Budgeting, Accounting and Reporting System (BARS)

GAAP

(GAAP Manual Part 2: Reporting and Alerts & Changes Sections)

For Cities, Counties and Special Purpose Districts

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4.1.2 **BARS Reporting Requirements**

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

4.1.2.20 The legal reporting requirements prescribed by the State Auditor's Office for local governments in Washington State are consistent with the national standards of financial reporting prescribed by the GASB. These requirements for GAAP local governments are as follows:

1. Basic Financial Statements, including notes to financial statements.
2. Required Supplementary Information (including MD&A)
3. Supplemental Schedules

4.1.2.30 For the basic financial statements, the local government needs to prepare worksheets to summarize the general ledger trial balances, the resources and the expenditures schedules at the required account level. Most of these worksheets do not need to be submitted as part of the annual report, but they must be available for audit. The matrixes in BARS Manual *4.1.4, Summary of Reporting Requirements* identify the statutory reporting requirements for GAAP local governments.

4.1.2.35 Local governments are **required** to update the materially incorrect financial statements. The requirement applies to all errors found prior or during an audit.

4.1.2.40 If a local government elects to prepare the Annual Comprehensive Financial Report (ACFR), it will have to produce additional schedules and statements that are NOT described in this Manual. However, the statements and schedules required for BARS reporting can be placed directly in the ACFR, and nearly all of the additional financial requirements of the ACFR are readily met by formally preparing the data used to satisfy BARS requirements. No duplication of effort is necessary to produce the ACFR from BARS reports. For additional information on preparation of a ACFR see BARS Manual *4.9, GFOA Financial Reporting Recognition Programs*.

4.1.2.45 The *Department of Health (DOH) Accounting and Reporting Manual for Hospitals*, which contains uniform accounting, budgeting and reporting for licensed hospitals in the state of Washington, is available from the DOH Office of Hospital and Patient Data Systems at (360) 236-4210 or from the Department's website. The requirements in this Manual do not substitute the reporting requirements contained in the *Department of Health (DOH) Accounting and Reporting Manual for Hospitals.*

Filing instructions

4.1.2.50 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.

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, please use the HelpDesk through our Online Services.

If the local government cannot provide the annual report in the electronic format mail the annual report to:

Annual Report
State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031

Certification

Prepare the certification and sign and date the certification before submitting the report.

Annual Report Disclosure Form

MCAG No. _______

(City/County/District)

(This form is ***not*** required if you are submitting your annual report electronically.)

Please check if the statements/schedules are attached. Use the column which is appropriate for your government type. If Schedule 17 is not applicable mark the spot NA (*not applicable*). An unmarked spot in your government type column will indicate that a schedule is not attached due to lack of activities described in this schedule in reported year.

	City	County	Special Purpose District
Certification			
Financial Statements (including notes)			
Schedule 01, Revenues/Expenditures/Expenses[1]			
Schedule 09, Liabilities			
Schedule 15, State Financial Assistance			
Schedule 16, Expenditures of Federal Awards			
Schedule 17, Public Works[2]			
Schedule 19, Labor Relations Consultants			
Schedule 20, Sales and Use Tax for Public Facilities			
Schedule 21, Risk Management			
Schedule 22, Assessment Questionnaire[3]			

Checklist Footnotes

[1] Local governments with no financial activity, defined as having neither expenditures, other than small automatic bank fees (such as dormant account fees) and the state auditor's office audit billings, nor revenues other than interest income on any cash balances, have the option to submit summarized annual reports. These governments need 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. These governments also will be required to submit no activity supporting documents such as meeting minutes and county reports and/or bank statements verifying no activity. Note that by selecting this submission option, preparers of the annual reports are certifying that their government meets the definition of no activity as explained above.

[2] See BARS Manual 4.8.6, *Public Works – Cities and Counties (Schedule 17)* for detailed instructions indicating which cities are required to prepare this schedule.

[3] Only cities and special purpose districts with revenue usually less than $300,000 are required to prepare this schedule. However, conservation districts, fire districts, transportation benefit districts, local/regional trauma care councils and industrial development corporations are required to prepare the Schedule regardless of the amount of revenue. However, no financial activity reports do not require a formal Schedule 22 to be submitted. Governments who file a no activity report will be required to submit supporting documents to confirm no activity, such as meeting minutes, county reports and/or bank statements.

Certification

4 **Reporting**

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.

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 Reporting Requirements

4 **Reporting**

4.1 **Reporting Principles and Requirements**

4.1.1 **GAAP Reporting Requirements**

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4.1.1.10 **GAAP reporting requirements**

The requirements for financial reporting in accordance with generally accepted accounting principles (GAAP) are established by the Governmental Accounting Standards Board (GASB) in the GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The following diagram illustrates the minimum requirements for general purpose external financial reports.

4.1.1.20 Comparative financial statements mean two complete sets of financial statements for each comparative year. Each set should contain basic financial statements (including notes) and RSI (including MD&A). Both years may be combined in one presentation; however, each element (MD&A, basic financial statements, notes and RSI) have to include information for ***both*** years.

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1. Management Discussion and Analysis (MD&A)

4.1.1.30 MD&A should introduce the basic financial statements and provide an analytical overview of the local government's financial activities. It is part of the Required Supplementary Information (RSI), however it should be presented before the basic financial statements. The MD&A should provide an objective and easily readable analysis of the local government's financial activities. It should include comparisons of current year to the prior year based on the government-wide information. It also includes information regarding the local government budget variances, capital assets, long-term debt activity, and a description of currently known facts, decisions, or conditions expected to have a significant effect on financial position or results of operations.

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2. Basic financial statements

Government-wide financial statements

4.1.1.40 The government-wide financial statements consist of a S*tatement of Net Position* and a S*tatement of Activities*. They are prepared using the economic resources measurement focus and the accrual basis of accounting. Each statement distinguishes between the governmental and business-type activities of the primary government and its discretely presented component units.

Statement of Net Position

4.1.1.50 The Statement of Net Position presents the local government as one economic unit rather than a compilation of different funds. The statement focuses on type of activities, rather than type of funds. Local governments should report all capital assets, including infrastructure assets in the government-wide statement of net position. The net position should be reported in three categories: net investment in capital assets, restricted and unrestricted.

Statement of Activities

4.1.1.60 The Statement of Activities is a report on the results of the local government's operations. The statement presents the cost of each function and the extent to which each of the local government's functions, programs or services either contributes to or takes away from the local government's general revenue.

The required format provides:

1. Information indicating the extent to which current-year program revenues supported the cost of the current-year services, and

2. How the local government finances its activities.

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Fund financial statements

Governmental Fund Financial Statements

4.1.1.70 Governmental funds should be reported using the current financial resources measurement focus and the modified accrual basis of accounting. These funds are presented by general fund; major funds, and aggregated nonmajor funds.

There are two statements required - the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance. General capital assets and general long-term liabilities are not reported in the governmental fund balance sheet. (They are reported in the government-wide financial statements.)

4.1.1.80 The Statement of Revenues, Expenditures and Changes in Fund Balance reports information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in the aggregate.

4.1.1.90 Each statement reports separate columns for the general fund and for other major governmental and enterprise funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding element totals for all funds of that category or type and at least five percent of the corresponding element total for all governmental or enterprise funds combined. The local government may choose to report any other funds as a major fund if they believe they are important to users. The nonmajor funds are reported in aggregate in a separate column.

Proprietary funds financial statements

4.1.1.100 There are three required fund financial statements for proprietary funds:

1. *Statement of Net Position*,
2. *Statement of Revenues, Expenses and Changes in Fund Net Position*, and
3. *Statement of Cash Flows*

4.1.1.110 Proprietary funds continue to be presented on the economic resources measurement focus and the full accrual basis of accounting. Proprietary funds are reported the same way as in the government-wide financial statements. However, internal service funds should be reported as a fund type (aggregated) in a separate column. Major enterprise funds are reported in separate columns and nonmajor enterprise funds are aggregated in a single column.

4.1.1.120 The proprietary Statement of Net Position presents assets and liabilities in a classified format. Restricted assets are reported separately. Net position should be reported in the following three components: net investment in capital assets, restricted and unrestricted.

4.1.1.130 The proprietary Statement of Revenues, Expenses, and Changes in Fund Net Position reports in a specific format prescribed by the GASB Statement 34. All transactions that affect net position are included. Revenues are reported by major source. Expenses are reported by either detail (object) or function level. Revenues and expenses should distinguish between operating and nonoperating.

Fiduciary fund financial statements

4.1.1.140 The following are required financial statements for fiduciary funds:

1. *Statement of Fiduciary Net Position*, and
2. *Statement of Changes in Fiduciary Net Position*

The fiduciary statements are prepared using the economic resources measurement focus and full accrual basis of accounting (with some exceptions for liabilities for defined benefit pension plans and certain postemployment health care plans).

4.1.1.160 The Statement of Fiduciary Net Position should include information about the assets, liabilities, and net position for each fiduciary fund type and for similarly discretely presented component units of the reporting entity. The local government should provide details for all other fiduciary funds, or clearly indicate where the information is displayed.

4.1.1.170 The Statement of Changes in Fiduciary Net Position should include information about the additions to, deductions from, and net increase (or decrease) for the year in net position for each fiduciary fund type and similar discretely presented component units. It should provide information about significant year-to-year changes in net position. The local government should provide additional details about investments and provide the level of details for all other fiduciary funds or clearly indicate where the information is displayed.

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3. Notes to the financial statements

4.1.1.180 Notes to the financial statements are essential to fair presentation of the basic financial statements. The notes include the summary of significant accounting policies and summary disclosure of such matters as significant contingent liabilities, encumbrances outstanding, significant effects of subsequent events, pension plans, accumulated unpaid employee benefits (such as vacation and sick leave), material violations of finance-related legal and contractual provisions, debt service requirements to maturity, commitments under noncapitalized leases, construction and other significant commitments, any excess of expenditures over appropriations in individual funds, deficit balances of individual funds, and interfund receivables and payables. Any other disclosures necessary in the circumstances should also be included.

The NCGA has discussed the notes to financial statements in more detail in its Interpretation 6, which also provides guidance for presenting notes in a logical order.

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4. Required Supplementary Information (RSI)

4.1.1.190 Statements, schedules, statistical data, and other information the GASB deem necessary is reported as required supplementary information (RSI). Except for the MD&A, required supplementary information, including the budgetary comparison information, should be presented immediately following the notes to the financial statements.

There are four types of RSI (other than MD&A) that must be presented:

- Budgetary comparisons (for the general fund and other individual special revenue funds),
- Infrastructure condition and maintenance data (for local governments using the modified approach),
- Pension trend data (for certain pension plans and participating employers),
- Revenue and claims development trend data (for public-entity risk pools).

Reporting Entity

4.1.1.200 GASB Statement 14, as amended by Statements 34, 39, 61, 84, 90 and 97 establishes standards for defining and reporting on the financial reporting entity and applies to financial reporting by primary governments, as well as to separately issued financial statements of governmental component units. The standards and its amendments are codified in GASB Codification section 2100 *Defining the Financial Reporting Entity* and section 2600 *Reporting Entity and Component Unit Presentation and Disclosure*. These sections define the financial reporting entity as consisting of (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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4.1.1.210 As described in GASB Codification 2100, a primary government is financially accountable for a separate legal entity – and therefore should include the entity in its financial statements – in the following circumstances:

a. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

b. The primary government is financially accountable if a special purpose district is fiscally dependent on the primary government and there is a potential for the special purpose district to provide specific financial benefits to, or impose specific financial burdens on, the primary government, regardless of whether the special purpose district has (1) a separately elected governing board, (2) a governing board appointed by higher level of government, or (3) a jointly appointed board.

c. The primary government is financially accountable for a legally separate organization if the primary government holds a majority equity interest in an organization that does not meet the definition of an investment.

4.1.1.220 Component units should be reported in the financial statements of the primary government by either discrete presentation or blended presentation based on. Discrete presentation involves reporting the component unit in separate columns on the government wide statements. Blended presentation involves reporting the component unit's balances and transactions as if they were part of the primary government in both the fund level and government wide statements.

The following flowchart will help to determine the reporting status of an organization. Refer to GASB Codification section 2100 for definitions of the various terms.

4.1.1.230 In September 2006, GASB issued the [Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*]. This Statement applies to ***all*** intra-entity transactions (sales and donations) that involve the transfer of financial assets, capital assets and future revenues.

When accounting for the transfer of capital and financial assets and future revenues within the same financial reporting entity, the transferee should recognize the assets or future revenues received at the carrying value of the transferor. The difference between the amount paid (exclusive of amounts that may be refundable) and the carrying value of the assets transferred should be reported as a gain or loss by the transferor (revenue in governmental funds) and as a revenue or expenditure/expense by the transferee in a separately-issued statements, but reclassified as transfers in the financial statements of the reporting entity. Application of this Statement should be the same for both discretely presented and blended component units.

4.1.1.240 ***Hospital districts***: The *General Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards*, section Ho5.601 supersedes the June 1996 AICPA *Audit and Accounting Guide, Health Care Organizations*, to the extent of financial reporting. However, the Guide continues to provide guidance on individual transactions that are unique to healthcare organizations. The Guide is considered Category B guidance in the hierarchy of GAAP.

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Financial Reporting Entity Flowchart

Notes to Financial Reporting Entity Flowchart

PG = primary government (the government preparing financial statements)
PCU = potential component unit (the entity under consideration)

1. An organization has separate legal standing if it is created as a corporate or a corporate body possessing the corporate powers that would distinguish it as being legally separate from the primary government (such as the right to sue and be sued in its own name, hold or lease property in its own name, loan money or open a bank account in its own name and with its own tax or other identification number, etc.). For example, a government may have advisory committees or councils which are not incorporated as separate legal entities, or a government may participate in cost sharing projects or joint purchasing arrangements or other contractually coordinated efforts with other governments that (see GASB Codification J50.115). All funds, organizational units, agencies, departments, offices and activities of an organization that are not legally separate are, for financial reporting purposes, considered part of a primary government.

2. If the activity or operation is not separate legal entity, it should be reported as part of the government. For example, departments, projects, committees or initiatives of the government may have distinct branding, purposes or management structures within the government, but for reporting purposes would be reflected using appropriate accounting as part of the government's funds. As discussed in GASB Codification J50.114, a government may have an arrangement that resembles a joint venture but has no separate entity or organization created by the participants. In such a joint operation (or undivided interest), each participant reports their own assets, liabilities and activity since there is no separate organization to hold property or incur obligations.

3. With regard to a voting majority, the primary government's appointment authority should be substantive and continuing. A primary government's appointment authority may not be substantive if candidates are limited by a nominating process or if its responsibility is limited to confirming appointments made by individuals or groups other than the primary government's officials or appointees. In the absence of continuing appointment authority, the ability of a primary government to unilaterally abolish an organization also provides the basis for ongoing accountability. If the primary government performs the duties of a governing board, it would be considered the same as appointment of a voting majority, with the exception of a potential component unit that is a defined contribution pension plan, defined contribution other post-employment benefit plan, or other employee benefit plan (e.g., a 401k, 401a, 403b or 457 plan). In addition, the primary government would also be considered financially responsible if it held a majority equity interest in the entity, regardless of control, unless equity interest would be more appropriately classified as an investment (that is, unless the equity interest is held primarily for purpose of income and has a present service capacity based solely on its ability to generate or be sold for cash).

4. An organization is fiscally dependent if it cannot meet ***all*** three of the following requirements without substantive approval of a primary government:

a. Determine it budget,

b. Levy taxes or set rates or charges, and

c. Issue bonded debt.

It is also important to make a distinction between substantive and ministerial (compliance) approval. Ministerial approval is often a result of the general oversight of the respective state or local governments. This may include evaluation of programs, review for compliance with the statutory requirements, etc. Being subject to ministerial approval does not qualify an organization as fiscally dependent. Also, a primary government that is temporarily under the fiscal control of another government continues to be fiscally independent.

5. The ***benefit or burden*** relationship may result from legal entitlements or obligations, or it may be less formalized and exist because of a decision made by the primary government or agreements between the primary government and component unit.

An organization has a financial benefit or burden relationship with the primary government if ***any one*** of these conditions exists, either directly or indirectly:

a. The primary government is legally entitled to or can otherwise access the organization's resources.

b. The primary government is legally obligated or has otherwise assumed the obligation to finance deficits of, or provide financial support to, the organization.

c. The primary government is obligated in some manner for the debt of the organization.

Exchange transactions between organizations and the primary government are not considered a financial benefit or burden relationship.

6. Certain organizations warrant inclusion because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax exempt organization (e.g., foundation or association) should be reported as a discretely presented component unit if ***all*** of the following criteria are met:

a. The economic resources received or held by the organization are almost entirely for the direct benefit of the primary government, its component units, or its constituents.

b. The primary government is entitles to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

c. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

7. Other organizations should be evaluated as potential component units if they are closely related to or financially integrated with the primary government and included as component units if the nature and significance of their relationship with the primary governments is such that exclusion from the

financial reporting entity would render the financial statements incomplete or misleading. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion.

8. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. The existence of ***any one*** of the following abilities indicates that the primary government has the ability to impose its will on an organization:

a. Ability to remove the appointed members of the organization's governing body at will.

b. Ability to modify or approve the budget of the organization.

c. Ability to modify or approve the rate or fee changes affective revenues, such as water usage rate increases.

d. Ability to veto, overrule, or modify the decisions (other than those in b and c) of the organization's governing body.

e. Ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the organization.

There may be other conditions indicating the imposition of will. When assessing them, remember to make the distinction between substantive and ministerial approvals.

A potential component unit for which a primary government is financially accountable may be fiscally dependent on another government. An organization should be included as a component unit of ***only one*** reporting entity. Professional judgment should be used to determine the most appropriate reporting entity. A primary government that appoints a voting majority of the governing board of a component unit of another government should make the disclosures required for related organizations.

9. A component unit should be presented as blended in any of the following circumstances:

a. When the component unit's governing body is substantively the same as the governing body of the primary government ***and*** (1) there is a financial benefit/burden relationship between the primary government and the component unit ***or*** (2) management of the primary government has operational responsibility for the component unit. The primary government is considered to have operational responsibility if it is managing the day-to-day operations of the component unit.

b. When the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. The essence of this type of arrangement is similar to an internal service fund – the goods or services are provided to the government itself rather than to the citizenry.

c. The component unit is organized as a not-for-profit corporation in which the primary government is the only corporate member.

d. The component unit's outstanding debt or leases are expected to be repaid entirely or almost entirely from the resources of the primary government.

If a component unit does not meet criteria for blending, it should be presented discretely.

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GAAP Versus Cash Basis Reporting

4 **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) Manuals.

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 verses 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**
• Financial reports that are more comprehensive, sophisticated and potentially informative • Improved ability to evaluate government's financial position and changes in its net position • Consistent with nationally recognized financial reporting standards • More familiar to external users • May be required by grantors or oversight agencies	• May be more difficult to understand and use for managers or governing bodies who are unfamiliar with accrual concepts and terminology • Requires more qualified staff, a more complex accounting system, and more time devoted to preparation and controls over financial reporting • More costly financial reporting • May need to reconcile between multiple basis of accounting for financial reporting and operational purposes

4.1.7.60 **Cash basis reporting**

Advantages	**Disadvantages**

• Financial reports that are more simple and easier to understand and use • Clear presentation of cash flows and available cash • Financial reporting that is aligned with budgets • Financial reporting may be less costly • Less training required for staff	• Statements are focused on short-term rather than long-term financial position • Less information on non-cash assets, including infrastructure, and changes in these assets • Less information on liabilities and changes in liabilities • May not be as familiar to external user

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.

Summary of Reporting Requirements

4 **Reporting**

4.1 **Reporting Principles and Requirements**

4.1.4 **Summary of Reporting Requirements**

The following matrixes summarize the GAAP and SAO reporting requirements.

4.1.4.10 Governments should use proprietary fund accounting and reporting if the predominant revenue source comes from fees and charges for selling goods or performing services. If taxes or grants are the predominant source of revenue, governmental fund accounting and reporting should be used.

4.1.4.20 Governments have an option to participate in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. To participate in this program, a government must prepare an Annual Comprehensive Financial Report (ACFR). These reports have to provide additional information, which is not required in preparation of basic GAAP financial statements. For additional information on preparation of an ACFR, see BARS Manual [4.9, *GFOA Financial Reporting Recognition Programs*](#).

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
These statements should be prepared in accordance with GASB and NCGA pronouncements.[1]

(A) Governmental Funds: 000, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds - 500
(C) Fiduciary Funds: 600 - 699
(D) Component Unit(s)

Government-Wide Financial Statement	(A) Governmental Funds	(B) Proprietary Funds: Enterprise Funds	(B) Proprietary Funds: Internal Service Funds	(C) Fiduciary Funds	(D) Component Units
Certification					
Statement of Net Position:					
Governmental Activities	All	N/A[3]	If governmental funds are the predominant customer/participant OR	N/A	Nonfiduciary component units reported in separate column(s)[2]
Business-Type Activities	N/A[3]	All	If enterprise funds are the predominant customer/participant	N/A	
Statement of Activities:					
Governmental Activities	All	N/A[3]	Often all	N/A	Separate columns/rows for nonfiduciary component units only[2]
Business-Type Activities	N/A[3]	All	In certain circumstances[4]	N/A	

[1] Local governments with total revenues of $2 million or less are not required to prepare basic financial 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, basic financial 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 financial statements must have their budgeted information available for the audit.

[2] For component unit reporting requirements, see [BARS Manual 4.1.2, BARS Reporting Requirements](#).

[3] Some governmental activities may be accounted for in enterprise funds (for example, some public transit operations), and some business-type activities may be accounted for in governmental funds.

[4] Part of internal service fund(s) net income or loss, if significant, should be allocated to business-type activities that purchased the good or services.

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
These statements should be prepared in accordance with GASB and NCGA pronouncements.

(A) **Governmental Funds: 000, 100, 200, 300, 700**
(B) **Proprietary Funds: Enterprise Funds - 400, Internal Service Funds - 500**
(C) **Fiduciary Funds: 600 - 699**
(D) **Component Unit(s)**

	(A) Governmental Funds		(B) Proprietary Funds			
Fund Financial Statements	**General Fund**	**Other Governmental Funds**	**Enterprise Funds**	**Internal Service Funds**	**(C) Fiduciary Funds**	**(D) Component Units**
Balance Sheet – Governmental Funds[1]	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Revenues, Expenditures, and Changes in Fund Balances	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Net Position (or Balance Sheet) – Proprietary Funds	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Revenues, Expenses, and Changes in Fund Net Position	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Cash Flows	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Fiduciary Net Position	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, private purpose and custodial fund type	Fiduciary component units are included with the appropriate fund type
Statement of Changes in Fiduciary Net Position	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, private purpose and custodial fund type	Fiduciary component units are included with the appropriate fund type
Notes to Financial Statements	Prepared for reporting entity as a whole.					
Required Supplementary Information (RSI)	Prepared for reporting entity as a whole.					

[1] The statement should not include: general capital assets and general long-term liabilities.

After preparing the reports, the government will need to keep all worksheets on file and available for the auditor.

If you are preparing an Annual Comprehensive Financial Report, there are additional statements, schedules, and statistical data that must be included in the report. This matrix does not list these additional requirements. For more information, see BARS Manual 4.9, GFOA Financial Reporting Recognition Programs.

If your government assumes risk or self-insures, OR provides claims servicing or insurance coverage to others, please see BARS Manual 3.4.9, Risk Management Principles for additional reporting requirements.

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
Additional Schedules Required by the State Auditor's Office.

(A) Governmental Funds: 000, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds - 500
(C) Fiduciary Funds: 600 - 699

Schedule No.	Schedule	(A) Governmental Funds	(B) Proprietary Funds	(C) Fiduciary Funds: Pension, Investment and Private-Purpose	(C) Fiduciary Funds: Custodial Funds
01	Revenues/Expenditures/Expenses	Prepare for each fund	Prepare for each fund	Prepare for each fund	Prepare for each fund
09	Liabilities (one schedule for entity as a whole)	Include all current and noncurrent liabilities.	Include all current and noncurrent liabilities.	N/A	N/A
15	State Financial Assistance	Prepare one schedule for the entity as a whole. Include <u>all</u> state grants.			
16	Expenditures of Federal Awards	Prepare one schedule for the entity as a whole. Include <u>all</u> federal grants.			
17	Public Works	Prepare one schedule for the entity as a whole.			
20	Sales and Use Tax for Public Facilities – Rural Counties (Counties Only)	Prepare one schedule for the entity as a whole.			
21	Risk Management	Prepare one schedule for the entity as a whole.			
22	Assessment Questionnaire [1]	Fire districts, conservation districts, local/regional trauma care councils, transportation benefit districts and industrial development corporations should prepare this Schedule regardless of amount of revenues.			

If you are preparing an Annual Comprehensive Financial Report, there are additional statements, schedules, and statistical data that must be included in the report. This matrix does not detail these additional requirements.

[1] Required only for local governments with total revenues usually less than $300,000.

Government-Wide Financial Statements

Presentation Requirements

4 **Reporting**

4.2 **Government-Wide Financial Statements**

4.2.1 **Presentation Requirements**

4.2.1.10 Statements should always have a total column/row for the primary government. A total column for the government as a whole is permitted, but not required. If the business-type activities are immaterial, the government is not required to report them separately. In the statement of activities, the business-type activities may be combined within administrative or similar function or may be reported as a separate row.

4.2.1.20 The basic financial statements should include separate information for each major discretely presented component unit. This requirement can be met in one of three ways:

1. Include separate column for each major discretely presented component unit on the face of the statement of net position (with a single aggregated column for nonmajor component units).

2. Within the basic financial statements, include a combining statement of net position for major discretely presented component units (with a single aggregated column for nonmajor component units and a total column that supports the presentation on the face of the government-wide statement of net position).

3. Include condensed financial statements for each major component unit in the notes to the financial statements.

4.2.1.30 Prior-year or comparative data may be presented in the government-wide statements but is not required.

4.2.1.40 The reports should follow the basic format in non-authoritative illustration presented in the GASB Statement 34 and the Governmental Accounting, Auditing, and Financial Reporting issued by Government Finance Officers Association. The management's discussion and analysis should appear before the government-wide financial statements (statement of net position and statement of activities), fund financial statements including notes to the financial statements and the required supplementary information.

4.2.1.50 The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting.

4.2.1.60 **The local government should consider materiality before applying any of the reporting requirements.**

Statement of Net Position

4 **Reporting**

4.2 **Government-Wide Financial Statements**

4.2.2 **Statement of Net Position**

4.2.2.10 The governments have two format options to present net position.

1. **Net position format**: Assets plus deferred outflows, less liabilities, less deferred inflows of resources, equals net position

2. **Balance sheet format**: Assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus net position

The statement of net position requires distinguishing between the governmental and business-type activities.

4.2.2.20 ***Governmental activities*** generally are financed through taxes, intergovernmental revenues, and other non-exchangeable revenues. Governmental activities are usually reported in the governmental fund types and internal service funds in the funds financial statements. Examples include police, election, fire prevention services, etc.

4.2.2.30 ***Business-type activities*** are financed in whole or in part by fees charged to the users of the services. They are reported in the enterprise funds in the funds financial statements. Example includes utility operations.

If the government has immaterial business-type activities, it is not required to separate them on the face of financial statements. They may be reported in the governmental activities column.

4.2.2.40 Internal service funds are generally reported in the governmental activities column, but they may also be reported in the business-type columns if the predominant users of these funds are enterprise funds. Some interfund balances are to be eliminated. See BARS Manual 4.2.7, *Eliminations*.

Assets

4.2.2.50 Assets should be presented either in order of their relative liquidity or in the classified format. Liquidity describes how readily an asset can be converted into cash. Liquidity may also depend on whether there are restrictions limiting the use of those resources. Restricted assets should also be analyzed in terms of their liquidity and placed accordingly in the financial statement.

The statement's lines are not specifically defined and the governments should use their own judgment regarding what level of detail they want to present in the financial reports (e.g., capital assets may be one-line item or have separate lines for land, buildings, infrastructure, etc.). The government should list separately any assets with significant balances.

4.2.2.51 **Capital asset reporting**

To report capital assets, governments need to divide assets into two categories:

- Assets that are depreciated (they become worn out or obsolete when used up),

- Assets that are not depreciated (inexhaustible or infrastructure using the modified approach). Inexhaustible capital assets are defined as one whose economic benefit or service potential is not used up or is used up so slowly that its estimated useful life is extraordinarily long (e.g., land, certain land improvements, certain infrastructure, construction in progress, etc.).

If the government has a significant amount of nondepreciable capital assets, it should report them in the statement of net position separately.

The depreciable capital assets should be reported net of accumulated depreciation. Accumulated depreciation equals total of all amounts of depreciation expenses in statements of activities (from the time when a capital asset was acquired). Accumulated depreciation may be netted against capital assets or reported as a separate line on the face of financial statements or in parentheses. Regardless of the presentation method, it has to be disclosed in the notes to the financial statements.

4.2.2.53 **Capital assets of governmental activities**

Capital assets of the government that are not specifically related to activities in proprietary or fiduciary funds are considered general capital assets. They are associated with governmental activities and financed by the resources of governmental funds.

Capital assets of internal service funds should be generally reported as capital assets of the governmental activities unless the internal service fund is reported in the business-type activities column.

Deferred outflows of resources

4.2.2.60 A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. Recognition of deferred outflows of resources should be limited to those instances identified by the GASB in authoritative pronouncements. See BARS Manual 3.5.1, *Classification of Deferred Outflows/Inflows of Resources*.

Liabilities

4.2.2.70 Liabilities should be presented in order of their relative liquidity, which is based on their maturity, or when cash will be used to liquidate them. The liabilities whose average maturities are greater than one year should be reported in two components:

1. The amount due within one year, and

2. The amount due in more than one year.

4.2.2.80 The face of the financial statements should contain a summary of liabilities information and the details about their changes should be provided in the notes. This requirement applies not only to bonded debt but also operating liabilities like compensated absences, claims and judgments. Their portions *due within one year* need to be reasonably estimated.

4.2.2.90 The governmental activities' liabilities will consist of:

1. ***Current liabilities*** – They equal liabilities reported in the governmental funds financial statements. They may also include some liabilities from the enterprise fund(s), if the activity accounted for in this fund is presented as a governmental type in the statement of net position.

2. ***General long-term liabilities*** – This amount should equal the unmatured portion of liabilities not reported in governmental funds. The liabilities should include: general obligation debt, capital leases, special assessments, compensated absences, claims, judgments, landfill closure and postclosure care costs, certain pension related debts and postemployment benefits, etc.

3. ***Liabilities reported in the internal service funds*** – (Unless these activities are presented in the business-type activities column.)

4.2.2.100 There is no change in presentation of liabilities for business-type activities since both the enterprise funds and government-wide financial statements are prepared using full-accrual basis of accounting.

Deferred inflows of resources

4.2.2.110 A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Recognition of deferred inflows of resources should be limited to those instances identified by the GASB in authoritative pronouncements. See BARS Manual 3.5.1, *Classification of Deferred Outflows/Inflows of Resources*.

Net position

4.2.2.120 For information about net position see BARS Manual 4.2.8, *Net Position*.

____

Statement of Net Position
December 31, 20__

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents				
Investments				
Receivables (net)				
Internal balances				
Inventories				
Capital assets not being depreciated:				
Land				
Construction in progress				
Capital assets net of accumulated depreciation:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Intangible				
Total capital assets				
Total assets				
DEFERRED OUTFLOWS of RESOURCES				
Accumulated decrease in fair value of hedging derivatives				
Deferred loss on refunding				
Grants paid in advance				
Total deferred outflows of resources				
LIABILITIES				
Accounts payable				
Other current liabilities				
Accrued expenses				
Due to primary government				
Other credits				
Liabilities payable from restricted assets				
Noncurrent liabilities:				
Due within one year				
Due in more than one year				
Total liabilities				
DEFERRED INFLOWS of RESOURCES				
Accumulated increase in fair value of hedging derivatives				
Deferred service concession arrangement receipts				
Deferred property tax				
Advance payments of property tax				
Advance payments of special assessments				
Deferred gain on refunding				
Grants received in advance				
Total deferred inflows of resources				
NET POSITION				
Net investment in capital assets				
Restricted for:				
______________				
______________				
Unrestricted				
Total net position				

The notes to the financial statements are an integral part of this statement.

Statement of Activities

4 **Reporting**

4.2 **Government-Wide Financial Statements**

4.2.3 **Statement of Activities**

4.2.3.10 The statement of activities distinguishes between governmental and business-type activities. Eliminations are required between and within the fund/programs of the primary government, (BARS Manual *4.2.7, Eliminations*). There are no eliminating entries between the primary government and the discretely presented component unit. These transactions are considered external ones and the receivables/payables between them should be reported as a separate line item.

Internal service funds are not reported on the statement of activities unless they provide goods or services to entities outside the primary government. See BARS Manual *4.3.6, Internal Service Funds*.

Sample City
Statement of Activities
Year Ended December 31, 201X
(in thousands)

Functions/Programs	Expenses	Optional Column: Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
PRIMARY GOVERNMENT:									
Governmental Activities:									
General Government	1,862		283			(1,579)		(1,579)	
Judicial									
Public Safety	7,399		247	539	27	(6,586)		(6,586)	
Physical Environment	1,941		111	28		(1,802)		(1,802)	
Transportation	4,950		869	446	4,047	462		462	
Health and Human Services	5					(5)		(5)	
Economic Environment	756		747		8	(1)		(1)	
Culture and Recreation	2,608		638	31	30	(1,909)		(1,909)	
Interest on Long-Term Debt	428					(428)		(428)	
TOTAL GOVERNMENTAL ACTIVITIES	19,949		2,895	1,044	4,162	(11,848)		(11,848)	
Business-Type Activities:									
Utilities	10,349		12,586		1,431		3,669		
TOTAL BUSINESS-TYPE ACTIVITIES	10,349		12,586		1,431		3,669	3,669	
Total Primary Government	30,297		15,487	1,044	5,539	(11,848)	3,669	8,179	
COMPONENT UNITS:									
Total Component Units									

	Governmental Activities	Business-type Activities	Total	Component Units
General Revenues:				
Taxes:				
Property Tax, Levied for General Purposes	5,224		5,224	
Property Tax, Levied for___________				
Sales and Use Taxes	4,649		4,649	
Business and Occupation Taxes	3,621		3,621	
Excise Taxes	769		769	
Penalties and Interest	5		5	
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings	1,247	1,127	2,374	
Miscellaneous	1,271	231	1,502	
Endowments and Permanent Fund Contributions				
Extraordinary Item				
Special Item - Gain on Sale of Capital Asset				
Transfers	(50)	50	-	
Total General Revenues, Extraordinary, Special Items, and Transfers	16,736	1,408	18,144	
Change in Net Position	4,888	5,077	9,965	
Net Position Beginning	25,786	56,710	82,496	
Net Position-Ending	30,674	61,787	92,461	

The notes to financial statements are an integral part of this statement.

Expenses/functions

4.2.3.20 At a minimum, the statement of activities should present activities accounted for in governmental funds by function. A function is defined as a group of activities aimed at accomplishing a major service or regulatory responsibility (e.g., general government, public safety, etc.). All functions of a government have expenses. Some functions generate revenues.

4.2.3.30 The activities accounted for in the enterprise funds should be presented by different identifiable activities. The activity is identifiable if it has a specific revenue stream and related expenses and gains and losses that are accounted for separately. **[1]**

4.2.3.40 Report all expenses by function except for the special or extraordinary items and transfers. At least, the governments should report direct expenses for each function. Direct expenses are those that are *specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function*. All expenses reported in the enterprise fund financial statements (except special and extraordinary items) should be reported in the business-type activities function as direct expenses for that function.

4.2.3.50 Indirect functions, such as general government, support services or administration should report expenses, which are indirect for other functions as their own direct expenses. However, local governments may allocate some or all indirect expenses to other functions. If governments choose to allocate some or all indirect cost, those expenses have to be reported in a separate column in the statement of activities. A total column of direct and indirect cost is optional.

4.2.3.60 The government should be careful in determining what level of details it will present in the statement of activities. Programs may be presented for all or some functions. The statement, when too detailed, may be overwhelming for its users. The same level of detail is not required for each function.

Depreciation expense

4.2.3.70 Deprecation should be also reported in the statement of activities. Governments can use any systematic and rational depreciation method. Depreciation expense for capital assets that can be specifically identified with a function should be included in the direct expenses of that function. Depreciation expense for shared capital assets should be allocated to the functions sharing the assets.

If a capital asset (e.g., city hall, etc.) serves essentially all functions and is not practical to allocate the depreciation to all these functions, that expense should be reported in a separate line or as part of the expenses of general government function. If a government chooses a separate line, it should clearly indicate that this line excludes the direct depreciation reported in the specific functions.

Depreciation may be also allocated through a separate indirect expense column.

Interest expense

4.2.3.80 The interest on general long-term debt should be reported as a separate function. The interest should include interest on bonds and notes, capital leases and other vendor financing arrangements, claims and judgments, pension related debts and employer net pension obligations.

In extreme situations, when the borrowing is essential to the creation or continuation of the program and omitting interest expenses would be misleading (e.g., loan programs, etc.), the interest on general long-term debt can be reported as a direct expense. In that case the line should be clearly labeled to indicate that not all interest is reported here.

Interest expenses in the enterprise fund financial statements should be reported as direct expenses for those functions.

4.2.3.90 Classification of Revenues and Expenses for the Statement of Activities provides a table showing BARS account codes and related functions. The local government may use this matrix for the preparation of the statement of activities. Some governments may not perform all listed functions.

Revenues

4.2.3.100 Revenues are reported as either program revenues or general revenues. *Program revenues* are generated directly by the program itself. Non-exchange revenues (except taxes) are *program* revenues if restricted to a specific program(s) or if unrestricted, should be reported as *general revenue*. Taxes are always *general revenues* even if restricted to a specific program. Revenues from the government itself are usually *general revenues* (e.g., revenues from investments).

Program revenues

4.2.3.110 Program revenues reduce the expenses of the function/program, which generates them, and show the net cost of the function/program to be financed by the general revenues. They should not be allocated to multiple functions (there may be an exception for grants that are restricted to several programs).

Program revenues include charges for services and program-specific operating and capital grants and contributions.

4.2.3.120 **Charges for services** are to customers who purchase, use, or directly benefit from the goods, services, or benefits. The charges generally result from exchange or exchange/like transactions. They include fees for services, licenses, permits, fines, forfeitures, special operating assessments, and charges for interfund services, etc. Charges for services should be reported net of any uncollectible amounts.

Charges for services are program revenues of a function/program that assess the charge even if the money is required to be spent on a different function/program.

Operating revenues reported in the enterprise fund financial statement should be reported as charges for services of business-type activities. Nonoperating revenues with the exception for taxes and investment income should be also reported as program revenues.

4.2.3.130 **Program-specific grants and contributions (both operating and capital)** arise from transactions with other governments, organizations, or individuals that restrict the use of resources for particular purposes. They may be either mandatory or voluntary nonexchange transactions. The restrictions indicate the function/program where they should be reported. (Attention: not all grants and contributions are program revenues.)

The operating grants and contributions are used to finance operations of specific function/program and should be reported separately from capital grants and contributions.

Capital grants and contributions are restricted to purchasing, constructing, or renovating capital assets associated with a specific function/program.

Unrestricted grants and contributions should be reported as general revenues.

4.2.3.140 Earnings on endowments or permanent fund investments should be reported as program revenues if restricted to a program or programs specifically identified in the endowment or permanent fund agreement or contract. Also, earnings on investments not held by permanent funds may be legally restricted to specific functions or programs. Those earnings should be reported as program revenues.

General revenues

4.2.3.150 ***General revenues*** include all revenues and gains that do not meet the definition of program revenues. The one exception is that *taxes (including taxes levied for very specific purposes) should always be reported as general revenues*. Taxes should be reported by type of tax (sales, property, etc.). General revenues also include gains from routine selling or disposing of capital assets. General revenues are reported in the statement of activities after the total net expense of the government's functions.

All general revenues, including taxes, should be reported net of estimated refunds and uncollectible amounts.

4.2.3.160 Shared revenues and entitlements should be reported in the same way as grants and contributions.

4.2.3.170 Special assessments revenues should be reported as program revenues either as charges for services (operating special assessments) or as program-specific capital grants/contributions (capital special assessments).

4.2.3.180 Investment income (including realized and unrealized gains and losses) should be reported as general revenues. There may be exceptions if there are some specific restrictions placed on it (e.g., legal restrictions in permanent funds investments or restrictions on earnings on grants, etc.).

Investment income reported in the enterprise fund financial statements should be reported as general revenues in the business-type activities column in the statement of activities (unless the investment originated from grants or contributions).

4.2.3.190 BARS Manual *4.2.4, Classification of Revenues and Expenses for the Statement of Activities* contains a matrix of BARS account codes related to revenues and functions has been provided. This matrix designates each BARS code as a program or general revenue.

Net program (expense) revenue

4.2.3.200 Separate columns should be used to identify net program (expense) revenue for each function/program category of governmental activities and business-type activities and for discretely presented component units.

Endowment and permanent fund contributions

4.2.3.210 Contributions to term and permanent endowments and permanent fund principal should be reported in a separate category after general revenues. They cannot be used to finance any function/program so cannot be reported as a reduction of functional expenses.

Extraordinary and special items

4.2.3.220 Extraordinary and special items should be reported in a separate category after general revenues and endowment and permanent fund contributions.

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. They are also not within control of management (e.g., environmental or natural disasters, etc.). However, transactions which are unusual and infrequent but within control of management should be also reported as extraordinary items.

Special items are significant transactions or other events within control of management that are either unusual in nature or infrequent in occurrence (e.g., sales of certain governmental capital assets, early retirement program, significant forgiveness of debt, etc.). Transactions or other events that are either unusual or infrequent but not within control of management should be disclosed in the notes to financial statements.

Before classifying a transaction or an event, as extraordinary or special, government should assess its materiality and significance in the context of financial statements in which it would be presented. Something that is significant or material in the fund financial statements may not be significant or material in the government-wide statements.

Transfers

4.2.3.230 Transfers within the governmental or business-type activities are eliminated. The net amount transferred between the two types of activities should be reported as a single line after special items.

Also interfund payments in lieu of taxes (PILOTs) that are not payments for services (or are not a reasonable equivalent of the value of these services) should be reported as transfers.

Footnotes

[1] Determining whether an activity is different may require the use of professional judgment.
Return to Reference 1

Classification of Revenues and Expenses for the Statement of Activities

4 **Reporting**

4.2 **Government-Wide Financial Statements**

4.2.4 **Classification of Revenues and Expenses for the Statement of Activities**

4.2.4.10 Governments may use the following matrix as a guide for the preparation of their statement of activities. Governments should have a classification policy for assignment of revenues, this policy should be applied consistently. The matrix identifies each BARS revenue account as a program or general revenue. It also indicates the expenditure function the revenue may be generated by. The expenditures function is the minimum level of detail required. Governments can choose to report at a lower level (program). Governments should consider materiality when determining what functions they present on their government-wide statement of net position.

BARS Revenue Code	BARS Title	REVENUE Program	REVENUE General	Expenditure Function
310000	Taxes		X	
3210000	Business Licenses and Permits	X		General Government
3221000	Buildings, Structures and Equipment	X		Economic Environment
3222000	Marriage Licenses	X		General Government
3223000	Animal Licenses	X		Natural Environment
3224000	Street and Curb Permits	X		Transportation
3229000	Other Non-Business Licenses and Permits	X		General Government
3300000 (exclude 3360000)	Intergovernmental Revenues	X [1]		
3360000	State Shared Revenues, Entitlements, and Impact Payments	X [1]	X [1]	
3410000	General Governments	X		General Government
34120 (exclude .21)	Filing and Recording Services	X		Judicial
3412100	Auditor's Filings and Recordings	X		General Government
3413000 (exclude .35, .36, .38)	Records Services	X		Judicial
3413500	Other Statutory Certifying and Copy Fees	X		General Government
3413600	Auditor's Centennial Documents Preservation	X		General Government
3413800	Records Search by County Auditors	X		General Government
3414000	Financial Services	X		General Government

3416200	Word Processing, Printing, and Duplicating Services - Municipal/District Court	X		Judicial
3416500	Word Processing, Printing, and Duplicating Services - Superior Court	X		Judicial
3417000	Sales of Merchandise	X		General Government
3418100	Data/Word Processing, Printing, Duplicating and IT Services	X		General Government
3418200	Engineering Services			General Government
3419000	Other General Government Services	X		General Government
342000	Public Safety	X		Public Safety
344000	Transportation	X		Transportation
3451000	Natural Resource Conservation and Control	X		Natural Environment
3450000	Economic Environment	X		Economic Environment
3460000 (exclude 3468000)	Social Services	X		Social Services
3468000	Coroner/Medical Examiner	X		Social Services
3470000	Culture and Recreation	X		Culture and Recreation
3500000 (exclude 3590000)	Fines and Penalties	X		Judicial (or Public Safety[2])
3590000	Non-Court Fines and Penalties	X		General Government
3600000	Miscellaneous Revenues	X		Varies

4.2.4.20 The following matrix ties each BARS expenditure account to the appropriate function. The governments may use it as a guide for the preparation of their statement of net position. The expenditures function is the minimum level of detail required. Governments can choose to report at a lower level (program) if needed. Governments should consider materiality when determining what functions they will present on their government-wide statement of net position.

