee, the retainage payment is reported in the fiscal year it is paid.*
- b) The retainage is paid into an escrow/trust account. *Despite the basis of accounting used by the grantee, the retainage payment is reported in the fiscal year(s) it is paid into the escrow/trust account.*

**Note:** If retainage was not paid to the contractor or paid to an escrow/trust account, but was incorrectly reimbursed by the grantor, a cash advance has occurred. Contact the awarding agency for instructions on what to do with the funds (such as return to grantor or move to an escrow/trust account).

#### **4.14.5.127 Disbursements to subrecipients**

Per 2 CFR §200.502, "the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as...the disbursement of funds to subrecipients..." *Federal funds*

are determined to be expended when the organization becomes obligated to the subrecipient for payment. Generally that is when the payment is made to the subrecipient.

## Valuation of federal loans

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

1. Amount of new loans made or received during the fiscal year, **plus**
2. **Beginning of the period 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.

### **Question 1: When do I report the loan on my SEFA?**

Answer: Uniform Guidance: 2 CFR §200.502, and guidance from the AICPA states the loan is considered expended “when the loan proceeds are used.”

- Reimbursement Basis: Most loans are funded on a reimbursement basis where the borrower incurs program-related costs and then makes a request to the lender for the loan proceeds. In this case, report expenditures during the year for which the government will seek loan funding.
- Loan Advances: Some loans are made in advance of any project-related expenditures. Because the federal government is at risk for these loans, *the total proceeds received should be reported on the SEFA the date of receipt*, even if the government has not spent all the funding. Contact the lender to determine if it requires the full amount of proceeds to be reported in the year of receipt.
- Revolving Loans: If the entity receives federal funds and then makes a loan to another party, report the amount of loans the government made during the year. (Refer to additional guidance on revolving loan funds below.)

### **Question 2: What is a continuing compliance requirement?**

Answer: The government is considered to have a *continuing compliance requirement* if the lender continues to impose a requirement over the outstanding loan balance in any one of the following 12 areas in years following receipt of the loan.

1. Activities allowed or **unallowed**
2. Allowable costs/cost principles
3. Cash management
4. Eligibility
5. Equipment and real property management
6. Matching, level of effort, earmarking
7. Period of performance of federal funds
8. Procurement and suspension and debarment
9. Program income
10. Reporting
11. Subrecipient monitoring
12. Award-specific special tests and provisions

Examples of continuing compliance requirements:

- A housing authority received a federal loan to construct apartments for low income

households. As a condition of the loan, the authority is required to make a certain percentage of apartments available to low income households for the next 15 years. The housing authority should report the loan balance on the SEFA for the duration of this requirement. (We recommend consulting with the lender about its expectations for reporting loan balances.)

- A university has established a federal revolving loan fund and makes loans to students to help them pay for school expenses. The federal agency sponsoring the loan program requires the university to comply with continuing requirements such as default prevention, billing and collection, deferments, cancellations, fund liquidity, and borrower exit counseling.
- A city purchased equipment with loan funds and is required to maintain capital asset records and conduct physical inventories of the equipment in the years following the purchase.

#### **Exceptions to the rule:**

- **UPDATED: EPA Clean Water State Revolving Fund (CFDA 66.458).**

The EPA has stated in the Compliance Supplement (see IV. Other Information) that subrecipients receiving loans under this program (66.458) should only report project expenditures incurred (*see update on timing of SEFA reporting below*) because it considers it a subaward, not direct federal loan. For this program, the loan reporting requirements of 2 CFR sections 200.502(b) or (d) do not apply when calculating the amount of federal funds expended. In other words, loan balances are not reported. **CAUTION:** EPA further stated in the Compliance Supplement that to achieve consistency in meeting program requirements and eliminate the possibility of over-reporting information under the Federal Funding Accountability and Transparency Act (“FFATA” or “Transparency Act”), the State CWSRF program must use the same group of loans for purposes of meeting federal cross-cutting, single audit, procurement, and Transparency Act reporting requirements. EPA refers to this as “Equivalency”, which is an option states can use to streamline program implementation. The State awarding agency for CWSRF, WA Department of Ecology (DOE), makes the determination as to which awards it will use for equivalency purposes. See below for more detailed information about DOE awards. **Only those awards deemed equivalent (by DOE) are reported on the SEFA, regardless of the funding source.** Entities should refer to their awarding documents and/or consult with their awarding agency if they are unclear whether or not their award is an equivalency project or being reported as FFATA. A HelpDesk request may be submitted with our Office for assistance.

**UPDATE ON TIMING OF SEFA REPORTING 4/10/20: In consultation with the EPA, the subrecipient should not report the expenditures on its SEFA until it requests reimbursement from its awarding agency.** This may result in prior period expenditures being reported on the SEFA. *Note, for FY19 SEFA reporting only, entities will not report expenditures that were already reported on a previous SEFA to avoid double reporting. This may result in reconciling items to tie the SEFA to the entity’s supporting documentation.*

**DOE Awards:** Within the DOE agreement, there are two “funding distributions”, each with their own unique identifying numbers starting with “EL” and will state if the funding is federal or state. Funding distributions are how ECY is keeping track of the equivalency awards. This is the piece of our understanding that was missing from our guidance in the past. Previously, it was understood the award/project in its entirety was either deemed equivalency or not. Now, it is understood the award/project may include only a part of it for equivalency.

- **UPDATED: EPA Drinking Water State Revolving Fund (CFDA 66.468)**

The EPA has stated in the Compliance Supplement (see IV. Other Information) that subrecipients receiving loans under program (66.468) should only report project expenditures incurred (*see update on timing of SEFA reporting below*) because it considers it a

subaward, not a direct federal loan. For this program, the loan reporting requirements of 2 CFR sections 200.502(b) or (d) do not apply when calculating the amount of federal funds expended. In other words, loan balances are not reported. **CAUTION:** EPA further stated in the Compliance Supplement that to achieve consistency in meeting program requirements and eliminate the possibility of over-reporting information under the Federal Funding Accountability and Transparency Act (“FFATA” or “Transparency Act”), the State DWSRF program must use the same group of loans for purposes of meeting federal cross-cutting, single audit, procurement, and Transparency Act reporting requirements. EPA refers to this as “Equivalency”, which is an option states can use to streamline program implementation. The State awarding agency for DWSRF, WA Department of Health (DOH), **has chosen to not implement equivalency.** This means that the subset of FFATA projects, as well as other DWSRF projects are all subject to Federal cross-cutting requirements. All DWSRF projects expending federal funds will be reported to the SEFA. **DOH will notify subrecipients of actual federal dollars expended.** Entities should refer to their awarding documents and/or consult with their awarding agency if they are unclear whether or not their award is being reported as Federal funds. A HelpDesk request may be submitted with our Office for assistance.

**UPDATE ON TIMING OF SEFA REPORTING 4/10/20:** *In consultation with the EPA, the subrecipient should not report the expenditures on its SEFA until it requests reimbursement from its awarding agency. This may result in prior period expenditures being reported on the SEFA. Note for FY19 SEFA reporting only, entities will not report expenditures that were already reported on a previous SEFA to avoid double reporting. This may result in reconciling items to tie the SEFA to the entity’s supporting documentation.*

- **USDA Interim Financing: Water and Waste Disposal Systems for Rural Communities (CFDA 10.760), Community Facilities Loans and Grants (CFDA 10.766).** After the USDA has made a commitment on a loan as evidenced by an approved “request for obligation of funds”, the borrower may obtain interim financing from commercial sources (e.g., a bank loan) during the construction period. **Expenditures from these commercial loans which will be repaid from a USDA loan should be considered Federal awards expended, included in determining Type A programs, and reported in the Schedule of Expenditures of Federal Awards.** The subsequent issuance of the USDA loan is not reported as an expenditure on the SEFA.

**Continuing Compliance Requirements for 10.760:** Per the Compliance Supplement, USDA states **during the project**, the entity must report any loan balances, in addition to project expenditures, in accordance with 2 CFR §200.502(b). **After the project is completed**, the entity **does not** report any outstanding loan balances as the loans are no longer considered to have continuing compliance requirements.

**Continuing Compliance Requirements for 10.766 (REVISED RULE):** The USDA has stated in the 2020 Compliance Supplement (August 2020) that for Community Facility (CF) direct loans, the Agency requires a promissory note or bond and security that will adequately protect the interest of the Agency during the repayment period of the loan. In the case of a CF guaranteed loan, the borrower executes a promissory note or bond with the lender and the lender is responsible for obtaining adequate security to protect the interest of the lender, any holder, and the Government. Loan terms cannot exceed 40 years, the useful life of the facility or state statute, whichever is less. The borrower is required to repay the principal and interest according to the term of the note or bond. **The full outstanding balance on the note or bond should be considered Federal awards expended, included in determining Type A**

programs, and reported as loans on the Schedule of Expenditures of Federal Awards in accordance with 2 CFR part 200, subpart F. **Note: During 2019 it was determined that CF loans have continuing compliance requirements. Prior to this year, the compliance supplements included language that CF loans did not have continuing compliance requirements. USDA plans to inform all borrowers of this change in writing. Since borrowers have not yet been notified of this change, USDA will not expect borrowers' audits to comply with the continuing compliance requirements until fiscal years beginning after June 30, 2020.**

**Question 3: If my project takes several years to complete, will I have continuing requirements throughout the duration of the project until it is complete?**

Answer: Most likely. For example, many lenders will set aside a portion of the funding until all inspections are made and all supporting documentation encompassing the entire project is submitted and approved. **CAUTION: If the lender (grantor) is waiting to reimburse a portion of costs submitted for reimbursement until the project is approved, be sure to report the expenditures in the year occurred, not when reimbursed.** Consult with the lender about its expectations over reporting loans for projects that span multiple years.

**Question 4: How do I determine the amount of any interest subsidy I am receiving?**

Answer: The OMB has not issued any official guidance on this topic. Typically, an interest subsidy means the federal government is paying or waiving a portion of the interest cost that would ordinarily have to be paid by the borrower. Consult with the lender to determine if any portion of interest is being subsidized.

**Question 5: Are interest subsidies from Build America Bonds reported on the SEFA?**

Answer: No. The OMB has excluded Build American Bonds from single audits.

**Question 6: What if my project is complete and there are no requirements other than to repay the loan?**

Answer: If the laws, regulations, and the provisions of contracts or grant agreements pertaining to the loan impose no continuing compliance requirements other than to repay the loan, the loan does not have to be reported on the SEFA.

**Question 7: What if our entity makes a loan to another entity or program participant?**

Answer: Report the amount of loans made during the year. If the entity administers a **revolving loan program** where federal funds are lent to third parties, repaid, and then lent to again to other parties, the repayment of principal and interest is considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purposes of SEFA presentation, report the amount of loans the government made during the year. This includes all loans that are funded by the original grant and program income. **However, be sure to check the terms of the grant award and discuss with the grant or because some federal grantors have different rules for presenting revolving loans on the SEFA.** For example, the Department of Commerce for its Economic Adjustment Assistance Revolving Loan Fund program (CFDA #11.307) requires grantees to report the principle balance of loans outstanding at year-end, instead of the amounts lent. See the Compliance Supplement Part 4 for this program, IV. Other Information for the specific calculation. Similarly, the Department of Education requires colleges and universities to report the

balance of their Perkins loan fund on the SEFA in addition to amounts lent during the year. In contrast, some federal agencies only require the original loan to be reported and do not treat any subsequent lending as “federal” funds.

#### 4.14.5.140 **Accounting for revolving loans**

The original grant for the loan program should be coded as federal direct or indirect grant (3310000 or 3330000).

A loan to an entity is a *balance sheet* transaction and the government should debit *Loan Receivables* and credit *Cash*. A repayment of the loan requires debiting *Cash* and crediting *Loan Receivables* and *Interest Revenue* (3614000).

There are no BARS codes specifically assigned to grants’ program revenues (neither principal nor interest). Although the repayment of principal is not considered revenue from the GAAP accounting perspective, it has to be considered as such for the purpose of SEFA. The expenditures from the revolving loan grant should include expenditures from the initial grant and subsequent repayments of the loans, including interest generated by the loan.

#### **Employer Identification Number (EIN) for federal grant recipients**

4.14.5.150 Recipients of federal funds must arrange to have a single audit in accordance with Uniform Guidance, 2 CFR 200, Subpart F - Audit Requirements if they expend \$750,000 or more in federal awards in a year. Most federal grantors define a *recipient* according to the federal Employer Identification Number (EIN). That is, the grantor makes its awards to each grantee based on the EIN, rather than entity name. For example, if a small fire district uses the county’s EIN for payroll tax purposes, and also applies for a federal grant using the county EIN, some federal grantors will make the official grant award to the county. As a result, the grantor expects the award to be included in the county’s Schedule of Expenditures of Federal Awards (Schedule 16) and thus subject to audit at the county. Further, at the conclusion of a single audit, the fire district’s audit will be misfiled with the federal clearinghouse because the county’s EIN was listed on the Data Collection Form. This puts the county in a difficult position with the federal government and can cause additional audits. Therefore, it is recommended that all special purpose districts without an EIN make application for this number with the IRS (Form SS-4) and use this number when applying for grants as well as IRS tax purposes. The district also should consult with its county auditor and/or treasurer for the protocol concerning payroll taxes.