BARS Code	BARS Expenditure Account	Function
511	Legislative Activities	General Government
512	Judicial Activities	Judicial
513	Executive Activities	General Government
514	Financial, Recording and Election Activities	General Government
515	Legal Activities	General Government
517	Employee Benefit Programs	General Government
518	Centralized Services	General Government
519	Miscellaneous General Government Services	General Government
521	Law Enforcement Activities	Public Safety
522	Fire and Emergency Medical Activities	Public Safety
523	Detention/Correction Activities	Public Safety

524	Protective Inspection Services	Public Safety
525	Disaster Services	Public Safety
527	Juvenile Services	Public Safety
528	Dispatch Services	Public Safety
531	Storm Drainage Utilities	Utilities
532	Television/Cable Utilities	Utilities
533	Electric/Gas Utilities	Utilities
534	Water Utilities	Utilities
535	Sewer Utilities	Utilities
536	Cemetery	Utilities
537	Solid Waste Utilities	Utilities
538	Combined Utilities	Utilities
539	Irrigation/Reclamation Utilities	Utilities
541	Roads/ Streets Construction: Preservation Projects	Transportation
542	Roads/Streets Ordinary Maintenance	Transportation
543	Roads/Streets General Administration and Overhead	Transportation
544	Road and Street Operations	Transportation
545	Road and Street Extraordinary Operations	Transportation
546	Airports and Ports	Transportation
547	Transits, Railroads and Other Transportation Systems	Transportation
548	Public Works Centralized Services	General Government
552	Employment Opportunity	Economic Environment
553	Conservation	Natural Environment
554	Environmental Services	Natural Environment
557	Community Services	Economic Environment
558	Community Planning and Economic Development	Economic Environment
559	Housing and Property Development	Economic Environment
561	Hospitals, Assisted Living and Convalescent Facilities	Social Services
562	Public Health Services	Social Services
563	Coroner/Medical Examiner	Social Services
564	Mental Health Services	Social Services
565	Other Social Services	Social Services
566	Chemical Dependency Services	Social Services
567	Children Services	Social Services
568	Developmental Disabilities Services	Social Services
569	Aging and Disability Services	Social Services
571	Education and Recreational Services	Culture and Recreation
572	Libraries	Culture and Recreation
573	Cultural and Community Events	Culture and Recreation
574	Participant Recreation	Culture and Recreation

575	Cultural and Recreational Facilities	Culture and Recreation
576	Park Facilities	Culture and Recreation

Footnotes

[1] Grants and shared revenues are considered program revenues in all cases unless they are unrestricted. In that case, they are classified as general revenues.

[2] The assignment of revenues would be dependent on the government’s classification policy for assigning the revenues. This policy should be applied consistently.

Eliminations

4 **Reporting**

4.2 **Government-Wide Financial Statements**

4.2.7 **Eliminations**

4.2.7.10 In effort to report information about the overall government without displaying individual funds, the governments should eliminate interfund activities and balances to avoid inappropriate *grossing-up* effect. This section describes the necessary eliminations.

4.2.7.20 Transactions between the primary government and ***discretely*** presented component units should be treated as if the primary government and the component units are unrelated third parties. No elimination should be made for these transactions in the primary government columns, the discretely presented component unit(s), or total (if presented). Payables and receivables between the primary government and discretely presented component units or between component units should be reported in separate lines in the statement of net position.

4.2.7.30 Transactions between the primary government and ***blended*** component units should be reclassified or eliminated in the same way as internal activities and balances within the primary government. The eliminations and/or reclassifications will prevent the government from double counting.

4.2.7.40 First, transactions should be eliminated within the governmental activities column and business-type activities column and then separately in the primary government column (for the balances between the governmental and business-type activities).

4.2.7.50 The elimination column in the statements is not necessary. The **internal balances** can be reported in a single line in both governmental and business-type activities. One of them will be negative and they should add up to zero.

Statement of Net Position

4.2.7.60 To complete the statement of net position perform the following eliminations:

1. Eliminate interfund receivables and payables between funds reported in the governmental activities column. Include internal service funds unless they are reported in the business-type activities column. Add the amounts together; receivables should equal payables.
2. Eliminate interfund receivables and payables between funds reported in the business-type activities column. Include internal service funds unless they are reported in the governmental activities column. Add the amounts together; receivables should equal payables.
3. Eliminate interfund receivables and payables between the governmental and business-type activities from the primary government column. Internal payables should equal internal receivables.
4. Move (reclassify) amounts due from or to fiduciary funds to an external receivable or payable.

Statement of Activities

4.2.7.70 The following internal or interfund activities should be analyzed for the elimination/reclassification in the statement of activities:

1. Internal service fund – for details see BARS Manual 4.3.6, *Internal Service Funds*.

2. Interfund activity similar to internal service fund charges – when a fund different than internal service (e.g., general) provides services to other funds and reports the charges as a revenue, both amounts (revenue and expenses) should be eliminated. If the fund providing the service reports the charges as a reduction of its own expenses (i.e., interfund reimbursements) the elimination is not necessary.
3. Allocation of overhead expenses. [1]
4. Interfund services provided and used (quasi-external transactions) – the “like external” sales and purchases of goods and services should not be eliminated.
5. Transfers within the governmental or business-type activities have to be eliminated. The net amount transferred between both types of activities should be reported as a single line after extraordinary and special items.
6. Transactions between different functions but within the same fund should be eliminated. They should be reported in the function to which they are allocated.

Footnotes

[1] Although not acting as internal service funds, some funds charge other funds for what are, in effect, allocations of overhead expenses. These allocations should be treated the same way as interfund activity.

Net Position

4 **Reporting**

4.2 **Government-Wide Financial Statements**

4.2.8 **Net Position**

4.2.8.10 The difference between (1) assets and deferred outflows of resources, and (2) liabilities and deferred inflows of resources is called net position. Net position should be displayed in three categories which focus on the accessibility of the underlying assets:

- Net investment in capital assets
- Restricted
- Unrestricted

Net investment in capital assets

4.2.8.20 The *net investment in capital assets* category of a government's net position represents the investment in capital assets, net of capital asset related items. The amount should be calculated as follows:

1. Capital asset balances in the statement of net position (including restricted capital assets, tangible and intangible capital assets),
2. ***Minus*** accumulated depreciation (if capital assets are not reported net), and
3. ***Minus*** outstanding balances of capital related bonds, mortgages, notes, or other debt and liabilities that are attributable to the acquisition, construction, or improvement of those assets. (This includes capital-related retainage and accounts payable, as well as premiums and discounts on bonds. This balance excludes unspent debt proceeds.),
4. ***Minus*** deferred inflows of resources that are capital related (e.g., loss on refunding of outstanding capital-related debt), and
5. ***Plus*** deferred outflows of resources that are capital related (e.g., gain on refunding of outstanding capital-related debt).

All capital assets should be reported as *Net Investment in Capital Assets,* regardless of restrictions but they should not include any financial resources restricted for capital assets acquisition, construction, or improvement (e.g., unspent bond proceeds, grant monies, etc.) or financial resources held for capital assets acquisition, construction, or improvement. The unspent resources would be reported as *Restricted* or *Unrestricted* components of net position, depending on the constraints on these financial resources.

4.2.8.30 If part of the debt proceeds were spent on assets that have been not capitalized or other non-capital purposes (assuming that part is immaterial), the entire amount of debt should be considered capital related. If the amount spent on non-capitalized purposes is material, this amount should be removed from the debt outstanding balances calculation.

If a part of the debt proceeds was spent to establish a debt service reserve fund, this amount should be removed from the debt outstanding balances calculation.

Capital asset related debt should include debt issued to refund existing capital related debt.

If one government issued debt to finance the capital assets of another government, this debt should not reduce the *Net Investment in Capital Assets* unless the capital assets are also reported by the government issuing debt. If the assets are not reported by the government issuing the debt, the debt should be reported in the *Restricted* or *Unrestricted* component of net position, depending on the constraints on the financial resources. If the amount is significant, the government should disclose details about the transaction in the notes to the financial statements.

The amounts of unspent bond proceeds at the year-end should be reported as an increase of *Restricted* or *Unrestricted* component of net position, depending on the constraints on the these financial resources, not as a reduction of *Net Investment in Capital Assets*, as these amounts should already be excluded from the outstanding principal of capital-related borrowings.

If there is no capital related debt, the line should be labeled *Investment in Capital Assets*.

4.2.8.31 The net investment in capital assets should be calculated as follows:

Restricted component of net position

4.2.8.40 Components of net position should be reported as *restricted* when constraints placed on its use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

The constraints placed on the use of the asset must, in addition to the above criteria, be narrower than the purpose of the reporting unit:

- Governmental activities: the reporting unit for this criteria is the governmental activities column on the Statement of Net Position.
- Business-type activities: the reporting unit for this criteria is the individual enterprise fund.

4.2.8.50 Designation in the management's plan for the use of the resources is not equivalent to enabling legislation. Enabling legislation refers to a situation when a government passes a law that gives them the ability to levy tax or otherwise raise revenues and includes a legally enforceable requirement that those resources be used for the specific purpose stipulated in the law.

4.2.8.60 *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. The government must distinguish between major categories of restrictions (e.g., restricted for debt service, restricted for capital projects capital, etc.), details about the *restricted* net position should not be displayed on the face of the statement and should be disclosed in the notes to the financial statements. If there are permanent funds, this component of the *restricted* net position should also be displayed as expendable and nonexpendable.

See BARS 3.4.2, *Pensions* for information on how to calculate the restricted net position related to net pension assets.

4.2.8.70 The *restricted* net position of governmental activities may not be equal to restricted fund balances in the governmental funds. The reasons are: different measurement focus and different basis of accounting.

4.2.8.80 No category of restricted component of net position can be negative, if liabilities related to restricted assets exceed those assets, no balance should be reported. The negative amount should be reported as reduction of unrestricted component of net position.

Unrestricted component of net position

4.2.8.90 The *unrestricted* component of net position is 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* components of net position. Designations should not be reported on the face of the statement, but the details can be disclosed in the notes to the financial statements.

4.2.8.100 It is possible that the *unrestricted* component of net position may be a negative number (e.g., significant balances of noncurrent operating liabilities such as compensated absences, net pension liabilities, non-capital related debt, etc.).

4.2.8.110 The government may use the following worksheet to convert the governmental fund balances to net position. The worksheet is easier to use after the fund financial statements are completed.

- Columns one and two list the funds and their balances. This information will come from the fund financial statements.
- Column three lists the major categories of restrictions. Allocate the fund balances to appropriate restriction category (make sure that the amounts posted here meet the government-wide financial statements' definition of *restricted assets*).
- Column four includes all amounts that are not restricted.
- Column five contains the information from the government's capital assets and long-term debt records and can be calculated as described in 4.2.8.31.

Worksheet for Converting Government Fund Balances to Net Position

1	2	3				4	5
	Total	Restricted for:				Unrestricted	Net Investment in Capital Assets
Fund Balances:							
Total fund balances							
Adjustments:							
Net position							

Fund Financial Statements

Fund Types

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.1 **Fund Types**

4.3.1.10 The financial statements for governmental funds should report a separate column for each individual major fund, with data from all non-major governmental funds aggregated into a single *Other Non-Major Governmental Funds* column, regardless of fund type.

There are three basic types of funds: governmental, proprietary, and fiduciary.

4.3.1.20 The **governmental** fund type consists of:

1. General Fund
2. Special Revenue Funds
3. Debt Service Funds
4. Capital Project Funds
5. Permanent Funds

4.3.1.30 The **proprietary** fund type consists of:

1. Enterprise Funds
2. Internal Service Funds

Although, the internal service fund is classified as a proprietary fund type (and has to be reported as such in the funds financial statements), they should be included as part of the *Governmental Activities* in the government-wide financial statements unless its predominant customers are external entities or enterprise funds, then they would be reported in the *Business-Type Activities* column. For more details about the internal service funds see Internal Service Funds.

4.3.1.40 The **fiduciary** funds are limited to account for resources that are not available to support governments' operations and programs. This fund type consists of:

1. Private-Purpose Trust Funds
2. Pension (and Other Employee Benefit) Trust Funds
3. Investment Trust Funds
4. Custodial Funds (if the custodial fund holds the amounts for other funds of the government, these amounts should be reported in the appropriate funds)

For detailed description of funds see Fund Types and Accounting Principles.

Major Funds

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.2 **Major Funds**

4.3.2.10 The governmental and proprietary fund financial statements have to provide financial information for each major fund in a separate column. Major funds represent the government's most important funds and are determined by a mathematical calculation. However, governments should avoid an overly mechanical approach and try to identify the individual funds that are most important to users. To determine which funds, in addition to those, which must be reported as major, are of particular importance or interest to the users, the governments should consider factors like:

- Political/social sensitivity of the activities financed from that fund.
- Impact or potential impact of that fund on other programs or services.
- Significance of that fund on financing activities which are of high interest to public.
- Existence of known uses or users of that information (e.g., bond rating companies, investors, etc.).
- Relative size (without regard to the Governmental Accounting Standards Board (GASB) Statement 34 limits).
- Year-to-year consistency in reporting, etc.

4.3.2.20 The general (current expense) fund is always reported as a major fund. Major funds reporting only applies to governmental and enterprise funds. It does not apply to internal service or fiduciary funds. The determination of which funds are major must be made each fiscal year.

4.3.2.30 Governmental and enterprise funds are required to be reported as major funds if they meet the following criteria:

- Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses **[1]** of that individual governmental or enterprise fund are at least ten percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category **[2]** or type **[3]** (either total governmental or total enterprise), **and**

- The same element that met the above ten percent intention is at least five percent of the corresponding element total for all governmental and enterprise funds combined.

4.3.2.40 However, before using the spreadsheet remember:

1. They have to meet ***both*** of the criteria above to be required to be reported as a major fund.

2. No elimination of interfund balances is necessary in order to apply the criteria unless there are some significant amounts of interfund payables and receivables, then those can be netted.

3. Total revenues means all revenues - both operating and nonoperating revenues of enterprise funds, including capital contributions except for other financing sources (governmental funds), transfers in and gains from the extraordinary items.

4. Total expenditures/expenses means all expenditures or expenses – both operating and

nonoperating except for other financing uses (governmental funds), transfers out and losses from the extraordinary items.

5. The test should be applied to the GAAP amounts reported in the funds financial statements.

4.3.2.50 If there are no major enterprise funds, they all should be reported in one column and the second column would show the internal service fund(s). For more details see BARS Manual [4.3.4, *Proprietary Funds Financial Statements*].

4.3.2.60 Internal service funds are reported in a single column on the face of the proprietary fund financial statements to the right of the enterprise funds. For more details see BARS Manual [4.3.6, *Internal Service Funds*].

4.3.2.70 Fiduciary funds are to be reported in the fund financial statements by fund type (e.g., pension, investment trust, private purpose, and custodial funds). For more details see BARS Manual [4.3.5, *Fiduciary Funds Financial Statements*].

Nonmajor funds

4.3.2.80 Nonmajor funds should be aggregated and reported in a single column to the right of the major funds in the financial statements. It is not permitted to use more than one column for nonmajor funds. Interfund transactions and balances may be, but are not required to be, eliminated when nonmajor funds are combined.

Combining statements for the nonmajor funds are not required, but may be presented as supplementary information.

Determining Major Funds

	Assets + Deferred Outflows	Liabilities + Deferred Inflows	Revenues	Expenditures/ Expenses	Exceeds		Qualifies as a Major Fund?
					10%	5%	
General fund	9,004	654	14,320	13,685			Yes
Special revenue funds:							
SR1	1,890	6596	5,001	8,904	4	4	Yes
SR2	3,875	2,750	889	999	4	4	Yes
SR3	2,045	1,200	475	154	4		No
SR4	26	7	54	2			
SR5	21	24	19	18			
SR6							
Debt service fund							
Capital project funds:							
CPF1							
CPF2							
CPF3							
CPF4							
Total governmental funds	16,861	11,231	20,758	23,762			
10% of total governmental funds	1,686	1,123	2,076	2,376			
Enterprise funds:							
ENT1	29,526	5,034	4,601	3,500	4	4	Yes
ENT2	27,041	4,024	6,704	254	4	4	Yes
ENT3	8,504	7,350	1,000	123	4	4	Yes
ENT4							
ENT5							
Total enterprise funds	65,071	16,408	12,305	3,877			
10% of total enterprise funds	6,507	1,640	1,231	388			
Total governmental and enterprise funds	81,932	27,639	33,063	24,150			
5% of total governmental and enterprise funds	4,097	1,381	1,653	1,208			

Footnotes:

[1] These amounts apply for the year being reported. Do not use prior year data.
Back to Reference 1

[2] ". . . all funds of that category" means all governmental funds, including the general fund.
Back to Reference 2

[3] ". . . all funds of that type" means all enterprise funds.
Back to Reference 3

Governmental Funds Financial Statements

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.3 **Governmental Funds Financial Statements**

4.3.3.10 Governmental funds should be reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The governments are required to provide a summary reconciliation of total governmental fund balances to net position of governmental activities in the statement of net position. The reconciliation may be presented at the bottom of the balance sheet or in an accompanying schedule. (For possible reconciling items, see BARS Manual *4.4, Conversion and Reconciliation between Government-Wide and Fund Financial Statements*.)

The governments have the option to report the budgetary information in the governmental funds financial statements instead as a part of the required supplementary information.

Balance Sheet

4.3.3.20 The financial information is required to be reported separately for general fund, each major governmental fund and nonmajor governmental funds in aggregate.

Current assets, liabilities, and fund balances of governmental funds should be displayed in a balance sheet using the following formula:

Current Assets = Current Liabilities + Fund Balance

General capital assets and general long-term liabilities are not reported in the governmental fund balance sheet **[1]**.

4.3.3.30 When preparing the governmental balance sheet, remember:

- Interfund liabilities should be reported as fund liabilities regardless of their date of scheduled repayment. Interfund loans may be reported as short-term or long-term liabilities depending on their conditions. The governments should also show the reservation of the fund balance for the noncurrent interfund receivables.

- Equity interest in joint ventures should not be reported as an asset in the governmental fund balance sheet except for amounts that meet the definition of financial resources (e.g., receivable from/payable to joint venture, etc.). All equity interest should be reported in the government-wide financial statements.

- A reconciliation that shows adjustments made between the balance sheet and the government-wide statement of net position is required on the bottom of the report. See BARS Manual *4.4, Conversion and Reconciliation between the Government-Wide and Fund Financial Statements*.

- If any categories of the fund balances are displayed on the face of financial statements in aggregate, the specific components and purposes must be disclosed in the notes to financial statement.

Balance Sheet
Governmental Funds
December 31, 20__
(in thousands)

	General Fund	Major Special Revenue Fund	Major Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS and OUTFLOWS of RESOURCES					
Cash and Cash Equivalents	$2,700	1,000	500	2,000	6,300
Investments	3,500	500		3,000	7,000
Receivables, Net	500	200		500	1,200
Due from Other Governments	200			100	300
Prepayments	100			100	200
Total Assets	$7,000	1,700	500	5,700	14,900
Deferred Outflows of Resources	100				100
Total Assets and Deferred Outflows of Resources	$7,100	1,700	500	5,700	15,000
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES					
Liabilities:					
Accounts Payable	$1,500	700	200	2,000	4,400
Due to Other Governments	300	100	100	500	1,000
Matured Bonds Payable	1,200	200		1,500	2,900
Total Liabilities	$3,000	1,000	300	4,000	8,300
Deferred Inflows of Resources	20				20
Fund Balances:					
Nonspendable	$100			100	200
Restricted	1,580	500	200	800	3,080
Committed	1,000			400	1,400
Assigned	800	200		200	1,200
Unassigned	600			200	800
Total Fund Balances	$4,000	700	200	1,700	6,680
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$7,100	1,700	500	5,700	$15,000

Amounts reported for *governmental activities* in the statement of net position are different because: [2]	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	**20,000**
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	**4,850**
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	**5,500**

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	**(14,575)**
Net position of governmental activities:	**$30,675**

The notes to financial statements are an integral part of this statement.

4.3.3.31 **Classification of fund balances**

Nonspendable – These are amounts that are not in a form that can be spent, or according to law or contract cannot be spent. Items such as inventories, prepaid amounts, and long-term notes receivable.

Restricted – These are amounts that can be spent only for the specific purposes designated by external providers, constitutionally, or through enabling legislation. Restrictions are changed or lifted only with the consent of resource providers. External resource providers could include creditors, grantors, and donors.

Committed – These are amounts that can only be used for the specific purposes determined by a formal action (ordinance or resolution) of a government's highest level of decision-making authority. Changing or removing a commitment requires taking the same formal action that originally imposed the constraint.

Assigned – These are amounts intended to be used by the government for specific purpose 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 governing body can delegate authority to others to express intent to use amounts for specific purposes.

Assigned amounts include all the remaining amounts (except for negative balances) that are reported in special revenue, capital project, debt service, or permanent funds that have not been designated as restricted or committed.

Assigned amounts in the general fund represent funds that are intended to be used for a specific purpose as stated by the governing body or its delegate.

Unassigned – This is the amount remaining in the fund 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 will have a positive unassigned fund balance.

4.3.3.32 Emergency Funds, Savings Accounts, and Rainy Day Funds

To be reported as committed funds set aside for use in emergency situations, revenue shortages, budgetary imbalances, or other similarly intended arrangements must have formal action by the governing body which imposed parameters for spending. The parameters should identify and describe the specific circumstances under which a need for spending arises. The detailed circumstances should be such that they would not be expected to occur routinely. For example, a stabilization amount that can be accessed "in an emergency" would not qualify to be classified within the committed category because the circumstances or conditions that constitute an emergency are not sufficiently detailed, and it is not unlikely that an "emergency" of some nature would routinely occur. For the purpose of classifying these arrangements as committed fund balance, the formal action should be sufficiently detailed and include *what* the funds can be spent on, *how* the funds will be replenished if spent, *when* the funds can be spent, and *why* the funds can be spent (the event that must occur for the funds to be spent).

Statement of Revenues, Expenditures, and Changes in Fund Balances

4.3.3.40 The governmental fund statement of revenues, expenditures, and changes in fund balances reports information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in the aggregate. There is one permitted format for the statement.

Revenues (detailed)	$
Expenditures (detailed)	
Excess (deficiency) of revenues over expenditures	
Other financing sources and uses, including transfers (detailed)	
Special and extraordinary items (detailed)	
Net change in fund balances	
Fund balances – beginning of period	
Fund balances – end of period	$

4.3.3.50 When preparing the governmental statement of revenues, expenditures and changes in fund balances, remember:

- Governmental fund revenues should be classified by major revenue source (taxes, licenses and permits, etc.); expenditures – by function (e.g., general government, public safety, etc.). However, the governments can report additional details on the statement.
- Debt issue costs paid out of either debt proceeds or from existing resources should be reported as expenditures. The face amount of the debt should be reported as other financing sources and debt premiums or discounts should be shown as a separate component of O*ther Financing Sources (Uses).*
- Payments to escrow agents for bond refunding from the proceeds of the refunding (new) debt should be reported separate category in *Other Financing Sources (Uses).*
- Sales of assets (unless they are considered a special item) and transfers should be also shown as separate categories in *Other Financing Sources (Uses)*.
- Extraordinary and special items should be separated on the bottom of the statement. For more details see BARS Manual [4.2.2, *Statement of Net Position*].

- A reconciliation that shows adjustments made between the statement of revenues, expenditures, and changes in fund balances and the government-wide statement of net position, is required on the bottom of the report. See BARS Manual *4.4, Conversion and Reconciliation between the Government-Wide and Fund Financial Statements*.

4.3.3.60 The governments are required to provide a summary reconciliation between total change in governmental fund balances and the change in net position in governmental activities in the statement of net position. The reconciliation may be presented at the bottom of the statement of revenues, expenditures, and changes in fund balances or in an accompanying schedule. (For possible reconciling items, see BARS Manual *4.4, Conversion and Reconciliation between Government-Wide and Fund Financial Statements*.)

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Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For Year Ended December 31, 20__
(in thousands)

	General Fund	Major Special Revenue Fund	Major Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$2,500	1,300	900	1,200	5,900
Licenses and Permits	500			500	1,000
Charges for Services	500			500	1,000
Intergovernmental Revenues	600	500		200	1,300
Fines and Penalties	400			300	700
Investment Earnings	200	100	100	100	500
Miscellaneous	300	100		200	600
Total Revenues	$5,000	2,000	1,000	3,000	11,000
EXPENDITURES					
Current:					
General Government	$800			1,500	2,300
Public Safety	600				600
Public Works	500			200	700
Social Services	500				500
Culture and Recreation		1,000			1,000
Economic Development	600			200	800
Transportation	400			150	550
Debt Service:					
Principal	350	250		200	800
Interest and Other Charges	50	50		50	150
Capital Outlay	600	500	900	200	2,200
Total Expenditures	$4,400	1,800	900	2,500	9,600
Excess (Deficiency) of Revenues over Expenditures	$600	200	100	500	1,400
OTHER FINANCING SOURCES (USES)					
Bonds Issued	$1,500			500	2,000
Transfers-In	500	100	50		650
Transfers-Out	(300)			(100)	(400)
Total Other Financing Sources and Uses	$1,700	100	50	400	2,250
Net Change in Fund Balances	$2,300	200	150	900	3,650
Fund Balances-Beginning	$1,700	400	50	800	2,950
Fund Balances-Ending	$4,000	700	200	1,700	6,600

The notes to financial statements are an integral part of this statement.

Footnotes

[1] They are reported only on the government-wide financial statements.
Return to Reference 1

[2] For more details see Conversion and Reconciliation between Government-Wide and Fund Financial Statements.
Return to Reference 2

Proprietary Funds Financial Statements

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.4 **Proprietary Funds Financial Statements**

Quick Links

4.3.4.10 The following are required fund financial statements for proprietary funds:

- Statement of net position,
- Statement of revenues, expenses, and changes in fund net position, and
- Statement of cash flows (see Statement of Cash Flows).

Proprietary funds are presented using the economic resources measurement focus and the full accrual basis of accounting. They are reported the same way as in the government-wide financial statements. However, internal service funds should be reported as a fund type (aggregated) in a separate column. Major enterprise funds are reported in separate columns and nonmajor enterprise funds are aggregated in a single column. A combined total column for all enterprise funds should be presented. By reporting the internal service funds separately from the proprietary funds, the information in the *Totals* column in these statements flows directly to the *Business-Type Activities* column on the government-wide statement of net position. The interfund eliminations within enterprise funds are not required.

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Proprietary Fund Statement of Net Position

4.3.4.20 Governments have two options for layout:

1. Statement of Net Position
Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, or

2. Balance Sheet
Assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources plus net position.

4.3.4.30 Assets and liabilities should be presented in a classified format. This requires reporting assets and liabilities as either current or noncurrent. A one-year cut-off is typical when determining if assets are expected to be realized in cash or consumed and liabilities are expected to be paid.

Current assets include: cash available from current operations, receivables, inventories, prepaid expenses, and investments, etc. Current liabilities include accounts payable, notes payable, amounts due to other funds, current portion of long-term debt, current portion of compensated absences, claims, and judgments, etc.

4.3.4.40 Any asset that normally would be available for use in operations but which use is restricted by externally enforceable constrains should be reported as ***restricted assets***. Examples: cash held by a trustee in escrow for future debt service payments, assets that are restricted for the acquisition or construction of noncurrent assets, etc. Most of the restricted assets are noncurrent. However, restricted assets that will be used in current operations (e.g., certain grants, etc.) should be reported as current assets. Liabilities payable from restricted assets should be reported separately as current or noncurrent.

4.3.4.50 Governments have two options for presentation:

1. Single column presentation
In this presentation all activities are combined into one column.

2. Multiple column presentation
In this option each activity should be reported separately. All duplicating transactions should be eliminated. The elimination may be presented in a separate column on the face of the financial statements or in the notes. The government must also present a *total* column for all underlying activities.

4.3.4.60 The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is called net position. Net position should be reported in three components:

1. Net investment in capital assets
2. Restricted (listed by major restrictions)
3. Unrestricted

For classification of the net position refer to the Net Position.

4.3.4.70 The account titles shown on the statement are for references and are sufficient for most local governments operations. The line items presented are an example and may need to be customized. The accounts listed are deemed to be at the appropriate level of detail for most reporting local governments' activities. Before deleting any lines make sure the local government does not have activity in that area. In some instances additional accounts may be required. Adjust the statement appropriately.

4.3.4.80 If amounts reported for enterprise funds differ **[1]** from those reported on government-wide financial statements in the business-type activities column, the government should present a summary reconciliation on the bottom of the proprietary funds statement of net position.

4.3.4.81 Additional instructions for the ***public entities risk pools*** are provided here.

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Example 1: General governments

Example 1: General Governments

____
Statement of Net Position
Proprietary Funds
December 31, 20__

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Enterprise Fund	Major Enterprise Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund(s)
ASSETS					
Current Assets:					
Cash and Cash Equivalents					
Investments					
Account Receivables (Net)					
Taxes Receivable					
Notes/Contract Receivable					
Restricted Assets					
Due from Other Governments					
Inventories					
Prepayments					
Other Current Assets					
Total Current Assets					
Noncurrent Assets:					
Investments					
Investment in Joint Venture(s)					
Restricted Assets					
Capital Assets not Being Depreciated[2]:					
Land					
Construction in Progress					
Capital Assets Being Depreciated:					
Improvements to Land					
Buildings					
Equipment					
Intangible Assets					
Less Accumulated Depreciation					
Total Capital Assets (Net)					
Total Noncurrent Assets					
TOTAL ASSETS					
DEFERRED OUTFLOWS of RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivatives					
Deferred Loss on Refunding					
Grants Paid in Advance					
TOTAL DEFERRED OUTFLOWS of RESOURCES					

Also see Footnote 2

LIABILITIES					
Current Liabilities:					
Accounts Payable					
Payable from Restricted Assets					
Deposits					
Compensated Absences					
Claims and Judgements					
Bonds, Notes, and Loans Payable					
Other Current Liabilities					
Total Current Liabilities					
Noncurrent Liabilities:					
Compensated Absences					
Payable from Restricted Liabilities					
Claims and Judgements					
Bonds, Notes, and Loans Payable					
Other Noncurrent Liabilities					
Total Noncurrent Liabilities					
TOTAL LIABILITIES					
DEFERRED INFLOWS of RESOURCES					
Accumulated Increase in Fair Value of Hedging Derivatives					
Deferred Service Concession Arrangement Receipts					
Deferred Property Tax					
Advance Payments of Property Tax					
Advance Payments of Special Assessments					
Deferred Gain on Refunding					
Grants Received in Advance					
TOTAL DEFERRED INFLOWS of RESOURCES					
NET POSITION					
Net Investment in Capital Assets					
Restricted for [3]					
Unrestricted					
TOTAL NET POSITION					
Some amounts reported for *business-type activities* in the statement of net position are different because[4]					
Net position of business-type activities					

The notes to financial statements are an integral part of this statement.

Also see Footnote 3 and Footnote 4

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Example 2: Stand-Alone Enterprise Fund

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Statement of Fund Net Position
December 31, 20___

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$
Investments	
Accounts Receivables (Net)	______________
Taxes Receivable	
Notes/Contracts Receivable	
Receivables from Third Party Payers (Net)	______________
Pledges and Other Receivables (Net)	
Restricted Assets	
Inventories	______________
Prepayments	
Other Current Assets	
TOTAL CURRENT ASSETS	______________
Noncurrent Assets:	
Investments	______________
Investment in Joint Venture(s)	
Other Assets	
Restricted Assets	______________
Capital Assets Not Being Depreciated[5]	
Land	
Construction in Progress	______________
Capital Assets Being Depreciated:	
Improvements to Land	
Buildings	______________
Equipment	
Intangible Assets	
Less Accumulated Depreciation	(______________)
Total Capital Assets (Net)	
TOTAL NONCURRENT ASSETS	
TOTAL ASSETS	$______________
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated Decrease in Fair Value of	
Hedging Derivatives	$
Deferred Loss on Refunding	
Grants Paid in Advance	______________
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$

Also see Footnote 5

	Page 2 of
LIABILITIES	
Current Liabilities:	
Accounts Payable	$
Payable to Third Party Payers	___________
Payables from Restricted Assets	
Compensated Absences	
Claims and Judgments	___________
Bonds, Notes and Loans Payable	
Accrued Expenses	
Other Current Liabilities	___________
TOTAL CURRENT LIABILITIES	
Noncurrent Liabilities:	
Payables from Restricted Assets	
Compensated Absences	
Claims and Judgments	___________
Bonds, Notes and Loans Payable	
Other Noncurrent Liabilities	
TOTAL NONCURRENT LIABILITIES	___________
TOTAL LIABILITIES	$
DEFERRED INFLOWS OF RESOURCES	
Accumulated Increase in Fair Value of	
Hedging Derivatives	___________
Deferred Service Concession Arrangement	
Receipts	
Deferred Property Tax	___________
Advance Payments of Property Tax	
Advance Payments of Special Assessments	
Deferred Gain on Refunding	___________
Grants Received in Advance	
TOTAL DEFERRED INFLOWS OF RESOURCES	$___________
NET POSITION	
Net Investment in Capital Assets	
Restricted for ___________ [6]	
Unrestricted	___________
TOTAL NET POSITION	$___________

The notes to financial statements are an integral part of this statement.

Also see Footnote 6

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Statement of Revenues, Expenses, and Changes in Fund Net Position

4.3.4.90 There is a specific format for this statement:

Operating revenues (detailed)[7]
    Total operating revenues

Operating expenses (detailed)[8]
    Total operating expenses

    Operating income (loss)

Nonoperating revenues (detailed)
Nonoperating expenses (detailed)

    Income before capital contributions, additions to permanent or term endowments, special/extraordinary items and transfers

Capital contributions (grants, developer, and other)
Additions to permanent or term endowments
Special/extraordinary items (detailed)
Transfers

    Increase (decrease) in net position
    Net position – beginning of period
    Net position – end of period

Also see Footnote 7 and Footnote 8

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This is an all-inclusive format. All transactions (including capital contributions) that affect net position should be included. No amounts may be reported as direct addition to net position. All transactions, including capital contributions **[9]**, additions to permanent funds, equity transactions involving joint ventures have to be reported in the statement of changes.

4.3.4.100 The local governments have two options for presentation:

1. Single column presentation
In this presentation all activities are combined in one column.

2. Multiple column presentation
In this option each activity should be reported separately. All duplicating transactions should be eliminated. The elimination may be presented in a separate column on the face of the financial statements or in the notes. The governments must also present a *total* column for all underlying activities. **[10]** Elimination is also done to minimize the *grossing up* effect on assets (receivables) and liabilities (payables) on the statement of net position.

4.3.4.110 Revenues should be reported by major source. All revenues should be reported net of discounts and allowances (they should be disclosed in parenthesis or in the notes to the financial statements). Uncollectible amounts should not be reported as expense but as adjustments to revenue.

4.3.4.120 Revenues and expenses should distinguish between operating and nonoperating. Governments should establish their own policy for defining operating and nonoperating revenues and expenses and the policy should be disclosed in the notes to the financial statements. Operating revenues and expenses should be directly related to the primary function of the entity. It is the source of revenue not its purpose that defines the revenue as operating in the statement of changes.

4.3.4.130 Although there is not a specific definition for the operating or nonoperating revenues, the following revenues should be considered as nonoperating:

- Operating grants and contributions and grants and contributions that are not restricted to either operating or capital functions.
- Property or other taxes.
- Exchange-like transactions which are restricted for capital or financing purposes.
- Interest and dividends and realized and unrealized gains or losses on investments.
- Interest expense, debt issue expenses, and premium or discount on debt.

4.3.4.140 The government should present a summary reconciliation on the bottom of the statement of changes if the amounts reported for enterprise funds differ from those reported on government-wide financial statements in the business-type activities column. For more details see Conversion and Reconciliation between Government-Wide and Fund Financial Statements.

4.3.4.150 The following forms do not contain provisions for component units. If the government has a component unit as defined by GASB Statement 14 **[11]**, make the appropriate modifications to its statement. The *Manual* discusses the reporting entity and potential component units in GAAP Reporting Requirements and provides examples of financial statements which include component units. For further information, refer to the Manual and GASB Statement 34, paragraph 126.

4.3.4.160 Additional instructions for the ***public entities risk pools*** are provided here.

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Example 1: General Governments

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Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 20__

	Business-Type Activities Enterprise Funds				**Governmental Activities**
	Major Enterprise Fund	**Major Enterprise Fund**	**Nonmajor Enterprise Fund**	**Totals**	**Internal Service Fund(s)**
OPERATING REVENUES					
Charges for Services					
Other Operating Revenues					
Total Operating Revenues					
OPERATING EXPENSES					
Depreciation					
Other Operating Expenses					
Total Operating Expenses					
Operating Income (Loss)					
NONOPERATING REVENUES (EXPENSES)					
Interest Income					
Miscellaneous Revenues					
Interest Expense					
Gain/Loss on Sale of Capital Assets					
Total Nonoperating Revenues (Expenses)					
Income (Loss) before Contributions, Transfers and Special Items					
CAPITAL CONTRIBUTIONS					
TRANSFERS-IN					
TRANSFERS-OUT					
SPECIAL ITEMS					
Change in Net Position					
Total Net Position-Beginning					
Total Net Position-Ending					
Some amounts reported for *business-type activities* in the statement of activities are different because[12]					
Change in net position of business-type activities					

The notes to financial statements are an integral part of this statement.

Also see Footnote 12

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Example 2: Stand-Alone Enterprise Fund

MCAG No. ____ ________________________
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 20___

OPERATING REVENUES:	
Sales and Service Fees	$
____________________	________________
Other Operating Revenue	
Total Operating Revenue	________________
OPERATING EXPENSES:	
____________________	________________
____________________	________________
Depreciation	
Other Operating Expenses	
Total Operating Expenses	
OPERATING INCOME (LOSS)	$________________

NONOPERATING REVENUES (EXPENSES):	
Operating Assessments	
Tax	
External Operating Subsidies[13]	________________
Investment Income	
Interest Expense and Related Charges	
Equity in Income (Loss) of Joint Ventures/	
Subsidiaries	
Gains (Losses) on Capital Asset Disposition	
Other Nonoperating Revenues	________________
Other Nonoperating Expenses	
Total Nonoperating Revenues (Expenses)	________________
Income before Capital Contributions,	
Contributions to Term and Permanent Endowments	
Extraordinary and Special Items	
Capital Contributions	________________
Contributions to Term and Permanent Endowments	
Extraordinary Item	
Special Item	________________
CHANGE IN NET POSITION	
TOTAL NET POSITION, January 1	$
PRIOR PERIOD ADJUSTMENTS[14]	________________
TOTAL NET POSITION, December 31	$________________

The notes to financial statements are an integral part of this statement.

Also see [Footnote 13](#) and [Footnote 14](#)

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Footnotes

[1] The difference may be due to the internal service funds, which can be included in the business-type of activities in the government-wide statement of net position.
Return to Reference 1

[2] When detailed information regarding capital assets is provided in the notes, the government can use here one line for presentation of capital assets. However, if the government has a significant

amount of nondepreciable capital assets, they have to be presented separately from depreciable ones on the face of financial statements, regardless of level of details in the notes.
Return to Reference 2

[3] When permanent endowments are included, restricted component of net position should be displayed in two additional components: expendable and nonexpendable.
Return to Reference 3

[4] For more details see Conversion and Reconciliation between Government-Wide and Fund Financial Statements.
Return to Reference 4

[5] When detailed information regarding capital assets is provided in the notes, the government can use here one line for presentation of capital assets. However, if the government has a significant amount of nondepreciable capital assets, they have to be presented separately from depreciable ones on the face of financial statements, regardless of level of details in the notes.
Return to Reference 5

[6] When permanent endowments are included, restricted component of net position should be displayed in two additional components: expendable and nonexpendable.
Return to Reference 6

[7] Examples: power, water sales (PUDs); patient revenue (hospitals); airport, marina, marina terminal charges (ports); passenger or special fares (transits); member assessments/contributions, supplemental assessments, application fees (risk pools); tenants revenues (housing authorities).
Return to Reference 7

[8] Examples: Incurred loss/loss adjustment expenses, claims paid, change in unpaid claims liability, unallocated loss adjustment expenses, excess/reinsurance premiums (risk pools);
Return to Reference 8

[9] Capital contribution include revenues received in the form of contributed capital assets, nonexchange grants and contributions restricted to capital purposes, fees and charges restricted to capital assets acquisition.
Return to Reference 9

[10] This presentation requires additional audit procedures due to the multiple opinion units and it may result in an increased audit time.
Return to Reference 10

[11] As updated by GASB Statement 30, *Determining Whether Certain Organizations are Component Units*.
Return to Reference 11

[12] For more details see Conversion and Reconciliation between Government-Wide and Fund Financial Statements.
Return to Reference 12

[13] If operating grants and subsidies are shown as operating revenues (optional presentation) note disclosure is required in the summary of significant accounting policies.
Return to Reference 13

[14] Note disclosure needs to be given for a prior period adjustment. Direct adjustments to net position should be limited to corrections of errors and changes in accounting principles.
Return to Reference 14

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Internal Service Funds

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.6 **Internal Service Funds**

4.3.6.10 The internal service funds are reported in all of the proprietary fund financial statements in a separate column to the right of the total enterprise funds column. Major fund requirements do not apply to the internal service funds and their information is combined into one column. See BARS Manual 4.3.4, *Proprietary Funds Financial Statements* for reporting requirements and BARS Manual 3.9.6, *Internal Service Funds* for more information about the funds.

The individual internal service funds may be presented as supplementary information.

Reporting the internal service funds in the government-wide financial statements

4.3.6.20 Even though internal service funds are classified as proprietary funds, the nature of the activity accounted for in them is generally governmental and should normally be reported as governmental activities. The exception to this presentation is when the internal service funds serves predominantly **[1]** external parties or enterprise funds. Then they should be reported together with the business-type activities.

There may be cases where internal service funds provide services for both governmental and enterprise funds. In that situation the internal service fund should be consolidated in the same activities column as its predominant customers. The fund should be consolidated entirely within either governmental or business-type activities column (i.e., one fund cannot be allocate between two columns).

4.3.6.30 Before allocating any of the balances, the government needs to consider their materiality. Also, instead of prorating balances to different functions, it may be sufficient to allocate the entire amount to a predominant function. The revenues and expenses associated with services provided to external customers should be excluded from this allocation. The government has to use its professional judgment to determine if the failure to allocate the internal service fund balances would materially affect the government-wide financial statements. The allocations and adjustments do not need to be posted to the general ledger. They are matters of spreadsheet calculations.

4.3.6.40 The internal service fund asset and liability balances that are not eliminated **[2]** should be reported in the governmental activities column (unless the enterprise funds are predominant or only user of its services).

The amounts reported in the internal service funds are added to the net position of the governmental funds and then included in the statement of net position.

4.3.6.50 In the statement of activities the eliminations are necessary to remove the *doubling* effect of internal service fund activities. To accomplish that only the residual balances are reported. Internal revenues (except investment income) and expenses (except interest) should be netted. The difference should be charged back entirely or on pro-rata basis to the funds/functions that used services or acquired goods from that internal service fund (e.g., if the internal service fund reports net income, the entire amount should be charged back to the participating funds and would reduce their expenses related to the services and goods purchased from that fund).

Certain revenues and expenses are not internal and should not be eliminated, especially significant investment income or interest expense. In this case they have to be reported in the related categories in the statement.

Accounting for fiduciary fund activity in internal service funds

4.3.6.60 Guidance provided in the Comprehensive Implementation Guide 2015-1 Question 7.47.20 states internal service funds that provide services to fiduciary funds should be included as internal customers in the calculation to determine the predominant customer. This calculation will help to determine whether the internal service fund activity should be reported in an internal service fund (predominantly services internal customers) or an enterprise fund (predominantly serves external customers). However, the transactions related to the fiduciary fund activity would be reported as an external customer transaction for BARS coding purposes.

Example: *A county has an equipment rental internal service fund. The county acts as the treasurer for the junior taxing districts within their jurisdiction and records these districts' monies in fiduciary funds. If the junior taxing districts use the equipment rental fund the County would include these transactions as internal in their calculation determining the predominant customer. The County would* ***not*** *include the fiduciary funds as internal for coding or reporting purposes.*

Footnotes

[1] The GASB Statement 34 does not define the term *predominantly*. This term will require professional judgment. The local government should consider whether the fund's primary purpose is to serve government, or whether the fund's primary purpose is to provide, and charge a fee for, goods and services and a government is just a "customer".
Return to Reference 1

[2] Interfund payables and receivables should be eliminated unless the internal service fund is reported in as governmental activities and has transactions with business-type activities (and vice versa).
Return to Reference 2

Fiduciary Funds Financial Statements

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.5 **Fiduciary Funds Financial Statements**

4.3.5.10 The Governmental Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities* requires the following financial statements for fiduciary funds. **[1]**

- Statement of Fiduciary Net Position, and
- Statement of Changes in Fiduciary Net Position.

The fiduciary statements are to be prepared using the economic resources measurement focus and full accrual basis of accounting. **[2]**

Defined benefit pension and Other Post Employment Benefit (OPEB) plans

4.3.5.30 The GASB has issued Statement 67, *Financial Reporting for Pension Plans* and Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. These statements require that local governments administering defined benefit pension and OPEB plans through a qualifying trust report financial information on their plan assets, liabilities, net position and changes in net position using the statement of fiduciary net position, and statement of changes in fiduciary net position. These statements also require specific plan disclosures in the notes to the financial statements and required supplementary information that varies depending upon plan type. The plan note disclosures are discussed in notes to financial statements, and the required schedules are discussed in BARS Manual 4.7, *Required Supplementary Information (RSI)*.

4.3.5.40 Only defined benefit pension and OPEB plans that are administered through qualifying trusts should present the statement of fiduciary net position and the statement of changes in fiduciary net position. A qualifying trust is one that meets all of the following criteria:

- Contributions from employers and nonemployer contributing entities to the plan and earnings on those contributions are irrevocable.
- Plan assets are dedicated to providing benefits to plan members in accordance with the benefit terms.
- Plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the plan administrator, and plan members.

Plans that are not administered through trusts that meet the above criteria should not present either a statement of fiduciary net position or a statement of changes in fiduciary net position. In these cases, any assets accumulated for pension or OPEB purposes are required to be reported as assets of the employer. This means the activity in these funds must be rolled into another relevant fund (most often the general fund) for financial reporting purposes.

4.3.5.50 The reporting goal of the GASB statements is to assure that audited detail of each pension and OPEB plan is available to the public, regardless of whether a plan is administered through a qualifying trust or not. OPEB plan reporting can be accomplished using several methods, they are:

- Prepare a standalone financial report for pension and OPEB plans that are administered through qualifying trusts.

This reporting method requires preparing a standalone financial report containing fiduciary fund statements, notes and RSI. The fiduciary statements in a standalone report require a multi-column presentation when multiple pension and OPEB plans are administered. Detail is required at the plan level in the statements, notes and RSI.

- Present the pension and OPEB plans financial information within the administrator/employer's financial report. When an audited standalone report is not publicly available, an employer participating in a pension or OPEB plan is responsible for reporting audited plan information. Employer reporting can be satisfied by:

- Contributions from employers and nonemployer contributing entities to the plan and earnings on those contributions are irrevocable.
- Plan assets are dedicated to providing benefits to plan members in accordance with the benefit terms.
- Plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the plan administrator, and plan members.

1. For plans administered through a qualifying trust, report the plans using the Pension and OPEB trust funds column of the fiduciary fund statements. When more than one pension and/or OPEB plan exists, individual plan statements are required to be presented in the notes to the financial statements.

2. For plans that are not administered through a qualifying trust, fiduciary fund statements should not be presented.

3. Regardless of the plan type (qualifying trust or non-qualifying trust), prepare the required note disclosures and RSI for each pension and/or OPEB plan.

- Report detail of pension and OPEB plans in an Annual Comprehensive Financial Report (ACFR).

When multiple pension and/or OPEB plans are administered by an employer through qualifying trusts, the details of financial reporting can be met by presentation of the plans as individual funds in the combining statements of an ACFR. The plan notes and RSI will be presented in the financial statement notes and in the RSI section following the notes.

External investment pools

4.3.5.53 An external investment pool is defined as:
"An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity (GASBS 31, paragraph 22)."

Governmental external investment pools are required to be reported in either an investment trust fund or external investment custodial fund that reports transactions and balances using the economic resources measurement focus and the accrual basis of accounting. If a ***separate financial report is issued*** for the pool, the financial statements of the sponsoring government should:

- Disclose how to obtain that report.

If a ***separate report is not issued***, the sponsoring government's financial statements should include, for each pool, the following disclosures:

- The frequency of determining the fair value of investments
- The method used to determine each participant's shares sold and redeemed
- Condensed statements of fiduciary net position and the changes in fiduciary net position
- A brief description of any regulatory oversight for the pool
- Whether the fair value of the position in the pool is the same as the value of pool shares
- If participation is involuntary, this should be disclosed
- Any limitation or restriction on participant withdrawals – such as mandated notice periods, maximum transaction amounts, liquidity fees or redemption gates.

If the pool distributes investment income on an amortized cost basis, the notes must indicate that distributions are made on an amortized cost basis, which differs from a fair value basis, and that the difference between the two methods is reported in the net position section on the statement of fiduciary net position as undistributed and unrealized gains (losses).

The ***condensed statements*** of fiduciary net position and changes in fiduciary net position of the pool should include, in total, the net position held in trust for pool participants, and the ***equity of participants should distinguish between internal and external portions***. If the government sponsors more than one external investment pool, the disclosures are required for each pool separately.

The external portion of investment pools that are not held in a trust or equivalent arrangement that meets the criteria of the GASBS 84 should be reported in a separate *external investment pool fund* column, under ***custodial*** funds classification.

Individual investment accounts

4.3.5.56 An individual investment account is separately managed by a government for legally separate entities which are not component units. Specific investments are acquired for the individual separate entities, and the income from and changes in the value of those investments affect only the separate entity for which they were acquired.

The GASBS 31 requires governments to report as separate investment trust funds the individual investments accounts. All individual investment accounts may be aggregated as a single investment trust fund and be presented as one column.

Private-Purpose Trust Funds

4.3.5.57 Private-purpose trust funds should be used to report all fiduciary activities that (1) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds ***and*** (2) are held in trust or an equivalent arrangement that meets the GASBS 84 criteria.

Custodial Funds

4.3.5.58 Custodial funds should be used to report fiduciary activities that are ***not*** required to be reported in pension (and other employee benefit), investment and private-purpose trust funds. The external portion of investment pools that are not held in a trust or an equivalent arrangement that meets the criteria of the GASBS 84 should be reported in a separate *external investment pool fund* column, under custodial funds classification.

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 20__

	Pension (and OPEB) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds	External Investment Pool
ASSETS					
Cash and cash equivalents					
Receivables:					
Employee					
Employer					
Taxes for other governments					
Interest and dividends					
....					
Other receivables					
Total receivables					
Investments, at fair value:					
U.S. Government obligations					
Bonds, notes....					
....					
Other investments					
Total investments					
Total assets					
DEFERRED OUTFLOWS of RESOURCES					
LIABILITIES					
Accounts payable and other liabilities					
Due to local governments					
....					
Other long-term liabilities					
Total liabilities					
DEFERRED INFLOWS of RESOURCES					
NET POSITION					
Restricted for: Pensions OPEB Pool participants Individuals, organizations and other governments					
Total net position					

The notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position

4.3.5.60 This statement should include information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position for each fiduciary fund type **[3]** and similar discretely presented component units of the government. The governments reporting a pension plan or an OPEB plan in the pension (and OPEB) trust fund should provide level of details for assets, deferred outflows, liabilities, deferred inflows and net position in accordance with GASB

Statements 67 and 74.

Statement of Changes in Fiduciary Net Position

4.3.5.70 The statement of changes in fiduciary net position should include information about the additions to, deductions from for each fiduciary fund type **[4]** and similar discretely presented component units. It should provide information about significant year-to-year changes in net position.

The governments reporting a pension plan or an OPEB plan in the pension (and OPEB) trust fund should report changes in plan's fiduciary net position in accordance with GASB Statements 67 and 74.

The statement of changes in fiduciary net position should disaggregate additions by source including, if applicable, separate display of:

a. Investment earnings

b. Investment costs (including investment management fees, custodial fees, and all other significant investment-related costs)

c. Net investment earnings (investment earnings minus investment costs).

Deductions should be disaggregated by type and, if applicable, should separately display administrative costs.

If the resources in custodial funds, upon receipt, are normally expected to be held for three months or less, a government may report a single aggregated total for additions and deductions. The description of the aggregated totals should indicate the nature of the resource flows (e.g., *property tax collected for other governments*, etc.).

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 20__

	Pension (and OPEB) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds	External Investment Pool
ADDITIONS					
Contributions:					
Employer					
Plan members					
Gifts and bequests					
Total contributions					
Investment earnings:					
Net increase (decrease) in fair value of investments					
Interest					
Other					
Total investment earnings					
Less investment costs:					
…….					
Net investment earnings					
Tax collections for other governments					
Miscellaneous					
Total additions					
DEDUCTIONS					
Benefits paid to participants or beneficiaries					
Medical, dental, and life insurance for retirees					
Beneficiary payments to individuals					
Payments of tax to other governments					
Administrative expense					
Total deductions					
Net increase (decrease) in fiduciary net position					
Net position – beginning					
Net Position – ending					

The notes to financial statements are an integral part of this statement.

Footnotes

[1] Component units that are fiduciary in nature should be presented within the fund type columns with the fiduciary funds of the primary government. A separate column for fiduciary component units should not be presented.
Return to Reference 1

[2] There are some exceptions for liabilities of defined benefit pension plan and certain postemployment health care plans. Paragraph 20 of Statement 67 and paragraph 26 of Statement 74 provide guidance on recognition of these liabilities.
Return to Reference 2

[3] The major fund reporting does not apply to fiduciary funds.
Return to Reference 3

[4] The major fund reporting requirements do not apply to fiduciary funds.
Return to Reference 4

Determining Fiduciary Activities to be Reported in Custodial Funds

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.7 **Determining Fiduciary Activities to be Reported in Custodial Funds**

4.3.7.10 **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.

Business Type Activities: If the resources are normally held for less than 90 days, then fiduciary reporting is not required for those resources.

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4.3.7.20 **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 government is the treasurer for another government or acting as their bank.

The government is on the bank account.

Any asset the government is holding for another government and 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. Derived tax revenues (such as leasehold taxes) and imposed nonexchange revenues (such as property taxes) are also included.

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](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).

Example:

Washington State Department of Revenue's requirement that all sales tax be remitted to the State for allocation and disbursement.

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).

Example:

Administrative Office of the Courts mandated fees collected by cities and counties.

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).

GAAP – See BARS Manual 3.6.9 – Revenue Accruals in Governmental Funds for definitions.

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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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4.3.7.30 **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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Flexible Savings Accounts and Health Savings Accounts (Government holds the monies for an administrator and reimburses based on administrator determination).

Step 1 – Does the government control the asset?

Yes, the collecting government is holding the monies for an administrator.

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?

Yes, these monies are for the benefit of employees under the IRS requirements.

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 administrator and the government have a contract that requires the government to collect the monies for the employees and reimburse for approved expenses.

Conclusion: Flexible Savings Accounts and Health Savings Accounts where the reporting government is holding the monies for the administrator of the plan and reimburses the employees based on direction from the administrator of the plan are fiduciary funds.

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4.3.7.40 **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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Flexible Savings Accounts and Health Savings Accounts (Government holds the monies for an administrator and makes reimbursement decisions).

Step 1 – Does the government control the asset?

Yes, the collecting government is holding the monies for an administrator.

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, while these monies are for the benefit of employees under the IRS requirements since the government is making reimbursement decisions there is administrative involvement.

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 administrator and the government have a contract that requires the government to collect the monies for the employees and reimburse for approved expenses.

Conclusion: Not a fiduciary activity, since these monies are under the administrative control of the government.

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4.3.7.50 **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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GAAP – 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 in which they are providing a service to the local government for a fee and would be reported in the collecting government's financial reports under Restricted Cash and Due to Other Governments liability accounts.

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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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Risk Pools – Statement of Net Position – Additional Reporting Instructions

4 **Reporting**

4.3 **Fund Financial Statements**

4.3.4 **Proprietary Funds Financial Statements**

4.3.4.81 **Risk Pools – Statement of Net Position – Additional Reporting Instructions**

All risk pools are required to report using the enterprise fund model. The following financial reporting guidance is specifically designed for pools where there is transference of risk from the participant to the pool. Pools acting solely in banking and/or claims servicing agent capacity will not use the accounting described in the following pages. They do not have a transfer of risk and should report claims-servicing revenue and administrative costs. Amounts collected or due from participants, and amounts paid or to be paid for settling claims, should be reported simply as a component of net position or liability.

Reporting requirements for account balances on the Statement of Net Position:

Receivables for Member Contributions/Assessments – Receivables should only be recognized when formally assessed by the governing body or a legally enforceable claim exists, based on the terms of membership agreement. Legal authority in a statute alone does not give sufficient cause to report a receivable.

Equity in Joint Venture – Joint Self-Insurance – If a risk pool has a measurable equity interest in a joint venture (example: Government Entity Mutual, Inc.) it must report its equity interest as an asset. This is a joint venture and should follow equity interest accounting.

Claims Reserve Liabilities (IBNR, Open Claims and ULAE) – The largest liabilities for most risk pools are claims reserve liabilities for IBNR, open claims and unallocated loss adjustment expenses. These liabilities should be reported net of anticipated recoveries (i.e. salvage or subrogation).

> IBNR (Incurred But Not Reported) – This is the estimated liability for claim-generating events that have transpired but have not yet been reported to the risk pool. This includes an estimate for known loss events that are expected to be presented as claims, unknown loss events that have not yet been presented as claims and future development of existing claims. This amount is usually estimated by an actuary.
>
> Open Claims – This is the liability representing the costs for settling all known claims as of the statement of net position balance sheet date.
>
> ULAE (Unallocated Loss Adjustment Expense) – This liability is an estimate of overhead costs that cannot be allocated to specific claims. This amount is usually estimated by an actuary; however, a risk pool may internally estimate this based on actual or historical costs. Costs associated with claims or risks that have been transferred to the member and are no longer retained by the pool should not be reported.

Claims reserve liabilities for IBNR, open claims and ULAE liabilities should each be reported as separate lines on the Statement of Net Position or Balance Sheet. In addition, the current and non-current portions should be reported for each. The current portion can be estimated internally, using historical information or other methods. Any method used needs to be reasonable and used consistently.

Unearned Member Contributions/Assessments – Payments or receivables for future periods that have not met revenue recognition criteria. Revenue should be recognized over the period of insurance coverage.

Conversion and Reconciliation between Government-Wide and Fund Financial Statements

Conversion and Reconciliation between Government-Wide and Fund Financial Statements

4 **Reporting**

4.4 **Conversion and Reconciliation between Government-Wide and Fund Financial Statements**

4.4.10 The first step in preparing the government-wide financial statements is to convert the data in the governmental fund financial statements. This data is presented using the modified accrual basis and adjustments are necessary to transition it to the statements which are on the full accrual basis.

None of the conversions should be performed for individual funds. They should be converted at the total governmental fund summary level. It is also not necessary to convert day to day accounting records.

None of the adjustments should be applied to immaterial items.

Conversion from the governmental funds Balance Sheet to the government-wide Statement of Net Position

4.4.20 The following table describes the assets and liabilities that need to be converted to the full accrual basis for the government-wide Statement of Net Position. Also, the table lists possible adjustments to reconcile fund balances in governmental funds to the net position in governmental activities in the Statement of Net Position.

Assets and Liabilities	Conversion	Reconciliation
		Start: **Fund Balances - Governmental Funds**
Capital assets of general government	Report capital assets, net of accumulated depreciation/amortization	***Add:*** carrying value of capital assets
Deferred outflow for issuance costs (insurance)	Report unamortized balances of deferred outflow for debt issuance costs (insurance)	***Add:*** unamortized balances of deferred outflow for debt issuance costs (insurance)
Inventories and prepaid items	Report outstanding inventories and unamortized portions of prepaid items	***Add:*** outstanding inventories and unamortized portions of prepaid items
Unmatured long-term debt net of unamortized premiums, discounts, and similar items	Report unmatured long-term debt net of unamortized premiums, discounts, and similar items	***Less:*** net unmatured long-term debt
Accrued interest	Report liability for accrued interest payable	***Less:*** accrued interest payable

Assets and Liabilities	Conversion	Reconciliation
		***Start:* Fund Balances - Governmental Funds**
Accrued obligations not normally recorded in governmental funds (e.g., compensated absences, claims and judgements, operating leases with scheduled rent increases, special termination benefits, government's net pension obligations as an employer, landfill closure and postclosure care costs, etc.)	Report accrued liabilities outstanding	***Less:*** accrued liabilities not reported in governmental funds
Assets of internal service funds that primarily serve governmental funds	Report assets of internal service funds	***Add:*** assets of internal service funds that primarily serve governmental funds
Liabilities of internal service funds that primarily serve governmental funds	Report liabilities of internal service funds	***Less:*** liabilities of internal service funds that primarily serve governmental funds
Deferred inflows for unavailable revenue	Remove deferred inflow unavailable revenue	***Add:*** unavailable revenue
		***End*: Net Position - Governmental Activities**

Conversion from the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances to the government-wide Statement of Activities

4.4.30 The following table lists adjustments needed to convert the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the government-wide Statement of Activities. Also, the table lists possible reconciliation items.

Transaction/Event	Conversion	Reconciliation
		***Start:* Net Change in Fund Balances -Governmental Funds**
Capital outlays	Remove capitalizable expenditures incurred for the acquisition or construction of capital assets	***Add:*** capitalizable expenditures incurred for the acquisition or construction of capital assets
Debt service principal payments and refunding payments	Remove expenditures and other financing uses for debt service principal and refunding payments	***Add:*** expenditures and other financing uses for debt service principal and refunding payments

Other financing sources, uses, and expenditures resulting from debt issuance	Remove other financing sources, uses, and expenditures resulting from debt issuance	***Less:*** other financing sources for debt and related premiums ***Less:*** excess of carrying value of refunded debt over reacquisition cost of refunded debt ***Add:*** other financing uses for discounts ***Add:*** expenditures for issuance costs ***Add:*** excess of reacquisition cost of refunded debt over carrying value of refunded debt
Donations of capital assets	Record donations of capital assets	***Add:*** donations of capital assets
Sales of capital assets	Replace amount of proceeds by gain or loss on transaction	***Less:*** sale proceeds minus gain and sale proceeds plus loss
Sales of fund assets (foreclosure assets held for resale)	Reclassify revenues and expenditures (or reduction of revenue) related to fund asset sales as gains or losses	***No effect***
Revenues and expenditures related to prior periods	Remove revenues and expenditures related to prior periods	***Less:*** revenues related to prior periods ***Add:*** expenditures related to prior periods
Revenues earned during the period but not yet available	Record revenues earned during the period but not yet available	***Add:*** revenues earned during the period but not yet available
Expenses incurred during the period but not normally expected to be liquidated with expendable available financial resources (unless they are due for payment in the current period)	Record expenses incurred during the period related to liabilities that are still outstanding at year-end that are normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period	***Less:*** expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for: accrued interest, compensated absences, claims and judgements, special termination benefits, landfill closure and postclosure care costs, operating leases with scheduled rent increases, net pension obligation
Depreciation	Record depreciation expense	***Less:*** depreciation expense
Amortization of issuance costs, premiums, discounts, and similar items	Adjust revenues and expenses for amortization	***Less:*** amortization of issuance costs and discounts (and net refunding difference if a debit) ***Add amortization if premiums (and net refunding difference if a credit)***

Consumption of inventories and amortization of prepaids	Record expense for inventories consumed during the period and for amortization of prepaids [1]	***Less:*** inventories consumed during the period and amortization of
Activities of internal service funds properly included within governmental activities	Record internal service fund revenues and expenses not subject to consolidation	***Add:*** net profit ***Less:*** net loss
		End: Change in Net Position-Governmental Activities

Reconciliation to the government-wide financial statements

4.4.40 Differences in the classification, as well as differences in the measurement focus and basis of accounting cause the amounts reported in the governmental activities in government-wide financial statements and governmental funds financial statements to differ significantly. To explain this discrepancy, a government is required to provide a summary reconciliation between those statements. The reconciliation can be presented on the face of the governmental funds balance sheet and the statement of revenues, expenditures, and changes in the fund balances or as accompanying schedule (a page immediately following the statements).

4.4.50 If the aggregated information in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item, a government should present a more detailed explanation in the notes to the financial statements.

4.4.60 The summary reconciliation of the difference between the governmental funds balance sheet and the government-wide statement of net position should address separately at least the following items:

1. Reporting capital assets at historical cost and depreciating them instead of reporting capital acquisition as expenditure when incurred.
2. Adding general long-term liabilities not due and payable in the current period.
3. Reducing unearned revenue for those amounts that were not available to pay current-period expenditures.
4. Adding internal service fund net position balances.

4.4.70 The summary reconciliation of the difference between the governmental funds Statement of Revenues, Expenditures and Changes in the Fund Balances and the government-wide Statement of Activities should address separately at least the following items:

1. Reporting revenues on full accrual basis.
2. Reporting annual depreciation expenses instead of expenditures for capital outlays.
3. Reporting long-term debt proceeds in the Statement of Net Position as liabilities instead of other financing sources; also reporting debt principal payments in the Statement of Net Position as reduction of liabilities instead of expenditures.
4. Reporting other expenses on the full accrual basis.
5. Adding the net revenues (expense) of internal service funds.

4.4.80 There may be a difference between total enterprise funds and business-type activities, in that case, governments have to reconcile the enterprise funds financial statement with the business-type activities column on the government-wide financial statements.

Footnotes

[1] Not applicable if a government uses consumption method.
Return to Reference 1

Statements of Cash Flows

Statement of Cash Flows

4 **Reporting**

4.5 **Statement of Cash Flows**

4.5.10 The government must present a statement of cash flows for proprietary funds. The only acceptable method of presentation is the direct method. In using the direct method, a reconciliation of operating cash flows to operating income is required.

4.5.20 GAAP requires cash flow activity from blended component units to be presented on the statement of cash flows; however, the statement should not contain cash flow activity from discretely presented component units.

4.5.30 The statement of cash flows reports the flow of cash in four activities:

- Cash Flows from Operating Activities
- Cash Flows from Noncapital Financing Activities
- Cash Flows from Capital and Related Financing Activities
- Cash Flows from Investing Activities

Cash Flows from Operating Activities

4.5.40 In reporting cash flows from operating activities, governments should report major classes of gross cash receipts and gross cash payments and their sum – the net cash flow from operating activities. Cash flows from operations include all cash related to transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in fund net position. In addition, the operating activities category is used for any cash inflow or outflow that cannot properly be classified in one of the other three categories. Governments should, at a minimum, report separately these classes of operating cash receipts and payments:

- Cash receipts from customers
- Cash receipts from interfund services provided
- Other operating cash receipts (if any)
- Cash payments to employees for services
- Cash payments to other suppliers of goods or services
- Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided
- Other operating cash payments (if any)

4.5.50 The cash flows for cash receipts from customers, cash paid to employees and suppliers (item a, d and e above) may be difficult to determine, so the governments may indirectly calculate these amounts. (See the worksheet at the end of this section.)

4.5.60 Further detail of operating cash receipts and payments should be provided if the detail is useful. Interest receipts usually do not qualify to be a part of cash flows from operating activities. Exceptions to this rule are loans that:

1. Fulfill government social programs rather than for income or profit; and
2. Directly benefit individual constituents of government.

4.5.70 Program loans typically refer to loans that meet both of these exceptions. The collection of principal payments related to program loans is reported as a cash inflow in this section.

Cash Flows from Noncapital Financing Activities

4.5.80 This portion of the cash flows statement includes:

- Borrowing and repayments (principal and interest) of debt that is not clearly attributable to capital purposes. Capital purposes include capital acquisition, construction, or improvement, including capital lease repayments.
- Borrowings to finance program loans.
- Grant proceeds not specifically restricted to capital purposes.
- Grant payments (both capital and otherwise) to other governments.
- Transfers to and from other funds (except when a transfer is received for capital purposes).
- Tax receipts not attributable to capital purposes.
- Interest paid on noncapital-related vendor payables.

Cash Flows from Capital and Related Financing Activities

4.5.90 This portion of the cash flows statement includes:

- Borrowing and repayment (principal and interest) of debt clearly attributable to capital purposes.
- Proceeds of capital grants and contributions.
- Transfers from other funds for capital purposes.
- Payments related to the acquisition, construction, or improvement of capital assets.
- Sale or involuntary conversion of capital assets (such as insurance proceeds resulting from the loss of a capital asset).
- Capital-type special assessments.
- Tap fees in excess of the actual cost of connection (if they are to be used for capital purposes).
- Taxes levied specifically for capital purposes or related debt service.

Cash Flows from Investing Activities

4.5.110 This portion of the cash flows statement includes:

- Receipt of interest (except on certain program loans).
- Loan collections (except for certain program loans).
- Proceeds from the sale of investments.
- Receipt of interest on customer deposits.
- Changes in the fair value of investments subject to fair value reporting and classified as cash equivalents.
- Cash outflows in the investing activities category include:
- Loans made to others (except for program loans).
- Purchase of investments.

Reconciliation

4.5.120 Governments are required to provide a reconciliation of the difference between cash flows from operating activities and operating income. This reconciliation should be presented either within the statement of cash flows or as an accompanying schedule to the statement.

Noncash investing, capital, or financing transactions

4.5.130 The statement of cash flows is limited to actual inflows and outflow of cash (and cash equivalents). Therefore, financial statement users still need information on certain noncash activities that otherwise would fail to be reported either in the statement of revenues, expenses, and changes in fund net position or in the statement of cash flows. Specifically, information is needed regarding noncash transactions that meet two criteria:

1. The transaction affects recognized assets or liabilities, and
2. The transaction would not properly have been classified as cash flows from operating activities.

This information can be presented either in a narrative or tabular format on a separate schedule accompanying the statement of cash flows.

____
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 20___

	Business-Type Activities				Governmental Activities
	Major Enterprise Fund	**______**	**Nonmajor Enterprise Funds**	**Totals**	**Internal Service Funds**
CASH FLOWS from OPERATING ACTIVITIES					
Receipts from customers	①				
Payments to suppliers	②				
Payments to employees	③				
Internal activity – payments to other funds	⑤				
Claims paid to outsiders	⑤				
Other receipts					
Other payments	________				
Net cash provided (used) by operating activities	④				
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies and transfers to other funds	________				
Net cash provided (used) by noncapital financing activities	________				
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES					
Proceeds from capital debt					
Capital contributions					
Purchases of capital assets					
Principal paid on capital debt					
Interest paid on capital debt					
Other receipts (payments)	________				
Net cash provided (used) by capital and related financing activities	________				
CASH FLOWS from INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments					
Interest and dividends					
Net cash provided by investing activities	________				
Net Increase (decrease) in cash and cash equivalents	________				
Balances - beginning of the year	________				
Balances - end of the year	________				

Cash Flow Worksheet

This worksheet is not mandatory, but it may help the government to prepare the statement of cash flows.

		Business-Type Activities	
Cash received from customers:			
	Operating Revenues		
Add:	Customer Receivables – Beginning		
Less:	Customer Receivables – Ending		
Less:	Increase in Bad Debt		
	Net Cash Received from Customers	①	See Statement of Cash Flows
Cash paid to suppliers:			
	Supplies and Materials		
Add:	Repairs and Maintenance		
Add:	Utilities		
Add:	Other Operating Expenses		
Sub total	Total Expenses Requiring Cash		
Add:	Accounts Payable – Beginning		
Less:	Accounts Payable – Ending		
	Net Cash Paid to Suppliers	②	See Statement of Cash Flows
Cash paid to employees:			
	Salaries and Benefits		
Add:	Salaries and Benefits Payable – Beginning		
Less:	Salaries and Benefits Payable – Ending		
Add:	Compensated Absences Payable – Beginning		
Less:	Compensated Absences Payable – Ending		
	Net Cash Paid to Employees	③	See Statement of Cash Flows
Cash flows from operations:			
	Cash Received from Customers	①	
	Other Operating Cash Receipts (Uses)	Add receipts/Less uses ⑤	
Less:	Cash Paid to Suppliers	②	
Less:	Cash Paid to Employees	③	
	Net Cash Provided (Used) by Operating Activities	④	See Statement of Cash Flows

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	
Adjustments to reconcile operating income to net	
Cash provided (used) by operating activities	
Depreciation expense	
Change in assets and liabilities:	
Receivables, net	
Inventories	
Accounts and other payables	
Accrued expenses	
Net cash provided (used) by operating activities	④

The accompanying notes are an integral part of this financial statement.

Note: The required information about noncash investing, capital, and financing activities is not illustrated.

Notes to Financial Statements

Instructions

4 **Reporting**

4.6 **Notes to Financial Statements**

4.6.1 **Instructions**

4.6.1.10 The 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 GAAP 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.

4.6.1.20 Note disclosure requirements apply only to material items. A disclosure is considered to be material if some financial statements users would consider its omission important because of its size (quantitative materiality) or inherent interest (qualitative materiality).

4.6.1.30 **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. However, they are not all inclusive and additional disclosures may be needed due to the local governments' unique circumstances. For example, the government should disclose specific FASB pronouncements if their application has a significant impact on the government's financial presentation.

- 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*).

4.6.1.40 Governments submitting their Annual Comprehensive Financial Reports (ACFR) for the GFOA Certificate of Achievement for Excellence in Financial Reporting should follow the criteria and required disclosures set forth in the *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2300.

4.6.1.50 Attach the notes immediately behind financial statements. *The government should determine most meaningful method of presenting the necessary notes to financial statements.* The following is a suggested sequence of the note disclosures:

- **Summary of significant accounting policies (**Note 1 in BARS Manual)
- **Details of reconciliation**
- **Stewardship, compliance and accountability**
  - Violations of fiscal policies
  - Deficit fund balances
- **Accounting changes**
  - Prior period adjustments

    - Changes in accounting principle
    - Changes in estimate
    - Changes in entity
- **Detailed notes on all activities and funds**
    - Assets
        - Cash deposits with financial institutions
        - Investments
        - Derivative instruments
        - Reverse repurchase agreements
        - Security lending transactions
        - Receivable balances
        - Capital assets
        - Collections
        - Impairment and insurance recoveries
        - Sponsors disclosure for external investment pools
        - Lease receivables
        - Rights to service mortgage loans
        - Assets valuation allowances
    - Deferred outflows of resources
    - Liabilities
        - Payable balances
        - Pension plan and OPEB obligations
        - Termination benefits
        - Construction and other significant commitments
        - Claims and judgments
        - Lease obligations (capital and operating)
        - Short-term debt and liquidity
        - Long-term debt
        - Landfill closure and postclosure care
        - Pollution remediation obligations
        - Financial guarantees
        - Assets Retirement obligations (ARO)
    - Deferred inflows of resources
    - Net position/fund balance
        - Net position
        - Fund balance
    - Interfund receivables and payables and interfund eliminations
    - Revenues and expenditures/expenses
        - Discounts and allowances
        - Interest expenses included in direct expense
        - Future revenues that have been sold
        - On-behalf payments for fringe benefits and salaries
        - Transactions that would be reported as special items that had they been within the control of management
        - Significant transactions involving major discretely presented component units
        - Transactions not reported because not measurable
        - Foreign currency transactions
        - Nonmonetary transactions
        - Retail land sales
        - Contracts to perform research and development
        - Service concession arrangements

        - Tax abatements
    - Donor restricted endowments
    - Interfund transfers
- **Segment information for enterprise funds**
- **Individual major discretely presented component unit disclosure**
- **The nature of the primary government's accountability for related organizations**
- **Joint ventures and jointly governed organizations**
- **Related-party transactions**
- **Summary disclosure of significant contingencies**
    - Loss contingencies
    - Contingent liability for debt
    - Gain contingencies
- **Significant effects of subsequent events**
- **Bankruptcies**
- **Going-concern consideration**
- **Government combinations**

4.6.1.60 Example notes in BARS Manual consist of *Sample Text* but all contain *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.

4.6.1.70 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.

4.6.1.80 If the government prepared comparative financial statements the notes have to include information for both years. Comparative financial statements mean two complete sets of financial statements for each of comparative year. Each set should contain basic financial statements (including notes) and RSI (including MD&A). Both years may be combined in one presentation; however, each element (MD&A, basic financial statements, notes, and RSI) have to include information for both years.

4.6.1.90 Make sure each page of the financial statements contains references to the notes.

4.6.1.100 Notes should not include irrelevant, obsolete, trivial or superfluous information. For example, governments should refrain from negative disclosure (i.e., stating that a potential disclosure is inapplicable, such as: *The {entity name} did not have any subsequent events.*).

4.6.1.110 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.

Note 1 – Summary of Significant Accounting Policies

Note 1 – Summary of Significant Accounting Policies

The financial statements of the (city/county/district) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

[1] The (city/county/district) was incorporated on (date) and operates under the laws of the state of Washington applicable to (type of the government).

As required by the generally accepted accounting principles the financial statements present (city/county/district), the primary government, and its component units. The component units discussed below are included in the (city/county/district) reporting entity because of the significance of their operational or financial relationships with the (entity type).

Individual Component Units Disclosures **[2]**

B. Basis of Presentation - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (and its component units). Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. (Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. **[3]** Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to (allocate/not to allocate) indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. **[4]** Exceptions to this general rule are ______________________________.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The (city/county/district) reports the following major governmental funds: [5]

The general (or current expense) fund is the (city/county/district's) operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The (city/county/district) reports the following major enterprise funds: [6]

Additionally, the (city/county/district) reports the following fund types: [7]

Internal service funds account for ________________ and _________________provided to other departments or agencies of the (city/county/district), or to other (cities/counties/districts), on a cost reimbursement basis.
The private-purpose trust fund is used to account for _________________________________.
The investment trust fund is used to account for _____________________________________.
The pension and other employee benefit trust fund is used to account for ________________.

C. Measurement Focus, Basis of Accounting

1. Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the (city/county/district) considers revenues to be available if they are collected within ____ days of the end of the current fiscal period. The (city/county/district) considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the (city/county/district).

2. Proprietary Funds

The (proprietary fund **OR** government-type if reporting stand-alone proprietary entity) statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the (city/county/district) are (insert revenue types). **[8]** Operating expenses for the district include (e.g., the cost of sales and services, administrative expenses, depreciation on capital assets, etc.). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for __________ funds on the __________ basis of accounting. **[9]** Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Other budgets are adopted at the level of the fund, except in the general (current expense) fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2. Amending the Budget

The (city manager/county auditor/finance director/mayor) is authorized to transfer budgeted amounts between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of (a fund/the city/the county), or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the (city/county) (council/commission).

When (city/county) (council/commission) determines that it is in the best interest of the (city/county) to increase or decrease the appropriation for a particular (fund/department/ object class), it may do so by (ordinance/resolution) approved by one more than the majority after holding public hearing(s).

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

~~The financial statements contain the original and final budget information. The original budget is the~~

first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures over Appropriations **[10]**

4. Deficit Fund Net Position **[11]**

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the (city/county/district's) policy to invest all temporary cash surpluses. At December 31, 20__, the treasurer was holding $ _____________ in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds or (if not prorated, explain the government's unique circumstances).

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during (year) were approximately $ _______________.

For purposes of the statement of cash flows, the (city/county/district's) considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments (See Note X – *Deposits and Investments*). **[12]**

3. Receivables **[13]**

Taxes receivable consists of property taxes and related interest and penalties (See Note X – *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. As of December 31, 20__, $_________ of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. (Unbilled __________ service receivables are recorded at year end.)

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other* *funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements *as internal balances*. A separate schedule of interfund loans receivable and payable is furnished in *Note X – Interfund Balances and Transfers*.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

5. Inventories **[14]**

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are (purchased/consumed). The reserve for inventory is equal to the (average/ending) amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the (FIFO/LIFO/weighted average) method (which approximates the market value).

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. The current portion of related liabilities is shown as *Payables from Current Restricted Assets*. Specific debt service reserve requirements are described in *Note X – Long-Term Debt*.

The restricted assets of the enterprise funds are composed of the following:

Special Assessments - Current	$ __________
Special Assessments - Delinquent	$ __________
Cash and Investments - Debt Service	$ __________
Cash and Investments - Construction	$ __________
	$ __________

7. Capital Assets (See *Note X – Capital Assets*)

Capital assets, which include property, plant, equipment and infrastructure assets **[15]** (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the (city/county/district) as assets with an initial, individual cost of more than $_________ and an estimated useful life in excess of ____ years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the __________________ method **[16]** over the following estimated useful lives:

Assets	Years

8. Leases

Lessee: The (city/county/district) is a lessee for noncancelable leases. The (city/county/district) recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The (city/county/district) recognizes lease liabilities with an initial, individual value of $_______ or more.

At the commencement of a lease, the (city/county/district) initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the (straight-line basis/effective interest method) over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to lease include how the (city/county/district) determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The (city/county/district) uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the (city/county/district) generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the (city/county/district) is reasonably certain to exercise.

The (city/county/district) monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The (city/county/district) is a lessor for noncancelable leases. The (city/county/district) recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the (city/county/district) initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the (straight-line basis/effective interest method).

Key estimates and judgements related to lease include how the (city/county/district) determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The (city/county/district) uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.

The (city/county/district) monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

9. Deferred Outflows/Inflows of Resources **[17]**

10. Compensated Absences **[18]**

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation pay, which may be accumulated up to (maximum days or weeks), is payable upon resignation, retirement or death.

11. Pensions **[19]**

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the (plan/Washington State Department of Retirement Systems). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the (city/county/district) includes the (net pension asset only/net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows).

12. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

13. Long-Term Debt (See Note X – *Long-Term Debt*)

14. Unearned Revenues **[20]**

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

15. Fund Balance Classification **[21]**

16. Fund Balance Details **[22]**

17. Minimum Fund Balance **[23]**

18. Net Position Classification **[24]**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the (city/county/district) will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the (city/county/district)'s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

F. Other

1. Stabilization Arrangements **[25]**

2. Miscellaneous **[26]**

Instructions to preparer:

[1] For *type of government* describe the legal structure of the government (e.g., *noncharter code city with a mayor-council form of government* or *first-class county with commissioner form of government* or *home-rule charter city with council-manager form of government)* or the formation agreement (e.g., *The Pool was formed under [describe the formation agreement]. Pool was established to provide [describe risk transference arrangement including the rights and responsibilities of the pool and pool participants].,etc.).*
Return to Reference 1

[2] Provide a brief description of component units and their relationship with the primary government. Discuss the criteria used to identify the component units and method used to present them (blended, discretely presented, or fiduciary) **<1>**. Provide sufficient detail to clarify the specific criteria under the GASB Statement 61 used to justify the inclusion of each individual component unit including both fiscal dependence and the ongoing relationship of financial benefit or burden. For blended component units, clearly state the blending criteria under the GASB Statement 61.

The following examples are intended to help you describe the government's circumstances:

Blended component units

The (component unit) is governed by the (number)-member board appointed by the (city/county/district) board. Although it is legally separated from the (city/county/district) the (component unit) is reported as if it was part of primary government because its sole purpose is to finance and construct the (city/county/district) public buildings.

Discretely presented component units

The (component unit) provides (_____) services to the (city/county/district). The (city/county/district) annually provides significant operating subsidiaries to the (component unit).

The (component unit) operates (city/county/district) facilities. The (component unit) operating budget is subject to approval of the (city/county/district) board. The board also approves proposed capital improvements and additions to the (component unit) facilities.

Fiduciary component units:

The (city/county/district) has following fiduciary component unit(s) . The data for this (these) unit(s) is (are) presented in the fiduciary financial statements.

If the major **<2>** component units are not presented in the financial statements **<3>**, the city/county/district should present the condensed financial statements of these component units here. (Non-major component units should be aggregated in one column.)

If the city/county/district chooses to present component units information in the notes, these details should be presented, at a minimum:

Condensed statement of net position:

- Total assets – distinguishing between capital assets and other assets. Amounts receivable from the primary government or from other component units should be reported separately.
- Total deferred outflows of resources.
- Total liabilities – distinguishing between long-term debt outstanding and other liabilities. Amounts payable to the primary government or to other component units should be reported separately.
- Total deferred inflows of resources.
- Total net position – distinguishing between restricted, unrestricted, and amounts of net investment in capital assets.

Condensed statement of activities:

- Expenses (by major functions and for depreciation expense, if separately reported).
- Program revenues (by type).
- Net program (expense) revenue.
- Tax revenues.
- Other nontax general revenues.
- Contributions to endowments and permanent fund principal.
- Special and extraordinary items.
- Change in net position.
- Beginning net position.
- Ending net position.

Also, disclose (for each major component units) the nature and amount of significant transactions with the primary government and other component units.

Include information (addresses) where the complete financial statements of individual component units can be obtained.

List the related organizations (organizations for which the reporting entity is accountable because it appoints a voting majority of the board but is not financially accountable). Disclose the nature of city/town/district's accountability. The following example is intended to help you to describe the government’s circumstances:

The (city/county/district) is also responsible for appointing the members of the board of (organization name), but the accountability for this organization does not extend beyond making the appointments. In , the (city/county/district) appropriated operating grant of $ to the (organization name).

Also list the organizations that are excluded from the combined financial statements.

If there is significant (in relation to the total component units’ column) long-term debt of any component unit, the disclosure of the debt service requirements to maturity should be made.

Additional note disclosures may be needed if the accounting policies or the fiscal year of the component unit differ from those of the government.
Return to Reference 2

If the government itself is a component unit, this note should identify the primary government and describe the nature of the relationship.

[3] The city/county/district is not required to allocate the indirect expenses to other functions. However, some cities/counties/districts may prefer to do so or use a full-cost allocation approach among functions. Some cities/counties/districts may charge funds or programs (through internal service funds or the general fund) for *centralized* expenses, which may include an administrative overhead component. Governments are not required to identify and eliminate these administrative charges, but they should disclose the policy for their allocation.
Return to Reference 3

[4] The note should disclose how the government distinguishes overhead costs (which are eliminated in the process of consolidation) from interfund services provided and used between functions (which are not eliminated in the process of consolidation).

Return to Reference 4

[5] List and describe major governmental funds. The description should be specific to the government rather than generic. Identify which revenues and other resources are reported in each major special revenue fund.
Return to Reference 5

[6] List and describe all proprietary major funds. The description should be specific to the government rather than generic.
Return to Reference 6

[7] Describe the activities of the internal service and applicable fiduciary fund(s). The description should be specific to the government rather than generic.
Return to Reference 7

[8] Define the operating revenues and expenses. Additional special purpose district examples:
Return to Reference 8

Water/Sewer/Irrigation: *Charges for providing __________________ services. The District also recognizes as operating revenue (e.g., the portion of the top fees intended to recover the cost of connecting new customers to the system, etc.).*

Housing Authority: *Operating revenues result from fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financing activities in the statement of cash flows. Operating expenses are those expenses that are directly incurred in the operation of providing low income housing.*

[9] List the funds for which the city/county/district prepares budgets and the accounting bases used in these budgets. If the budgetary basis of accounting differs from GAAP, the notes should include reconciliation (if not presented on the face of the statements). The reconciliation should be sufficiently detailed.
Return to Reference 9

[10] List the funds and amounts of overspending in the general fund and annually budgeted major special revenue funds. Also, explain how the expenditures were funded. You can provide this information either here or as a separate note **<4>** (See Note X – *Violations of Finance-Related Legal or Contractual Provisions*).
Return to Reference 10

[11] If any of the funds of the city/county/district had deficit fund net position at the year end, disclose the amount of the deficit, reason for it, and the expected means of eliminating this deficit. You can provide this information either here or as a separate note (See Note X – *Violations of Finance-Related Legal or Contractual Provisions*).

Return to Reference 11

[12] Disclose the following:

a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.

b. The policy for determining which investments, if any, is reported at amortized cost.

c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares.

d. Any involuntary participation in an external investment pool.

e. If local government cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate.

f. Any income from investments associated with one fund that is assigned to another fund. See GASB Statement 31 as amended by the 3.2.3, *Sweeping Interest and Investment Returns into General Fund* for legal requirements related to interest diversion.

For more details, see the GASB Statement 31 as amended by the GASB Statement 40.

For various risks related to the investments see Note X – *Deposits and Investments.*
Return to Reference 12

[13] Disclose any asset valuation allowances for losses (e.g., on receivables) in government-wide and proprietary funds (GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 33).
Return to Reference 13

[14] If city/county/district holds inventories for the purpose of resale, it has to disclose that inventories are reported at lower-of-cost or market.

For the various classifications of inventory items, the basis upon which their amounts are stated and, where practicable, indication of the method of determining the cost, for example, average cost, FIFO, and LIFO should be disclosed for the business-type activities and proprietary funds. (See GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 210).
Return to Reference 14

[15] The lack of or partial implementation of retroactive infrastructure reporting should be disclosed. When a change in retroactive infrastructure is implemented it is considered a change in accounting principle and must be disclosed in the accounting changes note.
Return to Reference 15

[16] If city/county/district uses modified approach for reporting eligible infrastructure assets, then it should describe the approach (i.e., types of assets, etc.).
Return to Reference 16

[17] Disclosure of different types of deferred outflows/inflows of resources is required only if the information is not displayed on the face of the financial statements.

In some situations, the amount reported for a component of net position (net investment in capital assets, restricted, and unrestricted) may be significantly affected by a transaction that has resulted in recognition of a deferred outflow of resources or deferred inflow of resources. If the difference between a deferred outflow of resources or deferred inflow of resources and the balance of the related asset or liability is significant, governments should provide an explanation of that effect on its net position in the notes to the financial statements.
Return to Reference 17

[18] Only sick leave which is a part of retirement or termination benefit should be disclosed in this note (GASB Statement 16).

Describe the policy regarding sick leave. For example:

Upon resignation or retirement, any outstanding sick leave is lost.

If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to thirty days, at one-half his or her final pay rate.

The (city/town/district) allows (unlimited/up to _____) accumulation of sick leave. Upon separation or retirement, employees do not receive any payment for unused sick leave. However, employees eligible for full retirement benefits may use their unused sick leave toward determining their length of service for purpose of determining their retirement benefits.
Return to Reference 18

[19] If your government does not participate in DRS plans (such as PERS, TRS, SERS, PSERS, LEOFF) then select “plan.”

Choose one of the three methods. Please see BARS Section 3.4.2 Pensions for instructions on how to calculate the Restricted Net Position related to the net pension assets.
Return to Reference 19

[20] The city/county/district may disclose the separate component of the liability for unearned revenue reported on the governmental funds balance sheet.
Return to Reference 20

[21] City/county/district should disclose the following about their fund balance classification policies and procedures:

a. For *committed* fund balance: (1) the government’s highest level of decision-making authority, and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.

b. For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose, and (2) the policy established by the governing body pursuant to which that authorization is given.

c. For the classification of fund balances: whether restricted, committed, assigned, or unassigned amounts are considered to have been spent when an expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The disclosure is required even if there is no formal flow policy.
Return to Reference 21

[22] If restricted, committed, or assigned fund balances are not presented in sufficient details on the face of financial statements, then the specific purposes (not functions) information should be disclosed in the notes. The two components of nonspendable fund balance (1) not in spendable form, and (2) legally or contractually required to be maintained intact should be disclosed in notes if displayed in aggregate on the face of financial statements.
Return to Reference 22

[23] If a city/county/district has formally adopted a minimum fund balance policy, the city/county/district should describe the policy that sets forth the minimum amount.
Return to Reference 23

[redacted]

Return to Reference 24

[25] A city/county/district that established stabilization arrangements, even if an arrangement does not meet the criteria to be classified as restricted or committed, should disclose the following information:

a. The authority for establishing stabilization arrangements (for example, by statute or ordinance),

b. The requirements for additions to the stabilization amount,

c. The conditions under which stabilization amounts may be spent,

d. The stabilization balance, if not apparent on the face of the financial statements.