#### **Preparing the Schedule of Expenditures of Federal Awards**

4.14.5.160 Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor’s website at: [www.sao.wa.gov](http://www.sao.wa.gov). Governments can manually enter the information or upload an electronic file. Acceptable file should adhere to the prescribed record layout and should be an Excel file. More details are provided on the website.

4.14.5.170 Local governments are **required** to update the incorrect financial data submitted on this Schedule. The requirement applies to all errors found prior or during an audit. For questions and/or support e-mail the SAO Client HelpDesk through our Online Services.

4.14.5.180 The following are detailed instructions for each column of a completed Schedule (the finished product) in accordance with 2 CFR §200.510(b). An example of a completed Schedule follows the instructions. Instructions for using the online filing template are found below at



#### 4.14.5.230.

##### Column 1

Provide the name of the federal grantor agency or organization. If the government receives federal funds as a pass-through award, identify the pass-through agency. Please clearly distinguish between federal agencies and state agencies with similar names or initials. Subtotals should be included for each federal agency.

##### Column 2

List individual federal programs by federal agency. Provide the **official name** of the federal award (please avoid nicknames). A list of official federal program titles can be obtained from the CFDA website at [beta.SAM.gov](https://beta.SAM.gov) (formerly the Catalog of Federal Domestic Assistance at [cfda.gov](https://cfda.gov)). **As noted above at 4.14.5.60, COVID-19 expenditures must be reported on a separate line by CFDA number with "COVID-19" as a prefix to the program name, including new COVID-19 only programs.** **IMPORTANT NOTE:** for federal programs included in a **cluster of programs**, provide the **official cluster name** (e.g., WIA/WIOA Cluster) **regardless of whether the expenditures were incurred under only one program or multiple programs within the cluster**, list the **individual federal programs** within the cluster (e.g., WIA/WIOA Adult Program, WIA/WIOA Youth Activities, WIA/WIOA Dislocated Worker Formula Grant) and provide a **total for the cluster** (see the example SEFA below). For **research and development**, total federal awards expended must be shown by either the individual award or by federal agency and major subdivision within the federal agency. A listing of programs included in a cluster can be found in the administrative requirements, cost principles, and audit requirements located in 2 CFR 200 - Uniform Guidance is **updated annually**, including the list of clusters found in Part 5, so it is important to consult the applicable Compliance Supplement (e.g., for audits of fiscal years beginning after June 30, 2019, consult the [2020 Compliance Supplement](#)).

##### Column 3

List the applicable CFDA number for each award. 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. Awarding agencies are required to provide the CFDA number when making an award, however if one was not provided, research the program before the government concludes a CFDA number does not exist. Steps to take:

- Contact the grantor.
- Research the [assistance listings](#) (Catalog of Federal Domestic Assistance).
- Contact the [local audit team](#).
- Submit a question to the [SAO Client HelpDesk](#).

Follow the guidance below if, after researching the number, the government concludes that a CFDA number does not exist or is unknown.

In the first two spaces enter the Federal Agency's two digit prefix (see list of agencies in 4.14.5.190). Follow the two digit prefix with the letter "U", for unknown, followed by a two digit number starting with "01".

Example: The first Federal program with an unknown three digit extension would be U01 for all award lines associated with that program, the second would be U02, and so on.

Note: The two digit number can start over for each Federal Agency or continue throughout the remainder of the SEFA.

#### Column 4

Use this column to report the identifying number, such as the contract or grant number, assigned by the pass-through entity, in addition to the CFDA number. If a number was not assigned by the pass-through entity, write "NA".

#### Column 5

Use these columns to report current year expenditures (determined on the same basis of accounting as the financial statements). See requirements for valuing loans and noncash assistance above.

**Expenditures from Pass-Through Awards** - Enter the amount of expenditures for federal assistance received as a pass-through award from a state agency, local government, etc. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If the government made a subaward to another entity, these amounts should also be reported as expenditures.

**Expenditures from Direct Awards** - Enter the amount of expenditures for assistance received directly from a federal agency. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If the government made a subaward to another entity, these amounts should also be reported as expenditures.

Note: If the entity receives an award under the same CFDA number from multiple grantors, the SEFA should have a subtotal for that CFDA number showing the total amount received from all sources.

**Total Expenditures** - Enter the combined total of all federal expenditures from pass-through and direct awards by CFDA number.

#### Column 6

Passed through to Subrecipients (**requirement per 2 CFR§200.510(b)(4)**):

Use this column to report the total amount of expenditures provided to subrecipients from each federal program. *This is an informational column that shows, of the amount of total expenditures of a program, how much was passed on to a subrecipient.*

#### Column 7

**Notes to the Schedule** - *If applicable*, enter the reference number that corresponds with the "Notes to the Schedule of Expenditures of Federal Awards."

#### **Instructions for preparing the Notes to the Schedule of Expenditures of Federal Awards**

The template for Online Filing is available on the SAO's website page, BARS Reporting Templates. When using the Online Filing option, the system will create the Schedule based on data provided by the local government on the template. Instructions for the template are as follows:

**REQUIRED NOTE 1** (per 2 CFR §200.510(b)(6)) - the notes to the Schedule must disclose the basis of accounting and any other significant accounting policies used in preparing the Schedule. This includes reconciling any difference between the amounts shown on the Schedule and the underlying amounts reflected in the entity's accounting system.

**REQUIRED NOTE 2** (per 2 CFR §200.510(b)(6)) - the notes must disclose **whether or not** the

auditee elected to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect (F&A) costs.

**REQUIRED IF APPLICABLE**, NOTE 3 - for loans or loan guarantee programs described in 2 CFR §200.502 - Basis for determining federal awards expended paragraph (b), the notes must identify the balances outstanding at the end of the audit period. This is in addition to including the total federal awards expended for loan or loan guarantee programs reported in the Schedule.

**OPTIONAL (BUT RECOMMENDED)** - provide any information that may be useful to the reader such as the method used to value commodities or other non-cash assistance such as property or vaccines, and any other information necessary to reconcile the amount reported to the entity's accounting records.

An example of these footnotes is provided below.

### **Frequently used federal agency two-digit prefixes**

4.14.5.190 This list is used for CFDA numbers; if the government does not see the federal agency here, Assistance Listings at <https://beta.sam.gov/>.

- 07 - Office of National Drug Control Policy
- 10 - Department of Agriculture
- 11 - Department of Commerce
- 12 - Department of Defense
- 14 - Department of Housing and Urban Development
- 15 - Department of Interior
- 16 - Department of Justice
- 17 - Department of Labor
- 20 - Department of Transportation
- 21 - Department of Treasury
- 39 - General Services Administration
- 43 - National Aeronautics and Space Administration
- 47 - National Science Foundation
- 59 - Small Business Administration
- 64 - Department of Veterans Affairs
- 66 - Environmental Protection Agency
- 81 - Department of Energy (includes the Bonneville Power Administration)
- 84 - Department of Education
- 93 - Department of Health and Human Services
- 94 - Corporation for National Service
- 96 - Social Security Administration
- 97 - Department of Homeland Security (includes FEMA)

### **Characteristics of subrecipients and contractors**

4.14.5.200 A **subrecipient** is a non-federal entity (typically a local government or non-profit organization) that receives federal assistance from a pass-through agency (such as the state or another local government) to carry out a program or project of the federal government. Subrecipients receive the federal grant or loan so that it can meet a public need in the community. The amount paid to the subrecipient to reimburse it for the cost of the project or program should be based on actual, allowable costs incurred - that is, a subrecipient cannot earn a profit from its grant agreement. Subrecipients have substantial decision-making responsibility for how the project or

program operates. Subrecipients are required to follow all applicable requirements in Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, 2 CFR 200. Often subrecipients are required to contribute some of their own funds as a matching share to accomplish the program or project.

4.14.5.210 **Contractors (formerly “vendors”)** compete with others to provide goods and services needed to operate a project or program. These goods and services are often ancillary to the overall program objectives. Selection of contractors is typically based on the capability to provide the best goods and services at the best price. The scope of work is specified by the grantee and the price is usually based on quotes, formal bids, or requests for proposals. Contractors are often paid a set fee for providing its goods or services where the price allows the contractor to recover its costs and also earn a profit. The Association of Government Accountants published a subrecipient versus contractor checklist at: [www.agacgfm.org](http://www.agacgfm.org) (<https://www.agacgfm.org/Intergov/More-Tools/Subrecipient-vs-Contractor-Checklist.aspx>).

#### 4.14.5.220 **Tips for preparing the Schedule**

- Some projects or programs may be funded by a mix of federal and state 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 portion on the *Schedule of Expenditures of State Financial Assistance*). If the state 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*.
- Funds received as fee for services, generally should **not** be included on the Schedule 16. For example, if the government is being paid for providing goods or services in a contractor capacity, this contractor payment is not considered a federal grant to the entity.
- List all awards from the same federal agency together on the Schedule (for example, group all HUD awards together by CFDA number).
- If the government chooses to report multiple projects/programs that have the same CFDA number as separate line items (e.g., WSDOT highway planning and construction projects), provide a subtotal for the CFDA number.
- It is important to note that the expenditures reported on the Schedule of Expenditures of Federal Awards will not necessarily tie to those reported on the operating statement, especially if the federal awards include loans or non-cash awards (property, supplies, etc.). However, all amounts reported should agree or reconcile to records maintained by finance, budget, and treasury departments.
- The SEFA should be prepared using the same basis of accounting as the financial statements. For example, if the government prepares the financial statements using the cash basis of accounting, the government should report expenditures of federal awards using the cash basis. Explain any departure in the footnotes.

#### 4.14.5.230 **Preparing the preformatted SEFA template for upload to Online Filing**

The template for Online Filing is available on the SAO's website page, [BARS Reporting Templates](#). When using the Online Filing option, the system will create the Schedule based on data provided by the local government on the template. Instructions for the template are as follows :

**Column A:** Enter the CFDA number. If unknown or does not exist, follow detailed instructions above in Column 3.

**Column B:** Enter "Yes" if these are COVID-19 expenditures. As noted above, COVID-19 expenditures must be reported separately by CFDA number. If these are **not** COVID-19 expenditures please leave this column blank.

**Column C:** This will pre-populate the federal agency name from Assistance Listings ([beta.SAM.gov](#)). If the CFDA number is unknown or doesn't exist, add the federal agency name.

**Column D:** This will pre-populate the federal program name from Assistance Listings ([beta.SAM.gov](#)). If the CFDA number is unknown or doesn't exist, add the federal program name.

**Column E:** Enter the name of the pass-through agency for indirect awards. If there is no pass-through agency, leave this field blank.

**Column F:** Add the other award identification number. Refer to detailed instructions above. If no identification number is available, enter "NA".

**Column G:** Check if this award is research and development (R&D).

**Column H:** Enter the total federal awards expended. Refer to detailed instructions above for calculating the total.

**Column I:** Of the total amount of federal awards expended, report how much of that was passed on to subrecipients.

**Column J:** Add any applicable footnote reference.

See attached example of the **final** version of the Schedule of Expenditures of Federal Awards.

**City of Example  
Schedule of Expenditures of Federal Awards  
for the Year Ended December 31, 2020**

Federal Agency  (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
<b>Highway Planning and Construction Cluster</b>								
Department of Transportation, Federal Highway Administration (via WA State Department of Transportation)	Highway Planning and Construction	20.205	TAP-7034(002)/LA-8362	216,000	-	216,000	0	3
Department of Transportation, Federal Highway Administration (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-7031(003)/LA-8373	2,200,000	-	2,200,000	1,000,000	3
<b>Total Highway Planning and Construction Cluster:</b>				<b>2,416,000</b>	<b>-</b>	<b>2,416,000</b>	<b>1,000,000</b>	
<b>Highway Safety Cluster</b>								
Department of Transportation, National Highway Traffic Safety Administration (via WA State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	2,299	-	2,299	0	3
<b>Total Highway Safety Cluster:</b>				<b>2,299</b>	<b>-</b>	<b>2,299</b>	<b>0</b>	
Department of the Treasury (via WA State Department of Commerce)	COVID-19 Coronavirus Relief Fund	21.019	20-6541-015	2,700,000	-	2,700,000	1,000,000	3
<b>Total Federal Awards Expended:</b>				<b>5,118,299</b>	<b>-</b>	<b>5,118,299</b>	<b>2,000,000</b>	

The accompanying notes are an integral part of this Schedule.

(City/County/District)

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 20\_\_

**Please be advised the order of the notes changed to correspond to the Federal Audit Clearinghouse Data Collection Form (SF-SAC). Please follow the same order, as applicable.**

Disclose other notes only if applicable to the government circumstances.

**Note 1 – Basis of Accounting (Required)**

This Schedule is prepared on the same basis of accounting (describe if not the same basis) as the (city/county/district's) financial statements. The (city/county/district) uses the (describe the basis of accounting used by the city/county/district).