Return to Reference 25

[redacted]
Return to Reference 26

Subnotes

<1> See BARS Manual *4.1.1, GAAP Reporting Requirements* for additional discussion.
Return to Sub-reference 1

<2> To determine if component unit is major look at its significant relationship to other component units and the nature and significance of its relationship to the primary government.
Return to Sub-reference 2

<3> Governments can present each major component unit in a separate column in the statement of net position and activities or include combining statements of major component units after the fund financial statements.
Return to Sub-reference 3

<4> Regardless of whether the government presents required budgetary comparison as a basic governmental fund financial statement or as RSI, the notes to financial statements should disclose any material violations of the budget.
Return to Sub-reference 4

Note X – Accounting and Reporting Changes

Note X – Accounting and Reporting Changes

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Include implementation of new GASB standards, changes in accounting principles, in estimates, in the reporting entity and corrections of errors in previously issued financial statements. The circumstances surrounding each such change should be separately explained. See GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 75, 85, 87 and 89 for more details.

Note X – Asset Retirement Obligations (ARO)

Note X – Asset Retirement Obligations (ARO)

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Disclosure requirements (except for minority share):

> a. A general description of the AROs and the associated tangible assets, as well as the source of the obligations (whether they are a result of federal, state , or local laws and regulations, contracts or court judgements)
>
> b. The method and assumptions used to measure the liabilities
>
> c. The estimated remaining useful life of the associated tangible capital assets
>
> d. How any legally required funding and assurance provisions associated with AROs are being met; for example, surety bonds, insurance policies, letters of credit, guarantees by other entities, or trust used for funding and assurance
>
> e. The amount of assets restricted for payments of liabilities, if not separately displayed in the financial statements.

If an ARO or portions thereof has been incurred by a government but is not yet recognized either because it is not reasonably estimable, or because the government does not currently plan to ever retire the asset, but instead to maintain it indefinitely (and is therefore not depreciating the asset), the government should disclose the general description of the ARO, associated assets and source of the obligation along with the reasons that a liability cannot be determined at this time.

If a government has a minority share in an ARO, it should disclose the following:

> a. A general description of the ARO and associated tangible capital asset, including:
>
> > 1. The total amount of the ARO shared by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, other minority owners, if any, and the reporting government
> >
> > 2. The reporting government's minority share of the total amount of the ARO, stated as a percentage
> >
> > 3. The dollar amount of the reporting government's minority share of the ARO
>
> b. The date of the measurement of the ARO produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, if that date differs from the government's reporting date
>
> c. How any legally required funding and assurance provisions associated with the government's minority share of an ARO are being met; for example, surety bonds, insurance

policies, letters of credit, guarantees by other entities, or trusts used for funding and assurance

d. The amount of assets restricted for payment of the government's minority share of the ARO, if not separately displayed in the financial statements.

Example notes:

The (city/county/district) has (number and size) underground fuel storage tanks. Under state law, the (city/county/district) is required to decommission the tank and the (city/county/district) plans to (retire/replace) the tanks and tank sites by (date). The (city/county/district) will incur estimated costs of $_____related to the project. These liabilities are reported on the Statement of Net Position. During (reported year) the (city/county/district) paid $____ for the related work.

The (city/county/district) has (___number of____) 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 costs of $_____related to the capping. These liabilities are reported on the Statement of Net Position. During (reported year) the (city/county/district) paid $____ for the related work.

The (city/county/district) has property (describe in adequate detail) required to be decommissioned by (date). Due to contractual obligations with (________) the (city/county/district) will incur estimated costs of $_____related to the project. These liabilities are reported on the Statement of Net Position. During (reported year) the (city/county/district) paid $____ for the related work.

Note X – Bankruptcy

Note X – Bankruptcy

A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.

Instructions to preparer:

As required per GASB Statement 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, governments that have filed for bankruptcy should disclose the following:

a. Pertinent conditions and events giving rise to the petition for bankruptcy,

b. The expected or known effects of such conditions and events, including:

1. The principal categories of the claims subject to compromise or that already have been adjusted,
2. The principal changes in terms and the major features of settlement,
3. The aggregate gain expected to occur by re-measuring liabilities subject to a proposed Plan of Adjustment, or realized, as appropriate; or a statement that any gain is not yet reasonably estimable and the reasons thereof,
4. Contingent claims not subject to reasonable estimation, based on the provisions of the NCGA Statement 4.

c. Significance of those conditions and events on the levels of service and operations of the government, and any mitigating factors, such as assumption of services of other governments.

d. Possibility of termination of the governments, or any plans to terminate the government, as appropriate.

e. How to obtain a copy of the government's Plan of Adjustment or a statement that a plan is not yet available and an estimate of when it will be completed.

Note X – Capital Assets

Note X – Capital Assets

A. Capital Assets – Governmental Activities [1]

Capital assets activity for the year ended December 31, 20__ was as follows:

Governmental Activities	**Beginning Balance 01/01/20__**	**Increases**	**Decreases**	**Ending Balance 12/31/20__**
Capital assets, not being depreciated:				
Land				
Construction in progress				
Intangible assets [2]				
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings				
Intangible assets [2]				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings				
Intangible assets				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total accumulated depreciation				
Total capital assets, being depreciated, net				
Governmental activities capital assets, net				

B. Capital Assets – Business-Type Activities

Business-Type Activities:	**Beginning Balance 01/01/20__**	**Increases**	**Decreases**	**Ending Balance 12/31/20__**
Capital assets, not being depreciated:				
Land				
Construction in progress				

Intangible assets [2]				
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings				
Intangible assets [2]				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings				
Intangible assets				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total accumulated depreciation				
Total capital assets, being depreciated, net				
Business-type activities capital assets, net				

Depreciation expense was charged to functions/programs [3] of the primary government as follows:

Governmental Activities:	
General Government	$
Judicial	
Physical Environment	
Economic Environment	
Health and Human Services	
Transportation	
Total Depreciation – Governmental Activities	$
Business-Type Activities:	
Utilities	$
Total Depreciation – Business-Type Activities	$

C. Collections not Capitalized [4]

D. Impaired Capital Assets [5]

E. Discretely Presented Component Unit(s) [6]

Instructions to preparer:

[1] Applicable only to entities with governmental activities.

[2] If the types of intangible assets differ in nature and usage, then they should not be reported collectively as a single class of capital assets.

[3] Required only for entities with governmental activities. Adjust the functions accordingly.

[4] Describe the collection(s) and reason(s) for not capitalizing collections.

If collections are capitalized, provide same information as for other capital assets (see part A of this note).

[5] If it is not otherwise apparent from the face of the financial statements, the city/county/district should disclose a general description, the amount, and the financial statement classification (e.g., public works, education) of the impairment loss.

If the city/county/district received an insurance recovery related to the impaired asset, its amount and financial statement classification should be disclosed.

The city/county/district needs to disclose the carrying amount of impaired capital assets that are idle at year-end, regardless whether the impairment is considered permanent or temporary.

For more details see the GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

[6] The decision to disclose should be based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government. It is a matter of professional judgement.

Note X – Changes in Long-Term Liabilities

Note X – Changes in Long-Term Liabilities

A. During the year ended December 31, 20__, the following changes occurred in long-term liabilities: **[1]**

	Beginning Balance 01/01/20__	Additions	Reductions	Ending Balance 12/31/20__	Due Within One Year
Governmental Activities:					
Bonds payable: General obligation bonds Special assessment bonds Premiums Discounts	$	$	$	$	$
Total bonds payable					
Debt from direct borrowings and direct placements [2]					
Leases					
Claims [3]					
Pension/OPEB obligations					
Compensated absences					
Governmental activity long-term liabilities:	$ -	$	$	$ -	$ -
Business-Type Activities:					
Bonds payable: General obligation bonds Revenue bonds Premiums Discounts					
Total bonds payable					
Debt from direct borrowings and direct placements [2]					
Leases					
Claims [3]					
Pension/OPEB obligations					
Compensated absences					
Business-type activity long-term liabilities:	$ -	$	$	$ -	$ -

Also see Footnote 2 and Footnote 3

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end $_________ of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. **[4]**

B. Discretely Presented Component Unit(s) **[5]**

Instructions to preparer:

[1] Additions and deductions must be reported separately, rather than netted.

[2] GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* requires a separate disclosure of any direct borrowings and/or direct placements of debt from other forms of debt.

[3] Include judgments, self-insurance liabilities, etc.

[4] Disclose which governmental funds typically have been used in prior years to liquidate long-term liabilities other than debt.

[5] The decision to disclose should be based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government. It is a matter of professional judgement.

Note X – Closure and Postclosure Care Cost

Note X – Closure and Postclosure Care Cost

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

The following disclosures are required for all fund types and entities owning and operating the municipal solid waste landfills.

1. The nature and source of landfill closure and postclosure care requirements (federal, state, or local laws or regulations).

2. That recognition of a liability for closure and postclosure care costs is based on landfill capacity used to date.

3. The reported liability for closure and postclosure care at the balance sheet date (if not apparent from the financial statements) and the estimated total current cost of closure and postclosure care remaining to be recognized.

4. The percentage of landfill capacity used to date and estimated remaining landfill life in years.

5. How closure and postclosure care financial assurance requirements, if any, are being met. Also, any assets restricted for payment of closure and postclosure care costs (if not apparent from the financial statements).

6. The nature of the estimates and the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

For sample text refer to the GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost*, Appendix D.

Note X – Concentration of Credit Risk

Note X – Concentration of Credit Risk

The (district) grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. No single patient comprises more than five percent of total receivables at year-end. **[1]**

The mix of patient receivables at December 31, 20__ was as follows:

Medicare	_____%
Medicaid	_____%
Self-Pay (and Private Insurance)	_____%
Other Third Party Payors	_____%

Instructions to preparer:

[1] Modify this statement accordingly.

Note X – Construction and Other Significant Commitments

Note X – Construction and Other Significant Commitments [1]

A. Construction Commitments

The (city/county/district) has active construction projects as of December 31, 20__. The projects include:

At year-end the (city/county/district's) commitments with contractors are as follows: **[2]**

Project	Spent to Date	Remaining Commitment
	$	$
	$	$

(Of the committed balance of $__________ the (city/county/district) will be required to raise $__________ in future financing.)

B. Other Commitments **[3]**

Instructions to preparer:

[1] Commitments are existing arrangements to enter into future purchases at specified prices and sometimes at specified quantities.

[2] Describe the financing arrangements for each project.

[3] Disclose significant encumbrances by major funds and nonmajor funds in aggregate. The city/county/district may disclose further breakdown of encumbrances into various fund balance classifications (i.e., restricted, committed, etc.).

Disclose any other commitments like purchase (e.g., power, etc.) orders, etc.

Note X – Contingencies and Litigations

Note X – Contingencies and Litigations

The (city/county/district) has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the (city/county/district) will have to make payment. In the opinion of management, the (city/county/district's) (insurance policies and/or self-insurance reserves) are adequate to pay all known or pending claims.

As discussed in Note X – *Long-Term Debt*, the (city/county/district) is contingently liable for repayment of refunded debt.

The (city/county/district) participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. (Other than the instances described above,) (city/county/district) management believes that such disallowances, if any, will be immaterial.

Instructions to preparer:

Litigation is simply one (prevalent) type of contingency. Other types of contingencies include uncollectability of receivables, encumbrances, guarantees, the pledge of the government's *full faith and credit* on G.O. debt intended to be financed by enterprise revenues, and various types of uncompleted contracts where the city/county/district is obligated to perform. All significant accrual contingencies should be disclosed in the notes. If no accrual was made for loss contingency, disclosure should be made when there is at least a reasonable possibility that a loss or an additional loss may have been incurred. The disclosure should indicate the nature of the contingency and should give an estimate or range of the potential loss or state that such an estimate cannot be made.

To keep the financial statements from being misleading, it may be necessary to disclose information regarding a loss contingency that did not exist at the date of financial statement, but was available after the date of financial statement and before their issuance.

Also, the loss contingencies related to a guarantee should be disclosed even though the possibility of loss may be remote. The disclosure should include the nature and amount of the guarantee. If estimable, the value of any expected recovery should also be disclosed. In addition, contingencies for which it is probable that the city/county/district will incur a loss should be accrued as liabilities, as should all claims and judgments. For more details see Government Accounting Standards Board (GASB) Statement 62, *Certification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 106-110.

If a lawsuit has been settled adversely and is not currently under appeal, the government's liability should be disclosed together with changes in long-term liabilities rather than here.

Where the uninsured risk to the city/county/district from individual lawsuits is minor, the disclosure illustrated above is adequate. However, if there are major lawsuits pending against the government or material disputed contracts, specific disclosure of the issues and the present status of each case (including the range of possible loss, if estimable) is required.

Be sure to consult with the government's attorney and auditor for appropriate wording of the disclosure.

Note X – COVID-19 Pandemic

Note X – COVID-19 Pandemic

[redacted]

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

(Include relevant information about actual or potential financial or operational (including the direct and indirect impact) on the government. If actual or anticipated impacts are significant, also describe management's plans or actions to address the situation, to the extent known. High-level information is sufficient.)

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the (city/county/district) is unknown at this time.

Note X – Deposits and Investments

Note X – Deposits and Investments

A. Deposits [1]

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 will 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).

The (city/county/district) does not have a deposit policy for custodial credit risk. The bank balances that were exposed to custodial credit risks are:

Fund	Uninsured and Uncollateralized	Uninsured and Collateral Held by Bank	Unisured and Collateral Held by Pledging Bank's Trust Department not in (city/county/district's) Name
Total			

-OR-

Uninsured and Uncollateralized	$
Uninsured and Collateral Held by Bank	
Unisured and Collateral Held by Pledging Bank's Trust Department not in (city/county/district's) Name	
Total	$

B. Investments [2]

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). [3]

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the (city/county/district) may face should interest rate variances affect the fair value of investments. The (city/county/district) does not have a formal policy that addresses interest rate risk.

	Fair Value	Investment Maturities (in Years) Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
U.S. Treasuries					
U.S. Treasury Strips					
U.S. Agencies					
Collateralized Mortgage Obligations					
Mortgage Pass Throughs					
Asset-Back Securities					
Total Debt Securities					
Other Securities					
Certificates of Deposit					
Real Estate					
Private Equity					
Public Equity					
Total Investments					

In addition to the interest rate risk disclosed above, the (city/county/district) includes investments with fair value highly sensitive to interest rate changes.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The (city/county/district) does not have a formal policy that addresses credit risk.

At December 31, 20__, (city/county/district's) investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
U.S. Agencies	$	$	$	$	$	$	$
Mortgage Pass Throughs							
Collateralized Mortgage Obligations							
State and Local Government							
Asset-backed Securities							
Negotiable Certificates of Deposit							
Repurchase Agreements							
Commercial Paper							
Annuity Contracts							
Debt Mutual Funds							
Money Market Mutual Funds							
Pooled Debt Funds							
Domestic Corporate Bonds							
Foreign Corporate Bonds							
Foreign Government Bonds							
Totals	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

Rating Agency: Identify

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the (city/county/district) will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The (city/county/district) does not have a formal policy for custodial credit risk.

Investment Type	Held by Counterparty	Held by Counterparty's Trust Dept or Agent
Total		

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The (city/county/district) does not have a formal policy for concentration of credit risk.

Investments in 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 RCW 43.250. 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.

Investments in (county investment pool) **[4]**

The (city/county/district) is a 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 any restrictions on participant withdrawals / disclose any liquidity fees, redemption gates or other restrictions).

Investments Measured at Fair Value **[5]**

The (city/county/district) measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 20__, the (city/county/district) had the following investments measured at fair value:

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S Teasuries				
U.S. Treasury STRIPS				
U.S. Agencies				
Mortgage Pass Throughs				
Collateralized Mortgage Obligations				
Asset-backed Securities				
Commercial Paper				
Money Market Mutual Funds				
Total Investments by Fair Value Level				
Total Investments Measured at Fair Value	$			
Other Securities not Measured at Fair Value				
Non-negotiable Certificates of Deposit				
State LGIP				
	$			

Investments Measured at Net Asset Value (NAV) **[6]**

C. Summary of Deposit and Investment Balances [7]

Reconciliation of (city/county/district’s) deposits and investment balances as of December 31, 20__, is as follows:

	[Government Wide /Single Fund]	[Fiduciary Funds]
Cash on Hand		
Amount of Deposits with Private Financial Institutions		
Deposits in State LGIP		
Internal Investment Pool		
External Investment Pool		
Non-Pooled Investments		
Total Deposits and Investments		
Deposits		
Current:		
Cash and Cash Equivalents		
Restricted Cash and Cash Equivalents		
Noncurrent:		
Restricted Cash and Cash Equivalents		
Total Deposits		
Investments		
Current:		
Short-Term Investments		
Restricted Short-Term Investments		
Noncurrent:		
Restricted Investments		
Other Investments		
Total Investments		
Total Deposits and Investments		

D. Securities Lending [8]

E. Gains and Losses on Investments [9]

F. Foreign Currency Risk [10]

Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits or investments. The (city/county/district) does not have a formal policy for foreign currency risk (or briefly describe the policy to manage or limit foreign currency risk). The exposure to foreign currency risk for deposits as of December 31, 20__ is as follows:

Instructions for preparer:

The city/county/district should briefly describe the types of investments authorized by legal and contractual provisions. If there are material violations of these provisions, they should be disclosed. If the types of investments authorized for different funds, fund types, or component units differ significantly from those authorized for the primary government and those funds, fund types, or component units have material investment activity compared with the combined primary government activity, the difference in the authorized investment types should be disclosed. The city/county/district should also disclose its own policies that are related to risks. If a city/county/district has no deposits or investments policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact.

This disclosure is required for a primary government as a whole. Risk disclosures should also be made for governmental and business/type activities, individual major funds, nonmajor funds in aggregate, or fiduciary fund types when the risk exposures are significantly greater than the deposit and investment risk of the primary government.

Disclosures should distinguish between the primary government and it's discretely presented component units. The financial statements should make those discretely presented component unit disclosures that are essential to fair presentation of the basic financial statements.

Disclosure is limited to types of investment held at year-end.

[1] The following disclosures are required regarding cash deposits with financial institutions:

- Legal and contractual provisions regarding deposits;
- Policies governing deposits;
- Exposure to custodial risk as of the date of the balance sheet or statement of net position;
- Defaults and recovery of prior period losses

If the city/county/district has bank balances subject to custodial credit risk, provide a brief description of its deposit policies related to deposit custodial credit risk or state that it does not have a deposit policy for custodial credit risk. Disclose only that portion of the total bank balance that was subject to deposit custodial credit risk. If no bank balance was subject to deposit custodial credit risk, do not include a discussion of deposit custodial credit risk in Note 2.
Return to Reference 1

[2] The following general disclosures are required regarding investments:

- Types of investments authorized by legal or contractual provisions (if types of investments authorized for different funds, fund types, blended component units, or discretely presented component units differ significantly from those authorized for the primary government and have material investment activity compared with the reporting entity's investment activity, the differences in authorized investment types should be disclosed)
- Significant violations during the period of legal or contractual provisions for investments and actions taken to address such violations
- Description of investments policies that are related to the following risks:
  - Interest rate risk
  - Credit risk
  - Custodial credit risk
  - Concentration of credit risk

If applicable, provide disclosures for the following types of risk. If the city/county/district does not have any investments exposed to risks identified below, delete risk description. Risk disclosures applicable to investments should be reported separately by investment type.

- ***Interest rate risk*** – information should be organized by investment type and amount using one of the following methods:
  - segmented time distribution
  - specific identification

  - weighted average maturity
  - duration
  - simulation model.

  Any assumption made in process of applying these methods need to be disclosed.

  Describe the highly sensitive investments. For additional information see the Governmental Accounting Standards Board (GASB) Statement 40, paragraph 16 and 57 (examples listed were asset-backed securities) and Illustration 7. Illustration includes CMO's, inverse variable rate notes, and variable coupon note with multiplier as examples of investments with fair values highly sensitive to interest rate changes.

  Governments that participate in a pooled arrangement (other than an external pools investment pool) should disclose interest rate risk for the pooling arrangement. This disclosure is limited to investments in debt mutual funds, external debt investment pools, or other pooled debt investments.

  Governments should also disclose any contractual terms for debt investments that expose those investments to the risk of significant changes in fair value resulting from interest rate fluctuation (e.g., coupon multipliers benchmark indices, embedded options, etc.).

- ***Credit risk*** - disclose credit ratings for investments in debt securities, whether held directly or indirectly including the credit ratings for positions in external investment pools. If a rating is not available, that fact should be disclosed. (This requirement does not apply to the debt securities of the U.S. government or obligations of the U.S. government agencies that are explicitly guaranteed by the U.S. government.) The city/county/district should use the various rating categories (e.g., AAA, Aaa, etc.) set by nationally recognized statistical rating organizations (e.g., Fitch Ratings, Moody's Investor Services, Standard & Poor's, etc.).
- ***Custodial credit risk***– disclose for investments only if unregistered/uninsured securities are held either by the counterparty or by the counterparty's trust department or agent, but not in government's name.

  [***Note:*** The Washington Public Deposit Protection Commission eased collateral requirements on uninsured public deposits under Resolution 2016-1, for public depositaries categorized as Well Capitalized as defined in Subsection (b)(a)(A) of Section 38 of the Federal Deposit Insurance Act (FDIA) or hereafter amended and as determined by federal regulatory authority for that public depositary, may collateralize uninsured public deposits at no less than fifty percent. All public depositaries not categorized as Well Capitalized as defined in Section 38 of the FIA are required to fully collateralize uninsured public deposits pursuant to Resolution 2009-1.]

- ***Concentration of credit risk*** - disclose amount and issuer of investments that represents 5 percent or more of total investments. (This requirement does not apply to investments issued or explicitly guaranteed by the U.S government and investments in mutual funds, external investment pools, and other pooled investments.)

In addition, governments should make the following disclosures in the notes to the financial statements:

- the policy for determining which investments, if any, are reported at amortized cost;
- for any investments in external investment 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;
- any involuntary participation in an external investment pool;
- if an entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate;
- for any investments in external investment pools that report their investments at amortized cost in accordance with the GASB Statement 79, the presence of any limitations or restrictions on withdrawals (such as notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose fees or redemption gates);
- any income from investments associated with one fund that is assigned to another fund.

Governments should disclose policies relevant to each of different types of risks, ***but only for those types of risks actually faced by the government***. If a government does not have a policy that covers one or more of the risks it is facing, that fact must be disclosed.

For more information see GASB Statements 3, 28, 31, 40, 59 and 72.
Return to Reference 2

[3] Disclose any income from investments associated with one fund that is assigned to another fund. See BARS Manual 3.2.3, *Sweeping Interest and Investment Returns into General Fund* for legal requirements related to interest diversion.
Return to Reference 3

[4] This applies only to PARTICIPANTS in investment pools (For Sponsoring a County investment pool see Note X – External Investment Pool (Counties Only) **and** BARS Manual 3.2.2, *County External Investment Pool***).**

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. See GASB Statement 79, *Certain External Investment Pools and Pool Participants*, paragraphs 42 and 43 for details.
Return to Reference 4

[5] Investments should generally be reported at their fair value. If there are no such investments, this section should be deleted.

- Fair value measurement at the end of the reporting period,
- Level of fair value hierarchy,
- A description of the valuation techniques used,
- For any significant changes in valuation techniques, the changes and the reason for making them.

Disclosure is required for the reason for any nonrecurring measurements.

Disclosure should be organized by type of investment. Appropriate grouping by type is a professional judgement based on:

- Nature, characteristics and risks of the asset or liability,
- Level of fair value hierarchy within which the fair value measurement is categorized,
- Whether standards specify a type for an asset or liability,
- Identifying transactions that are not orderly,
- Objective or the mission of the government,
- Characteristics of the government,
- Relative significance of assets and liabilities,
- Whether separately issued financial statements are available,
- Line items presented in the statement of net position.

However, governments have the option of reporting certain investments at cost or amortized cost. For example, investments held by external investment pools meeting requirements of GASB Statement 79, *Certain External Investment Pools and Pool Participants*, and money market investments and participating interest-earning investment contracts with a remaining maturity at time of purchase of one year or less, provided that the fair value is not significantly affected by credit impairments or other factors.

Level 1 inputs
Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 inputs
These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs are derived from or corroborated by observable market data through correlation or by other means.

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in inactive markets,
- Inputs other than quoted prices that are observable for the asset or liability, such as:
  - **Interest rate and yield curves observable at commonly quoted intervals**
  - **Implied volatilities**
  - **Credit spreads**
- Market-corroborated inputs.

Level 3 inputs
Unobservable inputs for the asset or liability; only should be used when relevant Level 1 and 2 inputs are unavailable. Government may use their own data to develop unobservable inputs if there is no information available.

The SSAP should indicate whether the government used this option and, if so, for which one specific categories of investment. Also, if a government uses some other than quoted market prices to estimate the fair values, the methods and significant assumptions should be disclosed.

Note: Governments using a pricing service or custody bank for fair values will need closely review statement to ensure valuation changes are correctly reported.

Determine what the source of the fair value information will be for each item. Do not simply rely on the fair value reported to you on monthly bank statement or brokerage statements. Contact the financial institution to understand how they determine fair value.

Example:

If there are derivatives investments identified as hedging instruments, an additional disclosure is required per GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments (amended by GASBS 64)*.
Return to Reference 5

[6] Investments Measured at Net Asset Value (NAV)

A government can use NAV per share, as a practical expedient, for investments in nongovernmental entity that does not have a readily determinable fair value (also known as “alternative investments”). The NAV is not permitted for valuation if it is probable the government will sell the investment at a different price. Investments measured at NAV would be excluded from the fair value hierarchy (Level 1, 2, or 3). Note: Investment pools containing language for NAV at fair value or amortized cost should be reported in accordance with other investments at fair value or amortized cost, and not as investments using NAV as a practical expedient.

Alternative investments measured using NAV require additional disclosure for financial statement users to understand the investment’s nature and risks due to the increased uncertainty and subjectivity of the investment and whether such investments are likely to be sold at an amount different from NAV per share. The required disclosure includes:

- Fair value measurement of the investment type and description of the significant investment strategies;
- For investments that can never be redeemed with the investees, the government’s estimate of the liquidation period;
- Amount of unfunded commitments;
- General description of the redemption terms and conditions;
- Redemption restrictions, estimate of length of restriction period or how long restriction has been in place;
- Any other selling restrictions;
- Fair value of investments for any planned sales at an amount different from NAV per share and any remaining actions required to complete the sale;
- If a sale is planned but not all assets have been identified, the government’s plans to sell and any remaining actions required to complete the sale.

Return to Reference 6

[7] Optional disclosure for cash and investments reconciliation. There is no requirement to reconcile

the disclosures required for cash equivalents or deposits and investments to the statement of cash flows or to the statement of net position/balance sheet. Many of the deposits and investments that are subject to disclosure requirements may be reported in the statement of net position/balance sheet as *cash and cash equivalents*. Other may be reported in the statement of net position/balance sheet using titles that do not identify their nature as deposits and investments. Disclosure of such reconciliation can provide useful information to the users of the financials.
Return to Reference 7

[8] If in the period covered by the financial statements, the city/county/district participated in the securities lending transactions, the following information should be disclosed:

- legal or contractual authorization for the securities lending transactions;
- significant violations of legal and contractual provisions during the period;
- actions taken to address such violations;
- general description of the securities lending transactions:
  - **type of securities lent,**
  - **type of collateral received,**
  - **whether the government has the ability to pledge or sell collateral securities without a default,**
  - **the amount by which the value of the collateral provided is required to exceed the value of underlying securities,**
  - **any restrictions on the amount of the loans that can be made,**
  - **any loss indemnification (i.e., a securities lending agent's guarantee that it will protect the lender from certain losses);**
- fair values of underlying securities at the balance sheet date;
- whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching at the balance sheet date;
- the amount of credit risk, if any, related to the securities lending transactions (if the lender has not credit risk, that fact should be stated);
- the amount of any losses on the securities lending transactions during the period resulting from the default of a borrower or lending agent and amounts recovered from prior period losses, if not separately disclosed in the operating statement.

Securities lending transactions are subject to custodial risk disclosure requirements addressed in paragraph 9 of GASB Statement 40, *Deposits and Investments Risk Disclosures*. See paragraph 10 of the above statement for applicability of this disclosure.

(For more details, see the GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions* as amended by the GASB Statement 40, *Deposits and Investments Risk Disclosures*.)
Return to Reference 8

[9] Local government may disclose realized gains and losses computed as the difference between the proceeds of the sale and the original cost of the investments sold. They also should disclose that:

a. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

b. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

For more details, see the GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, as amended by the GASB Statement 40, *Deposits and Investments Risk Disclosures*.
Return to Reference 9

[10] If applicable, disclose the U.S. dollar value of any deposits or investments denominated in foreign currency, organized by each different foreign currency denomination and type of investment.
Return to Reference 10

Note X – Derivative Instruments

Note X – Derivative Instruments

A. Summary of Derivative Instruments

At December 31, 20__, the (city/county/district) had the following derivative instruments outstanding: [1]

Reported Derivative Instruments	Notional Amount	Changes in Fair Value		Fair Value at December 31, 20__	
		Classification	Amount	Classification	Amount
Governmental Activities					
Fair value hedges:					
Cash flow hedges:					
Investment derivatives:					
Business-Type Activities					
Fair value hedges:					
Cash flow hedges:					
Investment derivatives:					
Fiduciary Funds					
Investment derivatives:					

B. Objective and Terms of Hedging Derivatives

The following table displays the objective and terms of the (city/county/district) hedging derivative instruments outstanding at December 31, 20__, along with the credit rating of the associated counter party. [2]

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counter Party Rating

C. Net Cash Flows of Derivatives Hedging Debt

The following table displays the (city/county/district) net cash flows of derivatives hedging debt:

Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
20__				
20__				
20__				
20__				
20__				
20__-20__				
20__-20__				
Total				

D. Hedging Derivative Risks **[3]**

E. Investment Derivative Risks **[4]**

F. Contingent Features **[5]**

Instructions to preparer:

Government Accounting Standards Board (GASB) Statement 53 requires the fair value of derivatives to be determined and reported on the appropriate statements of net position (government-wide and proprietary funds). The changes in fair value of investment derivatives should be reported within the investment revenue classification on the appropriate operating statements. Changes in fair value of hedging derivative instruments should be recognized using hedge accounting. This requires these changes be reported on the appropriate statement of net position as either deferred inflows or outflows, as long as the hedge is effective. When the hedging derivative contract ends or the hedge is determined to no longer be effective deferred amounts should be reported on the appropriate operating statements.

GASB Statement 53 also requires financial note disclosure for a government's derivative instrument activity. The following section discusses these requirements for all derivative types. They include disclosures for hedging derivatives for cash flows and fair value and investment derivatives. Governments need only disclose those areas that are applicable to them. The disclosures are:

- Summary of derivative instruments (narrative and table of fair values and changes in fair value)
- Objectives and terms of hedging derivatives (including table of net cash flows, if the item being hedged is debt) and the risks related to hedging derivatives
- Disclosures for investment derivatives
- Contingent liabilities

Summary of derivative instruments:

Derivatives should be summarized and reported in their related activity: governmental-activities, business-type activities and fiduciary funds. Within each of those activities the derivatives will be categorized by type:

- Fair value hedging derivatives
- Cash flow hedging derivatives
- Investment derivatives

Individual derivatives are not required to be displayed. They may be totaled by type and presented by type under the appropriate activities. The following information must be disclosed about each type contained in an activity. See the example derivative summary below.

Example summary disclosure for derivatives:

1. Notional amount – the amount of the underlying; stated in dollars, shares, gallons, etc.
2. Fair value – as of the date of the financial statements and the locations in the financial statements where it is reported.

3. Changes in fair value during the year – and the locations in the financial statements where the changes are reported.
4. The fair value of hedging derivatives that were reclassified as investment derivatives because they were no longer effective.
5. The amount of removed from deferred inflows and outflows in the statements of position and reported as investment income (because a derivative ended).

Footnotes:

[1] Objectives and Terms of Hedging Derivatives

Governments may aggregate information on hedging derivatives; however, if there are differences many may require individual disclosure. Required disclosures include:

- An explanation of a government's objective for entering into the hedging contract and how it plans to achieve its objective.
- Significant terms of hedging derivative to be disclosed:

Notational amount
Indexed or interest rates it's based on, including the impact that changes in the indexes or rates can have on the derivative
Options imbedded in the derivative
Starting and ending dates
The cash payment, if any, that was made when the derivative was initiated.

Example objectives and terms of hedging derivatives:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counter Party Rating
Receive-fixed interest rate swaps	Hedge of changes in FV of 20W7 bonds	$30,000	9/30/W6	9/30/Z1	Receive 5%; pay 67% SOFR	A/A
Pay fixed interest rate swaps	Hedge of changes in cash flows on 20W1 series F bonds	$60,000	3/31/W1	3/31/Y6	Pay 5.4%; receive SIFMA index	AAA/Aaa
Pay fixed interest rate swaps	Hedge of changes in cash flows on 20W8 series D bonds	$24,000	2/28/W8	2/28/Y8	Pay 3.9%; receive 67% of SOFR	AAA/Aaa
Rate cap	Rate cap on 20W8 bonds	$10,000	7/31/W7	7/31/Y7	SIFMA swap index cap, 8%	AA/Aa
Commodity forward contract	Hedge of cash flows due to market price fluctuation #2 home heating oil	1,000 BTUs	4/30/X0	12/31/X0	Pay $7.50 per MMBTU; Settlement based on Henry Hub pricing at expiration date	AA/Aa

Pay fixed interest rate swaps	Hedge of changes in cash flows on 20X0 series D bonds	$ 37,000	5/31/X0	5/31/Y0	Pay 3.2%; receive 67% of SOFR	AAA/Aaa

[2] If the item being hedged is debt, the government should disclose the net cash flow of the hedging derivative. This information is to be provided until maturity. The disclosure should present the following information for each of the next five years and then in five year increments until the end of the contract. Principal portion of debt payment, interest portion of payment, net cash flow for debt hedging derivatives, and total. See the example below.

Example Net Cash Flows of Derivative Hedging Debt Table:

Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
20__	$6,000	$7,786	$(1,253)	$12,533
20__	10,000	7,525	(1,211)	16,314
20__	27,000	7,090	(1,141)	32,949
20__	33,000	5,916	(952)	37,964
20__	15,000	4,480	(721)	18,759
20__-20__	29,000	19,140	(3,080)	45,060
20__-20__	15,000	12,385	1,475	28,860
20__-20__	14,000	9,570	(528)	23,042
20__-20__	30,000	6,310	(300)	36,010
Total	$179,000	$80,202	$(7,711)	$251,491

[3] Disclosures for Hedging Derivative Risks

Entities need to present disclosure of the risks for the hedging derivatives which the government is exposed.

- Termination risk – a government needs to disclose any termination that occurred during the fiscal period, dates that its remaining derivatives may be terminated, and unusual conditions for termination.
- Credit risk – If a derivative exposes it to credit risk, report:

The credit quality of the firm
The maximum potential loss if the firm fails to fulfill it obligations
The collateral or other security supporting the derivatives
Significant concentrations of credit risk with a particular firm or group of firms

- Interest rate risk – describes the terms that increase the government's exposure to interest rate risk.
- Basis risk – disclose the derivatives payment terms and terms of the associated debt.
- Rollover risk – disclose the maturity of the derivative and the subsequent maturity date of the associated debt.
- Market access risk – potential to the risk of being unable to borrow in the future.
- Foreign currency risk – disclose the U.S. dollar balances of derivatives that expose the

government to this risk.

[4] Disclosures for Investment Derivatives Risks

For derivatives that are investments, governments should disclose the credit risk information that could give rise to financial loss. Risk disclosures are limited to investment derivatives that are reported as of yearend.

[5] Contingent Features

Governments should disclose obligations to post collateral if the credit quality of the hedgeable item declines. They should report:

- The existence and nature of contingent features and circumstances which could trigger the features.
- The aggregate fair value of the derivatives with those features.
- The aggregate fair value of assets that would be required to be posted as collateral or transferred
- The amount, if any, that has been posted or transferred during the period.

Hybrid Instruments

Hybrid instruments are a derivative instrument that has a companion instrument. If a government reports a hybrid instrument disclosures of the companion instrument should be consistent with disclosures required of similar transactions.

Synthetic Guaranteed Investment Contracts

Governments that report a synthetic guaranteed investment contract that is fully benefit responsive should disclose the following information.

- description of the nature of the SGIC,
- the SGIC’s fair value.

Note X – Endowments

Note X – Endowments

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Governments may receive endowments that are subject to donor-imposed restrictions. In these cases the following items need to be disclosed:

- the amount of net appreciation on investments that are available for expenditure authorized by the governing board, and how these amounts are classified within net position on the statement of net position,
- the state/local law regarding the ability to spend net appreciation on investment, and
- the policy for authorizing and spending investment income, such as spending rate or total return policy.

Government Accounting Standards Board (GASB) Statement 34, paragraph 121.

Example:

Endowments are provided to the (city/county/district) on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor did not provide specific instructions, (e.g., state law, etc.) permits the (city/county/district's) (legislative body) to authorize to expense the net appreciation of the investments of the endowment funds as discussed below.

Expendable endowments as of December 31, 20 _ :

Program A	*$_____*
Program B	*$_____*
_________	_____
_________	_____
Total	*$_____*

Nonexpendable endowments as of December 31, 20 _ :

Program A	*$_____*
Program B	*$_____*
_________	_____
_________	_____
Total	*$_____*

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, 20XX, 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 Pooled Investment Trust 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.

Instructions to preparer:

Investments are stated at fair value and are valued on a (describe basis, i.e. Monthly). The treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

The County treasurer has the following recurring fair value measurements as of December 31, 20XX:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S Teasuries				
U.S. Treasury STRIPS				
U.S. Agencies				
Mortgage Pass Throughs				
Collateralized Mortgage Obligations				
Asset-backed Securities				
Commercial Paper				
Money Market Mutual Funds				
Total Investments by Fair Value Level				
Total Investments Measured at Fair Value	$			
Other Securities not Measured at Fair Value				
Non-negotiable Certificates of Deposit				
State LGIP				
	$			

[If a government external investment pool is sponsored by the County and IT DOES PUBLISH A SEPARATE ANNUAL FINANCIAL REPORT FOR THE POOL, add the required GASB 31 disclosures. The following example - placement of this portion of the note is dependent on its applicability.]

Separate financial statements for the Investment funds may be obtained from the County Treasurer's Office, or by calling [provide telephone number].

[If a government external investment pool is sponsored by the County and IT DOES NOT PUBLISH A SEPARATE ANNUAL FINANCIAL REPORT FOR THE POOL, add the required GASB 31, as amended, disclosures. The following example - placement of this portion of the note is dependent on its applicability.]

Since a separate annual financial report on the External Investment Pool has not been, and is not planned to be, issued, the following additional disclosures are being provided in the County's financial statements.

The External Investment Pool's Statement of Net Position and Statement of Operations and Changes in Net Position as of and for the period ended December 31, 20XX, are as follows:

Statement of Net Position December 31, 20XX		
		Amount
Assets:		
Cash in Bank (Overdraft)	$	
Accounts Receivable		
Accrued Investment Income		
Investments		
Total Assets	$	0.00
Liabilities:		
	$	
Total Liabilities		0.00
Net Position As Held in Trust for All Pool Participants:		
Internal Portion		
External Portion		
Total Net Position		0.00
Net Position consists of:		
Participant units oustanding ($1.00)		
Undistributed and unrealized gains/(losses)		
Net position		
Participant net asset value at fair value per share		
($Net Position / Number of Units)		$X.XX

Statement of Operations and Changes in Net Position For the Fiscal Year Ended December 31, 20XX		
		Amount
Increase in Net Position from Operations:		
Revenues:		
Investment Income	$	
Expenditures:		
Investment Management		
Net Increase in Net Position Resulting from Operations		0.00
Distributions to Participants:		
Distributions Paid and Payable		
Share Transactions:		
Reinvestment of Distributions		
Net Share Purchases		
Total Increase in Net Position		0.00
Net Position:		
Beginning of Year		
End of Year	$	0.00

The pool values participant's shares on an amortized cost basis. Specifically, the pool distributes income to participants on a quarterly basis based on their relative participation during the quarter that is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments. The total difference between the fair value of the investments in the pool and values distributed to the pool participants using the amortized cost method described above is reported in the net position section of the net position section of the statement of fiduciary net position as undistributed and unrealized gains (losses). The external portion of the Pool is presented in the accompanying financial statements as “Held for external investment pool participants.”

Note X – Extraordinary and/or Special Items

Note X – Extraordinary and/or Special Items

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:

> a. Unusual nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity.
>
> b. Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.

Special items are significant items subject to management's control that meet one but not both of the criteria used for identifying extraordinary items.

Descriptive captions and the amounts for individual extraordinary/special events or transactions should be presented, preferably on the face of the financial statement, if practicable; otherwise disclosure in related notes is acceptable. The nature of an extraordinary/special event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.

Note X – Financial Guarantees

Note X – Financial Guarantees

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Guarantors

Regardless of the likelihood of a payment being required, a guarantor should disclose the following information, by type of guarantee, for all non-exchange financial guarantees:

1. A description of the non-exchange financial guarantee, identifying:

- The legal authority and limits for extending the guarantees and types of obligations guaranteed.
- The relationship of the government to the issuer or issuers of the obligations that are guaranteed.
- The length of time of the guarantees.
- Arrangements for recovering payments from the issuer or issuers of the obligations that are guaranteed.

2. The total amount of all guarantees extended that are outstanding at the reporting date.

A guarantor that recognizes a liability or has made payments during the reporting period should disclose the following information:

1. A brief description of the timing of recognition and measurement of the liabilities and information about the changes in recognized guarantee liabilities, including the following:

- Beginning of period balances.
- Increases – including initial recognition and adjustments increasing estimates.
- Guarantee payments made and adjustments increasing estimates.
- End of period balances.

2. Cumulative amounts of indemnification payments that have been made on guarantees extended that are outstanding at the reporting date.

3. Amounts expected to be recovered from indemnification payments that have been made through the reporting date.

Original Issuer of the Obligation

A government that has outstanding obligations that have been guaranteed by another entity should disclose the following information for each guarantee:

- The name of the entity providing the guarantee.
- The amount of the guarantee.
- The length of time of the guarantee.

- The amount paid, if any, by the guarantor during the current reporting period.
- The cumulative amount paid by the guarantor.
- A description of requirements to repay the guarantor.
- The outstanding amounts, if any, required to be repaid to the guarantor.

If a government has issued a guaranteed obligation for which payments have been made by the guarantor and the obligation is no longer outstanding, it should disclose:

- The amount paid by the guarantor on obligations during the current reporting period.
- The cumulative amount paid by the guarantor.
- A description of requirements to repay the guarantor.
- The outstanding amounts, if any, required to be repaid to the guarantor.

For a detailed discussion of the financial guarantees see BARS Manual 3.4.12, *Financial Guarantees* and GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Note X – Going Concern

Note X – Going Concern

Use in Circumstances Where Substantial Doubt is Alleviated by Management's Plans:

(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.

Use in Circumstances Where Substantial Doubt is Not Alleviated by Management's Plans:

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.)

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, most financial reporting frameworks require an explicit management evaluation specific to the period, for which 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
- Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities that may be affected by the events or conditions.

[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.
- Selling an asset. Consider disclosing any conditions, restrictions, encumbrances or uncertainties related to the sale or marketability of the asset.
- Borrowing money or restructuring debt. Consider disclosing availability and terms of planned financing and any expected need for collateral or third-party guarantees.
- 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 – Government Combinations

Note X – Government Combinations

Government Combinations: Mergers, Transfers of Operations, Acquisitions, Disposals of Operations

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Adjust the title appropriately to the government's combination. The following disclosure applies to any combination:

- Brief description of combination,
- Date of combination, and
- Brief description of the primary reason for the combination.

Government Mergers and Transfers of Operations

The new/continuing government should disclose:

1. Amounts recognized for each financial element in the statement of net position of the merged entity:

- Within total assets, distinguishing: current assets, capital assets, and other assets
- Within total liabilities, distinguishing: current amount from long-term amounts
- Deferred outflows and inflows

2. Brief description of significant adjustment, and

3. Initial amounts recognized by the new/continuing government if different from those previously recognized by the merged entity (because of adjustments).

Government Acquisitions

For government acquisition, the acquiring government should disclose:

- Brief description of the consideration provided,
- Total amount of net position acquired, and
- Brief description of contingent consideration arrangements.

Disposals of Operations

- A government disposing of operations should disclose:
- Identification of operations that were transferred or sold,
- Description of the facts and circumstances leading to the disposal,
- Total expenses (distinguishing between operating and nonoperating),
- Total revenues (distinguishing between operating and nonoperating), and
- Total governmental fund revenues and expenditures.

For a detailed discussion of the governmental combinations see GASB Statement 69, *Government Combinations and Disposals of Government Operations*.

Note X – Interfund Balances and Transfers

Note X – Interfund Balances and Transfers

A. Interfund Balances [1]

Interfund balances at December 31, 20__ were as follows:

		Due From					
		General Fund				All Others	Total
Due To	General Fund	$					$
	Total	$					$

B. Interfund Transfers [2]

Interfund transfers at December 31, 20__ were as follows:

		Transfer From					
		General Fund				All Others	Total
Transfer To	General Fund	$					$
	Total	$					$

Instructions to preparer:

List all major funds (governmental and enterprise). List other funds (non-major governmental, non-major enterprise, internal service funds and fiduciary fund type) in aggregate for each category. Some of these transfers may be immaterial so aggregate them into a single column or row titled *All Others*.