**Note 2 – Federal De Minimis Indirect Cost Rate (Required to state whether or not the de minimis indirect cost rate was elected)**

The (city/county/district) has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**or**

The (city/county/district) has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Federal Loans (**Required** if applicable.)

(a) The (city/county/district) was approved by the USDA Rural Utilities Service to receive a loan totaling \$ \_\_\_ to build a sewer treatment plant. Interim loan financing was received for the construction period. The amount listed for this loan includes the beginning of the period loan balance plus proceeds used during the year. The balance owing at the end of the period is \$ \_\_\_\_.

(b) The (city/county/district) was approved by the EPA and the PWB to receive a loan totaling \$ \_\_\_ to improve its drinking water system. The amount listed for this loan includes the beginning of the period loan balance plus proceeds used during the year. The balance owing at the end of the period is \$ \_\_\_\_.

Both the current and prior year loans are reported on the (city/county/district's) (Schedule of Liabilities [Cash governments] or Schedule of Changes in Long-Term Liabilities [GAAP governments - note disclosure]).

Note 4 - Federal Indirect Cost Rate(s) (**Recommended** if applicable)

The amount expended includes \$ \_\_\_\_ claimed as an indirect cost recovery using an approved indirect cost rate of \_\_\_\_ percent.

Note 5 - Revolving Loan - Program Income (**Recommended** if applicable)

The (city/county/district) has a revolving loan program for low income housing renovation. Under this federal program, repayments to the (city/county/district) are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$ \_\_\_\_ and is presented in this Schedule. The amount of principal and interest received in loan repayments for the year was \$ \_\_\_\_.

Note 6 - Noncash Awards (**Recommended** if applicable)

The amount of (vaccine/dental items/commodities/surplus property/etc.) reported on the Schedule is the value of (vaccine/dental items/commodities/surplus property/etc.) received by the (city/county/district) during current year and priced as prescribed by \_\_\_\_\_.

Note 7 - Noncash Awards - Equipment (**Recommended** if applicable)

The (city/county/district) received equipment and supplies that were purchased with federal Homeland Security funds by the state of Washington. The amount reported on the Schedule is the value of the property on the date it was received by the (city/county/district) and priced by the state of Washington.

Note 8 - Program Costs (**Recommended** if applicable)

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the (city/county/district's) portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

# SAO Annual Report Schedules

## Revenues/Expenditures/ Expenses (Schedule 01)

### 4.8 SAO Annual Report Schedules

#### 4.8.1 Revenues/Expenditures/Expenses (Schedule 01)

4.8.1.10 Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at: [www.sao.wa.gov](http://www.sao.wa.gov). Acceptable files should adhere to the prescribed record layout and should be an Excel file. It should include column headings. All columns must be formatted as text except the *Amount* column which is numeric. More details are provided on the website.

4.8.1.20 Local governments are **required** to update the incorrect financial data submitted on this schedule. The requirement applies to all errors found prior or during an audit.

4.8.1.25 Local governments completing the Schedule 01 must ensure the data submitted is accurate. The online filing system will calculate ending fund balances/net position using government-submitted information. If the SAO calculated ending balances/net position result in a variance from the local government's submitted ending balances of greater than \$1,000, the government will not be able to submit its annual report until corrected.

4.8.1.30 For questions and/or support e-mail the SAO [HelpDesk](#) through our Online Services.

4.8.1.40 See the appropriate matrix with reporting requirements from the list below to identify the funds for which to prepare a Schedule 01.

- [GAAP Cities, Counties and Special Purpose Districts](#)
- [Cash Basis Cities and Counties](#)
- [Cash Basis Special Purpose Districts](#)

4.8.1.50 The schedule should present the same fund structure as the financial statements and reflect all consolidations, corrections or other adjustments made in preparing these statements.

The schedule should include following information:

**Column 1:**

Provide MCAG number.

**Column 2:**

Provide three-digit fund number as prescribed. The schedule should report the same funds as reported in the government's financial statements (the managerial funds should not be reported separately).

**Column 3:**

Provide fund name. The fund name should be limited to 40 characters.

**Column 4:**

Provide BARS code.

- List beginning and ending fund balances/net position (GAAP) and beginning and ending cash and investments (cash basis); separate all subcategories.



- List all revenues, expenditures, expenses, other financing sources/uses and prescribed groupings of assets, liabilities, deferred outflows/inflows (GAAP) and revenues, expenditures, and other increases/decreases in fund resources (cash basis).
- GAAP enterprise funds must include all BARS accounts applicable to issuance/redemption of debt and capital outlays even if not reported in the funds' operating statement. If there was no transaction related to debt or capital assets in these funds, the codes should be listed with \$0.
- All items must be reported as a seven-digit code.
- Omit subtotals and totals.

**Column 5:**

Provide account title. The *Account Title* for revenues generated from grants should include the name of federal or state grantor.

**Column 6:**

Provide actual amounts.

- Make sure that positive amounts of revenues are presented correctly as such (i.e., not as negative amounts).
- Round the amounts to the nearest dollar.

4.8.1.60 The template for Online Filing is available on the SAO's website page, [BARS Reporting Templates](#). When using the Online Filing option, the system will create the final version of the schedule based on data provided by the local government.

4.8.1.70 Cash basis counties should include data for all special purpose districts. Since in its final format in the C-5, the data will be presented by the fund type only with beginning balances, increases, decreases and ending balances, the counties may include information on that level. Any more detailed information will be aggregated. If a county uses its own numbering system for the custodial funds the districts' information should follow the BARS fund coding prescription (i.e., 630-699).

MCAG	Fund Number	Fund Name	Account Code	Account Title	Amount
1234	001	General	3082000	Nonspendable Beginning	10,257
1234	001	General	3083000	Restricted Beginning	301,200
1234	001	General	3084000	Committed Beginning	125,000
1234	001	General	3085000	Assigned Beginning	78,250
1234	001	General	3089000	Unassigned Beginning	575,456
1234	001	General	3111000	Property Tax	250,056
1234	001	General	3131000	Local Retail Sales and Use Tax	54,123
1234	001	General	3174000	Timber Excise Tax	157
1234	001	General	3698000	Cash Adjustments	-15
1234	001	General	5082000	Nonspendable Ending	90,500
1234	001	General	5083000	Restricted Ending	259,000

1234	001	General	5084000	Committed Ending	25,000
1234	001	General	5085000	Assigned Ending	35,212
1234	001	General	5089000	Unassigned Ending	120,000
1234	001	General	5111010	Legislative - Salary	56,000
1234	001	General	5111020	Legislative - Benefits	25,000
1234	001	General	5111030	Legislative - Supplies	62,000
1234	001	General	5111040	Legislative - Services	55,000
1234	101	Special Revenue	3083000	Restricted Beginning	12,501
1234	101	Special Revenue	3111000	Property Tax	15,555
1234	101	Special Revenue	3611000	Investment Interest	27
1234	401	Water	3434000	Water Sales	23,978
1234	401	Water	3611000	Investment Interest	576
1234	401	Water	5348010	Water Operations - Salary	250,000
1234	401	Water	5348020	Water Operations - Benefits	35,000
1234	401	Water	5348030	Water Operations - Supplies	45,000
1234	401	Water	5348040	Water Operations - Services	24,000

## Summary of Bank Reconciliations (Schedule 06)

### 4.8 SAO Annual Report Schedules

#### 4.8.17 Summary of Bank Reconciliations (Schedule 06)

4.8.17.10 *This schedule applies to all counties and cities.* It does **not** apply to special purpose districts.

4.8.17.20 The purpose of this schedule is to summarize the government's bank reconciliations. This demonstrates the accuracy and completeness of the Schedule 01 and the city or county's controls over accounting records. It is also used to collect information on bank accounts, cash flows and certain reconciling items.

4.8.17.30 The Schedule Summary of Bank Reconciliations should match the city/county's bank accounts, bank reconciliations, accounting records, and Statements C-4/C-5 or Schedule 01 (which represents the corresponding summary of accounting records).

A downloadable template of the schedule can be found here: [Schedule 06 Template](#)

Use the following instructions to complete the schedule:

#### **Bank statement section**

(1) Bank & Investment account name - List all accounts held by the city/county at any point during the year. The list should be inclusive of all bank and investment accounts, including zero-balance accounts. Accounts should be listed separately by row, however Certificate of Deposits or other groups of accounts may be consolidated into a single line on the schedule if it makes the schedule easier to complete. Account descriptions should be sufficient to positively identify the account (or group of accounts) to enable tracing of amounts on the schedule to underlying bank statements and reconciliations, but should not include the full account number.

(2) Beginning bank balance - Enter the balance of each account at the beginning of the city/county's fiscal year. This figure should come from the bank statement issued by that institution. This amount should be the same as the ending balance used in the prior year's reconciliation.

(3) Receipts - Enter the total receipts deposited in the bank account throughout the year. Do not include transfers into the bank account from other city/county bank accounts, this will be reported in column 4.

(4) Inter-bank transfers in - Enter all transfers in from the city/county's own bank accounts, such as investment maturities or movements between bank accounts. Do not include bank transfers from outside non-entity bank accounts, which would be a receipt reported in column 3. Columns 3 and 4 should equal the total deposits reported on the bank statements.

(5) Disbursements - Enter all the disbursements made from the bank account throughout the year, such as checks, electronic payments and fees. Do not include transfers out of the bank account to other city/county bank accounts, this will be reported in column 6.

(6) Inter-bank transfers out - Include all transfers out to the city/county's own bank accounts, such as investment purchases or movement between bank accounts. Do not include EFT, ACH or bank transfers to outside non-entity bank accounts, which would be a disbursement reported in column 4. Columns 5 and 6 should equal the total withdrawals reported on the bank statements. Column 4 and

Column 6 should also equal.

(7) Ending Bank Balance - Enter the balance of each account at the end of the city/county's fiscal year. This should be taken from the bank statements issued from that financial institution.

### **Reconciling items**

(8) Beginning Deposits in Transit - Include total amount of deposits in transit at the beginning of the city/county's fiscal year. These adjustments should be a positive addition to beginning bank balance and a negative reduction to bank receipts in the same amount to reconcile to accounting records. This amount should be the same as the ending deposits outstanding used in the prior year's reconciliation. Please enter the amount as a positive number in column B and as a negative number in column C.

(9) Year-end Deposits in Transit - Include total amount of deposits in transit at the end of the city/county's fiscal year. These adjustments should be the same positive addition to both bank receipts and ending bank balance to reconcile to accounting records.

(10) Beginning Outstanding & Open Period Items - Include the total amount of outstanding and open period items at the beginning of the city/county's fiscal year. These adjustments should be the same negative reduction to both beginning bank balance and bank disbursements to reconcile to accounting records. This amount should be the same as the ending outstanding and open period items used in the prior year's reconciliation. Please enter the amount as a negative number.

(11) Year-end Outstanding & Open Period Items - Include the total amount of outstanding and open period items at the end of the city/county's fiscal year. These adjustments should be a positive addition to bank disbursements and a negative reduction to ending bank balance in the same amount to reconcile to accounting records. Please enter the amount as a positive number in column E and as a negative number in column G.

(12) NSF Checks - Enter the total amount of NSF checks for the year. This would include any deposits that were subsequently withdrawn by the bank due to insufficient funds by the payor, whether a check or an electronic payment. These adjustments should be the same negative reduction to both bank receipts and disbursements to reconcile to accounting records. NSF check fees would not be included in this reconciling item, since these withdrawals would already be recorded as an expenditure in accounting records. Please enter the amount as a negative number.

(13) Cancellation of unredeemed checks/warrants - Include the total amount of cancelled unredeemed checks/warrants throughout the year. These adjustments should be a positive addition to bank receipts to reconcile to accounting records.

(14) Interfund Transactions - Enter the total amount of interfund transactions that are recorded in accounting records but did not correspond to bank deposits and withdrawals. This might include interfund transfers, interfund loans, internal service fund charges, and interfund taxes. These adjustments should be the same positive addition to both bank receipts and disbursements to reconcile to accounting records.

(15) Netted Transactions - Enter the total amount of netted transactions in both columns. This amount should be the total of those deposits and withdrawals in the bank statements that are reported as a net amount in accounting records. For example, this might include refunds and certain reimbursements such as for COBRA payments. These adjustments should be the same negative reduction to both bank receipts and disbursements to reconcile to accounting records. Please enter the amount as a negative number.

(16) Authorized balance of revolving, petty cash and change funds - Enter the total authorized balances of all revolving, petty cash, and change funds. The authorized balances should tie to accounting records as described in BARS 3.8.7. These adjustments should be positive additions to both beginning and ending bank balances to reconcile to accounting records. Beginning and ending adjustments may be different if there was a net change in the authorized balances of revolving accounts during the year.

(17) Other Reconciling Items, net - Enter the net amounts of all other reconciling items included in the government's year end bank reconciliation that are not already included on other lines. This might include prior period adjustments, correction of bank errors, offsetting agreements, fiscal agent balances, changes in authorized balances of revolving funds, and other items. List net amounts in each column as needed, based on the effect of other reconciling items. Please enter the amount as a negative or positive number.