[1] Also, explain the purpose for the interfund balance and disclose which interfund balances are not expected to be repaid within one year from the date of financial statements.

[2] Provide a general description of the principal purpose of the government’s interfund transfers. Provide a detail description of the purpose for significant transfers. A transfer is considered significant if it meets either or both of the following criteria:

1. Does not occur on a routine basis, and/or
2. It is inconsistent with the activities of the fund making the transfer.

Note X – Joint Ventures

Note X – Joint Ventures

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

The definition of ***joint ventures*** and accounting methods are discussed in BARS Manual 3.2.8, *Joint Ventures*. The requirements listed below are necessary regardless of whether or not there is an equity interest.

The note should provide the following information:

1. General description of the joint venture including:

a. Information about ongoing financial interest or ongoing financial responsibility,
b. If applicable, information about equity interest,
c. Information regarding the performance of the joint venture to help users evaluate if the joint venture may cause additional benefit or burden to the participating entity in the future.

2. Information about availability of separate financial statements of the joint ventures (addresses).

The participating entity should also disclose information regarding related party transactions.

Due to the uniqueness of each joint venture we are not able to provide notes for every possible situation. The following sample note depicts all requirements for the joint venture disclosure and should be used as guidance.

The Sample County and Example City operate jointly the Consolidated Computer Center (CCC). The CCC provides data processing services for the county and city. The Center is governed by a four-member board composed of two appointees from the county and two from the city.

The Sample County and the Example City are obligated to remit $150,000 annually to supplement the CCC's operating revenues. Each participant is entitled to one-half of the CCC's annual operating income. On dissolution of the joint venture, the assets will be shared equally between the county and city.

The Sample County's equity interest in the CCC was $1,200,000 on December 31, 20XX.

In 20XX the CCC reported $600,000 in operating income and remitted $300,000 to the Sample County. The county's net investment and its share of operating results are reported in county's computer systems fund (an enterprise fund).

Complete financial statements for the CCC can be obtained from the CCC's administrative office at (address) or from the county clerk's office at the courthouse.

If the city/county/district participates in a jointly governed organization, the notes should provide any relevant information or related party transactions.

Note X – Leases (Lessees)

Note X – Leases (Lessees)

A template for this note is not available. See "Instructions to preparer:" for disclosures that may be required.

Instructions to preparer:

Per GASB 87, *Leases*, a **lessee** should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases:

(1) A general description of its leasing arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined and (2) the existence, terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability.

(2) The total amount of lease assets, and the related accumulated amortization, disclosed separately from other capital assets *(see sample table below).*

(3) The amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets *(see sample table below).*

Example:

	Beg. Bal.	Increases	Decreases	End. Bal.
Leased Land				
Leased Bldgs.				
Leased Equip.				
Total				
Accum. Depr. Leased Bldgs.				
Accum. Depr. Leased Equip.				
Total				

(4) The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability.

(5) The amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.

(6) Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter.

Example:

As of December 31, 2020, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2021	$	$	$
2022	$	$	$
2023	$	$	$
2024	$	$	$
2025	$	$	$
2026-2030	$	$	$
2031-2035	$	$	$
Total	$	$	$

(7) Commitments under leases before the commencement of the lease term.

(8) The components of any loss associated with an impairment (the impairment loss and any related change in the lease liability, as discussed in paragraph 34).

(9) A lessee also should provide relevant disclosures for the following transactions, if applicable:

a. Sublease transactions (see paragraph 81)
b. Sale-leaseback transactions (see paragraph 85)
c. Lease-leaseback transactions (see paragraph 87).

(10) A lessee is not required to disclose collateral pledged as a security for a lease (under paragraph 113 of Statement 62) if that collateral is solely the asset underlying the lease.

Note X – Leases (Lessors)

Note X – Leases (Lessors)

> *A template for this note is not available. See "Instructions to preparer:" for disclosures that may be required.*

Instructions to preparer:

Per GASB 87, *Leases*, a **lessor** should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases and certain regulated leases:

1. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable payments not included in the measurement of the lease receivable are determined.

2. The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from leases, if that amount cannot be determined based on the amounts displayed on the face of the financial statements.

3. The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable, including inflows of resources related to residual value guarantees and termination penalties.

4. The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments.

5. A lessor also should provide relevant disclosures for the following transactions, if applicable:

    1. Leases of assets that are investments (see paragraph 41)
    2. Certain regulated leases (see paragraph 60)
    3. Sublease transactions (see paragraph 81)
    4. Sale-leaseback transactions (see paragraph 85)
    5. Lease-leaseback transactions (see paragraph 87).

6. In addition to the disclosures above, if a lessor's principal ongoing operations consist of leasing assets to other entities, the government should disclose a schedule of future payments that are included in the measurement of the lease receivable, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter.

Example:

As of December 31, 2020, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principal	Interest	Total
2021	$	$	$
2022	$	$	$
2023	$	$	$

2024	$	$	$
2025	$	$	$
2026-2030	$	$	$
2031-2035	$	$	$
Total	$	$	$

7. A lessor with one or more regulated leases, as described in paragraphs 42 and 43, should disclose the following about those lease activities (which may be grouped for purposes of disclosure), other than short-term leases:

a. A general description of its agreements.

b. The extent to which capital assets are subject to preferential or exclusive use by counterparties under agreements, by major class of assets and by major counterparty.

c. The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from these agreements, if that amount cannot be deter- mined based on the amounts displayed on the face of the financial statements.

d. A schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter.

e. The amount of inflows of resources recognized in the reporting period for variable payments not included in expected future minimum payments.

Note X – Long-Term Debt

Note X – Long-Term Debt

A. Long-Term Debt

The (city/county/district) issues general obligation and revenue bonds to finance the purchase of __________ and the acquisition or construction of __________. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The (city/county/district) is also liable for notes that were entered into for the purchase of __________. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General obligation bonds currently outstanding are as follows: **[1]**

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
			$	$
			$	$

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
20__	$	$	$	$
20__				
20__				
20				
20__				
20__ - 20__ [2]				
Total	$	$	$	$

Also see Footnote 2

The annual debt service requirements to maturity for debt from direct borrowings and direct placement are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
20__	$	$	$	$
20__				
20__				
20				
20__				
20__ - 20__ [2]				
Total	$	$	$	$

Also see Footnote 2

The revenue bonds currently outstanding are as follows: **[1]**

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
			$	$
			$	$

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
20__	$	$
20		
20__		
20__		
20		
20__ - 20__ [2]		
Total	$	$

Also see Footnote 2

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount. **[3]**

At December 31, 20__, the (city/county/district) has $_________ available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain $_________ in sinking funds and reserves as required by bond indentures.

The (city/county/district) has pledged future (identify pledged revenue) revenue, net of (e.g., specified operating expenses, etc.), to repay $ in revenue bonds issued in , 20__. Proceeds from the bonds provided financing for (describe the purpose). The bonds are payable solely from (identify pledged revenue) revenue and are payable through 20__. Annual principal and interest payments on the bonds are expected to require less than percent of net revenues. The total principal and interest remaining to be paid on the bonds is $. Principal and interest paid for the current year and total (identify pledged revenue) were $ and $, respectively. **[4]**

B. Refunded Debt **[5]**

The (city/county/district) issued $_________ of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $_________ of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next _____ years by $_________ and resulted in an economic gain of $_________.

Debt service requirements to maturity that would result if the take-out agreement were exercised

C. Conduit Debt **[6]**

D. Special Assessments **[7]**

E. Demand Bonds **[8]**

F. Unused Lines of Credit

The (city/county/district) also has an outstanding line of credit in the amount of $_____.

G. Other **[9]**

Instructions to preparer:

If conduit (no-commitment) debt is reported on the balance sheet, it needs to be included in all long-term disclosures.

Include ***all*** of the Schedule of Liabilities (Schedule 09), except debt of special purpose districts accounted for by counties.

If the city/county/district is authorized to issue debt that has not yet been issued, the notes should disclose this fact.

[1] The interest for variable-rate debt should be computed using rate effective at year end. The government should also disclose the terms by which interest rates for variable-debt change.

This disclosure is recommended. Also, it's recommended to disclose applicability of federal arbitrage regulations.

[2] Use five-year increments thereafter.

[3] If the government displays general long-term or special assessment debt net of premium or discount, you need to modify this paragraph to disclose the government's policy. You need to make a similar disclosure if the government capitalizes debt issue costs (rather than showing them as a current expenditure when paid, or netting proceeds of long-term debt) for general debt.

[4] For more details see Governmental Accounting Standards Board (GASB) Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, paragraph 21.

The disclosures in this paragraph are not required for legally separate entities that report as stand-alone business-type activities whose operations are financed primarily by a single major revenue source.

If a specific revenue stream is pledged as security for multiple debt issuances, the required disclosures may be combined in a single note.

For this disclosure, pledged revenues recognized during the period may be presented net of specified operating expenses, based on the provisions of the pledged agreement; however, the amounts should not be netted in the financial statements.

[5] The city/county/district that issues debt to defease or otherwise extinguish existing obligations should provide this disclosure in the year of transaction. In the periods following an advance refunding in which the old debt is still outstanding the city/county/district would make the following disclosure:

In prior years the (city/county/district) defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the (city/county/district's) financial statements. At December 31, 20___, $_________ (*) of bonds outstanding are considered defeased.

(*) The amount should include debt refunded with resources other than refunding debt (GASB Statement 86, *Certain Debt Extinguishment Issues*).

The economic gain or loss on a refunding transaction is calculated in the following manner:

- The present value of the debt service payments related to the refunding debt is calculated using the following formula:

Face amount of bonds
\+ Premium (or - original issue discount)
\+ Accrued interest
\- Costs not recoverable through escrow earnings
\+ Remaining prepaid insurance

Present value of debt service payments on refunding debt

- A calculation is made to determine what effective interest rate applied to the debt service payments on the *refunding* bonds would result in the present value determined in the previous calculation;

- The effective interest rate calculated for the refunding bonds is then applied to the debt service on the *refunded* bonds to calculate the present value of debt service on the latter;

- The difference between the present value of the two debt service streams (refunding debt and refunded debt) constitutes the economic gain or loss on the transaction.

If the government is using ***only existing resources***, the note should include a general description of the transaction (e.g., amount of debt, amount of cash and other monetary assets acquired with existing resources placed with the escrow agent, the reasons for defeasance, the cash flows required to service the defeased debt, etc.).

The government should also disclose, if applicable, a lack of a prohibition in substituting essentially risk-free monetary assets with monetary assets that are not essentially risk-free. In the following periods, the amounts outstanding for which there is no prohibition in a substitution should be reported separately. (GASB Statement 86, *Certain Debt Extinguishment Issues*)

The city/county/district should disclose: amounts of debt defeased *in substance*, but still outstanding as of the end of each fiscal year, should be disclosed in the notes. The amount should include debt refunded with resources other than refunding debt (GASB Statement 86, *Certain Debt Extinguishment Issues*)

[6] See BARS Manual 3.4.12, Financial Guarantees and Conduit Debt for information on conduit debt.

The city/county/district should disclose:

- A general description of their conduit debt obligations
- A general description of their limited commitments
- A general description of their voluntary commitments (if any)
- A general description of their additional commitments (if any), including:
    - The legal authority and limits for extending the commitments
    - The length of time of the commitments
    - Arrangements, if any, for recovering payments from the third-party obligors
- The aggregate outstanding principal amount of all conduit debt obligations that share the same type of commitment at the end of the reporting period.

If the city/county/district recognized a liability related to conduit debt they should disclose:

- A brief description of the timing of recognition and measurement of the liability and information about the changes in the recognized liability, including:
    - Beginning of period balances
    - Increases, including payments made and adjustments increasing estimates
    - Decreases, including payments made and adjustments decreasing estimates
    - End of period balances
- Cumulative amounts of payments that have been made on the recognized liability at the reporting date (if any)
- Amounts expected to be recovered from those payments (if any).

Additionally, there may be instances in which an issuer's additional commitment for each individual conduit debt obligation does not meet the recognition criteria, but when all such commitments are considered in the aggregate, it becomes more likely than not that some additional commitment will be honored. In those situations, the issuer may need to consider the disclosure requirements in paragraph 107 of Statement 62, as amended, when no liability is recognized for a loss contingency.

[7] If the city/county district issued a special assessment for which is ***obligated*** in some manner, the note should discuss this debt. The note should disclose the nature of the city/county/district's obligation. It should identify and describe any guarantee, reserve or sinking fund established to cover defaults by property owners. If not discernible on the face of the financial statements, the note should disclose the amount of delinquent special assessments receivable.

If the city/county/district issued a special assessment for which is ***not obligated*** in any manner, the note should disclose this debt, amount and the fact that the city/county/district is acting only as an agent and is not liable for debt.

[8] The notes should disclose all of the following information regarding demand bonds:

- The terms of any letters of credit or other liquidity facilities outstanding,
- Commitment fees to obtain the letters of credit and any amounts drawn on them outstanding as of the end of the fiscal year,
- The take-out agreement including its expiration date, commitment fees to obtain that agreement, and the terms of any new obligation incurred or expected to be incurred as a result of the take-out agreement.

[9] Examples:

- Loans with forgiveness clauses. Include parties in contract, property secured, terms to convert the loan to a grant, amount to be repaid if forgiveness conditions are not met.

- Grants with recoverable clauses. Include: parties in contract, terms removing recoverable clause, 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.

- Assets pledged as collateral for debt. Include type and amount of debt which is subject of the collateral (GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*).

- Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses. (GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*)

Note X – Major Component Units

Note X – Major Component Units

A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.

Instructions to preparer:

The determination that the component unit is a major should be based on the nature and significance of its relationship with to the primary government. The determination generally would be based on any of the following factors: (1) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (2) there are significant transactions with the primary government, or (3) there is a significant benefit or burden relationship with the primary government. Governmental Accounting Standards Board (GASB) Statement 14 and GASB Statement 61.

The major component units can be presented in the following ways:

1. Separate columns in the government wide financial statements,
2. Combining statements included in basic financial statements, or
3. Condensed financial statements within the notes to the financial statements.

If combining statements are used for presentation they are required to show the major component units (each in a separate column), the aggregate of all non-major component units in one column, and a total column.

If note disclosure is used to report major component units the city/county/district is required to present condensed financial statements. The following information should be displayed.

a. Condensed statement of net position:

1. Total assets distinguishing between capital assets and other assets. Amounts receivable from the primary government should be reported separately;
2. Total deferred outflows of resources;
3. Total liabilities distinguishing between long-term debt and other liabilities. Amounts payable to the primary government should be reported separately;
4. Total deferred inflows of resources;
5. Total net position distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts of net investment in capital assets.

b. Condensed statement of activities (for units engaged in ***governmental*** activities):

1. Expenses by major function (and unallocated depreciation if reported in a separate line);
2. Program revenues by type;
3. Net program (expense) revenue;
4. Tax revenues;
5. Other nontax general revenues;
6. Contributions to endowments and permanent funds principal;
7. Special and extraordinary items;

8. Change in net position;
9. Beginning net position; and
10. Ending net position.

c. Condensed statement of revenues, expenses, and changes in net position (for units engaged in ***business-type*** activities):

1. Operating revenue (by major source);
2. Operating expenses (depreciation/amortization should be identified separately);
3. Operating income (loss);
4. Nonoperating revenues (expenses) by major items;
5. Capital contributions and additions to permanent and term endowments;
6. Special and extraordinary items;
7. Transfers;
8. Change in net position;
9. Beginning net position; and
10. Ending net position.

Condensed statement of cash flows is **not** required.

If the city/county/district has major component units separate information may also need to be presented in the notes for investments, capital assets, and long-term debt, if that information is significant to the government. This information may be displayed in the same note (i.e., long-term debt, etc.); however, it should be shown separately from the city/county/district’s information.

Note X – OPEB Defined Benefit Plan - No Qualifying Trust

Note X – OPEB Defined Benefit Plan – No Qualifying Trust

Instructions to preparer:

The instructions below assume the plan is **not** *administered through a qualifying trust* and there is no special funding situation. See paragraphs 162 through 171 of Governmental Accounting Standards Board (GASB) Statement 75.

If applicable, the notes should separately identify amounts for the primary government (including blended component units) from amounts for discretely presented component units.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 20___:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	*$*
OPEB assets	*$*
Deferred outflows of resources	*$*
Deferred inflows of resources	*$*
OPEB expenses/expenditures	*$*

The table appears once in the notes and reports the aggregate amounts for all plans, regardless of the type of OPEB plan and whether or not it is administered through a qualifying trust. OPEB assets would be relevant only for plans that are administered through a qualifying trust.

OPEB Plan Description

Plan descriptions are specific to each plan and the following information (a. through e.) should be disclosed about ***each*** OPEB plan.

a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer or multiple-employer defined benefit plan.

b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic postemployment benefit changes, including automatic COLAs, and ad hoc postemployment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.

c. The number of employees covered by the benefit terms, separately identifying numbers of the following: (1) Inactive employees currently receiving benefit payments (2) Inactive employees entitled to but not yet receiving benefit payment (3) Active employees. Note: “inactive employee” = retiree.

Example:

Employees covered by benefit terms: *At December 31, 20__, the following employees were covered by the benefit terms[1]:*

Inactive employees or beneficiaries currently receiving benefits	*1,000*
Inactive employees entitled to but not yet receiving benefits	*100*
Active employees	*10,000*
Total	*11,100*

d. The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.

Example:

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.
or
The plan is administered through a trust that does not meet the requirements of a qualifying trust under paragraph 4 of GASB Statement 75. (Then describe each criterion of paragraph 4 that the trust does not meet).

e. Identification of the authority under which requirements for the employer and nonemployer contributing entities, if any, to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the employer for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.

Assumptions and other inputs

Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. With regard to the sharing of benefit-related costs, if projections are based on an established pattern of practice, that fact should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumptions are based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement. With regard to the discount rate, the rate applied in the measurement and the source of that rate should be disclosed.

In addition, if the alternative measurement method is used to measure the total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225 of GASB Statement 75 should be disclosed.

Measures of the total OPEB liability calculated using each of the following rates, should be disclosed:

a. If applicable, a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate, and a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate. Note: This information should come from your actuarial valuation.

Example:

The following presents the total OPEB liability of the (city/county/district) calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) that the current rate.

	1% Decrease (5.8%)	*Current Healthcare Cost Trend Rate (6.8%)*	*1% Increase (7.8%)*
Total OPEB Liability	*$1,500,000*	*$3,000,000*	*$5,000,000*

b. A discount rate that is 1-percentage-point higher than the current rate, and a discount rate that is 1-percentage-point lower than the current rate.
Note: This information should come from your actuarial valuation.

Example:

The following presents the total OPEB liability of the (city/county/district) calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) that the current rate.

	1% Decrease (2.5%)	*Current Discount Rate (3.5%)*	*1% Increase (4.5%)*
Total OPEB Liability	*$6,000,000*	*$3,000,000*	*$2,000,000*

Changes in the Total OPEB Liability

For the current reporting period, a schedule of changes in the total OPEB liability should be presented.

Note: This information should come from your actuarial valuation.

* If the ***alternative*** measurement method was used, you may combine the amounts for differences between expected and actual experience and changes of assumptions.

Plan Name	
Total OPEB Liability at 01/01/20__	*$*
Service cost	
Interest	
Changes of benefit terms	
**Differences between expected and actual experience*	
**Changes of assumptions*	
Benefit payments	
Other changes	
Total OPEB Liability at 12/31/2__	*$*

In addition to the information required above, the following information should be disclosed, if applicable:

a. The measurement date of the total OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date. If the alternative measurement method is used to measure the total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.

b. A brief description of changes of assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement date.

c. A brief description of changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

d. The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies.

e. A brief description of the nature of changes between the measurement date of the total OPEB liability and the employer's reporting date that are expected to have a significant effect on the total OPEB liability and the amount of the expected resultant change in the total OPEB liability, if known.

f. The amount of OPEB expense recognized by the employer in the reporting period.

g. The employer's balances of deferred outflows of resources and deferred inflows of resources related to OPEB, as applicable:

Note: This information should come from your actuarial valuation. Under the alternative measurement method, deferred outflows and inflows ***are not*** calculated for anything other than payments subsequent to the measurement date.

Example:

At December 31, 20__, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Differences between expected and actual experience	*$*	*$*
Changes of assumptions	*$*	*$*
Payments subsequent to the measurement date	*$*	*$*
*TOTAL**	*$*	*$*

* Total should agree to amounts presented in the financial statements.

For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in the table above that will be recognized in the employer's OPEB expense.

Prepare a separate table for each plan.

Example:

Deferred outflows of resources of $________ resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 20X8. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2019	*$*
2020	*$*
2021	*$*
2022	*$*
2023	*$*
Thereafter	*$*

Required Supplementary Information

See RSI requirements at RSI Other Postemployment Benefit (OPEB) Plan Schedules.

Instructions to Preparer:

[1] For PEBB plans (or other group plans not administered by the government), if you are unable to determine the number of inactive employees entitled to but not yet receiving benefits, disclose that fact.

Example:

Inactive employees or beneficiaries currently receiving benefits	*1,000*
Inactive employees entitled to but not yet receiving benefits	***
Active employees	*10,000*
Total	*11,000*

**It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the (city/county/district), Health Care Authority or the state of Washington.*

Note X – OPEB Defined Benefit Plan - Qualifying Trust

Note X – OPEB Defined Benefit Plan - Qualifying Trust

Instructions to preparer:

The instructions below assume the plan ***is*** administered through a qualifying trust and there is ***no special funding situation***. See paragraphs 47 through 58 of Governmental Accounting Standards Board (GASB) Statement 75.

If applicable, the notes should separately identify amounts for the primary government (including blended component units) from amounts for discretely presented component units.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 20__:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	*$*
OPEB assets	*$*
Deferred outflows of resources	*$*
Deferred inflows of resources	*$*
OPEB expense/expenditures	*$*

The table appears once in the notes and reports the aggregate amounts for all plans, regardless of the type of OPEB plan and whether or not it is administered through a qualifying trust. OPEB assets would be relevant only for plans that are administered through a qualifying trust.

OPEB Plan Description

Plan descriptions are specific to each plan and the following information (a. through e.) should be disclosed about ***each*** OPEB plan.

a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer or agent OPEB plan. The number of participating employers (if an agent or cost-sharing plan). Information regarding the OPEB plan's board and its composition.

b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic postemployment benefit changes, including automatic COLAs, ad hoc postemployment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.

c. The number of employees covered by the benefit terms, separately identifying numbers of the following: (1) Inactive employees currently receiving benefit payments (2) Inactive employees entitled to but not yet receiving benefit payments [1] (3) Active employees. Note: "inactive employee" = retiree.

Example:

Employees covered by benefit terms: *At December 31, 20__, the following employees were covered by the benefit terms:*

Inactive employees or beneficiaries currently receiving benefits	*1,000*
Inactive employees entitled to but not yet receiving benefits	*100* [1]
Active employees	*10,000*
Total	*11,100*

d. A brief description of contribution requirements, including (1) the basis for determining the employer's contributions to the OPEB plan (for example, statute, contract, an actuarial basis, or some other manner); (2) identification of the authority under which contribution requirements of the employer, nonemployer contributing entities, if any, and employees are established or may be amended; (3) legal or contractual maximum contribution rates, if applicable; and (4) the contribution rates (in dollars or as a percentage of covered payroll) of the employer, nonemployer contributing entities, if any, and employees for the reporting period. Also, the amount of contributions recognized by the OPEB plan from the employer during the reporting period, excluding amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables, if not otherwise disclosed.

e. Whether the OPEB plan issues a stand-alone financial report (or the OPEB plan is included in the report of another government) that is available to the public and, if so, how to obtain the report (for example, a link to the OPEB plan report on the employer's website).

Assumptions and Other Inputs

Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.

In addition, the following information related to assumptions and other inputs should be disclosed, as applicable:

a. The fact that projections of the sharing of benefit-related costs are based on an established pattern of practice.

b. The source of the mortality assumptions (for example, the published tables on which the assumptions are based or that the assumptions are based on a study of the experience of the covered group).

c. The dates of experience studies on which significant assumptions are based.

d. If the alternative measurement method is used to measure the total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225 of GASB Statement 75.

e. ***If applicable***, measures of the net OPEB liability calculated using (1) a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate and (2) a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate. Note: this information should come from your actuarial valuation.

Example:

The following presents the net OPEB liability of the (city/county/district) calculated using the current *healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) that the current rate.*

	1% Decrease (5.8%)	*Current Healthcare Cost Trend Rate (6.8%)*	*1% Increase (7.8%)*
Net OPEB Liability	*$1,500,000*	*$3,000,000*	*$5,000,000*

The following information should be disclosed about the **discount rate**:

a. The discount rate applied in the measurement of the total OPEB liability and the change in the discount rate since the prior measurement date, if any

b. Assumptions made about projected cash flows into and out of the OPEB plan, such as contributions from the employer, nonemployer contributing entities, and employees

c. The long-term expected rate of return on OPEB plan investments and a brief description of how it was determined, including significant methods and assumptions used for that purpose

d. If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate

e. The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate are applied in determining the discount rate

f. The assumed asset allocation of the OPEB plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed

g. Measures of the net OPEB liability calculated using (1) a discount rate that is 1-percentage-point higher than current rate and (2) a discount rate that is 1-percentage-point lower than the current rate.

Note: This information should come from your actuarial valuation.

Example:

The following presents the net OPEB liability of the (city/county/district) calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) that the current rate.

	1% Decrease (2.5%)	*Current Discount Rate (3.5%)*	*1% Increase (4.5%)*
Net OPEB Liability	*$6,000,000*	*$3,000,000*	*$2,000,000*

Changes in the Net OPEB Liability

For the current reporting period, a schedule of changes in the net OPEB liability should be presented.
Note: This information should come from your actuarial valuation.

*If the ***alternative*** measurement method was used, you may combine the amounts for differences between expected and actual experience and changes of assumptions.

Plan Name	*Total OPEB Liability (a)*	*Plan Fiduciary Net Position (b)*	*Net OPEB Liability (a)–(b)*
Balances at 1/1/20__	*$*	*$*	*$*
Changes for the year:			
Service cost			
Interest			
Changes of benefit terms			
**Differences between expected and actual experience*			
**Changes of assumptions*			
Contributions – employer			
Contributions – employees			
Net investment income			
Benefit payments, including refunds of contributions			
Administrative expense			
Other changes			
Net changes			
Balances at 12/31/20__			

In addition to the information required above, the following information should be disclosed, if applicable:

a. The measurement date of the net OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date. If the alternative measurement method is used to measure the total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.

b. If the employer has a special funding situation, the employer's proportion (percentage) of the collective net OPEB liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.

c. A brief description of changes of assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement date.

d. A brief description of changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

e. The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies.

f. A brief description of the nature of changes between the measurement date of the net OPEB liability and the employer's reporting date that are expected to have a significant effect on the net OPEB liability, and the amount of the expected resultant change in the net OPEB liability, if known.

g. The amount of OPEB expense recognized by the employer in the reporting period.

h. The employer’s balances of deferred outflows of resources and deferred inflows of resources related to OPEB, if applicable:

Note: This information should come from your actuarial valuation. Under the alternative measurement method, deferred outflows and inflows are not calculated for anything other than payments subsequent to the measurement date.

Example:

At December 31, 20__, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Differences between expected and actual experience	*$*	*$*
Changes of assumptions	*$*	*$*
Net difference between projected and actual investment earnings on OPEB plan investments	*$*	*$*
Contributions subsequent to the measurement date	*$*	*$*
*TOTAL**	*$*	*$*

* Total should agree to amounts presented in the financial statements.

For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer’s balances of deferred outflows of resources and deferred inflows of resources in the table above that will be recognized in the employer’s OPEB expense.

Prepare a separate table for each plan.

Example:

Deferred outflows of resources of $__________ resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 20X8. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	*Plan Name*
2019	*$*
2020	*$*
2021	*$*
2022	*$*
2023	*$*
Thereafter	*$*

The following information is required by GASB Statement 74 for employers who do **not** issue a separate, stand-alone financial report for the plan.

OPEB Plan Investments

(1) Investment policies, including:

a. Procedures and authority for establishing and amending investment policy decisions.

b. Policies pertaining to asset allocation.

c. Description of significant investment policy changes during the reporting period.

(2) Identification of investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represents 5 percent or more of the OPEB plan's fiduciary net position.

(3) The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, and an explanation that a money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested. OPEB plan investment expense should be measured on the accrual basis of accounting. Inputs to the internal rate of return calculation should be determined at least monthly. The use of more frequently determined inputs is encouraged.

Receivables

The terms of any long-term contracts for contributions to the OPEB plan between an employer or nonemployer contributing entity and the OPEB plan, and the balances outstanding on any such long-term contracts at the end of the OPEB plan's reporting period.

Reserves

In circumstances in which there is a policy of setting aside, for purposes such as benefit increases or reduced employer contributions, a portion of the OPEB plan's fiduciary net position that otherwise would be available for existing OPEB or for OPEB plan administration:

(1) A description of the policy related to such reserves

(2) The authority under which the policy was established and may be amended

(3) The purposes for and conditions under which the reserves are required or permitted to be used

(4) The balances of the reserves.

Required Supplementary Information

See RSI requirements at RSI Other Postemployment Benefit (OPEB) Plan Schedules.

Instructions to preparer:

[1] For plans administered by the government, if you are unable to determine the number of inactive employees entitled to but not yet receiving benefits, disclose that fact.

Example:

Inactive employees or beneficiaries currently receiving benefits	*1,000*
Inactive employees entitled to but not yet receiving benefits	*
Active employees	*10,000*
Total	*11,000*

**It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased.*

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 20___ and held $____ of employee premiums at fiscal year-end.

Note X – Pension and/or OPEB Plans - Defined Contribution

Note X – Pension and/or OPEB Plans - Defined Contribution

Instructions to preparer:

These requirements are only applicable to plans if the employer contributions. Governments can choose to disclose plans that only employees contribute to but must make it clear that the employer does not contribute.

The following information should be disclosed in notes to financial statements about each defined contribution pension and/or OPEB plan to which the **employer contributes**:

- The name of the plan, identification of the entity that administers the plan, and identification of the plan as a defined contribution pension or OPEB plan,
- A brief description of the benefit terms (including terms, if any, related to vesting and forfeitures and the policy related to the use of forfeited amounts) and the authority under which benefit terms are established or may be amended,
- If the plan is administered through a qualifying trust, the contribution (or crediting) rates (in dollars or as a percentage of salary) for employees, the employer, and non-employer contributing entities, if any, and the authority under which those rates are established or may be amended,
- If the plan is not administered through a qualifying trust:
  - The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 or paragraph 4 of GASB Statement 75, and each criterion that the trust does not meet, should be disclosed.
  - Identification of the authority under which requirements for the employer to pay pensions or OPEB as the benefits come due are established or may be amended. Also, the amount paid by the employer for pensions or OPEB as the benefits came due during the reporting period, if not otherwise disclosed.
- The amount of pension or OPEB expense recognized by the employer in the reporting period,
- The amount of forfeitures reflected in pension or OPEB expense recognized by the employer in the reporting period,
- The amount of the employer's liability outstanding at the end of the period, if any.

Note X – Pension and/or OPEB Plans - Nongovernmental Plans

Note X – Pension and/or OPEB Plans - Nongovernmental Plans (Pensions and/or OPEB Provided Through Certain Multiple-Employer Defined Benefit Pension Plans)

Instructions to preparer:

Note that this guidance applies only to defined benefit plans; not defined contribution plans. See also, Note X – *Pension and/or OPEB Plans - Defined Contribution*.

Note Disclosures (GASB Statement 78, paragraph 8 and GASB Statement 85, paragraph 23):

a. Name of each pension and/or OPEB plan, identification of the entity that administers the plan, and identification of the plan as a cost-sharing plan.

(1) is not a state or local governmental pension plan
(2) is used to provide defined benefit pensions to both state/local government employees and non-state/local government employees
(3) has no predominate state/local governmental employer (either individually or collectively)

b. Whether the pension and/or OPEB plan issues a publicly available financial report and, if so, how to obtain the report.

c. A brief description of the benefit terms, including:

(1) The number of the government's employees covered,
(2) The types of benefits provided,
(3) The authority under which benefit terms are established or may be amended.

d. A brief description of contribution requirements, including:

(1) The basis for determining the employer's contributions to the plan (for example, pursuant to a collective-bargaining agreement),
(2) Identification of the authority under which contribution requirements of the employer and its employees are established or may be amended,
(3) The required contribution rates of the employer and its employees for the reporting period,
(4) The amount, in dollars, of the employer's required contributions for the reporting period,
(5) The expiration date(s) of the collective-bargaining agreement(s) requiring contributions to the plan, if any,
(6) A description of any minimum contributions required for future periods by the collective-bargaining agreement(s), statutory obligations, or other contractual obligations, if applicable,
(7) Whether the employer is subject to any provisions regarding withdrawal from the plan.

e. The following information about the employer's payables, if any:

(1) If not otherwise identifiable, the balance of payables,
(2) Significant terms related to the payables,
(3) A description of what gave rise to the payables (for example, required contributions to the plan or a contractual arrangement for contributions to the plan related to past service upon entrance into the arrangement).

Required Supplementary Information

See RSI Requirements at RSI Pension Plan Information.

See RSI requirements at RSI Other Postemployment Benefit (OPEB) Plan Schedules.

Note X – Pensions - Defined Benefit Plans – No Qualifying Trust

Note X – Pensions - Defined Benefit Plans – No Qualifying Trust

A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.

Instructions to preparer:

These instructions address the requirements for local governments whose pension plans must comply with GASB Statement 73 because they are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement 68.

For these plans, a pension trust fund cannot be reported as a fiduciary fund in the financial statements. The activity should be rolled into the general fund for financial statement reporting

For these plans, a pension trust fund cannot be reported as a fiduciary fund in the financial statements. The activity should be rolled into the general fund for financial statement reporting

The following should be disclosed in the notes to the financial statements and supplementary information, as applicable.

The total (aggregate for all pensions, regardless of the type of pension plans and whether or not the plans are administered through qualifying trusts) of the employer's pension liabilities, pension assets (only applicable to plans administered through qualifying trusts), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures for the period associated with pension liabilities should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

Example:

The following table represents the aggregate pension amounts for all plans for the year 20XX:

Aggregate Pension Amounts – All Plans	
Pension liabilities	*$*
Pension assets	*$*
Deferred outflows of resources	*$*
Deferred inflows of resources	*$*
Pension expense/expenditures	*$*

The information identified in the following paragraphs should be disclosed for benefits provided through **each** single-employer pension plan in which the employer participates. Disclosures related to more than one pension plan should be combined in a manner that avoids unnecessary duplication.

In circumstances in which the employees of a primary government and its component units are provided with pensions through the same pension plan, the note disclosures in the reporting entity's financial statements should separately identify amounts associated with the primary government (including its blended component units) and those associated with its discretely presented component units.

Pension Plan Description

The following information should be disclosed about the pension plan through which benefits are provided:

a) The name of the pension plan, identification of the public employee retirement system or other entity that administers the pension plan, and identification of the pension plan as a single-employer pension plan.

b) A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the pension formulas; (4) the terms or policies, if any, with respect to automatic postemployment benefit changes, including automatic COLAs, and ad hoc postemployment benefit changes, including ad hoc COLAs; and (5) the authority under which benefit terms are established or may be amended. If the pension plan is closed to new entrants, that fact should be disclosed.

c) The number of employees covered by the benefit terms, separately identifying numbers of the following:

(1) Inactive employees (or their beneficiaries) currently receiving benefits

(2) Inactive employees entitled to but not yet receiving benefits

(3) Active employees.

d) The fact that there are no assets accumulated in a qualifying trust. Each of the 3 qualifying criterion that the plan does not meet should be disclosed.

e) Identification of the authority under which requirements for the employer to pay pensions as the benefits come due are established or may be amended. Also, the amount paid by the employer for pensions as the benefits came due during the reporting period, if not otherwise disclosed.

Note to Preparer:
Firefighters' Pension Fund (RCW 41.16.050) – The state contributes 25% of taxes on fire insurance premiums to these plans and is considered a non-employer contributing entity. The amount of these contributions received (BARS account 3360691) should be disclosed. This is not considered a special funding situation.

Assumptions and Other Inputs

Significant assumptions and other inputs used to measure the total pension liability, including assumptions about inflation, salary changes, and ad hoc postemployment benefit changes (including ad hoc COLAs) should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumption is based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. If different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.

With regard to the discount rate, the rate applied in the measurement and the source of that rate should be disclosed. Measures of the total pension liability calculated using (1) a discount rate that is 1-percentage-point higher than the current discount rate and (2) a discount rate that is 1-percentage-point lower than the current discount rate.

Example:

	1% decrease (3%)	*Current Disc. Rate (4%)*	*1% Increase (5%)*
Total Pension Liability	*825,000*	*750,000*	*660,000*

Changes in the Total Pension Liability

For the current reporting period, a schedule of changes in the total pension liability should be presented. The schedule should separately include the information in the table below.

Example:

Changes in the Total Pension Liability

Plan Name	*Total Pension Liability*
Balances at 1/1/20XX	*$*
Changes for the year:	
Service Cost	
Interest	
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments	
*Other changes**	
Net changes	
Balance at 12/31/20XX	

*Identify other changes separately if individually significant

In addition to the information required above, the following information should be disclosed, if applicable:

a) The measurement date of the total pension liability, the date of the actuarial valuation on which the total pension liability is based, and, if applicable, the fact that update procedures were used to roll forward the total pension liability to the measurement date

b) A brief description of changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date

c) A brief description of changes of benefit terms that affected measurement of the total pension liability since the prior measurement date

d) The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies

e) A brief description of the nature of changes between the measurement date of the total pension liability and the employer's reporting date that are expected to have a significant effect on the total pension liability, and the amount of the expected resultant change in the total pension liability, if known

f) The amount of pension expense recognized by the employer in the reporting period

g) The employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions, classified as shown in the table below:

Example:

At December 31, 20XX, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan Name	*Deferred Outflows of Resources*	*Deferred Inflows of Resources*
Differences between expected and actual experience	*$*	*$*
Changes of assumptions	*$*	*$*
Payments subsequent to the measurement date	*$*	*$*
*TOTAL**	*$*	*$*

* *Total should agree to amounts presented in the financial statements.*

A schedule presenting the following:

(1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) above that will be recognized in the employer's pension expense

(2) The amount of the employer's balance of deferred outflows of resources that will be recognized as a reduction of the total pension liability

Example:

Deferred outflows of resources related to pensions resulting from the (city/county/district's) payments subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 20XX (next year). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	*Plan Name*
20X1	*$*
20X2	*$*
20X3	*$*
20X4	*$*
20X5	*$*
Thereafter	*$*

Required Supplementary Information (RSI)

See RSI Requirements at RSI Pension Plan Information.

Note X – Pensions - Defined Benefit Plans - Qualifying Trust

Note X – Pensions - Defined Benefit Plans - Qualifying Trust

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

These instructions address the requirements for local governments whose pension plans comply with GASB Statements 67/68 and do not issue a separate stand-alone financial report for the plan. For more details regarding the note disclosures for a pension trust fund see GASB Statement 67, paragraphs 30-31. See the GASB Statement 67 implementation guide for sample note disclosures and RSI tables. For more details regarding note disclosures for single-employer plans, see GASB Statement 68, paragraphs 39-45. See the GASB Statement 68 implementation guide for sample note disclosures and RSI tables. Similar information is required by Statements 67 and 68. These instructions assume that the employer includes the pension plan in its financial reporting entity as a pension trust fund or as a fiduciary component unit and endeavors to present the information in a manner that avoids unnecessary duplication.

The following should be disclosed in the notes to the financial statements and supplementary information, as applicable.

The total (aggregate for all pensions, whether provided through single employer, agent, or cost-sharing pension plans) of the employer's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures for the period associated with net pension liabilities should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

Example:

The following table represents the aggregate pension amounts for all plans for the year 20XX:

Aggregate Pension Amounts – All Plans	
Pension liabilities	*$*
Pension assets	*$*
Deferred outflows of resources	*$*
Deferred inflows of resources	*$*
Pension expense/expenditures	*$*

The information identified in the following paragraphs should be disclosed for benefits provided through **each** single-employer pension plan in which the employer participates. Disclosures related to more than one pension plan should be combined in a manner that avoids unnecessary duplication.

In circumstances in which the employees of a primary government and its component units are provided with pensions through the same single-employer pension plan, the note disclosures in the reporting entity's financial statements should separately identify amounts associated with the primary government (including its blended component units) and those associated with its discretely presented component units.

Pension Plan Description

The following information should be disclosed about the pension plan through which benefits are provided:

a. The name of the pension plan, identification of the public employee retirement system or other entity that administers the pension plan, and identification of the pension plan as a single-employer pension plan.

b. Information regarding the pension plan's board and its composition (for example, the number of trustees by source of selection or the types of constituency or credentials applicable to selection).

c. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the pension formulas; (4) the terms or policies, if any, with respect to automatic postemployment benefit changes, including automatic COLAs, and ad hoc postemployment benefit changes, including ad hoc COLAs; and (5) the authority under which benefit terms are established or may be amended. If the pension plan is closed to new entrants, that fact should be disclosed.

d. The number of employees covered by the benefit terms, separately identifying numbers of the following:

(1) Inactive employees (or their beneficiaries) currently receiving benefits

(2) Inactive employees entitled to but not yet receiving benefits

(3) Active employees

e. A brief description of contribution requirements, including (1) the basis for determining the employer's contributions to the pension plan (for example, statute, contract, an actuarial basis, or some other manner); (2) identification of the authority under which contribution requirements of the employer, non-employer contributing entities, if any, and employees are established or may be amended; and (3) the contribution rates (in dollars or as a percentage of covered payroll) of those entities for the reporting period. Also, the amount of contributions recognized by the pension plan from the employer during the reporting period (measured as the total of amounts recognized as additions to the pension plan's fiduciary net position resulting from actual contributions and from contributions recognized by the pension plan as current receivables), if not otherwise disclosed.

Note to Preparer:
Firefighters' Pension Fund (RCW 41.16.050) – The state contributes 25% of taxes on fire insurance premiums to these plans and is considered a non-employer contributing entity. The amount of these contributions received (BARS account 3360691) should be disclosed. This is not considered a special funding situation.

f. Whether the pension plan issues a stand-alone financial report (or the pension plan is included in the report of a public employee retirement system or another government) that is available to the public and, if so, how to obtain the report (for example, a link to the report on the public employee retirement system's website).

Assumptions and Other Inputs

Significant assumptions and other inputs used to measure the total pension liability, including assumptions about inflation, salary changes, and ad hoc postemployment benefit changes (including ad hoc COLAs) should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumption is based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. If different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.

The following information should be disclosed about the discount rate:

a. The discount rate applied in the measurement of the total pension liability and the change in the discount rate since the prior measurement date, if any

b. Assumptions made about projected cash flows into and out of the pension plan, such as contributions from the employer, nonemployer contributing entities, and employees

c. The long-term expected rate of return on pension plan investments and a brief description of how it was determined, including significant methods and assumptions used for that purpose

d. If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate

e. The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate applied to determine the discount rate

f. The assumed asset allocation of the pension plan's portfolio, the long-term expected **real rate of return** for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed

g. Measures of the net pension liability calculated using (1) a discount rate that is 1-percentage-point higher than the current discount rate and (2) a discount rate that is 1-percentage-point lower than the current discount rate.

Example:

	1% decrease (6%)	*Current Disc. Rate (7%)*	*1% increase (8%)*
Net Pension Liability (Asset)	*825,000*	*750,000*	*660,000*

Changes in the Net Pension Liability

For the current reporting period, a schedule of changes in the net pension liability should be presented. The schedule should separately include the information indicated in the table below. If the employer has a special funding situation, the information should be presented for the collective net pension liability.

If the employer has a special funding situation, also include:

(1) The nonemployer contributing entities' total proportionate share of the collective net pension liability,

(2) The employer's proportionate share of the collective net pension liability.

Example:

Plan Name	*Total Pension Liability (a)*	*Plan Fiduciary Net Position (b)*	*Net Pension Liability (a) – (b)*
Balances at 1/1/20XX	*$*	*$*	*$*
Changes for the year:			
Service Cost			
Interest			
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions			
Contributions – employer			
Contributions – employees			
Net investment income			
Benefit payments, including refunds of contributions			
Administrative expense			
*Other changes**			
Net changes			
Balance at 12/31/20XX			

*Identify other changes separately if individually significant

In addition to the information required above, the following information should be disclosed, if applicable:

a. The measurement date of the net pension liability, the date of the actuarial valuation on which the total pension liability is based, and, if applicable, the fact that update procedures were used to roll forward the total pension liability to the measurement date

b. If the employer has a special funding situation, the employer's proportion (percentage) of the collective net pension liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date

c. A brief description of changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date

d. A brief description of changes of benefit terms that affected measurement of the total pension liability since the prior measurement date

e.The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies

f. A brief description of the nature of changes between the measurement date of the net pension liability and the employer's reporting date that are expected to have a significant effect on the net pension liability, and the amount of the expected resultant change in the net pension liability, if known

g. The amount of pension expense recognized by the employer in the reporting period

h. The employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions, classified as shown in the example table below:

Example:

At December 31, 20XX, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan Name	*Deferred Outflows of Resources*	*Deferred Inflows of Resources*
Differences between expected and actual experience	*$*	*$*
Net difference between projected and actual investment earnings on pension plan investments	*$*	*$*
Changes of assumptions	*$*	*$*
Changes in proportion and differences between contributions and proportionate share of contributions	*$*	*$*
Contributions subsequent to the measurement date	*$*	*$*
*TOTAL**	*$*	*$*

* Total should agree to amounts presented in the financial statements.

i. A schedule presenting the following:

(1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) above that will be recognized in the employer's pension expense

(2) If the employer does not have a special funding situation, the amount of the employer's balance of deferred outflows of resources in subparagraph (h) that will be recognized as a reduction of the net pension liability

(3) If the employer has a special funding situation, the amount of the employer's balance of deferred outflows of resources in subparagraph (h) that will be included as a

reduction of the collective net pension liability

Example:

Deferred outflows of resources related to pensions resulting from the (city/county/district's) contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 20XX (next year). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	*Plan Name*
20X1	*$*
20X2	*$*
20X3	*$*
20X4	*$*
20X5	*$*
Thereafter	*$*

j. The amount of revenue recognized for the support provided by nonemployer contributing entities, if any.