### **General ledger section**

(18) Statements C-4/C-5 or Trial Balance totals - Enter totals from the city/county's C-4/C-5 report or Schedule 01 from the annual filing system or from the city/county's accounting records. For reporting purposes, only the total for all reportable funds is required. However, governments may add lines and report general ledger amounts by fund if this is helpful to align with bank reconciliations or to evaluate or explain any variances.

(19) Beginning Cash & Investment Balance - Enter the total cash & investment balances for all reported funds at the beginning of the city/county's fiscal year. This figure should come from the city/county's general ledger and should match total beginning cash & investments (308) amounts reported on the C-4/C-5 or Schedule 01 for all funds. This amount should also be the same as the total ending balance used in the prior year's reconciliation; any reported prior period adjustments (388 or 588) should be reported in columns 20 or 21, respectively.

(20) Revenues - Enter the total revenue and other resources reported for all funds for the year. This should match to your general ledger and to total revenues and other resources (31X - 39X) reported on the C-4/C-5 or Schedule 01 for all funds.

(21) Expenditures - Enter the total expenditures and other decreases reported for all funds for the year. This should match to your general ledger and to total expenditures and other decreases (51X - 59X) reported on the C-4/C-5 or Schedule 01 for all funds.

(22) Ending Cash & Investment Balance - Enter the total cash & investment balances for all reported funds at the end of the city/county's fiscal year. This figure should come from the city/county's general ledger and should match total ending cash & investments (508) reported on the C-4/C-5 or Schedule 01 for all funds.

(23) Unreconciled Variance - based on the above entries, the excel template will automatically calculate the variance. This should be zero, but if not, should match the total net unreconciled variance identified in the city/county's bank reconciliations.

MCAG No {####}

{Name of Govt}

**SCHEDULE SUMMARY OF BANK RECONCILIATION**  
For the Fiscal Year ended December 31, {year}

[CASH BARS Schedule 06 Instructions Link](#)

FROM BANK STATEMENTS						
Bank & Investment Account name  (1)	Beginning Bank Balance  (2)	Deposits		Withdrawals		Ending Bank Balance  (7)
		Receipts  (3)	Inter-bank transfers In  (4)	Disbursements  (5)	Inter-bank transfers out  (6)	
[account 1]						
[account 2]						
[account 3]						
[account 4]						
[account 5]						
[account 6]						
<b>Bank Totals</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RECONCILING ITEMS						
Beginning Deposits in Transit (8)	+	-				
Year-end Deposits in Transit (9)		+				+
Beginning Outstanding & Open Period Items (10)	-			-		
Year-end Outstanding & Open Period Items (11)				+		-
NSF Checks (12)		-		-		
Cancellation of unredeemed checks/warrants (13)		+				
Interfund transactions (14)		+		+		
Netted Transactions (15)		-		-		
Authorized balance of revolving, petty cash and change funds (16)	+					+
Other Reconciling Items, net (17)	+/-	+/-		+/-		+/-
<b>Reconciling Items Totals</b>	\$ -	\$ -		\$ -		\$ -
FROM GENERAL LEDGER						
C4/C5 or Trial Balance Totals (18)	Beginning Cash & Investment Balance  (19)	Revenues & Other Increases  (20)		Expenditures & Other Decreases  (21)		Ending Cash & Investment Balance  (22)
<b>Unreconciled Variance (23)</b>	\$ -	\$ -		\$ -		\$ -

## **Expenditures of State Financial Assistance (Schedule 15)**

### **4.8 SAO Annual Report Schedules**

#### **4.8.16 Expenditures of State Financial Assistance (Schedule 15)**

4.8.16.10 List on this schedule expenditures from grants received directly or indirectly from state agencies (334). Expenditures from state shared revenues and entitlements (BARS resource codes 335 and 336) do not need to be included on this schedule. List together all expenditures from grants received from the same state agency.

4.8.16.20 If the government receive state-funded equipment, supplies, or real property, report the fair value in the year received.

4.8.16.30 State-funded loans do not need to be reported on this schedule. Be sure that any loans received from state agencies are not actually federal in origin. In such a case, a federal loan passing through a state agency should be reported in the federal schedule.

4.8.16.40 Any payments that the entity receives as a *fee for services* in a vendor capacity should not be included on the Schedule 15.

#### **Instructions to preparer:**

4.8.16.50 Often federal financial assistance received indirectly is a mix of federal or state 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 portion on the *Schedule of State Financial Assistance*. If the state 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*.

4.8.16.60 Local governments are required to update the incorrect financial data submitted on this schedule. The requirement applies to all errors found prior or during an audit.

#### **Column 1**

Provide the name of the grantor agency. Please clearly distinguish between agencies with similar names or initials.

#### **Column 2**

Provide the name of the each program for that agency.

#### **Column 3**

Use this column to report grant, contract or award numbers assigned by state agencies. If a number is not available, write *NA*.

#### **Column 4**

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

4.8.16.70 The template for Online Filing is available on SAO's website page, [BARS Reporting Templates](#). When using the Online Filing option, the system will create the Schedule based on data provided by the local government on the template. See attached example of the final version of the *Schedule of State Financial Assistance*.



MCAG NO. \_\_\_\_\_

City of \_\_\_\_\_

Schedule 15

**City/Town**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**For the Year Ended December 31, 2017**

Grantor	Program Title	Identification Number	Amount
<b>Traffic Safety Commission</b>			
	Drug Recognition Expert OT Grant	N/A	376
	Standardized Field Sobriety Testing Program	N/A	289
			<b>Sub-total: 665</b>
<b>Criminal Justice Training Commission</b>			
	Sex Offender Monitoring Grant	N/A	9,809
			<b>Sub-total: 9,809</b>
<b>Ecology</b>			
	Municipal Stormwater Capacity Grant	G1100016	105,935
			<b>Sub-total: 105,935</b>
<b>Transp. Improvement Board (TIB)</b>			
	Urban Arterial Program & Urban Corridor Program	8-5-948(004)-1	2,395,048
			<b>Sub-total: 2,395,048</b>
			<b>Grand total: 2,511,457</b>



## Public Works – Cities and Counties (Schedule 17)

### 4.8 SAO Annual Report Schedules

#### 4.8.6 Public Works – Cities and Counties (Schedule 17)

<b>Quick Links</b>
<a href="#">Instructions for cities</a>
<a href="#">Instructions for counties</a>

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### Schedule instructions for cities

4.8.6.10 This Schedule applies to **first class** cities (RCW [35.01.010](#)). The purpose of this Schedule is to document compliance with limitations on public works projects performed by public employees as described in RCW [35.22.620\(2\)\(4\)](#).

#### ***Instructions for individual lines:***

1. Record the total current public work construction budget, including any amendments.
2. Record the limitation on public works projects performed by public employees. RCW [35.22.620\(2\)](#) sets this limitation at 10 percent of line 1.
3. Subtract the amount, if any, that was in excess of the permitted amount in the prior budget period.
4. Record the limitation on public works performed by public employees for the current year (line 2 less line 3).
5. Record the total construction costs of public works performed by public employees for the year being reported. Be sure to include work performed for the city by a county.
6. This line is only pertinent to cities that budget on a biennial basis. For those municipalities, record on this line total construction costs of public works performed by public employees for the first year of biennium.
7. Record the difference between the statutory limit computed on line 4 and the amount of public works performed by public employees recorded on lines 5 and 6. A negative number here indicates noncompliance with the limitations and must be carried forward to next budget period report. If this noncompliance is not corrected within two years, 20 percent of the motor vehicle fuel tax will be withheld (RCW [35.22.620\(2\)](#)).

4.8.6.11 The Schedule should be prepared on the same basis of accounting, for the same period and reporting entity, and using the same underlying accounting records as the Schedule 1 and financial statements.

4.8.6.15 The template for Online Filing is available on the SAO's website at [BARS Reporting Templates](#). The following is an example of the Schedule.

**Limitation on Public Works Projects Performed by Public Employees  
For the Year Ended December 31, 20\_\_**

1. Total current public work construction budget as amended (annual or biennial as applicable)	=====
2. Allowable portion of total public works (10 percent of line 1)	_____
3. Less: Amount (if any) in excess of permitted amount from prior budget period	_____
4. Total allowable public works (line 2 minus line 3)	=====
5. Total public works projects performed by public employees during the current year (include work performed by a county)	_____
6. If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium	_____
7. Restricted under (over) allowable (line 4 minus line 5 minus line 6)	=====

NOTE: If the restricted amount is over allowable, this amount must be carried forward to next budget period report.

**Schedule instructions for counties**

**Part 1. Public Works Projects Performed by Public Employees**

4.8.6.20 This part applies to counties that established purchasing departments and use public employees to perform public works projects (RCW [36.32.240\(1\)](#), RCW [36.32.235](#)).

4.8.6.30 For reporting county road construction projects, the counties can submit the Annual Construction Program and the Annual Construction Report forms, required by the County Road Administration Board, pertaining to the same calendar year. Access to blank forms is at [www.crab.wa.gov](http://www.crab.wa.gov).

4.8.6.40 **Note:** For counties with a purchasing department, due to changes removing the population requirement in RCW [36.32.235](#) effective in fiscal 2019 and possible conflicts with RCW [36.32.240](#), we would expect the county to consult with their legal counsel regarding the use of day labor and applicable limits. ALL counties are subject to limits for the county roads construction projects (RCW [36.77.065](#)). See Part 3 of this Schedule for reporting requirements.



7. Record the difference between the statutory limit computed on line 4 and the amount of public works performed by public employees recorded on lines 5 and 6. A negative number here indicates noncompliance with the limitations and must be carried forward to next budget period report. If this noncompliance is not corrected within two years, 10 percent of the motor vehicle fuel tax will be withheld (RCW [36.32.235\(10\)](#)).

MCAG No. \_\_\_\_\_  
 \_\_\_\_\_  
 (County)

Schedule 17  
 Part 2

**Limitation on Public Works Projects Performed by Public Employees  
 For the Year Ended December 31, 20\_\_**

1. Total current public work construction budget as amended (annual or biennial as applicable)		_____
2. Allowable portion of total public works (10 percent of line 1)		_____
3. Less: Amount (if any) in excess of permitted amount from prior budget period		_____
4. Total allowable public works (line 2 minus line 3)		_____
5. Total public works projects performed by public employees during the current year.		_____
6. If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium		_____
7. Restricted under (over) allowable amount (line 4 minus line 5 minus line 6)		_____

NOTE: If the amount of public works performed by public employees is over allowable, this amount must be carried forward to next budget period report.

**Part 3. Limitations on County Roads Construction Projects Performed by Public Employees**

4.8.6.60 This part applies to ALL counties (RCW [36.77.065](#)). The counties are required to prepare and have available for an audit the Annual Construction Program and the Annual Construction Report forms, required by the County Road Administration Board, pertaining to the same calendar year.

Access to blank forms is at [www.crab.wa.gov](http://www.crab.wa.gov).

## **Labor Relations Consultant(s) (Schedule 19)**

### **4.8 SAO Annual Report Schedules**

#### **4.8.7 Labor Relations Consultant(s) (Schedule 19)**

4.8.7.10 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."

4.8.7.20 *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.

4.8.7.30 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.

4.8.7.40 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.

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

MCAG No. \_\_\_\_\_

Schedule 19

(City/County/District)

**Labor Relations Consultant(s)  
For the Year Ended December 31, 20\_\_**

Has your government engaged labor relations consultants? \_\_\_ Yes \_\_\_ No

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

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

# Sales and Use Tax for Public Facilities - Rural Counties (Schedule 20)

## 4.8 SAO Annual Report Schedules

### 4.8.8 Sales and Use Tax for Public Facilities - Rural Counties (Schedule 20)

4.8.8.10 RCW [82.14.370](#) authorizes rural counties to impose sales and use tax of no more than 0.09 percent. This tax is credited against the 6.5 percent state sales tax and use tax and is paid by the Department of Revenue to eligible rural counties [1]. RCW [82.14.370\(3\)\(b\)](#), requires the State Auditor’s Office to collect annual information on the use of these tax proceeds. The purpose of this schedule is to summarize use of these funds and demonstrate compliance.

4.8.8.20 The proceeds of this tax are restricted to financing public facilities [2] serving economic development purposes [3] in rural counties and finance personnel in economic development offices. The public facilities must be listed as an item in the officially adopted county overall economic development plan, or the economic development section of the county’s comprehensive plan, or the comprehensive plan of a city or town located within the county for those counties planning under RCW [36.70A.040](#). For those counties that do not have an adopted overall economic development plan and do not plan under the Growth Management Act, the public facilities must be listed in the county’s public facilities plan or the capital facilities plan of a city or town located within the county. No new projects funded with this money may be for justice system facilities.

4.8.8.30 The counties collecting this tax must file an annual schedule with the State Auditor’s Office **150 days after close of their fiscal year**, listing the projects funded by this tax revenue in the previous fiscal year.

4.8.8.40 The schedule should be prepared on the same basis of accounting, for the same period and reporting entity, and using the same underlying accounting records as the Schedule 01 and financial statements.