The following information is required by GASB Statement 67 for employers who do not issue a separate stand-alone financial report for the plan.

The Pension Plan's Fiduciary Net Position

The components of the liability of the employers and nonemployer contributing entities to plan members for benefits provided through the pension plan (net pension liability), calculated in conformity with the requirements of paragraphs 35-46 of GASB Statement 67:

(1) The total pension liability

(2) The pension plan's fiduciary net position

(3) The net pension liability

(4) The pension plan's fiduciary net position as a percentage of the total pension liability.

Example:

Total Pension Liability	*$100,000*
Plan Fiduciary Net Position	*$ 90,000*
Net Pension Liability (Asset)	***$ 10,000***
Plan Fiduciary Net Position as a % of Total Pension Liability	*90%*

The Pension Plan Investments

(1) Investment policies, including:

(a) Procedures and authority for establishing and amending investment policy decisions,

(b) Policies pertaining to asset allocation,

(c) Description of significant investment policy changes during the reporting period.

(2) A brief description of how the fair value of investments is determined, including the methods and significant assumptions used to estimate the fair value of investments if that fair value is based on other than quoted market prices.

(3) Identification of investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent five percent or more of the pension plan's fiduciary net position.

(4) The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, and an explanation that a money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Pension plan investment expense should be measured on the accrual basis of accounting. Inputs to the internal rate of return calculation should be determined at least monthly. The use of more frequently determined inputs is encouraged.

Receivables

The terms of any long-term contracts for contributions to the pension plan between:

(1) An employer or nonemployer contributing entity, and

(2) The pension plan, and the balances outstanding on any such long-term contracts at the end of the pension plan's reporting period.

Allocated Insurance Contracts Excluded from Pension Plan Assets

(1) The amount reported in benefit payments in the current period that is attributable to the purchase of allocated insurance contracts.

(2) A brief description of the pensions for which allocated insurance contracts were purchased in the current period.

(3) The fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred to one or more insurance companies.

Reserves

In circumstances in which there is a policy of setting aside, for purposes such as benefit increases or reduced employer contributions, a portion of the pension plan's fiduciary net position that otherwise would be available for existing pensions or for pension plan administration:

(1) A description of the policy related to such reserves,

(2) The authority under which the policy was established and may be amended,

(3) The purposes for and conditions under which the reserves are required or permitted to be used,

(4) The balances of the reserves.

Deferred Retirement Option Program (DROP) Balances

If a pension plan includes terms that permit a plan member to be credited for benefit payments into an individual member account within the pension plan while continuing to provide services to the employer and to be paid a salary:

(1) A description of the DROP terms,

(2) The balance of the amounts held by the pension plan pursuant to the DROP.

Required Supplementary Information (RSI)

See RSI requirements at RSI Pension Plan Information.

Note X – Pensions – State Sponsored (DRS) Plans

Note X – Pensions – State Sponsored (DRS) Plans

The following table represents the aggregate pension amounts for all plans for the year 20XX:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$
Pension assets	$
Deferred outflows of resources	$
Deferred inflows of resources	$
Pension expense/expenditures	$

State Sponsored Pension Plans

Substantially all (city/county/district's) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

Actual Contribution Rates	**Employer**	**Employee***
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**
September– December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

* For employees participating in JBM, the contribution rate was 15.90%.

The (city/county/district's) actual PERS plan contributions were $________ to PERS Plan 1 and $________ to PERS Plan 2/3 for the year ended December 31, 20XX.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2022 were as follows:

PSERS Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	

Total	**10.39%**	**6.50%**
September– December 2022		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.63%**	**6.60%**

The (city/county/district's) actual plan contributions were $________ to PSERS Plan 2 and $__________ to PERS Plan 1 for the year ended December 31, 20XX.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – December 2022		
State and local governments	5.12	8.53%
Administrative Fee	0.18%	
Total	**5.30%**	**8.53%**
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	**8.71%**	**8.53%**

The (city/county/district's) actual contributions to the plan were $________ for the year ended December 31, 20XX.

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. For the state fiscal year ending June 30, 2022, the state contributed $81,388,085 to LEOFF Plan 2. The amount recognized by the (city/county/district) as its proportionate share of this amount is $__________.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study.*

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the (city/county/district's) proportionate share* of the net pension liability calculated using the discount rate of 7%, as well as what the (city/county/district's) proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$	$	$
PERS 2/3			
SERS 2/3			
PSERS 2			
LEOFF 1			
LEOFF 2			

> * See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the (city/county/district) reported its proportionate share of the net pension liabilities as follows (only report applicable plans):

	Liability (or Asset)
PERS 1	$
PERS 2/3	
SERS 2/3	

PSERS 2	
LEOFF 1	
LEOFF 2	

Report total pension liabilities and total pension assets separately – **do not net**.

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the (city/county/district). The amount recognized by the (city/county/district) as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the (city/county/district) were as follows:

	LEOFF 1 Asset	**LEOFF 2 Asset**
Employer’s proportionate share		
State’s proportionate share of the net pension asset associated with the employer		
TOTAL		

At June 30, the (city/county/district’s) proportionate share of the collective net pension liabilities was as follows (only report applicable plans):

	Proportionate Share 6/30/21	**Proportionate Share 6/30/22**	**Change in Proportion**
PERS 1	%	%	%
PERS 2/3			
SERS 2/3			
PSERS 2			
LEOFF 1			
LEOFF 2			

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 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. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 20XX, the (city/county/district) recognized pension expense as follows:

	Pension Expense
PERS 1	$
PERS 2/3	
SERS 2/3	
PSERS 2	
LEOFF 1	
LEOFF 2	
TOTAL	

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (prepare a separate table for each plan. It is optional to prepare a table for all plans in total):

Plan Name	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$	$
Net difference between projected and actual investment earnings on pension plan investments	$	$
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$	$
TOTAL	$	$

Deferred inflow and deferred outflow amounts in these tables for all pension plans should agree to amounts presented in the financial statements.

Deferred outflows of resources related to pensions resulting from the (city/county/district's) contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (prepare a separate table for each plan):

Year ended December 31:	**Plan Name**
2023	$
2024	$
2025	$

2026	$
2027	$
Thereafter	$

The following plan is not administered by DRS. Individual municipalities' proportionate share of the net pension liability/(asset) is available at www.bvff.wa.gov. The following disclosures should be combined with those above in a manner that avoids unnecessary duplication.

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

VFFRPF is a cost-sharing, multiple-employer defined benefit plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation. Approximately 362 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. In addition, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax. Retirement benefits are established in Chapter 41.24 RCW and may be amended only the Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the annual comprehensive financial report (ACFR) of the State of Washington. The State ACFR may be downloaded from the Office of Financial Management (OFM) website at www.ofm.wa.gov.

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service, for a maximum monthly benefit of $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214,000 and funeral and burial expenses of $2,000. Members receiving disability benefits at the time of death shall be paid $500.

<u>Contributions</u>

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the OSA. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates for 2022 were as follows:

VFFRPF		
	Firefighters	**EMSD and Reserve Officers**
Municipality fee	$30	$105

Member fee	$30	$30

The (city/county/district's) actual contributions to the plan were $______ for the year ended December 31, 2022. **If applicable:** The (city/county/district) has opted to pay members' fees on their behalf. Contributions on behalf of members were $_______ for the year ended December 31, 2022.

In accordance with Chapter 41.24 RCW, the state contributes 40% of the fire insurance premium tax to the plan. For fiscal year 2022, the state's fire insurance premium tax contribution was $6.7 million. The (city/county/district) received $_______ of this amount.

Actuarial Assumptions

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State Actuary (OSA) as of June 30, 2021, and rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- **Inflation:**25%
- **Salary increases**: N/A
- **Investment rate of return:**00%

The actuarial assumptions used in the valuation were based on the results of the OSA's *2021 Report on Financial Condition and Economic Experience Study,* the *2021 Pension Experience Study*, and the *2018 Relief Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 valuation report.

Mortality assumptions used for this plan are consistent with assumptions used for Public Employees' Retirement System. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Discount Rate

The discount rate used to measure the total VFFRPF pension liability was 6%. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 6% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Based on OSA's assumptions the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6% on plan investments was applied to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the VFFRPF pension plan investments of 6% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the table below. The inflation component used to create the table is 2.25% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	**Target Allocation**	**% Long-Term Expected Real Rate of Return Arithmetic**
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
	100%	

Sensitivity of the Net Pension Asset

The following presents the (city/county/district's) proportionate share of the VFFRPF net pension asset calculated using the discount rate of 6%, as well as what the (city/county/district's) proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5%) or 1-percentage point higher (7%) than the current rate.

	1% Decrease (5%)	**Current Discount Rate (6%)**	**1% Increase (7%)**
VFFRPF	$	$	$

Pension Plan Fiduciary Net Position

Detailed information about the VFFRPF plan's fiduciary net position is available in the separately issued State of Washington ACFR.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the (city/county/district) reported an asset of $______ for its proportionate share of the VFFRPF plan's net pension asset. The (city/county/district's) proportion of the net pension asset was based on actual contributions to the plan relative to total contributions of all participating municipalities. At June 30, 2022 the (city/county/district's) proportion was ____%.

The VFFRPF collective net pension asset was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended December 31, 2022, the (city/county/district) recognized pension expense of $______. Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

Required Supplementary Information (RSI) - all cost-sharing employers

See RSI requirements at RSI Pension Plan Information.

Note X – Pledges and Sales of Future Revenues

Note X – Pledges and Sales of Future Revenues

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

For required disclosures please refer to the GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, paragraphs 21 and 22.

Note X – Pollution Remediation Obligations

Note X – Pollution Remediation Obligations

A template for this note is not available. See "Instructions to preparer" for various disclosures that may be required.

Instructions to preparer:

These note disclosures are required by GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

Required note disclosures:

1. For recognized pollution remediation liabilities and recoveries of pollution remediation outlays, governments should disclose the following:

    a. The nature and source of pollution remediation obligations (e.g., federal, state, or local laws or regulations).

    b. The amount of the estimated liability (if not apparent from the financial statements), the methods and assumptions used for the estimate, and the potential for changes due to, for example, price increases or reductions, technology, or applicable laws or regulations.

    c. Estimated recoveries reducing the liability.

2. For pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, governments should disclose a general description of the nature of the pollution remediation activities.

3. If the government has wetland credits, a disclosure should be made about the credits. Include information on if the government has any plans to sell the credits and that the credits currently hold no value and will not have value until the time of sale.

Note X – Prior Period Adjustments

Note X – Prior Period Adjustments

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and (b) in government-wide and enterprise funds only, other material adjustments which meet the criteria for prior period adjustments contained in GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 62. The circumstances and justification surrounding each such adjustment should be separately explained in these footnotes.

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.

Property Tax Calendar

January 1	Tax is levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property tax is recorded as a receivable and revenue when levied. **[1]** Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. **[2]** No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The (city/county/district) may levy up to $_________ per $1,000 of assessed valuation for general governmental services.

The (city/county/district's) regular levy for (year) was $_________ per $1,000 on an assessed valuation of $_________ (million) for a total regular levy of $_________. **[3]** **[4]** **[5]**

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Instructions to preparer:

[1] Cities must recognize property taxes already in the hands of the county treasurer. If December taxes have been distributed by December 31, and you do not accrue estimated collections for January and February, use the following sentence.

Property tax revenues are recognized when cash is collected. The amount of taxes receivable at year-end that would be collected soon enough to be available to pay liabilities of the current period is immaterial.
Return to Reference 1

[2] Counties should add the following sentence in front of the sentence that begins:

No allowance for ______________

The balance of taxes receivable includes related interest and penalties.

If the city/county/district estimates uncollectible taxes, use the following paragraph instead:

Property tax receivables are reduced by an allowance for uncollectible taxes which is estimated at __ percent of (total/personal) property taxes receivable at year-end.

Cities with firemen's pension funds should add the following paragraph, if the levy is restricted to the firemen's pension fund.

The city is also authorized to levy $.45 per $1,000 of assessed valuation for the firemen's pension fund. See (Pension Note No.__). This levy is subject to the same limitations as the levy for general government services. The city's firemen's pension levy for (year) was $______ per $1,000 for a total levy of $______.
Return to Reference 2

[3] Property tax road levy shifts – road diversion

Counties should add the following paragraph to supplement the note with disclosure of any *diverted road levy*. The note should specifically identify amounts diverted for non-road purposes.

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 (year) was $______ per $1,000 on an assessed valuation of $______ (million) for a total road levy of $______. The diverted county road levy for (year) was $______ per $1,000 on an assessed valuation of $______ (million) for a total diverted road levy of $______.
Return to Reference 3

[4] If the government has any special levies, they should be disclosed separately.

Special levies approved by the voters are not subject to the limitations listed above. In (year), the (city/county/district) levied an additional $______ per $1,000 for (give purpose) for a total additional levy of $______.
Return to Reference 4

[5] If the city/county/district has several special levies or wishes to disclose the distribution of its tax levies, the following note format may be used instead of the last paragraph of the sample text:

For (year), the (city/county/district) levied the following property taxes on an assessed value of $______ (million). (The special levies identified in the table were approved by the voters and are not subject to the limitations listed above.)

Purpose of Levy	**Levy Rate per $1,000**	**Total Levy Amount**
General Government	$	$

Road Levy (on the assessed value of unincorporated areas totaling $____ million)		
Special Medic One Levy		
Special G.O. Bond Levy		
Totals	$	$

Return to Reference 5

Note X – Receivable and Payable Balances

Note X – Receivable and Payable Balances

A. Receivables [1]

Receivables at December 31, 20__ were as follows:

	Accounts	Taxes	Special Assessments	Due to Other Government	Other	Total
Governmental Activities:						
Total Governmental Activities						
Amounts not scheduled for collection during the subsequent year						
Business-Type Activities:						
Total Business-Type Activities						

B. Payables [2]

Payables at December 31, 20__ were as follows:

	Vendors	Salaries and Benefits				Total
Governmental Activities:						
Reconciliation of balances in fund financial statements to government-wide financial statements						
Total Governmental Activities						
Business-Type Activities:						
Total Business-Type Activities						

Instructions to preparer:

[1] Provide these details only if the significant components of receivables have been obscured by aggregations.

The city/county/district should disclose if significant balances of receivables are not expected to be collected within one year of the end of the fiscal period.
Return to Reference 1

[2] Provide these details only if the significant components of payables have been obscured by aggregations.
Return to Reference 2

Note X – Reconciliation of Government-Wide and Fund Financial Statements

Note X – Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. **[1]**

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. **[2]**

Instructions to preparer:

This note is required only if the reconciliation on the face of financial statements does not provide sufficient details about reconciling items (Governmental Accounting Standards Board (GASB) Statement 34, paragraph 77).

[1] List all the elements from the reconciliation provided in/or after the city/county/district governmental funds' balance sheet and provide details for each reconciling item.

[2] List all the elements from the reconciliation provided in/after the city/county/district governmental funds' statement of revenues, expenditures, and changes in fund balance and provide details for each reconciling item.

Note X – Related Party Transactions

Note X – Related Party Transactions

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

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.

As defined in GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, 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:

- The nature of the relationship(s) involved.
- 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.
- 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.
- 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.

This disclosure could be appropriately combined with other information in other notes, such as a joint venture note or reporting entity note. These disclosures are also required should the government transact business with its own officials or employees beyond the limited amounts permitted in Chapter 42.23 RCW.

Also disclose complex transactions with other parties not discussed in other notes. These disclosures include:

- Loans with forgiveness clauses, parties in contract, property secured, terms to convert the loan to a grant, amount to be repaid if forgiveness conditions are not met.

- Grants with recoverable clauses, parties in contract, terms removing recoverable clause, 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.

- Reporting an asset for an Investment in Tax Credit Partnership when using discrete presentation of a component unit. The disclosure should include the method used to calculate the investment, classification of the TCP as a component unit with joint venture characteristics using GAAP criteria, GASB Statement 14, paragraphs 72 and 78.

- Formation and use of not-for-profit corporation by the authority, listing the not for profit corporation, other parties, and function the not-for-profit corporation performs for the authority.

REAC has indicated it will be performing an expanded note disclosure review on the above items.

Note X – Restricted Component of Net Position

Note X – Restricted Component of Net Position

The government-wide statement of net position reports $___________ of restricted component of net position, of which $___________ is restricted by enabling legislation.

Instructions to preparer:

The governments should evaluate the legal enforceability of the enabling legal restrictions on an annual basis.

If the restrictions were determined to be replaced by new ones, the net position should be reported as *restricted* for the new purpose from the period of change forward.

If the restrictions were determined not to be legally enforceable, then they should be reported as *unrestricted* from the time of such determination forward.

If the net position is used for purposes not specified by enabling legislation, the reporting will vary depending if such restrictions are enforceable or not. If the restrictions are determined to be legally enforceable, the net position should continue to be reported as *restricted*; otherwise, as *unrestricted*.

For more details see the GASB Statement 46, *Net Assets Restricted by Enabling Legislation*.

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.*

Instructions to preparer:

A city/county/district should disclose:

- a description of the types of risk the city/county/district faces and how it is handling those risks; and
- any significant reduction in insurance coverage from the previous year (by risk category); and
- an indication whether the total amount of settlements exceeded insurance coverage for each of the past three fiscal years.

If the city/county/district ***participates in a risk pool***, it should describe that arrangement. The description should specifically address the rights and responsibilities of the government and the pool.

If a city/county/district ***retains some risk*** of loss, it should make the following disclosures:

1. a description of what the liability for unpaid claims represents and how it is calculated (this discussion should mention whether non-incremental claims adjustment expenses have been included as part of the liability for claims and judgments);

2. if the city/county/district exercises its option to discount claims liabilities or has entered into any structured settlements, the nondiscounted carrying amount of any liabilities reported at a discounted value and the range for interest rates used for discounting;

3. claims defeased through annuity contracts (unless beneficiaries have signed an agreement releasing the government from all further obligation, and the likelihood of further payments is remote); and

4. a tabular reconciliation of the claims liability for ***both the current fiscal year and the prior fiscal year***, using the following format:

- claims liability (beginning of year)
- claims incurred during the year
- changes in the estimate for claims of prior periods
- payments on claims
- other (for example, change in the methodology used to estimate claims)
- claims liability (end of year).

For more information refer to the GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Note X – Risk Management (for participating member of pool)

Note X – Risk Management *(for participating member of pool)*

or

Note 1 – General *(for public entity risk pool)*

The (city/county/district) is a member of the (pool) (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on (date) when (city/county/district) in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. (Number of participating members) (city/county/district) have joined the Pool.

The Pool allows members to (state purposes: i.e., jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management, etc.). (State type of policy coverage: i.e., coverage for public official liability is on a “claims made basis.” All other coverages are on an “occurrence” basis.) The Pool provides the following forms of group purchased insurance coverage for its members: list by type of policy: i.e., property, liability, vehicle, other mobile equipment, electronic data processing equipment, bonds of various types, excess liability, public official liability, and machinery breakdown, etc.

Members make an annual contribution to fund the Pool. The Pool acquires insurance from unrelated underwriters that are subject to a per-occurrence deductible of $__________. Members are responsible for the first $__________ of the deductible amount of each claim, while the Pool is responsible for the remaining $__________. Insurance carriers cover all losses over $__________ to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

Each new member pays the Pool an admittance fee. This amount covers the member’s share of organizational expenses and the cost of analyzing their loss data and risk profile. Members contract to remain in the Pool for a minimum of (number) year(s), and must give notice (number) year(s) before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year after the initial (number) year period. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.
The Pool is fully funded by its member participants. Claims are filed by members with (name of third party administrator, if appropriate) which has been contracted to perform claims adjustment, loss prevention, and property appraisal services for the Pool. Fees paid to the third party administrator under this arrangement for the year ended _______________, 20___ were $__________, which included fees for appraisal services. For ____ **[1]**, the Pool has contracted with the third party administrator to perform claims adjustment and loss prevention services for $__________.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the Pool.

Instructions to preparer:

[1] Insert next reporting year.

Note X – Risk Pools – Excess Insurance Contracts/Reinsurance

Note X – Risk Pools – Excess Insurance Contracts/Reinsurance [1]

This guidance applies to stand-alone risk pools and governments that manage risk pools.

The Pool maintains excess insurance contracts with several insurance carriers [2] which provide various limits of coverage over the Pool's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

Excess Insurance Contracts	20__
General Liability	$_____
Automobile Liability	______
Public Officials Liability	______
Police Professional Liability	______
Gas Liability	______
Workers' Compensation Liability	______
Property	100% Replacement Cost Per Location
Crime	______
All Lines Aggregate	______
Workers' Compensation Aggregate	______
Excess Liability Aggregate	______

Per-occurrence coverage limits provided by the Pool, including the excess insurance limits combined with the Pool's self-insured retention limits are as follows:

Excess Insurance Contracts	20__
General Liability	$_____
Automobile Liability	______
Public Officials Liability	______
Police Professional Liability	______
Gas Liability	______
Workers' Compensation Liability	______
Property	100% Replacement Cost Per Location
Crime	______

Reinsurance transactions related to the pool were:

Reinsurance premiums ceded during the year were ______________________. The estimated amounts that are recoverable from excess and reinsurers that reduced the liabilities on the balance sheet were _______________________.

Instructions to preparer:

[1] Disclose:

- Information regarding solvency of reinsurer,
- Information regarding policy years of pool,
- Information on exposure regarding changes in excess limits,
- Details describing policies as occurrence based, claims paid or claims made.

[2] State the specific carriers used.

Note X – Risk Pools – Members’ Supplemental Assessments and Credits

Note X – Risk Pools – Members’ Supplemental Assessments and Credits

This guidance applies to stand-alone risk pools and governments that manage risk pools.

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. (During fiscal year 20__, the Pool did not make a supplemental assessment.) (In 20__, the Pool recorded supplemental assessments of $__________, pursuant to this provision.) (In addition, during 20__, prior year supplemental assessments were reduced by $__________.)

The interlocal governmental agreement provides that surplus members’ fund balance be used to credit future annual assessments. For the year ended , 20__, member assessments are presented net of such credits of $__________. The board of directors has designated $____________ of members’ fund balance for this purpose for the fiscal year ending __________ , 20__.

Note X – Risk Pools – Risk Financing Limits

Note X – Risk Pools – Risk Financing Limits

This guidance applies to stand-alone risk pools and governments that manage risk pools.

The following table reflects the risk financing limits on coverage policies issued and retained by (pool) at _____ __, 20__. **[1]**

TYPE OF COVERAGE	MEMBER DEDUCTIBLES	SELF INSURED RETENTION	EXCESS LIMITS
Property Loss:			
Buildings and Content			
Flood			
Earthquake			
Terrorism			
Comprehensive General Liability, including:			
Professional Liability			
Terrorism Liability			
Auto Liability			
Public Officials Errors and Omissions			
Employment Practices Liability			
Blanket Employee Dishonesty, Named Position			
Boiler and Machinery			
Auto Physical Damage			

Instructions to preparer:

[1] Additional information should be provided for the following:

- Discuss the details of minimum deductibles for applicable types of coverage as needed in footnotes to the tables.
- Disclose any requirements for participant co-pays after deductibles are met.
- If options exist for participants to elect for higher deductibles they should be discussed.

Note X – Risk Pools – Solvency

Note X – Risk Pools – Solvency

This guidance applies to stand-alone risk pools and governments that manage risk pools.

A. Financial Solvency Property and Liability Pool (Joint Pools)

Washington Administrative Code (WAC) 200-100 requires (Pool) to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

Solvency test for program:

Primary Asset Test	
Cash and cash equivalents	
Investments	
Total	
Less: Non-claims liabilities Accounts payable/Tax liability	
Less: Unearned member contributions in excess of member contribution receivables	
Total Primary Assets	
compared to:	
Claim liabilities at expected level per actuary (sum of all claims liabilities)	
Test #1 - Primary Asset Test	**MET/NOT MET**

Secondary Asset Test	
Cash and cash equivalents	
Investments	
Receivables, member contributions	
Capital Assets	
Less: Non-claims liabilities Accounts payable/Tax liability	
Less: Unearned member contributions	
Total Secondary Assets	
compared to:	
Claim liabilities at 80 percent confidence level per actuary (from actuarial study)	
Test #2 - Secondary Asset Test	**MET/NOT MET**

B. For Health and Welfare Pools (Joint Pools) **[1]**

Washington Administrative Code (WAC) 200-110-040 requires all joint health and welfare programs self-insuring medical benefit programs to establish program reserves (monies set aside to pay expenses) in an amount equal to 16 weeks of program expenses. The WAC requires vision, dental and prescription drug benefit programs or any combination of programs to establish program reserves in an amount not less than eight weeks of program expenses for each program offered. An additional contingency reserve for vision, dental or prescription drug programs is also recommended, but not required.

The following note would only be included if applicable:

In lieu of the above mentioned requirements, all joint health and welfare self-insurance providing either medical, vision, dental or prescription drug benefits or any combination thereof must obtain an independent actuarial study of estimated outstanding program liabilities and maintain funds equal to or greater than the actuarially determined program liability at fiscal year-end.

Solvency test for program:

FOR MEDICAL PROGRAM EXPENSES - 16 WEEK RESERVE IS REQUIRED UNLESS ESTIMATED BY ACTUARY	
Medical 16 weeks claims test	
Program expenses	
Medical Claims Paid	-
Other Operating Expenses related to medical claims (would include admin fees)	-
Other Operating Expenses other than related to medical	-
TOTAL	-
Minimum Program Reserves	
Total Program Expenses	-
Divided by 52	-
x 16	-
Total expected program reserves	-
Actual Program reserves	-
16 weeks claims test	**NOT MET**

FOR VISION, DENTAL OR PRESCRIPTION PROGRAM EXPENSES - 8 WEEK RESERVE IS REQUIRED UNLESS ESTIMATED BY ACTUARY

8 weeks claims test	
Program expenses	
Dental/Vision or Rx claims	-
Other Operating Expenses *related to medical claims*	-
Other Operating Expenses other than related to claims	-
TOTAL	-
Minimum Program Reserves	
Total Program Expenses	-
Divided by 52	-
x 8	-
Total expected program reserves	-
Actual Program reserves	
	-
8 weeks claims test	**NOT MET**

Additional contingency reserve	
Program expenses	
Dental/Vision or Rx claims	-
Other Operating Expenses *related to medical claims*	
Other Operating Expenses other than related to claims	-
TOTAL	-
Minimum Program Reserves	
Total Program Expenses	-
Divided by 52	-
x 8	-
Total expected program reserves	-
Reserves, after meeting 8 week test	
	-
Additional contingency reserve	**NOT MET**

Instructions to preparer:

[1] This note should be customized specifically to the risk pool's circumstances particularly if programs in existence less than one year have established reserves according to the initial plan submitted and approved by the state risk manager, if different than the required eight week reserve, OR if reserve is determined by obtaining an independent actuary estimate.
Return to Reference 1

Note X – Segment Information

Note X – Segment Information

A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.

Instructions to preparer:

The city/county/district that reports enterprise funds or that uses proprietary fund accounting and reporting standards to report their activities may be required to present segment information for those activities. This note is not required when the information is displayed in financial statements. For purposes of this disclosure, a segment is an identifiable activity reported as or within an enterprise fund or other stand-alone. Segment disclosure is required for activities that meet all three of the following criteria:

1. The activity must be identifiable. An activity is identifiable if it has a specific revenue stream and related expenses and gains and losses that are accounted for separately.

2. The activity must have revenue-supported debt outstanding. As of the end of the fiscal period, the activity must have one or more bonds or other debt instruments (e.g., certificates of participation) outstanding with a revenue pledged in support of that debt. (Conduit debt is not a consideration for this purpose.)

3. The activity must be externally required to maintain separate accounts. An external party (e.g., pursuant to bond indenture) must require separate accounting of all of the following items related to the activity: revenues, expenses, gains, losses, assets, and liabilities.

Segment disclosure requirements should be met by providing condensed financial statement in the notes:

a. Type of goods or services provided by the segment.

b. Condensed statement of net position:

1. Total assets - distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or component units should be reported separately.

2. Total deferred outflows of resources.

3. Total liabilities - distinguishing between current and long-term amounts. Amounts payable to other funds or component units should be reported separately.

4. Total deferred inflows of resources.

5. Total net position - distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts of net investment in capital assets.

c. Condensed statement of revenues, expenses, and changes in net position:

1. Operating revenues (by major source)
2. Operating expenses. Depreciation (including any amortization) should be identified separately
3.Operating income (loss)
4. Nonoperating revenues (expenses) - with separate reporting of major revenues and expenses
5. Capital contributions and additions to permanent and term endowments
6. Special and extraordinary items
7. Transfers
8. Change in net position
9. Beginning net position
10. Ending net position

d. Condensed statement of cash flows:

1. Net cash provided (used) by:
   - Operating activities
   - Noncapital financing activities
   - Capital and related financing activities
   - Investing activities
2. Beginning cash and cash equivalent balances.
3. Ending cash and cash equivalent balances.

Note X – Service Concession Arrangements

Note X – Service Concession Arrangements

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

A city/county/district should disclose:

- A general description of the arrangement (including management's objectives) and the status of the project during the construction period;
- Nature and amount of related assets, liabilities, and deferred inflows;
- Rights retained and rights granted, and
- Guarantees and commitments.

Disclosures for the service concession arrangements can be aggregated for agreements involving similar facilities and risk.

Note X – Short-Term Debt

Note X – Short-Term Debt

Short-term activities for the year ended December 31, 20__ was as follows:

Debt	Beginning Balance 01/01/20__	Issued	Redeemed	Ending Balance 12/31/20__
_____	$____	$____	$____	$____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Instructions to preparer:

The city/county/district should provide the information about short-term debt activities (e.g., anticipation notes, use of line of credit and similar loans, etc.) during year, ***even if not short-term debt is outstanding at the year end***.

The city/county/district should describe the purpose for which the short-term debt was issued.

The city/county/district may also address how it intends to finance the payment of short-term debt outstanding at the end of the fiscal period.

For additional requirements for government-wide and proprietary funds see GASB Statement, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 44.

Note X – Subsequent Events

Note X – Subsequent Events

> *A template for this note is not available. See “Instructions to preparer:” for various disclosures that may be required.*

Instructions to preparer:

Certain events that occur between the date of the financial statements and the date they are issued must be disclosed. There are two ways that subsequent events may affect the financial statements: (1) recognized events - they require adjustment to the financial statement; and (2) nonrecognized events - they may require disclosure in the notes to financial statements.

Recognized events are those that existed at the date of the financial statement and provide additional information available prior to the issuance of the financial statements. Financial statements should be adjusted for any changes resulted from that information. For example, the settlement of litigation for an amount different than the liability recorded in financial statements.

Nonrecognized events are those that provide additional information prior to the issuance of the financial statements but did not exist at the date of the financial statement. Examples include losses from fire or flood, the issuance of new debt or its advance retirement, or a change that affects the powers of the government, its scope of services or its revenue structure.

For more details refer to GASB Statement 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

For disclosures regarding bankruptcy see Note X – *Bankruptcy*.

Examples:

> *On February 1, 20__, the county issued $1.4 million in Road Improvement District (RID) bonds to provide moneys that are necessary to pay the cost and expense of constructing improvements within RID No. 85-1. The bonds bear interest rates from 8.75 to 11.125 percent and will be redeemed over the next 18 years with proceeds from RID assessment revenues.*
>
> *On April 10, 20__, the city transferred all employees, assets, liabilities, and contracts related to the Vanpool Fund to the Golden County Public Transportation Benefit Area. The transfer included $1,370,000 due to the State of Washington for loans to purchase vanpool vehicles.*
>
> *Beginning on March 1, 20__, the city's sales tax was increased by 0.2 percent to finance the purchase of property dedicated for a downtown park.*
>
> *On April 5, 20__, the city council approved the sale of 136 acres of land adjacent to the city airport to a private corporation for $1.5 million. The sale is expected to be consummated prior to December 1, 20__. The proceeds will be devoted to capital improvements for the airport.*

Note X – Tax Abatement

Note X – Tax Abatement

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

The Governmental Accounting Standards Board (GASB) Statement 77, *Tax Abatement Disclosures* is effective for years ended December 31, 2016 and after. This disclosure is required only if the programs and policies affects **taxes** collected by the city/county/district. Any agreements that contribute to economic development or otherwise benefit a city/county/district but do not involve tax reduction are not a subject of this disclosure.

The disclosure is required ***not*** only for the agreements that are entered into by the reporting city/county/district, but also that are entered into by other governments (e.g., state, etc.) and that reduce the reporting city/county/district's tax revenues.

What is a tax abatement?

Governments offer various programs to lower taxes such as tax exemptions, deductions, rebates and abatements. Under the GASB Statement 77, tax abatements have a narrow definition:

> Tax abatement is a reduction in tax revenues that results ***from an agreement*** between one or more governments and an individual or entity in which:
>
> a) one or more governments promise to forgo tax revenues to which they are otherwise entitled, and
>
> b) the individual or entity promises ***to take a specific action after*** the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

This definition does not include programs that reduce the tax liabilities of broad classes of taxpayers (such as senior citizen exemptions) or are not the product of individual agreements with each taxpayer. The program label is not important; it's the substance of the agreement that counts. The key is whether it meets the above definition.

The agreement may be in writing, or it may be implicitly understood. But there must be an identifiable agreement between a government and a specific individual or entity.

What needs to be disclosed?

For the complete list of disclosure requirements see paragraphs 5 through 10 the GASB Statement 77, *Tax Abatement Disclosures* and the table below. Also, see appendix C of the Statement for illustrations. The government should report information about its own agreements separately from the agreements of other governments. Governments are not required to present information if they are legally prohibited from doing so, but that fact must be disclosed.

The Department of Revenue has posted tax abatement information applicable to local governments to its website. It is available at the DOR website. This data includes state imposed sales taxes and state and county property taxes. Local governments still need to ensure proper disclosure of any other abatement arrangements as required by the GASB Statement 77.

The following is a brief summary of required disclosures. See GASB Statement 77 for more information:

Brief Description of Information:	Government's Own Abatement	Other Governments Abatements
Name of Program	X	
Purpose of Program	X	
Name of Government		X
Tax Being Abated	X	X
Authority to Abate Taxes	X	
Eligibility Criteria	X	
Abatement Mechanism	X	
Recapture Provisions	X	
Types of Recipient Commitments	X	
Dollar Amount of Taxes Abated	X	X
Amounts Received or Receivable from Other Governments Associated with Abated Taxes	X	X
Other Commitments by the Government	X	
Quantitative Threshold for Individual Disclosure	X	X
Information Omitted due to Legal Prohibition **[1]**	X	X

What if tax revenues reduced under a tax abatement agreement are recovered from other tax payers?

In some cases where there is a tax abatement, there is no overall reduction of tax revenues to the government because the tax burden is shifted to other properties to recover it. Governments have questioned whether this is still considered a tax abatement that needs to be reported under GASB Statement 77. Per GASB, the answer is yes. The GASB has added a new Q&A to the 2017 update to the *Comprehensive Implementation Guide to* clarify this.

Q 4.39 – A government enters into an agreement with a manufacturing company in which the company agrees to relocate to the government's jurisdiction and the government agrees to not levy taxes on the manufacturing company's office building for a period of 10 years. The government is subject to a property tax cap that limits the growth of its total property tax levy to 2 percent per year. The full amount allowed under the cap is levied on properties that are not subject to the agreement. Therefore, the government does not expect that overall tax revenues will be reduced. Does this agreement have the characteristic described in paragraph 4 of GASB Statement 77, *Tax Abatement Disclosures*, that tax revenues are reduced as a result of the government promising to forgo tax revenues to which it is otherwise entitled?

A – Yes. As part of the agreement, the government promises to forgo tax revenues in relation to the individual or entity in the agreement. To qualify as a tax abatement agreement that is subject to GASB Statement 77, it is not necessary that the government forgo tax revenue in the aggregate. The fact that the government in this example may effectively recoup the tax revenue associated with the agreement from other taxpayers is not relevant to determining whether the agreement meets the definition of a tax abatement. If the agreement meets the other criteria in the definition of a tax abatement, the tax abatement should be disclosed in accordance with the requirements of GASB Statement 77.

Footnotes:

[1] The government should disclose whatever information is not specifically prohibited by the state law. The government should also disclose what type of information is omitted and cite the state law that prohibits its disclosure.

Note X – Telecommunication Services

Note X – Telecommunication Services

A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.

Instructions to preparer:

If a government (county, city, town, port, or PUD) provides any telecommunication services under RCW 54.16.330, the district should:

(1) Describe the type of services provided.
For PUDs: If telecommunication systems were developed prior to fiscal year 2000, the district should briefly describe those activities.

(2) List related revenues and expenses by major categories. Also, disclose its capital investment in telecommunication services which should include a current and an aggregate (since beginning telecommunication services) amount of the government's capital investment.
For PUDs: The disclosure should include a current and an aggregate (since fiscal year 2000) amount of the district's capital investment.

	Telecommunication Services	Amount
Operating Revenues:	Wholesale Fiber Services to ISP Wholesale Fiber Service to Governments Retail Telecommunication Services Fiber Leasing Installation Charges Equipment Sales Other	
Operating Expenses:	Administration and General Repairs and Maintenance Tower Lease Interconnection Access Other	
Nonoperating Revenue (Expenses)		
Capital Investment:	Current Cumulative since beginning telecommunication services (**PUDs:** since 2000)	

(3) Disclose any assumptions for allocating revenues, expenses, and capital investment costs (including depreciation) between telecommunication and other services.

If the telecommunication activities meet the definition of a segment, the government should follow the requirements listed in Note X – *Segment Information*. Also, it should provide an additional disclosure of the government's cumulative capital investment in the reported segment.

Note X – Termination Benefits

Note X – Termination Benefits

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Termination benefits are benefits provided by employers to employees as an inducement to hasten the termination of services, or through voluntary termination, or a consequence of involuntary termination. These benefits include severance pay, continued health care coverage, career counseling, and outplacement services.

In the period in which an employer becomes obligated for termination benefits the employer should make the following disclosures:

1. A description of the types of benefits provided.
2. The number of employees affected.
3. The time period over which the benefits are expected to be provided.
4. The cost of termination benefits it is not identifiable on the face of the financial statements.
5. Change in actuarial accrued liability for pension and OPEB (if affected).
6. Method (i.e. discounted present value) and assumptions (discount rate, healthcare cost trend rate, etc.) used for calculation of the liability.
7. If the cost of benefits cannot be estimated this should be disclosed.

Measurement and recognition:

When benefits are provided upon termination recognition of the liability and expense also needs to be reported in the financial statements. Employers need to measure the components of healthcare related benefits separately from non health benefits. Health care benefits should be discounted to present value using a projection of benefits, healthcare cost trend data and discount rate. Generally the cost of non healthcare related benefits are calculated as the discounted present value of expected future benefit payments. For a detailed discussion of the liability and expense measurement and recognition see GASB Statement 47, *Accounting for Termination Benefits*.

Note X – Third Party Contractual Agreements

Note X – Third Party Contractual Agreements

A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.

Instructions to preparer:

Describe the agreements applicable to the hospital district.

Note X – Unique and Unusual Transactions

Note X – Unique and Unusual Transactions

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

Intergovernmental Assistance Programs

Current authoritative pronouncements do not require disclosure of specifics of intergovernmental assistance programs, but if a participation in such programs is considered a material part of the city/county/district operation, note disclosure is suggested.

In the note provide:

- description of a program,
- amounts of grants, entitlements or shared revenues,
- description of program requirements and provisions (i.e., cost sharing or matching requirements, etc.).

Other

Please refer to GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for disclosure requirements for **government-wide** and **proprietary funds** financial statements pertaining to:

- Construction-type contracts by governments engaged in the contracting operations (paragraph 116).
- Debt that is extinguished through a troubled debt restructuring (paragraphs 147 and 162).
- Foreign currency transactions (paragraphs 170 and 171).
- Receivables and payables that represent contractual rights to receive money or contractual obligations to pay money on fixed or determinable dates (notes), whether or not there is a stated provision for interest (paragraph 187).
- Nonmonetary transactions (paragraph 280).
- Research and development arrangements (paragraph 384).
- Broadcasters and cable television systems (paragraphs 385-399).
- Insurance entities other than public entity risk pools (paragraph 429).
- Lending activities (paragraphs 431-451).

- Mortgage banking activities (paragraphs 473 and 474).

Please refer to GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for additional disclosure requirements for **business-type activities** financial statements pertaining to:

- Real estate sales (paragraph 330).
- Regulated operations that met certain criteria in paragraph 476.

Note X – Unpaid Claims Liabilities

Note X – Unpaid Claims Liabilities

As discussed in Note (____), the Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Pool during the past two years:

	20_[1]	20_[2]
Unpaid claims and claim adjustment expenses/claims reserves at beginning of year	$____	$____
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	$____	$____
Increases in provision for insured events of prior years	$____	$____
Total incurred claims and claim adjustment expenses	$____	$____
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	$____	$____
Claims and claim adjustment expenses attributable to insured events of prior years	$____	$____
Total payments	$____	$____
Total unpaid claims and claim adjustment expenses/claims reserves at end of year	$____	$____
Unallocated loss adjustment expense/claims reserve at end of year	$	$
Total claims reserves at end of year	$____	$____

At year-end 20____ $_______ of unpaid claims and claim adjustment expenses are presented at their net present value of $_______. These claims are discounted at annual rates ranging from ____ to ____ percent. Unpaid claims expenses of $_______ are not reported in the 20____ year-end balances because the Pool has purchased annuities in claimants' names to settle those claims.

Instructions to preparer:

[1] Insert current year information.

[2] Insert previous year information.

Information in the unpaid claims liability note must tie to the *Ten-Year Claims Development Schedule* in Required Supplementary Information (RSI).

Note X – Violation of Finance-Related Legal and Contractual Provisions

Note X – Violation of Finance-Related Legal and Contractual Provisions

> *A template for this note is not available. See "Instructions to preparer:" for various disclosures that may be required.*

Instructions to preparer:

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).

Example:

> *At December 31, 20__ the following funds reported deficits in the fund balances or fund net position, which are violations of state statute:*

Fund	*Deficit*
	$
	$

The city/county/district took the following action to eliminate the deficits in the fund(s):

Example:

> *The (city/county/district) was not in compliance with (identify the material violations of finance-related legal or contractual provisions, such as bond covenants or grant terms). The (city/county/district) has (describe actions, agreements, or other steps taken to resolve the issue).*

The compliance violations related to appropriated budgets may be disclosed in the Note 1 – Summary of Significant Accounting Policies, *D. Budgetary Information*. Other violations (e.g., violations of grant requirements, bond covenants, regulations governing deposits or investments, etc.) should be disclosed here to avoid duplication.

Required Supplementary Information (RSI)

Required Supplementary Information (RSI)

4 **Reporting**

4.7 **Required Supplementary Information (RSI)**

4.7.10 Governments must present Required Supplementary Information (RSI) to meet the minimum financial reporting requirements. RSI generally includes schedules, statistical data, and other information. If the government prepares comparative financial statements, the RSI should include information for both years with exception of the MD&A which should include three-year data in the condensed financial statements.

4.7.20 ***If applicable***, the following types of RSI are required:

- Management's discussion and analysis (MD&A)
- Budgetary comparisons (governmental funds if budgets are legally required)
- Infrastructure condition and maintenance data (if using the modified approach)
- Pension plan information
- Other postemployment benefit (OPEB) plan schedules
- Revenue and claims development trend data (for public entity risk pools).

Budgetary Comparisons

4 **Reporting**

4.7 **Required Supplementary Information (RSI)**

4.7.2 **Budgetary Comparisons**

4.7.2.10 The budgetary comparison is required to be presented either as a statement in the basic financial statements or as a schedule in the RSI. Budgetary comparisons are required for the general fund and for each major special revenue fund [1] that has a legally adopted budget. The format and content of the budgetary comparisons are the same for either presentation.

4.7.2.20 The budgetary comparison schedules should provide at least three separate types of information.

1. *The original budget* – the first complete legally appropriated budget adjusted for changes occurring before the beginning of fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.

- *The final budget* – including all legally authorized changes including those occurring during and after the end of fiscal year.
- *Actual inflows, outflows and balances* – should be reported on the same basis as the legally adopted budget.

4.7.2.30 Notes to the RSI should disclose an explanation of the excesses of expenditures over appropriations in individual funds presented in the budgetary comparison. If budgetary comparison information is included in the basic statements, these disclosures should be in the notes to the financial statements, rather than as notes to the RSI. If the excess of expenditures over appropriations is considered a material violation of legal provisions, the disclosure should be made in the notes to financial statements.

4.7.2.40 Governments may present the budgetary comparison schedule using the same format, terminology, and classification as the budget document, or using the format, terminology, and classifications in a statement of revenues, expenditures, and changes in fund balances. Comparison schedules should be reported at the same level of detail as the adopted budget. (i.e. if the government adopts their budget to the level of salaries/wages, benefits, services, etc., the budget to actual comparison is presented at the same level). Biennial budgets should be reported at the same level of detail as the adopted budget (i.e. if the government adopts their budget presenting two individual budget years or as one single biennial budget, the budget to actual comparison is presented the same). Regardless of the format used, the schedule should be accompanied by information (either in a separate schedule or in notes to the RSI) that reconciles budgetary information to GAAP information.