4.8.8.50 The template for Online Filing is available on SAO’s website page at [BARS Reporting Templates](#). The following is an example of the schedule.

MCAG No. \_\_\_\_\_

\_\_\_\_\_ (County)

Schedule 20  
Page \_\_ of \_\_

**Sales and Use Tax for Public Facilities – Rural Counties  
For the Year Ended December 31, 20\_\_**

Total Sales and Use Tax Proceeds (BARS Code 3131800) \$ _____ plus Unspent Proceeds from Previous Periods \$ _____					
(1) Public Facilities Project	(2) Plan Containing the Project	(3) Total Expenditures for the Project	(4) Amount of Sales and Use Tax Spent on the Project	(5) Estimated Number of Businesses Created/Retained by the Project	(6) Estimated Number of Jobs Created/Retained by the Project
		\$	\$		
		\$	\$		
		\$	\$		
		\$	\$		
		\$	\$		

### Instructions to preparer:

1. List the public facility project.

2. Indicate where the project is listed (e.g., officially adopted county economic development plan, economic development section of the county's comprehensive plan, etc.).
3. List an amount of total expenditures related to each project. Also, include expenditures related to projects initiated in previous periods and still generating expenditures.
4. List an amount of expenditures paid for by the sales and use tax revenues.
5. (6) The county **must** provide an actual or estimated number of businesses and family wage jobs the project created, attracted, expanded or retained. The county may use its economic development plan, economic development section of county's comprehensive plan or other sources to provide this information.

Documentation supporting this schedule must be made available upon request for audit purposes and public requests.

### **Footnotes**

**[1]** *Rural County* means a county with a population density of less than one hundred persons per square mile or a county smaller than two hundred twenty-five square miles as determined by the Office of Financial Management.

**[2]** *Public Facilities* means bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, earth stabilization, storm sewer facilities, railroads, electricity, natural gas, buildings, structures, telecommunication infrastructure, transportation infrastructure, or commercial infrastructure and port facilities.

**[3]** The legislative goal for RCW [82.14.370](#) is to promote the creation, attraction, expansion, and retention of businesses and provide for family wage jobs. Economic development means those purposes which facilitate the creation or retention of businesses and jobs in a county.



## **Risk Management (Schedule 21)**

### **4.8 SAO Annual Report Schedules**

#### **4.8.9 Risk Management (Schedule 21)**

##### **Financial reporting guidance**

4.8.9.10 Please refer to [Risk Management Principles for GAAP](#) financial reporting guidance.

Cash basis governments should also refer to this section for definitions and note disclosure guidance for any potentially material contingencies that are either probable or reasonably possible.

##### **Applicability of schedule**

4.8.9.20 Schedule 21 is required for all local governments. The purpose of this schedule is to report information related to self-insurance programs for risks in the following categories: liability, property, health and welfare, unemployment compensation, workers' compensation and Washington Paid Family & Medical leave. Local governments may self-insure their own risks only (an individual self-insurance program) or self-insure jointly with other governments pursuant to Chapter [48.62](#) RCW or another enabling statute.

4.8.9.30 Local governments occasionally maintain or assume risk for one or more property or casualty perils without setting resources aside as part of a self-insurance program. This activity does not constitute a self-insurance program under [43.09.260\(1\)](#).

##### **4.8.9.40 Instructions to preparer**

**Self-insurance program manager:** This is generally the person responsible for designing and implementing an overall risk management process for the entity or the appropriate person to contact with questions about the entity's self-insurance programs.

**Manager phone:** This is the phone number of the Self-Insurance Program Manager, or another number to be used to contact the Self-Insurance Program Manager.

**Manager email:** This is the email address of the Self-Insurance Program Manager. Use the following information when preparing responses in the schedule for the method used by the entity to address risks related to property, liability, health and welfare, unemployment compensation, workers' compensation and any other insurable risk.

**Self-insurance:** Risk management approach in which an entity sets aside a sum as a protection against a probable loss, instead of transferring the risk by purchasing an insurance policy. No insurance is involved and the risk is retained by the entity. Setting resources aside to fund a deductible as part of an insurance policy is not considered self-insurance.

**Risk assumption:** Risk management approach in which an entity has an insurable risk of loss but neither purchases an insurance policy nor has a program to set aside funds to cover those obligations should they arise. In other words, the entity absorbs financial exposure to a risk of loss without creating a program of advance funding of anticipated losses.

**Public entity risk pool:** A cooperative group of governmental entities joining together through a written agreement to finance an exposure, liability or risk. Risk may include property and liability, employee health care, workers' compensation or a pool may be a stand-alone entity or be included as

part of a larger governmental entity that acts as the pool's sponsor.

There are two basic types of public entity risk pools:

1. **Risk is retained by members:** Some public entity risk pools do not involve any transfer or pooling of risk among pool participants. Each participant is completely responsible for (and only responsible for) its own claims liabilities. In other cases, members pay a required contribution to a pool based on the *individual member's* claims/loss experience. If the member's actual losses exceed the initial charge, the member will be assessed an additional amount to fully reimburse the pool. If the premium exceeds the losses, the entity will receive a refund. In all the above situations, *risk has been retained* by the *member* and it is considered to be **self-insurance**. There are two main categories of these types of arrangements:

a) **Banking:** an arrangement by which monies are made available for pool members in the event of a loss on a loan basis.

b) **Claims-servicing:** an arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid.

2. **Risk is transferred to the pool:** This is often referred to as a risk-sharing pool. In this case, the pool collects premiums that it estimates will cover the costs of all claims for which the pool is obligated. If a member's losses are different than its premiums, there is no regular, supplemental assessment or refund. The insurer (pool) views its activities in the **aggregate**, rather than on an individual insured member basis (as is the case for pools where risk is retained by members). In this situation, risk is shared by members, with the pool acting as the insurer. Although risk is transferred by members to the pool, it is not the same as purchasing an insurance policy since the pool is organized as a cooperative - the members remain liable for unpaid claims in excess of pool resources. Many risk pools have a "retroactive assessment" provision in their agreements whereby the risk pool will charge members in the event losses exceed available assets. Alternatively, pools may declare supplemental assessments or refunds depending on the loss experience of member

**Unemployment compensation - taxable:** The entity is assigned a rate and pays quarterly based on wages paid to employees. Rates are reassessed annually by the Employment Security Department.

**Unemployment compensation - reimbursable:** The Reimbursable status is considered self-insurance. Entities must be approved for this status by the Employment Security Department. Entities report quarterly wages to the Employment Security Department, but only pay when an unemployment claim is filed.

**Workers' compensation - reimbursable:** The Reimbursable status is considered self-insurance. Entities only pay when a worker's compensation claim is filed.

**Washington Paid Family & Medical Leave (PFML) - Voluntary Plan:** A PFML Voluntary Plan administered internally by an employer is considered self-insurance as that employer must obtain approval from the Employment Security Department to offer a Voluntary Plan for one or both benefits, manage the funds withheld from employee pay, and maintain overall financial responsibility for paying claims for eligible events under program guidelines.

Use the following information to help complete the schedule if one or more class of risk has been retained by the entity (self-insurance).

**Individual self-insurance program:** A program established and maintained by a local government entity to provide advance funding to self-insure for property and liability risks on its own behalf. This is in contrast to risk assumption, which is a decision to absorb the entity's financial exposure to a risk of loss without the creation of a program of advance funding of anticipated losses.

**Joint self-insurance program:** Any two or more local government entities which have entered into a cooperative risk sharing agreement subject to regulation under Chapter [48.62](#) RCW.

**Third party administrator:** An organization that processes claims and performs other administrative services in accordance with a service contract.

**Claims audit:** An audit conducted by an independent qualified claims auditor not affiliated with the program, its insurers, its broker of record, or its third-party administrator. The services performed generally include an in-depth, written evaluation of the claims handling activities, identifying strengths, areas of improvement, findings, conclusions and recommendations to improve quality of claims management and processing. These reviews are required to be performed every three years by state regulation ([WAC 200-100-050](#) for property and liability and [WAC 200-110-120](#) for health and welfare).

**Actuarially determined liabilities:** Joint property and liability programs are **required** to obtain an annual actuary review ([WAC 200-100-03001](#)) to provide estimates of unpaid claims measured at eighty percent confidence level. Joint and individual health and welfare programs are not subject to this requirement.

**Number of claims paid during the period:** The number of claims that were paid (in any amount) during the reporting period.

**Total amount of claims paid during the period:** The total dollar amount of claims paid during the reporting period.

**Total amount of recoveries during the period:** The total dollar amount of gross recoveries or subrogation received during the reporting period.

4.8.9.50 The schedule should be prepared on the same basis of accounting, for the same period and reporting entity, and using the same underlying accounting records as the Schedule 01 and financial statements.

4.8.9.60 The template for Online Filing is available on the SAO's website page, [BARS Reporting Templates](#). When using the Online Filing option, the system will require completion of question 1 and, based on the answer, indicate the need for completion of the rest of the schedule. If required, this template will need to be attached.

---

\_\_\_\_\_  
(County/City/District)

**Local Government Risk Assumption  
For the Year Ended December 31, 20\_\_**

1. Self-Insurance Program Manager: \_\_\_\_\_
2. Manager Phone: \_\_\_\_\_
3. Manager Email: \_\_\_\_\_
4. How do you insure property and liability risks, if at all?
  - a. Formal self-insurance program for some or all perils/risks
  - b. Belong to a public entity risk pool
  - c. Purchase private insurance
  - d. Retain risk internally without a self-insurance program (i.e., risk assumption)
5. How do you provide health and welfare insurance (e.g., medical, dental, prescription drug, and/or vision benefits) to employees, if at all?
  - a. Self-insure some or all benefits
  - b. Belong to a public entity risk pool
  - c. All benefits provided by health insurance company or HMO
  - d. Not applicable – no such benefits offered
6. How do you insure unemployment compensation benefits, if any?
  - a. Self-insured (“Reimbursable”)
  - b. Belong to a public entity risk pool
  - c. Pay taxes to the Department of Employment Security (“Taxable”)
  - d. Not applicable – no employees
7. How do you insure workers compensation benefits, if any?
  - a. Self-insured (“Reimbursable”)
  - b. Belong to a public entity risk pool
  - c. Pay premiums to the Department of Labor and Industries
  - d. Not applicable – no employees
8. How do you participate in the Washington Paid Family & Medical Leave Program?
  - a. Self-insured (“Voluntary Plan”) for one or both program benefits
  - b. Pay premiums to the State’s program for both benefits

**If the local government DID NOT answer (a) to any of the above questions, then there is no need to complete the rest of this schedule.**

**If the local government answered (a) to any of the above questions, then answer the rest of the form in relation to the government’s self-insured risks and copy the table below as needed.**

	<b>Please list the title of the self-insurance program or type of risk covered by self-insurance:</b>				
	<i>Program/Risk 1</i>	<i>Program/Risk 2</i>	<i>Program/Risk 3</i>	<i>Program/Risk 4</i>	<i>Program/Risk 5</i>
Self-Insurance as a <i>formal</i> program?					
If yes, do other governments participate?					
If yes, please list participating governments.					
Self-Insure as part of a joint program?					
Does a Third-Party Administer manage claims?					
If no, does an employee or official reconcile claims payments to the information in the claims management software or other records of approved claims? (Not applicable for self-insured unemployment compensation.)					
Has program had a claims audit in last three years?					
Are program resources sufficient to cover expenses?					
Does an actuary estimate program liability?					
Number of claims paid during the period?					
Total amount of paid claims during the period?					
Total amount of recoveries during the period?					

Provide any other information necessary to explain answers to the Schedule 21 questions above.

## Assessment Questionnaire (Schedule 22)

### 4.8 SAO Annual Report Schedules

#### 4.8.14 Assessment Questionnaire (Schedule 22)

##### Applicability

4.8.14.10 This Schedule is required for the **all** of the following government types:

Government Types
Fire districts
Local/regional EMS and trauma care councils
Conservation districts
Transportation benefit districts
Economic and industrial development corporations
Cemetery districts
Diking/drainage districts
Mosquito/Pest/Weed districts
TV reception districts
Water conservancy boards

##### Revenue criteria

Additionally, governments with annual resource inflows **usually less than \$300,000** and some governments with annual resource inflows between \$300,000 and \$500,000 who will not receive an onsite audit are **required** to complete this schedule. For purposes of this threshold, annual inflows include tax collections, grants, loans and other receipts. A current year increase in resource inflows above the \$300,000 threshold from a grant or bond does not preclude the government for completing the Schedule.

4.8.14.20 If you are unsure whether or not your government should complete the Schedule 22, please contact the SAO by submitting your question through the SAO [HelpDesk](#). You can also check a government's requirement to submit a Schedule 22 by accessing the SAO [Online Services](#) and logging in using your credentials.

##### Frequency of small local government accountability audits

4.8.14.30 Current audit policy requires the Office to conduct certain audits, including assessment audits every two years. This does not limit our ability to initiate or conduct special investigations and also would not prevent clients from requesting more frequent audits due to need or preference. **The government's Annual Report including the Schedule 22 must be submitted on an annual basis as required by RCW 43.09.230.** The preferred method of submitting the annual report is through the SAO [Online Services](#) using the SAO Online annual report system. Most filers find the Online annual report system to be easier and less work than manual filing. If you want the SAO to audit your government on an annual basis instead of every two years, please contact us through the SAO [HelpDesk](#).

##### 4.8.14.40 Instructions for preparer:

All questions must be answered choosing the most appropriate answer for your government. The Schedule 22 questions may be answered in any order you like, but all questions must be answered prior to submitting the annual report as complete. The supplemental [Schedule 22 Guidance](#) document will explain question content and applicable references to state law and the BARS Manual. It is important to note all required attachments must be attached to the annual report, using the Online annual report system, or received physically for the annual report to be considered complete. You have the ability to skip questions while completing the annual report, but you cannot submit the annual report as complete until all Schedule 22 questions are answered and all applicable attachments are provided.

Attachments should be submitted using the attachments upload process available inside the Schedule 22. We welcome any feedback regarding our questions. Please send any comments or questions using the SAO [HelpDesk](#).

#### 4.8.14.50 **Attachments**

Attachments should be uploaded using the upload process inside the Schedule 22 available at each requested attachment when the *Attached* option is selected. Annual reports will not be marked as complete until all required attachments have been received.

#### **Required information, when applicable:**

##### 4.8.14.60 **Minutes - All governments**

Provide copies of the official minutes, all resolutions and/or ordinances for all regular and special meetings of the governing body held during the reporting year. You can attach your Word files to meet this requirement as we do not require PDFs of signed minutes. If minutes, resolutions and ordinances are available on the government's website, no minutes or resolution attachments are needed; just indicate the web address where the minutes can be found. Provide an explanation of any circumstances where minutes were not taken or are otherwise not available.

##### 4.8.14.70 **County Treasurer Revenue Reports - All governments**

Attach a copy of a year-end County Treasurer's Report that shows all receipts for the year by revenue source. The report should include all receipts for the year separated by type. Local governments that do not use a county as its treasurer may select the "NA" option within the Schedule 22.

##### 4.8.14.80 **Disbursement Listing - All governments**

Attach a detailed list of *all* expenditures for the year. The report should include all expenditures made during the fiscal year and include the following minimum information:

- Warrant/check number
- Payee
- Date paid (i.e., warrant date)
- Amount paid

If the county treasurer is used, a warrant register or expenditure listing can usually be obtained from the county showing this information. Governments that do not use the county treasurer can provide copies of their check register. Governments should also submit copies of imprest checking account activities and petty cash logs.

#### 4.8.14.90 **Receipting Policy - All governments**

Every government that receives cash or checks (other than through the county treasurer) should have a written policy/procedure that directs staff how to process receipts when received either over the counter, through the mail or in a drop box. The policy should address receipting, securing receipts, depositing, reconciliations and accounting for receipts. If the district does not have a written policy, attach a detailed description of the process used by the district including the names of the positions participating in the process, and any reconciliations or reviews performed.

#### 4.8.14.100 **Board Members - All governments**

Attach a listing of all board members holding office during the year. List the full name of each member of the governing body and then list any business owned or operated by the official or a household member (e.g., spouse, children, etc.). This information is needed to evaluate conflict of interest statutes.

**For example:**

<b>Name of Official</b>	<b>Occupation</b>	<b>Businesses Owned or Operated by Official or Household Member</b>
<b>Joan Smith</b>	<b>retired</b>	<b>None</b>
<b>Manny Jones</b>	<b>general contractor - self employed</b>	<b>Manny &amp; Sons Construction Stoneybrook Developments, LLC</b>

**CAUTION:** Please **DO NOT** include any Social Security numbers or other personal information as your annual report submission is a public document.

#### 4.8.14.110 **Rates and Fees - All governments**

As applicable, attach official rate and fee schedule(s) in place during the reporting year for any revenues billed or received directly. For example, a water district fee schedule would include basic fee, water volume fees, shutoff fees, water availability letter fees, new hookup fees, etc.

#### 4.8.14.140 **Contact Information - All governments**

Auditors often have questions about information and attachments included in the annual report. In order to resolve question quickly, we require governments to provide contact information for the person completing the Schedule 22. Because of their small size, many government offices are not manned daily and it requires us to contact the preparer or approving governing board member at their home or on their cell phone. If your office is not manned daily, please provide contact information where we can expect to contact the preparer.

#### 4.8.14.150 **Printing**

To print a copy of the Schedule 22:

1. Log into the Online annual report system.
2. Move through the Online annual report system to the Schedule 22.
3. Click the print icon directly above the gray bar on the Schedule 22, this will take you to your print options.
4. When you print the Schedule 22, only the selected answers will print. When printing the Schedule 22 prior to answering any of the questions, no answer options will appear on the

print out.

#### 4.8.14.160 **Schedule 22 access**

The Schedule 22 is a web-based form and is available within the [Online Filing system](#).



# Alerts & Changes

## BARS Alerts & Overview of Changes

**Reporting Year: 2020**

### BARS Alerts

04/24/2020	<a href="#">COVID-19 BARS Coding</a>
10/01/2020	<a href="#">CARES Act Grant Monies Expenditure Codes</a>
12/18/2020	Annual update, see changes below
3/12/2021	<a href="#">COVID-19 Vaccine and Donating PPE Reporting Requirements</a>

### Overview of Changes - Applicable to the Reporting Year 2020

Topic	Reference	Description of Changes
		<b>Chart of Accounts</b>
<a href="#">BARS Account Export</a>	All BARS Codes	Remember to download the most current version of the BARS Chart of Accounts.
<a href="#">BARS Account Export</a>	386 (Court Remittances)	3860000 - Updated the referenced RCWs for courts. Allowed only in Fiduciary Funds.
<a href="#">BARS Account Export</a>	586 (Court Remittances)	5860000 - Updated the referenced RCWs for courts. Allowed only in Fiduciary Funds.
<a href="#">BARS Account Export</a>	Any use of all functional BARS accounts in fiduciary funds	389/589, 386/586 and 361 are the ONLY codes allowed in fiduciary funds. All other codes will be red flagged.
<a href="#">BARS Account Export</a>	3899000 (Other Custodial Activities)	3899000 - Only allowed in governmental and proprietary funds, not allowed in the fiduciary funds.
<a href="#">BARS Account Export</a>	5899000 (Other Custodial Activities)	5899000 - Only allowed in governmental and proprietary funds, not allowed in the fiduciary funds.
<a href="#">BARS Account Export</a>	316.40 (Business & Occupation Tax - Utility)	316.40 (Business & Occupation Tax - Utility) - Not allowed in proprietary funds.
<a href="#">BARS Account Export</a>	341/51P (General Government)	341 and 51P (General Government) BARS Codes → Allowed only in governmental funds and internal service funds.  Exception - 341.70 Sale of Merchandise - allowed in governmental and proprietary funds.  See additional 518 information below.

<a href="#">BARS Account Export</a>	343.60 (Cemetery Sales & Services)	343.60 (Cemetery Sales & Services) - Not allowed in permanent funds.
<a href="#">BARS Account Export</a>	343.80/538.00 (Combined Utilities)	343.80/538.00 (Combined Utilities) - Allowed only for Public Utility Districts.
<a href="#">BARS Account Export</a>	348.00 (Internal Service Funds Sales and Services)	348.00 (Internal Service Funds Sales and Services) - Allowed only in internal service funds. Read more about the use of 348.00 and internal service funds in the audit connection blog, " <a href="#">BARS Code Spotlight</a> ".
<a href="#">BARS Account Export</a>	382/582 (Deposits/Retainage)	382/582 (Deposits/Retainage) - Not allowed in fiduciary funds. Allowed only in the governmental and proprietary funds.
<a href="#">BARS Account Export</a>	518 (Centralized/General Services) Codes	All 518 (Centralized/General Services) - For general purpose governments only.  518.65 Impact Fee Distributions to Local Governments - General Fund and Special Revenue Fund use only.  518.70 Printing Services - General Fund and Internal Service Fund use only.  518.80 Information Technology Services - General Fund and Internal Service Fund use only.  All other 518 codes not listed above - Allowed in all governmental funds or internal service funds.
<a href="#">BARS Account Export</a>	519 (Risk Management Services)	For general purpose governments only. Allowed only in general fund and internal service fund. *Exception: Risk Pools may use 519 in enterprise funds.
<a href="#">BARS Account Export</a>	541 (Roads/Streets Construction - Preservation Projects)	541 (Roads/Streets Construction - Preservation Projects) - This GAAP only code is no longer active in the Cash Basis Chart of Accounts.
<a href="#">BARS Account Export</a>	548 (Public Works - Centralized Services)	548 (Public Works - Centralized Services) - Allowed only in general fund and internal service fund.
<a href="#">BARS Account Export</a>	308 / 508 (beginning/ending cash and investment balance codes)	Cash Basis Cash and Investment Balance Codes - 308.21/508.21: Allowed only in permanent funds and private-purpose trust funds. 308.31/508.31: Allowed in all fund types. 308.41/508.41: Allowed in all fund types except fiduciary. 308.51/508.51: Allowed in all fund types except fiduciary. *308.91/508.91: Allowed in all fund types except fiduciary. *Only the general fund can report a positive unassigned balance.
		<b>Budgeting</b>
<a href="#">Budget Adoption and Amendments</a>	2.4.3	Updated the referenced RCWs and updated for any changes to RCWs

		<b>Accounting</b>
<a href="#">Fund Types &amp; Accounting Principles</a>	3.1.7	Fiduciary funds - Added a reference to the new Determining Fiduciary Activities to be Reported in Custodial Funds
<a href="#">Beginning and Ending Cash and Investments Classifications</a>	3.1.8	Updated full section to include the new beginning and ending cash and investments classifications
<a href="#">County External Investment Pools</a>	3.2.9	3.2.9.20 updated link to the RCW
<a href="#">Capital Asset Management</a>	3.3.8	3.3.8.40 Clarified the definition and requirements for capitalization threshold
<a href="#">Accounting for LOCAL Program</a>	3.4.11	Updated the Washington State Treasurer link to the LOCAL program
<a href="#">Pensions</a>	3.4.13	Annual update for the DRS PEFI changes
<a href="#">OPEB</a>	3.4.16	3.4.17.80 Updated the years in the measurement date table
<a href="#">Liquor Tax and Profits - Two Percent Substance Abuse Treatment Programs</a>	3.6.8	3.6.8.10 Changed "Programs must be approved by the behavioral health organization and the secretary of the Department of Social and Health Services" to "...secretary of the Department of Health" to match RCW 71.24.555
<a href="#">DSHS Advances</a>	3.6.10	Removed references to modified accrual accounting
<a href="#">Grants - Accounting</a>	3.7.1	3.7.1 Updated references to Office of Management and Budget (OMB) Circulars 3.7.1.20 Included other federal financial assistance guidance 3.7.1.30 Removed reference to the American Recovery and Reinvestment Act (ARRA) 3.7.1.30 Added Identification of COVID-19 related awards requirements 3.7.1.41 Removed the Common Rule Administrative Requirements section 3.7.1.51 Removed the OMB Circular A-87 Cost Principals section
<a href="#">Unemployment and Deferred Compensation</a>	3.8.1	3.8.1.100 Added requirements for reporting defined compensation plans.
<a href="#">Paths and Trails</a>	3.8.10	Updated references to RCW 3.8.10.70 Updated references to reserved versus restricted
<a href="#">Overhead Cost Allocation</a>	3.9.5	Updated references to RCW 3.9.5.80 Removed references to OMB Circular A-87 3.9.5.100 Removed references to OMB Circular A-87 Added an "Additional resources" section
<a href="#">Limitation of Indebtedness</a>	3.10.5	Updated references to RCW Created a Footnotes section
<a href="#">Transportation Benefit Districts</a>	3.11.1	3.11.1.120 Changed a reference from a negative 3850000 code to a 5850000 code. Added an Additional Resources section