4.7.2.50 Governments with budgetary perspective differences [2] that result in the government not being able to present budgetary comparisons for the general fund and each major special revenue fund are required to present budgetary comparison schedules as RSI based on the fund, organization or program structure that the government uses for its legally adopted budget [3].

Governments with timing differences that result in significant variances between budgetary practices and GAAP including: continuing appropriations, project appropriations, automatic appropriations and biennial budgeting. Governments that adopt budgets with timing differences should disclose the cause for the significant variance(s) in the notes to the financial statements.

Governments with significant perspective differences, such as sub funds of the general fund must: (1) present budgetary comparison, (2) format the budgetary comparison using the budgetary framework, and (3) present the budgetary comparison as RSI rather than as a basic financial statement.

Annual Budget (single year) presentation

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 20__
(in thousands)

(Variance column is optional)

	Budgeted Amounts			
	Original	Final	Actual amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance, January 1	30	1,063	7,031	
Resources (Inflows):				
Property Tax	10,285	10,285	10,997	
Licenses and Permits	885	885	727	
Fines and Penalties	277	277	248	
Charges for Goods and Services	3,066	3,066	3,090	
Intergovernmental Revenues	542	542	661	
Miscellaneous	454	454	844	
Interest Received				
Transfers from Other Funds				
Amounts Available for Appropriation	15,509	15,509	16,566	
Charges to Appropriations (Outflows)				
General Government:				
Legal	1,004	1,004	875	
Legislative	850	854	790	
Finance and Accounting	925	925	904	
Other	126	126	72	
Public Safety:				
Police	5,000	5,046	4,904	
Fire Department	1,000	1,100	950	
Emergency Services	1,411	1,411	1,382	
Public Work:				
Public Works Administration	850	850	796	
Street Maintenance	1,000	1,026	1,100	
Street Lighting	212	212	38	
Health and Human Services	5	5	5	
Culture and Recreation:				
Library	1,560	1,618	1,579	
Parks and Recreation	817	817	738	
Economic Environment	726	740	714	
Nondepartmental:				
Capital Outlay	53	53	32	
Contingency				
Transfers to Other Funds		785	785	
Total Charges to Appropriations	15,539	16,572	15,664	
Budgetary Fund Balance, December 31			7,933	

See accompanying note to budgetary comparison schedules.

Biennial Budget presentation

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 20X2
(in thousands)

	Budgeted Amounts			*(Variance column is optional)*		
	Original	Final	20X1 Actual amounts (Budgetary Basis)	20X2 Actual amounts	Total 20X1-20X2 Actuals*	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance, January 1	30	1,063	7,031			
Resources (Inflows):						
Property Tax	10,285	10,285	5,997			
Licenses and Permits	885	885	397			
Fines and Penalties	277	277	138			
Charges for Goods and Services	3,066	3,066	1,050			
Intergovernmental Revenues	542	542	271			
Miscellaneous	454	454	204			
Interest Received						
Transfers from Other Funds						
Amounts Available for Appropriation	15,509	15,509	8,057			
Charges to Appropriations (Outflows)						
General Government:						
Legal	1,004	1,004	875			
Legislative	850	854	390			
Finance and Accounting	925	925	425			
Other	126	126	65			
Public Safety:						
Police	5,000	5,046	2,505			
Fire Department	1,000	1,100	550			
Emergency Services	1,411	1,411	725			
Public Work:						
Public Works Administration	850	850	402			
Street Maintenance	1,000	1,026	425			
Street Lighting	212	212	38			
Health and Human Services	5	5	5			
Culture and Recreation:						
Library	1,560	1,618	729			
Parks and Recreation	817	817	400			
Economic Environment	726	740	350			
Nondepartmental:						
Capital Outlay	53	53	27			
Contingency						
Transfers to Other Funds		785	785			
Total Charges to Appropriations	15,539	16,572	8,696			
Budgetary Fund Balance, December 31			6,392			

See accompanying note to budgetary comparison schedules.

*In the first year of a biennial budget, governments should disclose the timing difference in the notes to the financial statements.

Footnotes:

[1] All major special revenue funds, whether designated as major based on the percentage criteria or management's discretion, are subject to this requirement.

[2] The perspective difference may be related to special revenue funds which have their own legally approved budgets, but which do not qualify as special revenue funds per GASB Statement 54 and are included in the general fund for external reporting purposes.

[3] GASB Statement 41, *Budgetary Comparison Schedule – Perspective Differences*.

Infrastructure Condition and Maintenance Data

4 Reporting

4.7 **Required Supplementary Information (RSI)**

4.7.6 **Infrastructure Condition and Maintenance Data**

4.7.6.10 Governments that follow the modified approach have to present the following information for all infrastructure reported using that method:

1. The results of the three most recently **[1]** completed condition assessments to demonstrate the assets have been maintained at or above the condition level established.
2. The estimated annual amount needed and actual amount expensed to maintain or preserve infrastructure assets at the level established (presented for each of the past five reporting periods). The estimated annual amount must be determined using the assets management system. It should be calculated at the beginning of the fiscal year and documented providing an auditor with information necessary for the comparison of estimated and actual amounts.

4.7.6.20 These schedules should be accompanied by the following disclosures as notes to the RSI:

1. The basis for the condition measurement and the measurement scale used to assess and report condition.
2. The condition level at which the government intends to preserve its infrastructure assets (reported using the modified approach).
3. Factors that significantly affect trends in the information reported in the required schedules, including any changes in the measurement scale, the basis for the condition measurement, or the condition assessment methods used during the periods covered by the schedules. If there is a change in the condition level at which the government intends to preserve the eligible infrastructure assets, an estimate of the effect of the change on the estimated annual amount to maintain and preserve those assets for the current period also should be disclosed.

Footnotes:

[1] Disclose the dates.

Management's Discussion and Analysis

4 **Reporting**

4.7 **Required Supplementary Information (RSI)**

4.7.1 **Management's Discussion and Analysis**

The management discussion and analysis (MD&A) should provide the users with an introductory narrative, overview and analysis of the basic financial statements. Although it is required supplementary information, it should be presented first – before the basic financial statements. It introduces the basic financial statements and notes and is meant to guide the readers through those statements and notes.

4.7.40 The MD&A should be written by financial managers, the controllers, finance directors, etc. It should be objective and easily readable. The objectivity is a result of being solely based on the information that comes from the basic financial statements and facts that are currently known **[1]** to the managers. It should discuss both: the positive and negative outcomes of the government's operations. The governments are encouraged to use charts, graphs, and tables to enhance the understandability of the MD&A.

4.7.50 The MD&A should focus on the primary government. The decision whether to address matters related to component units depends on the size of a particular component unit (in comparison with other discretely presented component units) and the nature of its relationship with the primary government. Any discussion in the MD&A involving both the primary government and its discretely presented component units must be distinguishable between the two.

4.7.60 The content includes a required set of information that the government must address. Since the MD&A is a required portion of the RSI, it should not contain additional topics that are not specified here. However, the government is free to provide whatever level of detail it feels is appropriate in addressing each topic.

Quick Links
Discussion of the Basic Financial Statements
Condensed Comparative Financial Data
Overall Analysis of Financial Position and Result of Operations
Fund Analysis
Budget Variances in the General Fund
Capital Asset and Long-Term Debt Activity
Infrastructure
Other Potentially Significant Matters

Discussion of the Basic Financial Statements

4.7.70 The discussion portion of the MD&A should describe the financial statements and the significant differences in the kinds of information each statement provides. It should focus on the relationship between governmental funds and governmental activities.

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Condensed Comparative Financial Data

4.7.80 The MD&A should provide condensed financial statements derived from the government-wide financial statements for both the current and the prior fiscal period. The following is the requirement of comparative data need for the MD&A:

- Total assets, distinguishing between capital and other assets
- Total deferred outflows of resources
- Total liabilities, distinguishing between long-term liabilities and other liabilities
- Total deferred inflows of resources
- Total net position, distinguishing between amounts of net investment in capital assets, restricted amounts, and unrestricted amounts
- Program revenues, by major source
- General revenues, by major source
- Total revenues
- Program expenses, at minimum by function
- Total expenses
- Excess (deficiency) before contributions to term and permanent endowment or permanent fund principal, special and extraordinary items and transfers
- Contributions
- Special and extraordinary items
- Transfers
- Change in net position
- Ending net position

4.7.90 The above information should be presented in the form of condensed financial statements. The government may use graphs and charts to supplement, or elaborate on those statements, but not in place of them.

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Overall Analysis of Financial Position and Result of Operations

4.7.100 The MD&A should discuss and analyze the government's financial position and results of operations. This discussion and analysis needs to address whether the government's overall financial position has improved or deteriorated. The MD&A should provide *reasons* for the significant changes in financial position, not just changes in their size or percentage of change. The overall analysis discussion needs to address separately the governmental and business-type activities. This discussion should emphasize the current fiscal period.

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Fund Analysis

4.7.110 The fund analysis focuses on the analysis of significant balances and operations of individual major funds. The discussion should emphasize the reasons for significant changes in fund balances (government funds) or fund net position (proprietary funds). Additional information should be provided on any significant limitation on the future use of fund resources.

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Budget Variances in the General Fund

4.7.120 The MD&A should address, on a budgetary basis, the significant differences between:

1. The original budget for the general fund and the final amended budget
2. The final amended budget for the general fund and the actual amounts

4.7.130 The analysis should give reasons for variances if they significantly affect either future services or liquidity.

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Capital Asset and Long-Term Debt Activity

4.7.140 The MD&A should describe significant changes in:

- Capital assets
- Long-term debt
- Commitments for capital expenditures
- Debt limitations that could affect the financing of planned facilities or services

4.7.150 The MD&A is not intended to repeat information provided in the notes, but should be summarized and references made to the more detailed information provided in the notes.

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Infrastructure

4.7.160 Governments that elect the use the modified approach to infrastructure reporting should discuss all of the following in the MD&A:

- Significant changes in the condition levels of infrastructure assets
- How current condition levels compare with target condition levels established by the government
- Significant differences between the amount estimated to be necessary for maintaining and preserving infrastructure assets at target condition levels and the actual amounts of expense incurred for the purpose during the current fiscal period

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Other Potentially Significant Matters

4.7.170 The MD&A should also address any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position. This discussion should be based on events or decisions that have already occurred, or have been enacted, adopted, agreed upon, or contracted. In some instances, issues discussed here will also be disclosed in the notes to financial statements as subsequent events or contingencies. The discussion should also address the effect on governmental and business-type activities separately.

4.7.180 Governmental activities and business-type activities should be discussed separately. Examples of types of situations for such reporting are:

- Award and acceptance of a major grant
- Adjudication of significant lawsuit
- Reassessment of taxable property
- Completion of an agreement to locate a major manufacturing plant in a city
- A flood that caused significant damage to a governments infrastructure
- A renegotiated labor contract with government employees

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Footnotes:

[1] Currently known is interpreted as known by the managers as of the date of the auditor's end of audit fieldwork.

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Other Postemployment Benefit (OPEB) Plan Schedules

4 **Reporting**

4.7 **Required Supplementary Information (RSI)**

4.7.4 **Other Postemployment Benefit (OPEB) Plan Schedules**

4.7.4.10 GASB Statements 74 and 75 require presentation of required supplementary information (RSI). The extent of information that must be presented will depend upon which statements apply to your entity and the type of OPEB plan you participate in. If both statements apply, RSI information does not need to be duplicated.

For information on which standards apply to the government refer to BARS Manual 3.4.17, *Other Postemployment Benefits (OPEB).*

4.7.4.20 If the financial statements and required schedules of the plan (whether single-employer, agent, or cost sharing) are not publicly available in a stand-alone plan financial report, the employer should report all required schedules for each plan included in the employer's report for all years required by GASB Statement 74.

OPEB Schedules and Notes

4.7.4.30 **OPEB plans not administered through a qualifying trust**

The RSI schedules should be presented separately for each OPEB plan. If a primary government and one or more of its component units provide OPEB through the same OPEB plan, required supplementary information in the reporting entity's financial statements should present information for all benefits provided by the reporting entity through the OPEB plan.

A template is available on the GAAP RSI section of the BARS Reporting Templates page.

4.7.4.31 **A 10-year Schedule of Changes in Total OPEB Liability** (as of the measurement date of the Total OPEB Liability)

a. The beginning balance of the total OPEB liability

b. The effects during the period of the following items, if applicable, on the total OPEB liability:

(1) Service cost,

(2) Interest on the total OPEB liability,

(3) Changes of benefit terms,

(4) Differences between expected and actual experience in the measurement of the total OPEB liability,

(5) Changes of assumptions or other inputs,

(6) Benefit payments,

(7) Other changes, separately identified if individually significant.

c. The ending balances of the total pension liability

4.7.4.32 **A 10-year Schedule of related ratios** (as of the measurement date of the Total OPEB Liability).

a. The total OPEB liability.

b. The covered-employee payroll.
Unlike pension RSI, which uses covered payroll (the payroll on which contributions to a plan are based), this schedule requires covered-employee payroll – the payroll of employees that are provided with OPEB through the OPEB plan.

c. The total OPEB liability as a percentage of covered-employee payroll.

The Schedule of Changes in the Total OPEB Liability and Schedule of related ratios can be combined into one schedule (Schedule of Changes in Total OPEB Liability and Related Ratios).

4.7.4.35 **Notes to RSI**

The notes must state that there are no assets accumulated in a trust that meets the criteria of a qualified plan. In addition, information should be presented about factors that significantly affect trends in the amounts reported – for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions. (The amounts presented for prior years should not be restated for the effects of changes – for example, changes of benefit terms or changes of assumptions – that occurred subsequent to the measurement date of that information.)

4.7.4.40 **OPEB plans administered through a qualifying trust:**

The RSI Schedules should be presented separately for each single-employer and agent OPEB plan. The information indicated in subparagraphs (a) and (b) should be determined as of the measurement date of the net OPEB liability and may be presented in a single schedule. The information in subparagraphs (c) and (d) should be determined as of the employer's most recent fiscal year-end. If a primary government and one or more of its component units provide OPEB through the same single employer or agent OPEB plan, required supplementary information in the reporting entity's financial statements should present information for all benefits provided by the reporting entity through the single-employer or agent OPEB plan.

A template is available on the GAAP RSI section of the BARS Reporting Templates page.

4.7.4.41 **A 10-year Schedule of Changes in Net OPEB Liability** (as of the measurement date of the Net OPEB Liability)

a. The beginning balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the net OPEB liability

b. The effects during the period of the following items, if applicable:

(1) Service cost
(2) Interest on the OPEB liability

(3) Changes of benefit terms
(4) Differences between expected and actual experience in the measurement of the total OPEB liability
(5) Changes of assumptions or other inputs
(6) Contributions from the employer
(7) Contributions from nonemployer contributing entities
(8) Contributions from active employees and inactive employees not yet receiving benefit payments
(9) OPEB Plan net investment income
(10) Benefit payments (including refunds of employee contributions and amounts from employers or nonemployer contributing entities for OPEB as the benefits came due)
(11) OPEB administrative expense
(12) Other chances, separately idenfied if individually significant.

c. The ending balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the net OPEB liability.

d. If the employer has a special funding situation:

(1) The nonemployer contributing entities' total proportionate share of the collective net OPEB liability
(2) The employer's proportionate share of the collective net OPEB liability.

4.7.4.42 **A 10 year Schedule of related ratios** (as of the measurement date of the Total OPEB Liability)

If the employer does not have a special funding situation:

a. The total OPEB liability

b. The OPEB plan's fiduciary net position

c. The net OPEB liability

d. The OPEB plan's fiduciary net position as a percentage of the total OPEB liability

e. The covered-employee payroll. Unlike pension RSI, which uses covered payroll (the payroll on which contributions to a plan are based), this schedule requires covered-employee payroll – the payroll of employees that are provided with OPEB through the OPEB plan.

f. The net OPEB liability as a percentage of covered-employee payroll.

If the employer does have a special funding situation:

a. The total OPEB liability

b. The OPEB plan's fiduciary net position

c. The collective net OPEB liability

d. The nonemployer contributing entities' total proportionate share (amount) of the collective net OPEB liability

e. The employer's proportionate share (amount) of the collective net OPEB liability

f. The covered payroll, if contributions to the OPEB plan are based on pay; otherwise, the covered-employee payroll

g. The employer's proportionate share (amount) of the collective net OPEB liability as a percentage of the payroll in subparagraph b(2)(f)

h. The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

4.7.4.43 **A 10-year Schedule of Employer Contributions** (as of the government’s fiscal year end)

If an actuarially determined contribution is calculated:

a. The actuarially determined contribution of the employer.
For purposes of this schedule, actuarially determined contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual employer to the OPEB plan.

b. The amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution of the employer.
For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.

c. The difference between the actuarially determined contribution of the employer and the amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution of the employer.

d. The covered-employee payroll.

e. The amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution of the employer as a percentage of covered-employee payroll.

If an actuarially determined contribution is not calculated and the contribution requirements of the employer are statutorily or contractually established:

a. The statutorily or contractually required employer contribution.
For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual employer to the OPEB plan.

b. The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution.
For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.

c. The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution.

d. The covered-employee payroll.

e. The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of covered-employee payroll.

4.7.4.44 **A 10-year Schedule of Investment Returns**

This schedule should present the annual money-weighted rate of return on OPEB plan investments.

4.7.4.45 **Notes to RSI**

The notes should describe factors that significantly affect trends in the amounts reported. These factors include changes in benefit provisions, size or population covered by the plan, or actuarial methods or assumptions used. When changes occur in the factors discussed above the amounts for prior years should not be restated.

Pension Plan Information

4 **Reporting**

4.7 **Required Supplementary Information (RSI)**

4.7.3 **Pension Plan Information**

As required by the GASB Statement 67, *Financial Reporting for Pension Plans* and the GASB Statement 68, *Accounting and Financial Reporting for Pensions*.

Quick Links
4.7.3.10 Cost sharing multiple-employer defined benefit pension plans
4.7.3.20 Single-employer defined benefit pension plans (no qualifying trust)
4.7.3.30 Single-employer defined benefit pension plans (with qualifying trust)

4.7.3.10 Governments that have cost sharing **multiple-employer** defined benefit pension plans (such as PERS, SERS, PSERS, TRS, & LEOFF).

4.7.3.11 **A 10-year Schedule of Proportionate Share of the Net Pension Liability** (as of the measurement date of the NPL)

a. The employer's proportion (percentage) of the collective net pension liability

b. The employer's proportionate share (amount) of the collective net pension liability

c. If there is a special funding situation (for example LEOFF plans): The portion of the nonemployer contributing entities' total proportionate share (amount) of the collective net pension liability that is associated with the employer

d. If there is a special funding situation (for example LEOFF plans): the total of (b) and (c)

e. The covered payroll. Covered payroll is the payroll on which contributions to a pension plan are based (ref. GASBS 82, paragraph 5).

f. The employer’s proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll

g.The pension plan's fiduciary net position as a percentage of the total pension liability.

4.7.3.12 **A 10-year Schedule Employer Contributions** (as of the government’s fiscal year end)

a. The statutorily or contractually required employer contribution.
For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any associated with payables to the pension plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual employer to the pension plan.

b. The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution.

For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan's fiduciary net position during the employer's fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.

c. The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution.

d. The covered payroll. Covered payroll is the payroll on which contributions to a pension plan are based (ref. GASBS 82, paragraph 5).

e. The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of covered-employee payroll.

This schedule should report the amount of contributions recognized by each pension plan. Contributions from PERS 2/3, SERS 2/3, and PSERS 2 that go to PERS 1 should be reported as PERS 1 contributions.

4.7.3.14 *Note that the RSI schedules have two different measures of covered payroll.* The Schedule of Proportionate Share of the Net Pension Liability is dated as of the plan’s measurement date (6/30 for state plans). The Schedule of Employer Contributions is dated as of the employer’s year end. In cases where these two dates are different, the amounts reported for covered payroll will be different.

4.7.3.15 **Notes to the RSI**

The notes should disclose information about factors that significantly affects trends in the amounts reported (e.g., changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions, etc.).

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4.7.3.20 **Single-employer** defined benefit pension plans **NOT** provided through a qualifying trust.

The RSI schedules should be presented separately for each pension plan. If a primary government and one or more of its component units provide pensions through the same single employer or agent pension plan, required supplementary information in the reporting entity’s financial statements should present information for the reporting entity as a whole.

4.7.3.21 **A 10 year Schedule of Changes in the Total Pension Liability** (as of the measurement date of the TPL)

a. The beginning balance of the total pension liability

b. The effects during the period of the following items, if applicable, on the total pension liability:

(1) Service cost,

(2) Interest on the total pension liability,

(3) Changes of benefit terms,

(4) Differences between expected and actual experience in the measurement of the total pension liability,

(5) Changes of assumptions or other inputs,

(6) Benefit payments,

(7) Other changes, separately identified if individually significant.

c. The ending balances of the total pension liability

4.7.3.22 **A 10 year Schedule of related ratios** (as of the measurement date of the TPL)

a. The total pension liability,

b. The covered payroll,

c. The total pension liability as a percentage of covered payroll.

The Schedule of Changes in the Total Pension Liability and Schedule of related ratios can be combined into one schedule (Schedule of Changes in Total Pension Liability and Related Ratios).

4.7.3.25 **Notes to RSI**

The notes must state that there are no assets accumulated in a trust that meets the criteria of a qualified plan. In addition, information should be presented about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). The amounts presented for prior years should not be restated for the effects of changes, for example, changes of benefit terms or changes of assumptions that occurred subsequent to the measurement date of that information.

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4.7.3.30 **Single-employer** defined benefit pension plans provided through a **qualifying trust**.

The RSI schedules should be presented separately for each pension plan. If a primary government and one or more of its component units provide pensions through the same single employer or agent pension plan, required supplementary information in the reporting entity's financial statements should present information for the reporting entity as a whole.

4.7.3.31 **A 10-year Schedule of Changes in the Net Pension Liability** (as of the measurement date of the NPL)

a. The beginning balances of the total pension liability, the pension plan's fiduciary net position, and the net pension liability.

b. The effects during the period of the following items, if applicable, on the balances in subparagraph (a):

1. Service cost,

2. Interest on the total pension liability,
3. Changes of benefit terms,
4. Differences between expected and actual experience in the measurement of the total pension liability,
5. Changes of assumptions or other inputs,
6. Contributions from the employer,
7. Contributions from nonemployer contributing entities,
8. Contributions from employees,
9. Pension plan net investment income,
10. Benefit payments, including refunds of employee contributions,
11. Pension plan administrative expense,
12. Other changes, separately identified if individually significant.

c. The ending balances of the total pension liability, the pension plan's fiduciary net position, and the net pension liability

d. If the employer has a special funding situation:

(1) The nonemployer contributing entities' total proportionate share of the collective net pension liability,

(2) The employer's proportionate share of the collective net pension liability.

4.7.3.32 **A 10-year Schedule of related ratios** (as of the measurement date of the TPL)

If the employer does not have a special funding situation:

a. The total pension liability,

b. The pension plan's fiduciary net position,

c. The net pension liability,

d. The pension plan's fiduciary net position as a percentage of the total pension liability,

e. The covered-employee payroll,

f. The net pension liability as a percentage of covered-employee payroll.

If the employer has a special funding situation, information about the collective net pension liability:

a. The total pension liability,

b. The pension plan's fiduciary net position,

c. The collective net pension liability,

d. The nonemployer contributing entities' total proportionate share (amount) of the collective net pension liability,

e. The employer's proportionate share (amount) of the collective net pension liability,

f. The covered-employee payroll,

g. The employer's proportionate share (amount) of the collective net pension liability as a percentage of covered-employee payroll,

h. The pension plan's fiduciary net position as a percentage of the total pension liability.

The Schedule of Changes in the Net Pension Liability and Schedule of related ratios can be combined into one schedule (Schedule of Changes in Net Pension Liability and Related Ratios). See sample Schedule of Changes in Net Pension Liability and Related Ratios.

4.7.3.33 A 10-year Schedule of Contributions (as of the government's fiscal year end)

If an actuarially determined contribution is calculated:

a. The actuarially determined contribution of the employer.
For purposes of this schedule, actuarially determined contributions should exclude amounts, if any, to separately finance specific liabilities of the individual employer to the pension plan.

b. The amount of contributions recognized by the pension plan in relation to the actuarially determined contribution of the employer.
For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan's fiduciary net position during the employer's fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.

c. The difference between the actuarially determined contribution of the employer and the amount of contributions recognized by the pension plan in relation to the actuarially determined contribution of the employer.

d. The covered-employee payroll.

e. The amount of contributions recognized by the pension plan in relation to the actuarially determined contribution of the employer as a percentage of covered-employee payroll.

If an actuarially determined contribution is not calculated and the contribution requirements of the employer are statutorily or contractually established:

a. The statutorily or contractually required employer contribution.
For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, to separately finance specific liabilities of the individual employer to the pension plan.

b. The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution.
For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan's fiduciary net position during the employer's fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.

c. The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution.

d. The covered-employee payroll.

e. The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of covered-employee payroll.

4.7.3.34 **A 10-year Schedule of Investment Returns**

This schedule should present the annual money-weighted rate of return on pension plan investments calculated as required by paragraph 30b(4) of **GASB Statement 67**.

4.7.3.35 **Notes to RSI**

The notes should describe significant methods and assumptions used in calculating the actuarially determined contributions. In addition, for each of the schedules, information should be presented about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). The amounts presented for prior years should not be restated for the effects of changes, for example, changes of benefit terms or changes of assumptions that occurred subsequent to the measurement date of that information.

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Revenue and Claims Development Trend Data (for Public Entity Risk Pools)

4 **Reporting**

4.7 **Required Supplementary Information (RSI)**

4.7.5 **Revenue and Claims Development Trend Data (for Public Entity Risk Pools) [1]**

4.7.5.10 The following information is provided as an example of the required supplementary information (RSI) that is expected for public entity risk pools. Be sure to revise these sample documents to fit the unique circumstances of the pool, to delete disclosures that do not apply to the pool's operations, and to add others that we did not include but which are needed to help a reader understand the financial statements.

4.7.5.20 The following revenue and claims development information should be included as required supplementary information ***immediately after*** the notes to financial statements in the pool's financial reports *for each of the past ten fiscal years including the latest fiscal year*, new risk pools will build the table prospectively.

1. Ten-Year Claims Development Information

   The table below illustrates how the pool's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last ten years. The rows of the table are defined as follows:

   (1) This line shows the total of each fiscal year gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

   (2) This line shows each fiscal year's other operating costs of the pool including overhead and claims expense not allocable to individual claims.

   (3) This line shows the pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

   (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

   (5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

   (6) This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

   (7) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is

greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to

Fiscal and Policy Year Ended
(In Thousands)

	20X0	20X1	20X2	20X3	20X4	20X5	20X6	20X7	20X8	20X9
1. Required contribution and investment revenue:										
Earned	$908	$957	$1,357	$1,493	$1,479	$1,595	$1,811	$1,993	$2,192	$2,411
Ceded	366	387	559	615	624	686	754	830	913	1,004
Net earned	542	570	798	878	855	909	1,057	1,163	1,279	1,407
2. Unallocated expenses	64	68	81	91	70	81	92	110	123	131
3. Estimated claims and expenses end of policy year:										
Incurred	287	303	453	503	569	651	780	909	1,092	1,512
Ceded	52	54	96	111	129	148	168	186	210	251
Net incurred	235	249	357	392	440	503	612	723	882	1,261
4. Net paid (cumulative) as of:										
End of policy year	118	124	179	196	220	251	306	361	450	641
One year later	177	186	268	294	330	377	459	542	675	
Two years later	254	268	385	422	474	542	660	779		
Three years later	304	321	461	506	568	649	790			
Four years later	359	379	545	597	671	766				
Five years later	404	427	614	673	756					
Six years later	445	469	674	740						
Seven years later	473	499	717							
Eight years later	473	499								
Nine years later	473									
5. Reestimated ceded claims and expenses	104	109	160	174	184	195	211	217	234	251
6. Reestimated net incurred claims and expenses:										
End of policy year	235	249	357	392	440	503	612	723	900	1,282
One year later	294	311	447	490	550	628	765	903	1,125	
Two years later	338	357	513	563	632	722	879	1,038		
Three years later	380	401	577	632	710	811	988			
Four years later	422	446	641	703	789	902				
Five years later	449	474	682	748	840					
Six years later	468	494	710	779						
Seven years later	473	499	717							
Eight years later	473	499								
Nine years later	473									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	238	250	360	387	400	399	376	315	225	0

2. Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the pool's two types of contracts: property and casualty and employee health and accident benefits.

	Property and Casualty		Employee Health and Accident	
	(In thousands)		(In thousands)	
Unpaid claims and claim adjustment expenses at beginning of the fiscal year				
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year				
Increases in provision for insured events of prior fiscal years				
Total incurred claims and claim adjustment expenses				
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current fiscal year				
Claims and claim adjustment expenses attributable to insured events of prior fiscal years				
Total payments				
Total unpaid claims and claim adjustment expenses at end of the fiscal year				

Footnotes:

[1] See the GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, Statement 30, *Risk Financing Omnibus* and Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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Supplementary and Other Information

DES Schedule of Expenses – Risk Pools

4 **Reporting**

4.14 **Supplementary and Other Information**

4.14.2 **DES Schedule of Expenses – Risk Pools**

This requirement applies only to risk pools.

DES Schedule of Expenses

____
(Pool)

For the Fiscal Year Ended , 20__

Insurance Members		$_____
Contracted Services:		
	Third Party Administrator Fees	______
	Actuarial	______
	Audit Expenses	______
	Brokerage Fees	______
	Legal Fees	______
	Other Consultant Fees	______
General Administrative Expenses:		
	Communication	______
	Supplies	______
	Dues and Conferences	______
	Retreat/Board Meetings	______
	Training	______
	Depreciation	______
	Miscellaneous	______
Other		
		______
	Total Operating Expenses	**$_____**

List of Participating Members – Risk Pools

4 **Reporting**

4.14 **Supplementary and Other Information**

4.14.1 **List of Participating Members – Risk Pools**

This requirement applies only to risk pools.

List of Participating Members

____
(Pool)

Instructions to preparer:

List all participating members of the public entity risk pool in alphabetical order. Indicate any other identifying data you feel would be appropriate.

Liabilities (Schedule 09)

4 **Reporting**

4.8 **SAO Annual Report Schedules**

4.8.3 **Liabilities (Schedule 09)**

4.8.3.10 The purpose of this schedule is to provide information about the **liabilities** of the local government.

4.8.3.30 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.

4.8.3.40 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.

4.8.3.50 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 fiduciary funds.
- Assessment debt without commitments.

4.8.3.60 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.

4.8.3.71 Proper classification of grant and loan transactions require the analysis of the underlying documentation. For accounting purposes, the criteria for determining if a funding source is a grant (revenue) or loan (liability) 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.

4.8.3.90 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).

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.

4.8.3.100 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.

I.D. No.	General obligation debt/liabilities
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 ***cities and towns***
251.22	Voted general obligation bonds debt for open space, parks, and capital facilities issued by ***cities and towns***
251.31	Non-voted general obligation bonds ***for metropolitan municipal corporations*** issued by counties
251.32	Voted general obligation bonds for metropolitan municipal corporations issued by ***counties***
251.41	Non-voted general obligation bonds for construction issued by ***ports***
251.42	Non-voted general obligation bonds for airport improvements issued by ***ports***
251.43	Voted general obligation bonds for airport improvements issued by ***ports***
251.44	Voted general obligation bonds for foreign trade zones issued by ***ports***
263.51	Installment purchases (formally known as capital leases), installment-purchase agreements (e.g. rent to own), conditional sales and COPS
263.56	Leases, for leases that the government is not purchasing the asset at the end of the lease
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.
239.70	Registered warrants
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.

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
252.11	Non-voted revenue bonds
252.12	Voted revenue bonds
259.12	Compensated absences
263.12	Claims and judgments
263.22	Liabilities for landfills closure and post-closure – 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 173-351-600, WAC 173-350 and WAC 173-304)
263.40	Revenue warrants issued by cities pursuant to RCW 35.41.050, by ports pursuant to RCW 53.40.135, by municipal airports pursuant to RCW 14.08.118, or by water districts pursuant to RCW 57.20.027.
263.52	Installment purchases (formally known as capital leases), installment-purchase agreements (e.g. rent to own), conditional sales and COPS
263.57	Leases, for leases that the government is not purchasing the asset at the end of the lease
263.62	Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)
263.72	Arbitrage rebate tax
263.82	Loans and other obligations to the federal government or other out-of-state governments
263.84	Loans and other obligations to Washington state agencies (except LOCAL and Public Works Trust Fund loans)
263.86	Loans and other obligations to other Washington local governments
263.88	Public Works Trust Fund loans
263.92	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.
263.93	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 state or federal agencies.
263.95	Lines of credit
263.99	Miscellaneous liabilities – report any other liability within the scope of the schedule but not properly categorized under any other Debt ID (such as liabilities for when the government is more likely than not to make payments on conduit debt or financial guarantees).
264.30	Pension liabilities – report the net pension liability amount in accordance with BARS section 3.4.2. For all state-sponsored pension plans (such as PERS, PSERS and LEOFF), this amount is available from the Department of Retirement Services.
264.40	OPEB liabilities – report the actuarially determined liability for defined benefit other post-employment benefit plans in accordance with BARS section 3.4.17.

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

4.8.3.110 **Instructions to 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 (maturity) 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 (e.g., 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 post-closure
- 263.51 Installment purchases (formally known as capital leases), installment-purchase agreements (e.g. rent to own), conditional sales and COPS
- 263.52 Installment purchases (formally known as capital leases), installment-purchase agreements (e.g. rent to own), conditional sales and COPS
- 263.56 Leases, for leases that the government is not purchasing the asset at the end of the lease
- 263.57 Leases, for leases that the government is not purchasing the asset at the end of the lease
- 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 I.D. 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 printed 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.

Note: **Ending Balance is calculated by adding *Beginning Balance* and *Additions* and subtracting *Reductions*.**

4.8.3.120 The template for Online Filing is available on the 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

Debt Type	ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations							
	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
Revenue Obligations							
	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
			Total Liabilities:	**1,929,747**	**32,164**	**167,326**	**1,794,585**

Expenditures of Federal Awards (SEFA/Schedule 16)

4 **Reporting**

4.14 **Supplementary and Other Information**

4.14.5 **Expenditures of Federal Awards (SEFA/Schedule 16)**

Quick Links
Covid-19 Expenditures Section
Guidance for Other Specific Expenditures Section
Valuation of Federal Loans Section
4.14.5.140 Accounting for revolving loans
4.14.5.155 Preparing the preformatted SEFA template for upload to Online Filing
Finalized Schedule of Expenditures of Federal Awards
Sample Schedule of Expenditures of Federal Awards

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 that the term "Catalog of Federal Domestic Assitance" (CFDA) number was changed to "Assistance Listing Number" (ALN) with the revisions to the Uniform Guidance effective November 12, 2020.

Caution: If the government expends $750,000 or more in federal awards in a year, it must contact the Office of the Washington State Auditor and arrange for 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 award expenditures as a basis for planning and conducting the single audit. It also serves to provide assurance to those agencies that award federal financial assistance that their programs were included in the audit. It is important to prepare this Schedule carefully to ensure that it is accurate and complete. Any program or award 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 entity.

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 government orders supplies and receives the supplies and invoice in December 2021. The government has an open period of 20 days after yearend. The government pays the invoice on February 5, 2022.

- ***Accrual basis:*** The expenditure is reported in the 2021 SEFA, because the activity, a receipt of goods in this situation, occurred during fiscal year 2021 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 because it was not 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 2022 SEFA, because cash-basis entities report expenditures when paid. However, note that had this invoice been paid **within** the government's open period, a cash-basis city, town or county would report the expenditure on the 2021 SEFA (for fore information on open period accounting, please see Cash BARS 3.1.7, Fund Types and Accounting Principles, paragraph 3.1.7.40).

Report award-related expenditures in the year they take place, ***even if the government will not be reimbursed by the awarding agency 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 awarding agency (e.g., the date the government submitted a reimbursement request or received a reimbursement payment). Note however that there are some exceptions whereby the "basis for the federal awards expended" for purposes of SEFA reporting may be based on an activity, not reimbursable expenditures. This is common for fixed amount awards. Fixed amount awards are a type of grant or cooperative agreement under which the Federal awarding agency or pass-through entity provides a specific level of support without regard to actual costs incurred under the Federal award. This type of Federal award reduces some of the administrative burden and record keeping requirements for both the non-Federal entity and Federal awarding agency or pass-through entity. Accountability is based primarily on performance and results.

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, direct appropriations, and other federal financial assistance.
- Indirect costs claimed for reimbursement using an indirect cost rate or cost allocation plan. *(Revenues received from indirect cost recoveries should be coded as a federal revenue, BARS accounts 331 or 333 as appropriate)*
- Disbursement of federal award 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.

COVID-19 Expenditures Section

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 Assistance Listing Number (ALN) with “COVID-19” as a prefix to the program name (see SEFA example below). See below other special COVID-19 SEFA reporting requirements.

4.14.5.70 **Special COVID-19 SEFA reporting requirements**
Donated Personal Protective Equipment (PPE) purchased with COVID-19 federal financial assistance.

Per Part 8, Appendix VII of the 2022 Compliance Supplement, during the emergency period of COVID-19 pandemic and as allowed under OMB Memorandum M-20-20 (April 9, 2020), federal agencies and recipients can donate PPE purchased with federal assistance funds to various entities for the COVID-19 response. The donated PPE were mostly provided without any compliance or reporting requirements or Assistance Listing information from the donors. As such, the non-federal entities that received donated PPE should provide the fair market value of the PPE at the time of receipt as a ***stand-alone footnote*** accompanying their SEFA. The amount of donated PPE should not be counted for purposes of determining the threshold for a single audit or determining the type A/B threshold for major programs, and is not required to be audited as a major program. Because donated PPE has no bearing on the single audit, the donated PPE footnote may be marked “unaudited.”

As a reminder, the above only relates to donated PPE provided without any compliance or reporting requirements or assistance listing from donors. There could be some PPE that must appear on the SEFA as a federal program (e.g., when the recipient uses funds provided under an Assistance Listing Number to purchase PPE).

COVID-19 Vaccines – Immunization Cooperative Agreements ALN 93.268
Per Part 4 of the 2022 Compliance Supplement, after the end of each month and after the end of each federal fiscal year, the Centers for Disease Control (CDC) advises each grantee of the value of all federally funded vaccine which was distributed, in lieu of cash, directly to the grantee and/or on behalf of the grantee to vaccinating providers located in the grantee’s geographical area. The annual dollar value of federally funded vaccine should be treated by the grantee as expenditures under a federal award for purposes of determining audit coverage and reporting on the SEFA. ***Therefore, if you are receiving reports from the CDC, report that value on your SEFA.*** However, vaccinating providers and vaccinated individuals are not considered subrecipients; therefore, the value of vaccine received is not considered as expenditures under a federal award for purposes of determining audit coverage and SEFA reporting for those entities.

Provider Relief Fund (PRF) ALN 93.498
Per Part 4 of the 2022 Compliance Supplement, SEFA reporting amounts for this program (including both expenditures and lost revenue) are based upon the PRF report that is required to be submitted

to the HRSA reporting portal. The HRSA PRF reporting requirements are summarized in the following table:

	Payment Received Period (Payments Exceeding $10,000 in Aggregate Received)	Period of Availability	PRF Portal Reporting Time Period	Fiscal Year Ends (FYEs) to include each PRF Period on the Schedule of Expenditures for Federal Awards (SEFA) Reporting
Period 1	April 10, 2020 to June 30, 2020	January 1, 2020 to June 30, 2021	July 1, 2021 to September 30, 2021	Fiscal Year End (FYEs) of June 30, 2021 through June 29, 2022
Period 2	July 1, 2020 to December 31, 2020	January 1, 2020 to December 31, 2021	January 1, 2022 to March 31, 2022	FYEs of December 31, 2021 through FYEs December 30, 2022.
Period 3	January 1, 2021 to June 30, 2021	January 1, 2020 to June 30, 2022	July 1, 2022 to September 30, 2022	FYEs of June 30, 2022 through June 29, 2023
Period 4	July 1, 2021 to December 31, 2021	January 1, 2020 to December 31, 2022	January 1, 2023 to March 31, 2023	FYEs of December 31, 2022 through FYEs June 29, 2023.
Period 5	January 1, 2022 to June 30, 2022	January 1, 2020 to June 30, 2023	July 1, 2023 to September 30, 2023	FYEs of June 30, 2023, guidance will be included in 2023 Compliance Supplement

Guidance for Other Specific Expenditures Section

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 recipient must report the fair market value at the time of receipt or the assessed value provided by the awarding agency of the non-cash items on the SEFA. *Despite the basis of accounting used by the recipient, 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 (see above for information on COVID-19 vaccines), donated property (including surplus, also, see above for information on donated personal protective equipment funded with COVID-19 assistance), and other non-cash assistance should be valued at fair market value at the time of receipt or the assessed value provided by the awarding agency. 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 recipient, 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 awarding agency should ***not*** be reported on the SEFA.

Program income

4.14.5.110 Many awardees 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 awarding agency 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 award generating this income. (See next section for accounting for program income related to revolving loans.)

Note: If the awardee 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 awarding documents, interest earned on cash advances or idle award funds are not considered program income. Interest earnings are recorded in the BARS account 361.

FEMA Disaster Assistance - ALN 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 (ALN 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 2020 and eligible expenditures are incurred in the non-Federal entity's fiscal year 2021, the non-Federal entity records the eligible expenditures in its fiscal year 2021 SEFA.*
> >
> > *2. If the non-Federal entity incurs eligible expenditures in its fiscal year 2020 and FEMA approves the non-Federal entity's PW in the non-Federal entity's fiscal year 2021, the non-Federal entity records the eligible expenditures in its fiscal year 2021 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 (ALN 16.922) or the Department of Treasury (see 4.14.5.180 [Column 3] for the guidance regarding coding when the ALN 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 awardee, 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 awardee, 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 awarding agency, a cash advance has occurred. Contact the awarding agency for instructions on what to do with the funds (such as return to them 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 pass-through agency becomes obligated to the subrecipient for payment. Generally that is when the pass-through agency has made the determination the costs are allowable, they are charged to the federal award, and the payment is made to (or authorized to be made to) the subrecipient.*

Valuation of Federal Loans Section

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 audit 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(a), and guidance from the AICPA states the loan is considered expended when the loan proceeds are used under loan and loan guarantee programs. *Note exception to the rule for certain programs below.*

- 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, including prevailing wages (David-Bacon Act)

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 reportthe 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, cancelations, 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:

- **EPA Clean Water State Revolving Fund (ALN 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 note 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.

  NOTE ON TIMING OF SEFA REPORTING: In consultation with the EPA, the subrecipient should not report the expenditures on its SEFA *until the expenditures are incurred and it requests reimbursement* from its awarding agency. This may result in prior period expenditures being reported on the SEFA.

  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.

- **EPA Drinking Water State Revolving Fund (ALN 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 note 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.

NOTE ON TIMING OF SEFA REPORTING: In consultation with the EPA, the subrecipient should not report the expenditures on its SEFA *until the expenditures are incurred and it requests reimbursement* from its awarding agency. This may result in prior period expenditures being reported on the SEFA.

- **USDA Interim Financing: Water and Waste Disposal Systems for Rural Communities (ALN 10.760), Community Facilities Loans and Grants (ALN 10.766).** After USDA has made a commitment on a loan, the borrower may be required to obtain interim financing from commercial sources (e.g., a bank loan) for 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 2022 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: The USDA has stated in the 2022 Compliance Supplement (April 2022) 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: **Prior years' compliance supplements included language that CF loans did not have continuing compliance requirements. USDA has changed its position and determined that CF loans have continuing compliance requirements.**
  This change is to be applied prospectively and will be effective for borrowers' with outstanding CF loan balances for fiscal years ending on or after June 30, 2022. There is no expectation that borrowers that had existing outstanding loan balances in years prior to June 30, 2022, go back and have single audits performed of prior periods.

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 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 loan 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 loan and program income. **However, be sure to check the terms of the award and discuss with the awarding agency because some federal agencies 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 (ALN 11.307) requires awardees 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.

4.14.5.140 **Accounting for revolving loans**

The original agreement 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 loan 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 should include expenditures from the initial loan and subsequent repayments of the loans, including interest generated by the loan.

Employer Identification Number (EIN) for federal award 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 agencies define a *recipient* according to the federal Employer Identification Number (EIN). That is, the awarding agency makes its awards to each recipieint 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 award using the county EIN, some federal agencies will make the official award to the county. As a result, the awarding agency 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 federal financial assistance as well as IRS tax purposes. The district also should consult with its county auditor and/or treasurer for the protocol concerning payroll taxes.

4.14.5.155 **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 Assistance Listing Number (ALN, formerly referred to as CFDA). If unknown or does not exist, follow detailed instructions below in Column 3.

Column B: Enter "Yes" if these are COVID-19 expenditures. As noted above, COVID-19 expenditures must be reported separately by ALN. 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 (SAM.gov) once uploaded into the online filing system. If the ALN is unknown or doesn't exist, manually add the federal agency name.

Column D: This will pre-populate the official federal program name from Assistance Listings (SAM.gov) once uploaded into the online filing system. If the ALN is unknown or doesn't exist, manually 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: For indirect awards, add the other award identification number assigned by the pass-through agency (contract/agreement number). Refer to detailed instructions below. If no identification number was provided by the pass-through agency, enter "NA".
For direct awards, leave this field blank. If an other award identification number is entered for direct awards, you may receive an error in the online filing system.

Column G: Check if this award is research and development (R&D).