		<b>Reporting</b>
<a href="#">Reporting Requirements and Filing Instructions for Cities and Counties</a>	4.1.5	4.1.5.10 Removed references to the Schedule 07 and Schedule 11 4.1.5.10 Updated the county requirements to include the Schedule 06
<a href="#">Fund Resources and Uses Arising from Cash Transactions (C-4)</a>	4.3.12	Updated section to remove references to reserved/unreserved and replaced with new cash and investment classifications 4.3.12.100 Updated the sample C-4 with new format
<a href="#">Determining Fiduciary Activities Reported in Custodial Funds</a>	4.3.14	New section for determining fiduciary custodial funds
<a href="#">Schedule 06</a>	4.8.17	City and County Fiscal Year 2020 reporting requirement Clarified instructions for the Schedule 06
<a href="#">Schedule 09</a>	4.14.13	Section number updated to 4.14.13 (from 4.8.13). 4.14.13.100 Updated information on reporting pension (264.30) and OPEB liabilities (264.40) 4.14.13.110 Updated the due date instructions to list I.D. Numbers that do not require a due date to be reported.
<a href="#">Schedule 16</a>	4.14.5	Section number updated to 4.14.5 (from 4.8.5). Annual update for SEFA including updates to the note requirements and COVID-19 reporting requirements
<a href="#">Schedule 17</a>	4.8.6	4.8.6.20 Updated reporting requirements for counties due to changes in RCW
<a href="#">Schedule 21</a>	4.8.9	4.8.9.20 Added information for the Washington Paid Family & Medical Leave self-insurance.
<a href="#">Note 1 - SSAP</a>	Note 1 - SSAP	Removed references to reserved/unreserved and updated with new cash and investment classification
<a href="#">Note X - COVID-19</a>	Note X - COVID-19	Created a separate note for COVID-19 reporting requirements
<a href="#">Note X - Going Concern</a>	Note X - Going Concern	Clarified reporting requirements and included reporting requirements for bankruptcy
<a href="#">Note X - Long-term Debt (formerly Debt Service Requirements)</a>	Note X - Long-term Debt (formerly Debt Service Requirements)	Updated the disclosure to include direct borrowings, direct placements, and significant debt agreement terms
<a href="#">Note X - Other Disclosures</a>	Note X - Other Disclosures	Removed reference to COVID-19 required note
<a href="#">Note X - PFML</a>	Note X - PFML	New note for disclosure for governments that are self-insured for the Washington Paid Family & Medical Leave
		<b>Online Filing</b>
<a href="#">Schedule 01</a>	Schedule 01	All Schedule 01s are updated for the new cash and investment balance classifications
<a href="#">Schedule 06</a>	Schedule 06	Schedule 06 is required for Fiscal Year 2020 reporting for both cities and counties

<a href="#">Schedule 07</a>	Schedule 07	Schedule 07 has been removed. Replaced with the Schedule 06.
<a href="#">Schedule 11</a>	Schedule 11	Schedule 11 has been removed. Replaced with the Schedule 06.
<a href="#">Schedule 16</a>	Schedule 16	Schedule 16 and the Schedule 16 Notes have been updated for the required reporting of CARES Act monies
<a href="#">Schedule 21</a>	Schedule 21	Schedule 21 has been updated it include new questions and information on the PFML (State medical leave)
<a href="#">Pension and OPEB Templates</a>	Pension and OPEB Templates	Fiscal Year 2020 Pension and OPEB templates are being refreshed and will be available for download.
<a href="#">Online Filing Flag Descriptions</a>	Online Filing Flag Descriptions	Guide to Online Filing Flag Descriptions has been added to the Forms and Other Resources section of the BARS Reporting Templates page.

## Reporting Year: 2019

### BARS Alerts

01/13/2020	Annual update, see changes below
04/07/2020	<a href="#">Note X - Deposits and Investments Update</a>
04/21/2020	<a href="#">Note X - Other Disclosures (Subsequent Event COVID-19)</a>
04/24/2020	<a href="#">COVID-19 BARS Coding</a>
10/01/2020	<a href="#">CARES Act Grant Monies Expenditure Codes</a>

### Overview of Significant Changes - Applicable to the Reporting Year 2019

Topic	Reference	Description of Changes
		<b>CHART OF ACCOUNTS</b>
<a href="#">BARS Account Export</a>	3952000, <i>Compensation for Loss/Impairment of Capital Assets</i>	3952000, <i>Compensation for Loss/Impairment of Capital Assets</i> Added the following information: Insurance recoveries that are related to storm cleanup and are realized, or are measurable and available, in the same year as the related cleanup expenditures should be netted against those expenditures. Insurance recoveries that are related to cleanup and are recognized in subsequent periods should be reported as other financing sources or extraordinary items, as appropriate.
<a href="#">BARS Account Export</a>	3132700, <i>Affordable and Supportive Housing Sales and Use Tax</i>	3132700, <i>Affordable and Supportive Housing Sales and Use Tax</i> A new BARS code 3132700 was assigned to code the sales and use tax authorized by the SHB 1406, Laws of 2019.
<a href="#">BARS Account Export</a>	Department of Health supplement	For BARS codes 5620000 Added the link to the new Department of Health supplement for BARS codes 5620000 which includes the detailed codes.
<a href="#">BARS Account Export</a>	5100000 Guidance	For BARS codes 5100000, <i>General government function</i> , these codes should only be used by cities, towns, and counties. Risk Pools may use 5190000.
<a href="#">BARS Account Export</a>	5990000 Guidance	For BARS codes 5990000, <i>Payments for Refunded Debt</i> , these codes should be used for payments to an escrow agent for refunding debt payments and direct payments of refunded debt (e.g., BANs, refinancing or loans, etc.). Note this correlates to current refundings, advanced refundings utilize 5930000 codes.

<a href="#">Revenue/Expenditure Accounts Overview</a>	1.14.10	Other Increases and Other Decreases in Fund Resources Added BARS Codes 3821000, <i>Refundable Deposits</i> , 3822000, <i>Retainage Deposits</i> , and 5821000, <i>Refund of Deposits</i> , 5822000, <i>Refund of Retainage Deposits</i> to be used for deposits that are not custodial activities. These codes are replacing 3891000, 5891000, 3892000, 5892000 which are no longer valid BARS codes.
<a href="#">Object Codes</a>		Removed the reminder that 2018 was the final year for use of object code 50.
<a href="#">General Ledger Accounts</a>	1.2.30	Updated the General Ledger Chart to match the Schedule 09 coding requirement and simplified other sections.
		<b>ACCOUNTING</b>
<a href="#">Internal Control</a>	3.1.3	3.1.3.10 Updated information about the "Green Book." 3.1.3.30 Added information that states the SAO is not part of the internal control functions of a government. 3.1.3.40 Updated the five components of internal controls. 3.1.3.90 Updated information about the different areas that should be reviewed for creating internal controls.
<a href="#">Original Supporting Documentation</a>	3.1.4	3.1.4.10 Updated the link to the Local Government Records Retention Schedule.
<a href="#">Fund Types and Accounting Principles</a>	3.1.7	3.1.7.50 Added clarifying information about Debt service funds, Capital project funds, and Fiduciary funds.
<a href="#">Bank Reconciliations</a>	3.1.9	New section on bank reconciliations.
<a href="#">Transportation Benefit Districts (TBD)</a>	3.11.1	3.11.1.70 Removed reference to object code 50 in reference to contract expenditure and updated to object code 40.
<a href="#">Capital Assets Management</a>	3.3.8	3.3.8.60 Added information that is required to be recorded for each capital asset, and clarified some of the tracking system requirements.
<a href="#">Other Postemployment Benefits (OPEB)</a>	3.4.16	3.4.16.30 Included information about OPEB reporting requirements, the types of OPEB plans, links to the State Actuary tools used for liability calculations.
<a href="#">Environmental and Certain Assets Retirement Liabilities</a>	3.4.18	3.4.18.20 Included information about common indicators of obligations arising from operations.
<a href="#">County Auditor's Operation and Maintenance Fund (Recording Fees)</a>	3.6.2	<b>Counties</b> - 3.6.2.75 Added reference to RCW 36.22.240 and requirements.
<a href="#">Electronic Funds Transfer - Receipts</a>	3.6.6	Removed "signed" in 3.6.620 b. which now says "A file must be maintained of those payers who have authorized to add moneys to your account electronically including the proceeds form third party vendors for credit card remittances."
<a href="#">Electronic Funds Transfer - Disbursement</a>	3.8.11	Removed "signed" in 3.8.11.20 b. which now says "A file must be maintained of authorizations by payees who have therby agreed to have moneys added to their accounts electronically."

<a href="#">Electronic Funds Transfer - Disbursement</a>	3.8.11	Added the fourth bullet in 3.8.11.30 which now says "Policies and procedures should be in place to validate these authorization to protect resources being transferred electronically."
		<b>REPORTING</b>
<a href="#">Fund Resources and Uses Arising from Cash Transactions (C-4)</a>	4.3.12	4.3.12.60 Changed "other increases in fund resources" and "other decreases in fund resources" to "other increases" and "other decreases."
<a href="#">Fiduciary Fund Resources and Uses Arising from Cash Transactions (C-5)</a>	4.3.13	4.3.13.40 Changed "Prior Period Adjustments, Net" to "Net Adjustments."
<a href="#">Expenditures of Federal Awards (Schedule 16)</a>	4.8.5	4.8.5.40 Removed reference to the fact that the SEFA must be prepared on the same basis of accounting since Uniform Guidance does not require the SEFA. 4.8.5.50 Removed references to CFDA 10.665: Title I - Schools and Roads, Title II - Special Projects on Federal Land, Title III - County Projects in the Direct costs of expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations. 4.8.5.128 Revised the requirements for Disbursements to Subrecipients to "expended" rather than "paid." 4.8.5.130 Updated the exceptions for EPA Drinking Water State Revolving Fund (CFDA 66.468) and Clean Water State Revolving Fund (CFDA 66.458). 4.8.5.230 Removed Note 8 American Recovery and Reinvestment Act (ARRA) of 2009 from the SEFA Notes Template.
<a href="#">Summary of Bank Reconciliations (Schedule 06)</a>	4.8.17	Rewrote the complete section to match the new Schedule 06.
<a href="#">Note 1 - Summary of Significant Accounting Policies</a>		Added a link to the new Component Unit(s), Joint Ventures, and Related Parties note.
<a href="#">Note X - Component Unit(s), Joint Ventures, and Related Parties</a>		Created a new note to move the guidance for component units, joint ventures, and related parties. Note - this information was previously located in the "Other Disclosures" note template.
<a href="#">Note X - Debt Service Requirements</a>		Instructions to Preparer - Added "When reporting loans, only amount actually drawn should be included here.
<a href="#">Note X - Deposits and Investments</a>		Rewrote the note template and added to the note to include investment pool requirements.
<a href="#">Note X - External Investment Pool</a>		New Note <b>Counties</b> - Provided guidance for disclosing external investment pools.
<a href="#">Note X - OPEB Plans</a>		Added the reporting of the OPEB liability and examples in the instructions to preparers.



<a href="#">Note X - Other Disclosures</a>		Removed information for related parties, component units or joint ventures. Added information about Pollution Remediation/Retirement of Certain Assets.
<a href="#">Note X - Pension Plans</a>		Added guidance for defined contribution pension plans when a government contributes.
		<b><a href="#">ONLINE FILING</a></b>
Schedule 01	Red Flags	Governments will receive a red flag if they report functional codes in custodial funds. Note only applicable 36X and 389/589 codes may be used.
<a href="#">Schedule 06</a>	Requirements	Schedule 06 is <b>required</b> for <b>CASH basis cities and towns</b> for FY2019. <i>Optional for CASH basis counties</i> for FY2019, required for FY2020 reporting. Schedule 06 template is available on the <a href="#">BARS Reporting templates</a> page.
Schedule 09	264.40, OPEB Liabilities	Added 264.40 to the Schedule 09 codes for reporting OPEB liabilities.
Schedule 09	263.93, Environmental liabilities	Added 263.93 to the Schedule 09 codes for reporting Environmental liabilities (e.g. pollution remediation, certain asset retirement, etc.).

## Reporting Year: 2018

### BARS Alerts

8/19/2019	<a href="#">New BARS Code (This alert applies only to counties and cities)</a>
3/5/2019	<a href="#">Reporting of the USDA Federal Loans.</a>
8/1/2018	<a href="#">BARS Manual Update - New Accounts and Changes to Object Code 50</a>
3/21/2018	<a href="#">Capital Assets Inventory in Counties</a>
3/7/2018	<a href="#">Tax Abatement information available on the DOR website (GAAP governments only)</a>

### Overview of Significant Changes - Applicable to the Reporting Year 2018

Topic	Reference	Description of Changes
		<b>CHART OF ACCOUNTS</b>
<a href="#">BARS Account Export</a>	3132500 , <i>Housing and Related Services Sale and Use Tax</i>	New account for governments collecting sales and use tax as authorized in RCW 82.14.530.
<a href="#">BARS Account Export</a>	3329330 , <i>Medical Transformation Demonstration</i>	New account for revenues for Medicaid payments related to an implementation of the Transformation Plans. The addition was communicated on August 1, 2018 in <a href="#">BARS Alert</a> .
<a href="#">BARS Account Export</a>	3329340 , <i>Ground Emergency Medical Transportation (GEMT) Payment Program</i>	New account for revenues from Medicaid related to the GEMT program. The addition was communicated on August 1, 2018 in <a href="#">BARS Alert</a> .
<a href="#">BARS Account Export</a>	3360211 , <i>County Fair Fund</i>	Expanded definition to clarify use of this code.
<a href="#">BARS Account Export</a>	3360700 , <i>PFD Lodging Tax Distribution</i>	Code applicable only to Seattle and King County.

<a href="#">BARS Account Export</a>	3432000 , <i>Television/Cable/Internet Sales and Services</i>	Expanded the title and the definition to include internet services as authorized by Chapter 186, Laws of 2018.
<a href="#">BARS Account Export</a>	3697000 , <i>Pension/OPEB Contributions</i>	Revised title and definition to clarify use of this account for pension and OPEB related revenues only.
<a href="#">BARS Account Export</a>	51530, <i>Legal Services</i>	The account was divided between internal and external legal services. Within each category were created more separate accounts for different specific legal expenditures. The change will allow governments to analyze and compare costs much more effectively. This also aligns accounting records with procedures auditors are required by professional standards to perform on legal liabilities, so it will help make the audit process more efficient. <b>This change was already announced in 2016 and was not required for the FY 2017 reports; however, the new accounts will be required for 2018 reporting.</b>
<a href="#">Object Codes</a>		Object code 50 was removed and the definitions of object codes 30 and 40 adjusted to include the transactions which were previously reported using object 50. For other details see <a href="#">BARS Alert</a> issued August 1, 2018.
		<b>ACCOUNTING</b>
<a href="#">Fund Types and Accounting Principles</a>	3.1.7	The recent changes in governmental accounting regarding <i>fiduciary activities</i> are effective for reporting periods beginning after December 15, 2018; however we incorporated the required changes in this version of manual. The additional information will be available on our website under <a href="#">Fiduciary Funds</a> in BARS manual.  Also, updated was the discussion of enterprise [400] funds. There are no new reporting requirements and the update expands the current prescription.
<a href="#">Capital Assets Management</a>	3.3.8	The entire section was revised to provide a comprehensive guidance for accounting of capital assets. The update also incorporates the changes to RCW 36.32.210 which removed the annual inventory requirement. This change was communicated on March 21, 2018 in <a href="#">BARS Alert</a> .
<a href="#">Other Postemployment Benefits (OPEB)</a>	3.4.16	This section provides a short overview of other postemployment benefits (OPEB). Starting with financial reports for a fiscal year 2018, all local governments are required to report liabilities related to OPEB, if applicable. [This update provides also samples of disclosure regarding OPEB in the Reporting/Notes to Financial Statements section.]

<a href="#">County Auditor's Operation and Maintenance Fund (Recording Fees)</a>	3.6.2	The section was updated to reflect the 2018 legislative changes in the amounts of collected surcharges.
<a href="#">Federal Grants Received During the Open Period - Accounting</a>	3.7.3	The section was removed since it conflicts with statutory restrictions regarding an open period.
<a href="#">ER&amp;R</a>	3.9.7	New section was added regarding Equipment Rental and Revolving (ER&R) Fund. This guidance was previously available outside the BARS manual and it is now incorporated into the manual allowing an easy access.
<a href="#">Interfund Activities Overview</a>	3.9.8	Added a new section to provide a general overview of interfund transactions.
		<b>REPORTING</b>
		<p>The recent changes in governmental accounting regarding <i>fiduciary activities</i> are effective for reporting periods beginning after December 15, 2018; however we incorporated the required changes in this version of manual. The additional information will be available on our website under <a href="#">Fiduciary Funds</a> in BARS manual.</p> <p>The following sections were updated 4.1.5.90, 4.1.6.80, 4.3.13 (also includes the change in the pension trust fund title), 4.8.2.50, 4.8.4.30, 4.8.13.50, Note X- Deposits and Investments - paragraph [7]. These changes involved only a title change from agency to custodial funds.</p>
<a href="#">Note 1 - Summary of Significant Accounting Policies</a>		<p>A. Fund Accounting - revised first paragraph; added investment and pension/OPEB trust funds to listing of fiduciary funds.</p> <p>C. Budgets - the budgetary section was extracted and added as a separate note since budgetary disclosure is not considered an accounting policy.</p>
<a href="#">Note X - Fiduciary Activities</a>		New note <i>Fiduciary Activities</i> was added to explain the change in counties' reporting of 2017 money held for the special purpose districts. The affected counties were notified in an email dated May 29, 2018. The note is still required for the counties which will be reporting the special purpose districts for the <b>first time</b> in 2018. If they reported them in 2017, the note is not longer required.
<a href="#">Note X - OPEB Plans</a>		A new reporting requirements regarding other than pension postemployment benefits (OPEB). Please see the Accounting/Liabilities/Other Postemployment Benefits section for more details.
<a href="#">Schedule 07</a>		The local government should prepare <b>either</b> the Schedule 07, <i>Disbursement Activity</i> and Schedule 11, <i>Cash Activity</i> <b>OR</b> Schedule 06, <i>Summary of Bank Reconciliation</i> for 2018 annual report.

<a href="#">Schedule 09</a>		Clarified that the governments should be reporting both short- and long-term liabilities on the Schedule. Also added new ID. Numbers for registered warrants and lines of credits.
<a href="#">Schedule 11</a>		The local government should prepare <b>either</b> the Schedule 07, <i>Disbursement Activity</i> and Schedule 11, <i>Cash Activity</i> <b>OR</b> Schedule 06, <i>Summary of Bank Reconciliation</i> for 2018 annual report.
<a href="#">Schedule 16</a>	4.8.5.60	Revision reflect the clarification for reporting federal grants provided by federal agencies.
	4.8.5.120	Remove discussion regarding ARRA grants.
	4.8.5.130	The example of reporting FEMA grants was updated.
	4.8.5180	Updated for changes related to reporting the following grants: EPA Drinking Water (CFDA 66.468), Clean Water (CFDA 66.458), USDA Interim Financing (CFDA10.760) and (CFDA 10.766).
	Note 4, <i>Federal Loans</i>	Revised rules for reporting grants with missing CFDA numbers. Added sentence regarding interim financing.
<a href="#">Schedule 21</a>		The Schedule was revised to provide relevant information needed in assessing and auditing governments' risk management circumstances.
		<b>ONLINE FILING</b>
Schedule 09		The Schedule 09, <i>Schedule of Liabilities</i> , includes a new validation check for net pension liabilities. Governments will receive a red flag if they have pension related liabilities but do not report them on the Schedule 09 or if they are using the incorrect ID No.

## Reporting Year: 2017

### BARS Alerts

7/20/2017	<a href="#">BARS Manual Update - Coding Marijuana Excise Tax Distribution (Cities/Counties Only)</a>
3/14/2017	<a href="#">BARS Update - Reporting Court Related Agency Deposits and Remittances (Cities/Counties Only)</a>
1/4/2017	<a href="#">BARS Manuals Update - 2017 Filing System Update</a>

#### Overview of Significant Changes - Applicable to the Reporting Year 2017

Topic	Reference	Description of Changes
		<b>CHART OF ACCOUNTS</b>
Revenue/Expense Accounts	3132400, <i>Local Infrastructure Financing Tool (LIFT)</i>	Added a new account for revenues from the local sales and use tax dedicated for LIFT projects.
Revenue/Expense Accounts	3340370, <i>State Grant from CRAB</i>	The title was changed to <i>Rural Arterial Program (RAP)</i> .
Revenue/Expense Accounts	3340372, <i>CRAB Road Arterial - Projects</i>	The title was changed to <i>County Arterial Preservation Project (CAPP)</i> .
Revenue/Expense Accounts	335/336	The titles for both categories was revised to <i>State Shared Revenues, Entitlements and Impact Payments</i> .
Revenue/Expense Accounts	3360425, <i>Foundational Public Health Services</i>	A new account was added for 2017 distributions from the DOH.
Revenue/Expense Accounts	3360642, <i>Marijuana Excise Tax Distribution</i>	A new account was added for the distribution of the marijuana excise tax from the State.
Revenue/Expense Accounts	3421000, <i>Law Enforcement Services</i>	The definition was expanded to include payments from the WASP for processing the sex and kidnapping offenders' registration.
Revenue/Expense Accounts	3670000, <i>Contributions and Donations from Nongovernmental Sources</i>	The definition was clarified regarding connection fees.

Revenue/Expenditure/Expense Accounts	395, <i>Disposition of Capital Assets</i>	Added a clarification regarding use of the account in the proprietary fund.
Revenue/Expenditure/Expense Accounts	398, <i>Insurance Recoveries</i>	The account was split into two 3981, <i>Insurance Recoveries</i> for cash basis governments and 3985, <i>Insurance Recoveries</i> for GAAP. The split was necessary to accommodate reporting by cash basis proprietary funds since the BARS codes in 370 series are not available to them. The revised account 3981 replaces the original 372 code.
Revenue/Expenditure/Expense Accounts	51530, <i>Legal Services</i>	The account was divided between internal and external legal services. Within each category were created more separate accounts for different specific legal expenditures. The change will allow governments to analyze and compare costs much more effectively. This also aligns accounting records with procedures auditors are required by professional standards to perform on legal liabilities, so it will help make the audit process more efficient. <b>This account will be required for 2018 reporting.</b>
Revenue/Expenditure/Expense Accounts	51770, <i>Unemployment Compensation</i>	Changed references to section of the BARS manual to correctly refer the current title ( <i>Payroll Accounting vs. Unemployment and Deferred Compensation</i> ).
Revenue/Expenditure/Expense Accounts	51830, <i>Maintenance/Security/Insurance/Janitorial Services</i>	Clarified the definition regarding property insurance.
Revenue/Expenditure/Expense Accounts	51863, <i>General Grants and Financial Assistance to Other Governments</i>	Revised title to <i>General Grants, Financial Assistance and Other Distributions to Local Governments</i> .
Revenue/Expenditure/Expense Accounts	538, <i>Combined Water/Sewer/Solid Waste Utilities</i>	Revised title and definition to correctly reflect RCW 54.16.300 (i.e., <i>Combined Utilities</i> ).
Revenue/Expenditure/Expense Accounts	562, <i>Public Health</i>	The WA State DOH added additional detail accounts 562.11-562.15 for local governments subject to the DOH's jurisdiction.
Revenue/Expenditure/Expense Accounts	593, <i>Advance Refunding Escrow</i>	Added to the definition a reminder that this account should be reported also for proprietary funds.

Revenue/Expenditure/Expense Accounts	595, <i>Roads/Streets and Other Infrastructure</i>	Added to the definition a reminder that this account should be reported also for proprietary funds.
Revenue/Expenditure/Expense Accounts	599, <i>Payments to Refunded Debt Escrow</i>	Added to the definition a reminder that this account should be reported also for proprietary funds.
Account Structure	1.1.2	The section was revised to discontinue the old terminology regarding the seven-digit account codes (i.e., Prime, BASUB, etc.). The digits are now referred by their location within the code (i.e., first, second, etc.). This change was applied in all places in the BARS manual and the revised sections are not itemized in this listing.
Revenue/Expenditure Accounts Overview	1.14.10	The section was revised to discontinue the old terminology regarding the seven-digit account codes (i.e., Prime, BASUB, etc.). The digits are now referred by their location within the code (i.e., first, second, etc.).
		<b>ACCOUNTING</b>
Diversion of County Road Property Tax	3.6.5.20	The BARS previous procedures were revised to better assist compliance with the provisions of the law.
Payroll Accounting	3.8.1	The title was change to <i>Unemployment and Deferred Compensation</i> to better reflect the content of this section. There are no changes in the prescription.
Loans		A new paragraph (3.9.1.30) was added. The paragraph discusses an issue of incorrectly using its own debt instruments as investments.
		<b>REPORTING</b>
Reporting Requirements and Filing Instructions for Cities and Counties	4.1.5.10	The reporting matrix was updated to reflect optional reporting of the new Schedule 06.
Fiduciary Fund Resources and Uses Arising from Cash Transactions (C-5)	4.3.13.10, 4.3.13.40, 4.3.13.70	Adding a requirement for counties to include the special purpose districts on the statement C-5. Also, the format of the statement C-5 was changed. The fiduciary funds should be aggregated according to the fund type (i.e., pension, investment, private-purpose and agency funds plus total column). The instructions and the Online Reporting were updated to incorporate these changes.
Schedule 01	4.8.1.50, 4.8.1.70	Since a requirement for counties to include the special purpose districts on the statement C-5 was added, Schedule 01 has to include data for these districts. Column 4 - clarified the instruction regarding reporting of revenues and expenses for proprietary funds.



Schedule 06		Schedule 06, <i>Summary of Bank Reconciliation</i> was added. This Schedule is optional for cities and counties for reporting bank activities in the fiscal year 2017. Governments choosing to prepare Schedule 06 do <u>not</u> have to prepare neither Schedule 07 nor 11 for the 2017 fiscal year. Schedule 06 will be <u>required</u> schedule for reporting year ending December 31, 2018.
Schedule 07		Removing the requirement for this schedule, if the city/county choose to prepare Schedule 06.
Schedule 09		Added 4.8.13.71 and 4.8.13.81 regarding reporting loans with forgiveness clause.
Schedule 11		Removing the requirement for this schedule, if the city/county choose to prepare Schedule 06.
Note X - Pension Plans		Additional column for employers' contributions was added to the matrix.
Note X - Other Disclosures		Added instructions for reporting <i>special items, contingencies and litigations</i> and <i>government combinations</i> .
		<b>ONLINE FILING</b>
Annual Street/Road Finance Report		The pilot project with DOT has been extended another year to explore the possibility of an alternative reporting process to the existing Street/Road Finance Report required to filed to DOT for cities and counties.
Fund Balance - Beginning Check		A minimum variance requirement within \$1,000 added summarizing Schedule 01 funds reported.

**Reporting Year: 2016**

**BARS Alerts**