Column H: Enter the total federal awards expended. Refer to detailed instructions below 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.

Finalized 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. 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 above at 4.14.5.155.

Column 1
Provide the name of the federal agency. 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 Assistance Listings at SAM.gov (formerly the Catalog of Federal Domestic Assistance). **As noted above at 4.14.5.60, COVID-19 expenditures must be reported on a separate line by ALN with "COVID-19" as a prefix to the program name, including new COVID-19 only programs, such as the Coronavirus State and Local Fiscal Recovery Fund 21.027.**

IMPORTANT NOTE: For federal programs included in a **cluster of programs**, provide the **official cluster name** (e.g., Highway Planning and Construction 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., 20.205 Highway Planning and Construction, 20.219 Recreational Trails Program, 20.224 Federal Lands Access Program, 23.003 Appalachian Developoment Highway System) 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 in Part 5 of the Compliance Supplement. Note the Compliance Supplement 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, 2021, consult the 2022 Compliance Supplement).

Column 3
List the applicable ALN for each award. This is a five digit (XX.XXX) identification number assigned by the federal government and published in Assistance Listings at SAM.gov (formerly 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 ALNs. Awarding agencies are required to provide the ALN when making an award; however, if one was not provided, research the program before the government concludes an ALN does not exist. Steps to take:

- Contact the awarding agency.
- Research the assistance listings (SAM.gov).
- 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 an ALN 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.

YELLOW FLAG CAUTION: If you use our electronic filing system, when entering an unknown ALN, you will get a "yellow flag". That is because our system pulls from Assistance Listings at SAM.gov. If the ALN is unknown, it is not going to be in Assistance Listings. Also, if you enter an ALN number that has been archived by the Federal Awarding Agency, in other words the program is no longer giving awards but you still have some federal expenditures to report, you will also get a yellow flag. In both of these cases, it is ok to ignore the yellow flag; you do not need to contact our Office.

Column 4
Use this column to report the other award identification number assigned by the pass-through agency (for indirect awards), such as the contract or agreement number. If a number was not assigned by the pass-through entity, enter **"NA"**.
For direct awards, leave this field blank. If an other award identification number is entered for direct awards, you may receive an error in the online filing system.

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 ALN from multiple awarding agencies, the SEFA should have a subtotal for that ALN 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 ALN.

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 award. *This is an informational column that shows, of the amount of total expenditures reported for an award, 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. If the de minimis rate was not elected, it is optional to include the indirect cost rates used (see example below).

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 ALNs; if the government does not see the federal agency here, Assistance Listings at 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 award 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 award. 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 awardee 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 (www.agacgfm.org) published a subrecipient versus contractor checklist.

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 federal financial assistance to the entity.

- List all awards from the same federal agency together on the Schedule (for example, group all HUD awards together by ALN).

- If the government chooses to report multiple projects/programs that have the same ALN as separate line items (e.g., WSDOT highway planning and construction projects), provide a subtotal for the ALN.

- It is important to note that the expenditures reported on the SEFA 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 **Sample Schedule of Expenditures of Federal Awards**

City of Example
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, XXXX

Federal Agency (Pass-Through Agency)	Federal Program	ALN	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	N/A		524,362	524,362		2
		Total CDBG - Entitlement Grants Cluster:			**524,362**	**524,362**		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPUS-0030(013) / LA 8423	1,313,068		1,313,068		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPUS-6201(001) / LA 8538	2,012,499		2,012,499		
			Total ALN 20.205:	**3,325,567**		**3,325,567**		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Recreational Trails Program	20.219	WA123456	239,145		239,145		
	Total Highway Planning and Construction Cluster:			**3,564,712**		**3,564,712**		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A		5,000,000	5,000,000	500,000	2
			Total Federal Awards Expended:	**3,564,712**	**5,524,362**	**9,089,074**	**500,000**	

<u>(City/County/District)</u>

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 20__

Please be advised the order of the notes 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.

<u>Note 1 – Basis of Accounting</u> (***Required***)

This Schedule is prepared on the same basis of accounting (<u>describe if not the same basis</u>) 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 Indirect Cost Rate (***Required*** *to state* ***whether or not*** *the de minis 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. The amount expended includes $______ claimed as an indirect cost recovery using an approved indirect cost rate of _____ percent.

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 – 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 5 – 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 6 – 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 7 – Program Costs (***Recommended*** *if applicable*)

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the (city/county/district's) portion, are more than shown. Such expenditures are recognized following 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 **Reporting**

4.8 **SAO Annual Report Schedules**

4.8.1 **Revenues/Expenditures/Expenses (Schedule 01)**

4.8.1.10 The purpose of this schedule is to report the local government's financial activity for the reporting year including beginning balances, revenues, expenditures, and ending balances. These are reported using BARS codes to identify the specific type of activity. For GAAP governments it is also required to report a summary of balance sheet transactions for each reported fund which will be reported to the 800 series of BARS codes. This includes assets, liabilities and deferred outflows and inflows.

4.8.1.20 Local governments are ***required*** to update the materially 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. For each reported fund, the online filing system will calculate an ending fund balance using government-submitted information (beginning balance, plus revenues, less expenditures). If the *calculated ending balance* differs from the sum of *reported ending balances* in the fund by more than $1,000, a red flag will occur, and the annual report cannot be submitted until the variance is resolved within $1,000. This applies to each reported fund on the schedule.

For GAAP Proprietary Funds, local governments are required to report depreciation expenses using the appropriate depreciation BARS codes (501.XX).

For GAAP Proprietary Funds, local governments are required to report memorandum accounts for debt and capital which are listed in the table below. These accounts are ***not*** included in the system calculation for ending fund balance or the total expenditure amount and are used for comparative statistics. The filing system will compare the debt repayment reported on the Schedule 01 to the reductions reported on the Schedule 09.

391 (Debt Issued/Bond Proceeds)	591 (Redemption of Debt)
392 (Premiums on Bonds Issued)	593 (Advance Refunding Escrow)
393 (Refunding Long-Term Debt Issued)	596 (Issuance Discount on Long-Term Debt
	594 (Capital Outlay)
	595 (Capital Outlay – Roads/Streets)

Electronic reporting is encouraged when filing annual reports. This schedule is submitted as part of the annual report via the Online Filing system on the State Auditor's website at: https://portal.sao.wa.gov/LGCS/. The system will only accept an Excel file formatted in the prescribed record layout (see paragraph 4.8.1.50, below). The *Amount* column must be formatted as a number (the system will round to the nearest whole number); *all other columns* must be formatted as text.

4.8.1.30 The Schedule 01 templates can be found on the BARS Reporting Templates page. Templates are updated each year with changes to BARS code so it's important for local governments to use the newest version of the template from the SAO's website. There is no Schedule 01 template for cities/towns and counties because they have access to majority of all BARS accounts. A complete listing of BARS accounts by government type/accounting basis can be run from the BARS Account Export page.

For additional information on reporting requirements, please see:

- BARS Manual 4.1.2, *Reporting Requirements for GAAP Governments*
- Also see, BARS Manual 4.1.7, *GAAP Versus Cash Basis Reporting*
- Also see, BARS Manual 4.1.1, *GAAP Reporting Requirements*

4.8.1.50 The Schedule 01 should be formatted as follows for upload (also see example below):

Note: Blank rows may cause upload errors (the system interprets this as the end of the reported data). If using a template, unused rows should be deleted entirely; alternately, the *Amount* field may be entered as zero ($0). Hiding rows and/or clearing cells will result in upload errors.

Row 1: **Column headers**; this row may be populated but will not be included in the data import (i.e., financial data in the first row of the Excel will be deleted upon import.

Column 1: **MCAG Number;** this column may be left blank, but must be included for data import.

Column 2: **Fund number**; provide the three-digit fund number as prescribed in the BARS Manual 3.1.1, *Fund Types and Accounting Principles*. Make sure that the fund number correlates with the correct fund type. If using a template, the fund number is pre-filled out.

Column 3: **Fund name;** the fund name may be no less than 4 characters and is limited to a maximum of 40 characters. The fund name must be consistent for each reported fund number. Multiple fund names for a given fund number will result in a red flag, and the annual report cannot be submitted until the data error is resolved (e.g., if a line reports the fund number "001" with a fund name "General" and another line reports the fund number "001" with a fund name "Expense", a red flag will occur. This variance is identified based on the text, so clerical errors like transposed letters will generate a red flag.).

Column 4: **BARS account**; coding must be valid based on the government type and basis of accounting.

- All BARS accounts must be reported as seven digits.
- For a full list of available codes, download your chart of accounts from the BARS Account Export page.
- For special purpose districts, templates are available that include the most commonly used BARS accounts for your government type and basis of accounting on the BARS Reporting Templates page.

Column 5: **BARS account title**; the *Account Title* can be found in the chart of accounts export, see the BARS Account Export page. If using a template, this is pre-filled out.

Column 6: **Amounts;** please note:

- Activity in BARS accounts should be reported as positive value (for both revenues and expenditures). All negative values will result in a yellow flag; this may be acceptable but should be double-checked to ensure accuracy of the negative amounts.
- Schedule 01 data is reported in whole dollars; the system will automatically round amounts

including decimals to the nearest dollar upon upload.
- ***Do not*** include rows with totals, sub-totals, notes, etc. Rows should be limited to the above-prescribed data.

4.8.1.60 The Schedule should ***exclude*** the following:

- Clearing and suspense funds. For more information on this topic, see BARS Manual 3.6.11 Suspense Funds, paragraph 3.6.11.40.
- Managerial funds. Managerial funds should be consolidated for reporting; ***do not*** report managerial funds separately on the Schedule 01. For more information, see BARS Manual 3.1.1, Fund Types and Accounting Principles, paragraphs 3.1.1.40 and 3.1.1.50.

4.8.1.70 Cities/towns and counties are required to include all fiduciary funds on the Schedule 01 ***excluding*** the balance sheet accounts (800 series) from these funds. Counties should include data for all special purpose districts which would be reported in a custodial fund. Counties should ***not*** use functional BARS accounts for the special purpose districts. For more information on reporting fiduciary activity, see *BARS Manual 4.3.7, Determining Fiduciary Activities to be Reported in Custodial Funds*. Detailed guidance on fund coding can be found in BARS Manual 3.1.1, Fund Types and Accounting Principles.

For assistance, submit questions to the SAO HelpDesk through our Online Services.

If you need assistance resolving red or yellow flags during the online filing process, please see the *Online Filing Flag Descriptions Guide* on the BARS Reporting Templates page.

MCAG	Fund Number	Fund Name	Account Code	Account Title	Amount
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	3174000	Timber Excise Tax	157
1234	001	General	3698000	Cash Adjustments	-15
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	3611000	Investment Interest	27
1234	401	Water	3434000	Water Sales	23,978
1234	401	Water	3611000	Investment Interest	576
1234	401	Water	5340010	Water Operations - Salary	250,000

1234	401	Water	5340020	Water Operations - Benefits	35,000
1234	401	Water	5340030	Water Operations - Supplies	45,000
1234	401	Water	5340040	Water Operations - Services	24,000

Expenditures of State Financial Assistance (Schedule 15)

4 **Reporting**

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 and the applicable 374). 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 BARS Reporting Templates page. 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
Traffic Safety Commission			
	Drug Recognition Expert OT Grant	N/A	376
	Standardized Field Sobriety Testing Program	N/A	289
		Sub-total:	**665**
Criminal Justice Training Commission			
	Sex Offender Monitoring Grant	N/A	9,809
		Sub-total:	**9,809**
Ecology			
	Municipal Stormwater Capacity Grant	G1100016	105,935
		Sub-total:	**105,935**
Transp. Improvement Board (TIB)			
	Urban Arterial Program & Urban Corridor Program	8-5-948(004)-1	2,395,048
		Sub-total:	**2,395,048**
		Grand total:	**2,511,457**

Public Works – Cities and Counties (Schedule 17)

4 **Reporting**

4.8 **SAO Annual Report Schedules**

4.8.6 **Public Works – Cities and Counties (Schedule 17)**

Quick Links
Instructions for cities
Instructions for counties

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.

MCAG No. ______ ______________________________ **Schedule 17**
(City)

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 The amount reported should include all public work, including county road construction. Public work is defined in RCW 39.04.010. For additional reporting requirements for county road construction projects see Part 3 below.

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.

MCAG No. ______ ________________________________ **Schedule 17**
(County)

Public Works Budget and Projects Performed by Public Employees
For the Year Ended December 31, 20__

Project Description/Identification Number	Total Budget for the Public Works Construction Project	Current Year Portion – Actual Amount	Current Year Portion Performed by Own Employees – Actual Amount

Part 2. Limitations on Public Works Projects Performed by Public Employees

4.8.6.50 This part applies only to counties which by resolution established a county purchasing department (RCW 36.32.240(1), RCW 36.32.235(8)).

Instructions for individual lines:

1. Record the total current public work construction budget, including any amendments, from Part 1.

2. Record the allowable portion of public projects performed by public employees. RCW 36.32.235(8) 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, from Part 1.

6. This line is only pertinent to counties that budget on a biennial basis. For those counties, 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, 10 percent of the motor vehicle fuel tax will be withheld (RCW 36.32.235(10)).

MCAG No. ______ ______________________________ **Schedule 17**
(County) **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.

Sales and Use Tax for Public Facilities – Rural Counties (Schedule 20)

4 **Reporting**

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:

Example County
Schedule of Sales and Use Tax for Public Facilities – Rural Counties
For Fiscal Year Ended December 31, 2022

Total Sales & Use Tax Proceeds (BARS code 3131800)	1,200
Unspent Proceeds from Previous Periods	-

Public Facilities Project	Plan Containing the Project	Total Project Expenditures	Amount of Sales & Use Tax Spent on the Project	Est. # of Businesses Created/Retained by the Project	Est. # of Jobs Created/Retained by the Project
Waterfront Center Infrastructure	Capital Facilities Plan	20,000,000	650,000	2	50
Exposition Center	Capital Facilities Plan	500,000	300,000	5	20
NW Park Ave	Comprehensive Plan and Capital Facilities Plan	450,000	80,000	0	10
Economic Preservation	Economic Plan	200,000	26,000	1	15
	Total:	**21,150,000**	**1,056,000**	**8**	**95**

Instructions to preparer:

Column (1): List the public facility project.

Column (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.).

Column (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.

Column (4): List an amount of expenditures paid for by the sales and use tax revenues.

Columns (5) and (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.
Return to Reference 1

[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.
Return to Reference 2

[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.
Return to Reference 3

Risk Management (Schedule 21)

4 **Reporting**

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 on how the government responds to risks/payments in the following categories: liability, property, health and welfare, unemployment compensation, workers' compensation and Washington Paid Family & Medical leave. Local governments may assume the risk, purchase insurance, become a member of a risk pool, 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 risks without setting resources aside as part of a self-insurance program. This activity does not constitute a self-insurance program under RCW 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.

Use the following definitions and 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 formally sets aside money to pay or fund future claims and probable losses, instead of transferring the risk by purchasing an insurance policy. 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 will simply pay the claims or losses as they arise without creating a program and setting money aside.

***Public entity risk pool*:** A cooperative group of governmental entities joining together through a written agreement to finance an exposure, liability or risk. 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 for the member***. 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. Members contribute their funds to these accounts.

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, which 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 members or may increase or decrease premiums for future coverage. This type of arrangement is not considered self-insurance.

***Unemployment compensation – taxable*:** The entity is assigned a rate that is applied to applicable wages and makes payments quarterly. Rates are reassessed annually by the Employment Security Department (ESD). The taxable basis is not considered self-insurance.

***Unemployment compensation – reimbursable*:** The reimbursable status is considered self-insurance. Entities must be approved for this status by the ESD. Entities report quarterly wages to the ESD. Unemployment claims are still managed, approved and paid by the ESD, but the ESD submits a quarterly claim for reimbursement to the entity for all claims paid on the entity's behalf.

***Workers' compensation – taxable*:** The entity is assigned a rate that is applied to applicable wages and makes payments quarterly. Rates are reassessed annually by the Department of Labor and Industries (L&I). The taxable basis is not considered self-insurance.

***Workers' compensation – self-insured employer*:** Entities must submit for formal approval via an application to the L&I to operate as a self-insured employer. As a self-insured employer, the entity sets funds aside to pay for workers' compensation claims, but L&I still reviews and approves all claims, and sends approved claims to the entity to pay.

***Washington Paid Family & Medical Leave (PFML) – State Program*:** The entity pays assigned rates to ESD based on applicable gross wages. Claims are managed, approved and paid by the ESD. This is not considered self-insurance.

***Washington Paid Family & Medical Leave (PFML) – Voluntary Plan*:** A PFML Voluntary Plan administered internally by an employer is considered self-insurance. An employer must obtain approval from the ESD 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 definitions and information to help complete the schedule if the entity self-insures for one or more class of risk.

***Individual self-insurance program*:** A formal program established and maintained by an entity that formally sets aside money to pay or fund future claims and probable losses. 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 (i.e. just pay the claims/losses as they arise).

***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 for joint self-insurance programs covering property and liability risks (WAC 200-100-050) and individual and joint health and welfare programs offering medical coverage (WAC 200-110-120).

***Actuarially determined liabilities*:** Joint property and liability programs are **required** to obtain estimates of unpaid claims measured at eighty percent confidence level by an actuary (WAC 200-100-03001). Joint and individual health and welfare programs are not subject to this requirement.

***Number of claims paid during the period*:** The number of individual claims that were paid (in any amount) during the reporting period. In the case of unemployment compensation, this would be the claims paid by the government to ESD during the period.

***Total amount of claims paid during the period*:** The total dollar amount of claims paid during the reporting period. In the case of unemployment compensation, this would be the claims paid by the government to ESD during the 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.

Assessment Questionnaire (Schedule 22)

4 **Reporting**

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
No Activity governments*

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.

*Governments who file a no activity report will not be required to submit a formal Schedule 22. However, no activity governments will be required to submit supporting documents to verify no activity, such as meeting minutes, county reports and/or bank statements.

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 the 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:

Name of Official	Occupation	Businesses Owned or Operated by Official or Household Member
Joan Smith	retired	None
Manny Jones	general contractor – self employed	Manny & Sons Construction Stoneybrook Developments, LLC

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:

- Log into the Online annual report system.
- Move through the Online annual report system to the Schedule 22.
- Click the print icon directly above the gray bar on the Schedule 22, this will take you to your print options.
- 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.

GFOA Financial Reporting Recognition Programs

GFOA Financial Reporting Recognition Programs

4 **Reporting**

4.9 **GFOA Financial Reporting Recognition Programs**

Annual Comprehensive Financial Report (ACFR)

4.9.10 Many state and local governments prepare an Annual Comprehensive Financial Report (ACFR) each year. The ACFR includes the required annual financial statements as well as additional information which is not required in preparation of basic financial statements which are not listed in the reporting part of the BARS Manual. The Government Finance Officers Association (GFOA) provides guidance on what to include in the ACFR in its publication, *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)*. This publication is commonly referred to as the *Blue Book* and can be found on the www.gfoa.org website by selecting *publications.*

4.9.20 One reason for preparing an ACFR is to satisfy the obligations that governments incur to provide on-going information about themselves to holders of their bonded debt. The Securities and Exchange Commission (SEC) has adopted its Rule 15c2-12 which requires issuers of municipal debt to provide current information to the bond markets. Many governments provide this information in the form of their ACFR. For more information on this subject, consult the attorneys who assist you with municipal debt matters.

4.9.30 Another reason may be to participate in the GFOA's *Certificate of Achievement for Excellence in Financial Reporting* program. This optional program recognizes excellence in the format of annual financial reports through a peer review. The peer review results in helpful comments to improve your ACFR. Those who qualify for the award will receive a plaque and a reprintable award to be included in the following year's ACFR and a press release sent by the GFOA.

For more information on this program access www.gfoa.org and select *award programs*.

Alerts & Changes

Overview of Changes

Reporting Year: 2022

BARS Alerts

02/07/2023	Opioid Settlement Update
12/17/2022	Annual update, see changes in table below

Overview of Changes – Applicable to the Reporting Year 2022

Topic	Reference	Description of Changes
		Chart of Account
BARS Account Export	512.50 (Municipal Court Expenses)	512.50 (Municipal Court Expense) – **Retired see 512.51 and 512.52**
BARS Account Export	512.51 (Non-Contracted Court)	**512.51 New Code –** This code is to be used for municipal governments that provide their own court services.
BARS Account Export	512.52 (Contracted Courts)	**512.52 New Code –** This code is to be used when a municipal government contracts out their court services and should also be used by governments providing the court services to another municipality.
BARS Account Export	54P (Transportation)	Transportation codes are restricted to governmental funds (Exceptions are codes **542.65, 547.10, 546.00, 547.20**)
BARS Account Export	518.61 (Judgments & Settlements)	518.61 (Judgments & Settlements) Restricted to fund types 100, 200, 300, 500, 700. Only to be used by general purpose governments.
BARS Account Export	333.45.30 (Federal Indirect Award from Institute of Museum and Library Services (IMLS))	**333.45.30 New Code –** This code is to be used for federal indirect awards from the Institute of Museum and Library Services (IMLS).
BARS Account Export	331.45.30 (Federal Direct Award from Institute of Museum and Library Services (IMLS))	**331.45.30 New Code –** This code is to be used for federal direct awards from the Institute of Museum and Library Services (IMLS).

BARS Account Export	Added instructions and a new resource "Codes to Funds"	Added instructions for chart of accounts export. All codes from the Chart of Accounts as of November 30th are included in the resource with the allowable fund types indicated.
Determining Operating/Nonoperating Revenues/Expenses in Proprietary Funds	1.5	Added an updated determination spreadsheet for codes as of November 30th.
		Budgeting
Budget Adoption and Amendments	2.4.3	2.4.3 Removed statement that this guidance applies only to cities and counties since it applies to all government types.
		Accounting
Fund Types & Accounting Principles	3.1.1	3.1.1.40 – Clarified which transactions can be reported in Permanent Funds.
Original Supporting Documentation	3.1.4	Clarified guidance on electronic documentation and digital signatures.
Leases	3.4.1	**3.4.1 Leases – Completely revised the section for the leases standard.**
Pensions	3.4.2	3.4.2 Updates, changes, and clarifications for reporting pensions made throughout (annual updates).
Intergovernmental and Forgivable Loans	3.4.7	**3.4.7 Intergovernmental and Forgivable Loans –** Moved accounting for forgivable loans out of the Schedule 09 instructions and added information on intergovernmental loans.
Financial Guarantees and Conduit Debt	3.4.12	Added information on conduit debt.
Other Postemployment Benefits Plan Schedules	3.4.17	3.4.16 Updates, changes, and clarifications for reporting other postemployment benefits made throughout (annual updates).
Classification of Deferred Outflows/Inflows of Resources	3.5.1	3.5.1.40 – Added a definition and more examples for unearned revenue (Liability). 3.5.1.50 – Added additional examples for unearned revenue (deferred inflow) and deferred inflow unavailable revenues.
Federal Awards – Accounting (Formerly Grants – Accounting)	3.7.1	3.7.1 Updates, changes, and clarifications for reporting federal awards made throughout (annual updates).
Use of Payroll and Claims Funds	3.8.6	3.8.6.30 – Added information on registered warrants issued by counties.
Imprest, Petty Cash and Revolving Funds	3.8.8	3.8.8.20 – Added a new section, bullet 6, for debit and ATM card use.
Interfund Loans	3.9.1	3.9.1.10 – Added when interfund loans could be used and requirements for interfund loans from the General Fund. 3.9.1.31 – Added information on negative fund balances and the accounting for those balances. 3.9.1.32 – Added information on when interfund payments become interfund loans.

Limitation of Indebtedness	3.10.5	3.10.5.60 – Changed capital leases to installment purchases 3.10.5.70 – Added leases to the obligations that do not constitute debt for debt limitation.
Promotional Hosting	3.10.7	Added public facility districts to governments that can participate in promotional hosting.
		Reporting
GAAP Reporting Requirements	4.1.1	4.1.1 Added clarification to footnote 3 of the reporting entity flowchart.
Summary of Reporting Requirements	4.1.4	4.1.4 Removed Schedule 19 from the list of required schedules.
Classification of Revenues and Expenses for the Statement of Activities	4.2.4	4.2.4 Added footnote 2 that the government should have a policy to address the assignment of revenues that could be classified under multiple functions.
Determining Fiduciary Activities to be Reported in Custodial Funds	4.3.7	4.3.7 Added determinations for Flexible Savings and Health Savings Accounts, both when a government controls the asset and when the government does not.
Conversion and Reconciliation between Government-Wide and Fund Financial Statements	4.4	4.4 Corrected the reconciliation and replaced unearned revenue with deferred inflows for unavailable revenues.
Required Supplementary Information	4.7	4.7 Created separate pages for each type of RSI.
Management's Discussion and Analysis	4.7.1	4.7.1 Moved section from large RSI page.
Budgetary Comparisons	4.7.2	4.7.2 Moved section from large RSI page. Added information for reporting biennial budgets.
Pension Plan Information	4.7.3	4.7.3 Moved section from large RSI page.
Other Postemployment Benefits Plan Schedules	4.7.4	4.7.4 Moved section from large RSI page.
Revenue and Claims Development Trend Data (for Public Entity Risk Pools)	4.7.5	4.7.5 Moved section from large RSI page.
Infrastructure Condition and Maintenance Data	4.7.6	4.7.6 Moved section from large RSI page.
Liabilities (Schedule 09)	4.8.3	4.8.3 Removed information on forgivable loans. It was moved to the new Intergovernmental and Forgivable Loans section.
Sales and Use Tax for Public Facilities – Rural Counties (Schedule 20)	4.8.8	4.8.8 Added an example of the new online filing template for Schedule 20.

GFOA Financial Reporting Recognition Programs	4.9	4.9 Removed the listing of requirements for the GFOA ACFR certificate. Created a link for accessing the official GFOA website and requirements for the certificate program.
Expenditures of Federal Awards (SEFA/Schedule 16)	4.14.5	4.14.5 Updates, changes, and clarifications for reporting federal awards made throughout (annual updates).
Note 1 – Summary of Significant Accounting Policies	Note 1 – Summary of Significant Accounting Policies	Added lease disclosures. Created an option for non-state sponsored pension plans.
Note X – COVID-19	Note X – COVID-19	Removed the requirements for all governments to report this note.
Note X – Going Concern	Note X – Going Concern	Added instructions for when to use each part of the note.
Note X – Leases (Lessees)	Note X – Leases (Lessees)	New note for disclosing lease liabilities and related items.
Note X – Leases (Lessors)	Note X – Leases (Lessors)	New note for disclosing lease receivable and related items.
Note X – Long Term Debt	Note X – Long Term Debt	Updated conduit debt disclosures.
Note X – OPEB Defined Benefit Plan – No Qualifying Trust	Note X – OPEB (No Qualifying Trust)	Updates, changes, and clarifications for disclosing other postemployment benefits made throughout (annual updates).
Note X – OPEB Defined Benefit Plan - Qualifying Trust	Note X – OPEB (Qualifying Trust)	Updates, changes, and clarifications for disclosing other postemployment benefits made throughout.
Note X – Pension and/or OPEB Plans - Defined Contribution	Note X – Pension/OPEB Defined Contribution	Moved note template from the templates page to the notes section. Updates, changes, and clarifications for disclosing pensions made throughout.
Note X – Pension and/or OPEB Plans - Nongovernmental Plans	Note X – Pension/OPEB Non-Governmental	Moved note template from the templates page to the notes section. Updates, changes, and clarifications for disclosing pensions made throughout.
Note X – Pensions Defined Benefit Plan (No Qualifying Trust)	Note X – Pensions Defined Benefit Plan (No Qualifying Trust)	Moved note template from the templates page to the notes section. Updates, changes, and clarifications for disclosing pensions made throughout.

Note X – Pensions Defined Benefit Plan (Qualifying Trust)	Note X – Pensions Defined Benefit Plan (Qualifying Trust)	Moved note template from the templates page to the notes section. Updates, changes, and clarifications for disclosing pensions made throughout.
Note X – Pensions State Sponsored Plans	Note X – Pensions State Sponsored Plans	Moved note template from the templates page to the notes section. Updates, changes, and clarifications for disclosing pensions made throughout (annual updates).
Note X – Risk Management	Note X – Risk Management	Removed the outdated Housing Authority Risk Retention Pool (HAARP) disclosure. Housing Authorities should receive an updated disclosure from HAARP.
Note X – Telecommunication Services	Note X – Telecommunication Services	Added information for all government types that can provide telecommunications services (Cities/Towns, Counties, Public Utility District, and Port).
		Online Filing
Schedule 01	BARS Reporting Templates	Schedule 01 templates for online filing schedules have been updated.
Pension and OPEB Templates	BARS Reporting Templates	Fiscal year 2021 Pension and OPEB templates are available for download
Schedule 19 – Labor Relations	BARS Reporting Templates	Removed due to change in state law.

Reporting Year: 2021

BARS Alerts

12/17/2021	**Hot Topic - GAAP Proprietary Fund schedule 01 reporting:** Proprietary funds reported in the SAO annual report must include the following: - Actual depreciation amounts reported in each proprietary fund (501XX) - Actual expense amounts for capital expenditures (594XX and 595XX) - Actual expense amounts for principal debt repayments (591XX, 593XX, 599XX)
12/17/2021	Leases accounting is effective for fiscal year 2022 reporting in 2023. See the Leases project page for more information.
12/17/2021	Annual update, see changes in table below

Overview of Changes – Applicable to the Reporting Year 2021

Topic	Reference	Description of Changes
		Chart of Accounts
	All BARS Codes	***Remember to download the most current version of the BARS Chart of Accounts***
BARS Account Export	344.70 (Transits, Railroads and Other Transportation Systems Services)	344.70 (Transits, Railroads and Other Transportation Systems Services) - **Retired, please see 344.71 and 344.72**
BARS Account Export	344.71 (Transits, Railroads and Other Transportation Systems Services)	**344.71 New Code -** Include private vanpool charges, streetcar and monorail fares, disabled/aging transportation fees, etc. For cities/counties: this code is not reported on the road/street report to WSDOT.
BARS Account Export	344.72 (Ferry and Water Taxi Services)	**344.72 New Code -** Include the proceeds of ferries and water taxis. Include a vessel replacement surcharge fee (RCW 36.54.200)
BARS Account Export	369.70 (Pension/OPEB Contributions)	369.70 (Pension/OPEB Contributions) Should only be used for contributions made to a pension/OPEB plan administered by the reporting government. Not for use in the fiduciary funds.
BARS Account Export	395.30 (Proceeds from Sales of Capital Assets)	**395.30 New code -** Use for any proceeds received for the sale of capital assets. Examples: real estate (land and buildings), equipment, street vacations, timber sales (timber owned by the municipality). Relatively insignificant proceeds from sales of capital assets should be coded as other revenue. If the money is further distributed to other local governments, such distributions should be coded 337 by these receiving governments. For GAAP enterprise funds, see 372-373 for applicable coding.

BARS Account Export	395.40 (Compensation for Loss/Impairment of Capital Asset)	**395.40 New code -** Include insurance and other recoveries for damaged, destroyed, stolen, or lost governmental capital assets. If the recoveries meet the criteria of extraordinary items, they should be reported as such in the financial statements. 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. FEMA grants are not insurance recoveries and should be coded as direct/indirect federal grants. For GAAP enterprise funds, see 372-373 for applicable coding.
BARS Account Export	518.61 (Judgments and Settlements)	518.61 (Judgments and Settlement) Updated description to include proprietary funds
BARS Account Export	544.70 (Miscellaneous)	544.70 (Miscellaneous) - **Retired, use appropriate 544XX codes**
BARS Account Export	547.00 (Transits, Railroads and Other Transportation Systems Services)	547.00 (Transits, Railroads and Other Transportation Systems Services) - **Retired, please see 547.10 and 547.20**
BARS Account Export	547.10 (Transits, Railroads and Other Transportation Systems Services)	**547.10 New Code -** This account should be used only if the local government operates its own, or with other governments, transit, railroad or other transportation system. These expenditures are related to public transportation. For cities/counties: this code is not reported on the road/street report to WSDOT.
BARS Account Export	547.20 (Ferry and Water Taxi Services)	**547.20 New Code -**This account should only be used if the local government operates its own, or with other governments, ferries and/or water taxis.
		Accounting
County's External Investment Pool	3.2.2	Updated and clarified this section. Applicable to all counties.
Capital Asset Accounting	3.3.10	Removed references to capitalized interest. No longer supported by GAAP.
Pensions	3.4.2	3.4.2.63 Updated the restricted net position section to include all three GAAP compliant reporting options
Criminal Justice Funding	3.6.4	3.6.4.10 Added how to code the sale of confiscated and forfeited items.
Impact Fees	3.6.7	Clarified accounting for impact fees.

Federal Awards - Accounting (Formerly Grants - Accounting)	3.7.1	3.7.1 Changed title to Federal Awards to include all items that must be reported on the Expenditures of Federal Awards (Schedule 16). Updates, changes, and clarifications for reporting awards made throughout.
Certain Grants and Other Financial Assistance (Formerly Pass-Through Grants)	3.7.2	3.7.2 Changed title to Certain Grants and Other Financial Assistance to match national standard titles.
Purchase Cards	3.8.4	3.8.4.10 Removed references to debit cards Added Additional Reference Section
		Reporting
BARS Reporting Requirements	4.1.2	Updated footnote to include no activity requirements of submitting supporting documents.
Net Position	4.2.8	Removed reference to deferred outflows in restricted net position to comply with GAAP.
Risk Pools – Statement of Net Position – Additional Reporting Instructions	4.3.4.81	Updated the definitions for the account balances.
Internal Service Funds	4.3.6	4.3.6.60 Added guidance on accounting for internal service funds providing services to fiduciary funds
Revenues/Expenditures/Expenses (Schedule 01)	4.8.1	Rewrote the section to provide additional links and instructions.
Schedule 09	4.8.3	4.8.3.81 Added guidance on how to account for a recoverable grant with a promissory note included.
Schedule 17	4.8.6	4.8.6.30 Clarified that the amount reported on the Schedule 17 should include all public works, including county road construction.
Schedule 21	4.8.9	4.8.9.40 Clarified definitions in the instructions to preparer.
Annual Questionnaire for Accountability Audit (Schedule 22)	4.8.14	4.8.14.10 Added clarification that governments who file a no activity report will not be required to submit a formal Schedule 22, but will need to submit supporting documents.

Expenditures of Federal Awards (Schedule 16)	4.14.5	Added Quick Links to specific guidance 4.14.5.70 Added additional information on COVID-19 Expenditures including donated personal protective equipment purchased with COVID-19 federal financial assistance, COVID 19 Vaccines - Immunization Cooperative Agreements CFDA #93.268, Provider Relief Fund (PRF) CFDA #93.498 4.14.5.155 Moved and retitled 4.14.5.230 to Preparing the preformatted SEFA template for upload to Online Filing 4.14.5.180 Added yellow flag caution under column 4 instructions. 4.14.5.230 Changed to example of finalized Schedule of Expenditures of Federal Awards.
Note 1 - Summary of Significant Accounting Policies	Note 1 - Summary of Significant Accounting Policies	Updated pension section. Added the net position classification section.
Note X – AROs	Note X – Asset Retirement Obligations (ARO)	Added disclosure requirements for liabilities that are not reasonably estimable or assets with indefinite life.
Note X – COVID-19	Note X – COVID-19 Pandemic	**All local governments must include this note.** Provided examples for when there has been no substantial impacts.
Note X – Deposits and Investments	Note X – Deposits and Investments	Updated the fair value hierarchy to correctly reflect LGIP and other investment pools.
Note X - External Investment Pools	Note X - External Investment Pools	Updated the fair value hierarchy to correctly reflect LGIP and other investment pools.
		Online Filing
Online Filing Schedules	Online Filing Schedules	Schedule 01 templates for online filing schedules have been updated.
Pension and OPEB Templates	Pension/OPEB Templates	Fiscal Year 2021 Pension and OPEB templates are available for download.
Online Filing Flag Descriptions	Online Filing Flag Descriptions	Updated the Guide to Online Filing Flag Descriptions to include new red flags.

Reporting Year: 2020

BARS Alerts

04/24/2020	COVID-19 BARS Coding
10/01/2020	CARES Act Grant Monies Expenditure Codes
12/18/2020	Annual update, see changes in table below
3/12/2021	COVID-19 Vaccine and Donating PPE Reporting Requirements

Overview of Changes – Applicable to the Reporting Year 2020

Topic	Reference	Description of Changes
		Chart of Accounts
BARS Account Export	All BARS Codes	Remember to download the most current version of the BARS Chart of Accounts
BARS Account Export	386 (Court Remittances)	3860000 – Updated the referenced RCWs for courts. Allowed only in Fiduciary Funds.
BARS Account Export	586 (Court Remittances)	5860000 – Updated the referenced RCWs for courts. Allowed only in Fiduciary Funds.
BARS Account Export	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.
BARS Account Export	316.40 (Business & Occupation Tax – Utility)	316.40 (Business & Occupation Tax – Utility) – Not allowed in proprietary funds.
BARS Account Export	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.
BARS Account Export	343.60 (Cemetery Sales & Services)	343.60 (Cemetery Sales & Services) – Not allowed in permanent funds.
BARS Account Export	343.80/538.00 (Combined Utilities)	343.80/538.00 (Combined Utilities) – Allowed only for Public Utility Districts.
BARS Account Export	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, "BARS Code Spotlight".

BARS Account Export	37P (Other Revenue and Capital Contributions)	37P (Other Revenue and Capital Contributions) – Only allowed in proprietary funds.
BARS Account Export	398.50 (Insurance Recoveries)	398.50 (Insurance Recoveries) – Only allowed in governmental funds.
BARS Account Export	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.
BARS Account Export	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.
BARS Account Export	541 (Roads/Streets Construction – Preservation Projects)	541 (Roads/Streets Construction – Preservation Projects) – This code is for modified approach to infrastructure. Allowed in all fund types except fiduciary and permanent.
BARS Account Export	548 (Public Works – Centralized Services)	548 (Public Works – Centralized Services) – Allowed only in general fund and internal service fund.
BARS Account Export	GAAP beginning/ending balance codes	GAAP Fund Balance and Net Position Codes – 308.20/508.20, 308.30/508.30, 308.40/508.40, 308.50/508.50, 308.90/508.90 – allowed only in governmental funds. 308.60/508.60, *308.19/508.19, 308.89/508.89 – allowed only in proprietary funds.* Exception: 308.19/508.19 allowed in GAAP fiduciary funds.
Revenue/Expenditure Accounts Overview	1.3.10	Other Increases and Other Decreases in Fund Resources Removed BARS Codes 3821000, Refundable Deposits, 3822000, Retainage Deposits, and 5821000, Refund of Deposits, 5822000, Refund of Retainage Deposits. These should be reported as liability accounts for GAAP basis.
Determining Operating/Nonoperating Revenues/Expenses in Proprietary Funds	1.5.10	Updated the matrix for guidance on determining operating/nonoperating revenues/expenses
		Budgeting
Budget Adoption and Amendments	2.4.3	Updated the referenced RCWs and updated for any changes to RCWs

		Accounting
Fund Types & Accounting Principles	3.1.1	Fiduciary funds – Added a reference to the new Determining Fiduciary Activities to be Reported in Custodial Funds Fiduciary funds – Added a GASB 34, Paragraph 106 reference for capital assets reported in fiduciary funds
Capital Asset Management System Requirements	3.3.9	3.3.9.30 Clarified requirements for capitalization thresholds
Capital Asset Accounting	3.3.10	3.3.10.90 Clarified "placed in service" for definition
Pensions	3.4.2	Annual update for the DRS PEFI changes
OPEB	3.4.17	3.4.17.80 Updated the years in the Measurement date table
Asset Retirement Obligations	3.4.19	Created a new section for the accounting guidance for asset retirement obligations
Pollution Remediation	3.4.20	Created a new section for the accounting guidance for pollution remediation
Liquor Tax and Profits – Two Percent Substance Abuse Treatment Programs	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
Grants – Accounting	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
Unemployment and Deferred Compensation	3.8.1	3.8.1.100 Added requirements for reporting defined compensation plans.
Paths and Trails	3.8.10	Updated references to RCW 3.8.10.70 Updated references to reserved versus restricted
Overhead Cost Allocation	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
Limitation of Indebtedness	3.10.5	Updated references to RCW Created a Footnotes section
Transportation Benefit Districts	3.11.1	3.11.1.120 Changed a reference from a negative 3850000 code to a 5850000 code. Added an Additional Resources section

		Reporting
GAAP Reporting Requirements	4.1.1	4.1.1.210 Clarified the definition of "financially accountable" 4.1.1.220 Clarified the reporting of component units Financial Reporting Entity Flowchart updated for determining fiduciary trust funds and defined compensation plans
Net Position	4.2.8	Clarified requirements for reporting and calculations of the components of net position 4.2.8.10 Created a downloadable worksheet for converting governmental fund balances to net position
Risk Pools – Statement of Net Position – Additional Reporting Instructions	4.3.4	Removed this section from proprietary fund financial statement section and created a new section for the additional reporting requirements for risk pools.
Determining Fiduciary Activities Reported in Custodial Funds	4.3.7	New section for determining fiduciary custodial funds
Schedule 09	4.8.3	Section number updated to 4.14.3 (from 4.8.3). 4.83.100 Updated information on reporting pension (264.30) and OPEB liabilities (264.40) 4.8.3.110 Updated the due date instructions to list I.D. Numbers that do not require a due date to be reported.
Schedule 16	4.14.5	Section number updated to 4.14.5 (from 4.8.5). Annual update for SEFA requirements including updated notes and COVID-19/CARES Act reporting requirements.
Schedule 17	4.8.6	4.8.6.20 Updated reporting requirements for counties due to changes in RCW.
Schedule 21	4.8.9	4.8.9.20 Added information for the Washington Paid Family & Medical Leave self-insurance.
Note X – AROs	Note X – Asset Retirement Obligations (ARO)	Removed the accounting portion from the note. The accounting portion is now located in Accounting, Liabilities, Asset Retirement Obligations (AROs).
Note X – COVID-19	Note X – COVID-19 Pandemic	Created a separate note for COVID-19 reporting requirements.
Note X – Deposits and Investments	Note X – Deposits and Investments	Reorganized and clarified reporting requirements.
Note X – Derivatives	Note X – Derivatives	Removed references to LIBOR.
Note X – Going Concern	Note X – Going Concern	Clarified reporting requirements and included reporting requirements for bankruptcy.
Note X – Pensions	Note X – Pensions	Annual update for the PEFI changes.
Note X – PFML	Note X – PFML	Required disclosure if a government is self-insuring the Washington Paid Family & Medial Leave.

Note X – Pollution Remediation	Note X – Pollution Remediation	Removed the accounting portion from the note. The accounting portion is now located in Accounting, Liabilities, Pollution Remediation.
Note X – OPEB No Qualifying Trust	Note X – OPEB No Qualifying Trust	Annual update to OPEB note disclosure requirements.
Note X – OPEB Qualifying Trust	Note X – OPEB Qualifying Trust	Annual update to OPEB note disclosure requirements.
Note X – Subsequent Events	Note X – Subsequent Events	Removed reference to COVID-19 required note. There is now a separate note for the COVID-19 Pandemic.
		Online Filing
Online Filing Schedules	Online Filing Schedules	The templates for the online filing schedules have been updated for Fiscal Year 2020 reporting. Schedule templates updated are: Schedule 01, Schedule 16, Schedule 16 Notes, Schedule 21
Pension and OPEB Templates	Pension/OPEB Templates	Fiscal Year 2020 Pension and OPEB templates are being refreshed and will be available for download.
Online Filing Flag Descriptions	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.

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BARS Alerts

01/13/2020	Annual update, see changes below
04/21/2020	Note X - Subsequent Events (COVID-19)
04/24/2020	COVID-19 BARS Coding
10/01/2020	CARES Act Grant Monies Expenditure Codes

Overview of Significant Changes – Applicable to the Reporting Year 2019

Topic	Reference	Description of Changes
		CHART OF ACCOUNTS
BARS Account Export	3952000, *Compensation for Loss/Impairment of Capital Assets*	3952000, *Compensation for Loss/Impairment of Capital Assets* 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.
BARS Account Export	3132700, *Affordable and Supportive Housing Sales and Use Tax*	3132700, *Affordable and Supportive Housing Sales and Use Tax* A new BARS code 3132700 was assigned to code the sales and use tax authroized by the SHB 1406, Laws of 2019.
BARS Account Export	Department of Health supplement	For BARS codes 5620000 Added the link to the new Department of Health supplement for BARS codes 5620000 which provides the detailed codes.
BARS Account Export	5100000 Guidance	BARS codes 5100000, *General government function*, these codes should only be used by cities, towns, and counties.
BARS Account Export	5990000 Guidance	BARS codes 5990000, *Payments for Refunded Debt*, 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.

Revenue/Expenditure Accounts Overview	1.3.10	Other Increases and Other Decreases in Fund Resources Added BARS Codes 3821000, *Refundable Deposits*, 3822000, *Retainage Deposits*, and 5821000, *Refund of Deposits*, 5822000, *Refund of Retainage Deposits* 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.
Object Codes		Removed the reminder that 2018 was the final year for use of object code 50.
General Ledger Accounts	1.2.30	Updated the General Ledger Chart to match the Schedule 09 coding requirement and simplified other sections.
		ACCOUNTING
Internal Control	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.
Original Supporting Documentation	3.1.4	3.1.4.10 Updated the link to the Local Government Records Retention Schedule.
Fund Types and Accounting Principles	3.1.7	3.1.7.50 Added clarifying information about Debt service funds, Capital project funds, and Fiduciary funds.
Bank Reconciliations	3.1.9	New section on bank reconciliations.
Transportation Benefit Districts (TBD)	3.11.1	3.11.1.70 Removed reference to object code 50 in reference to contract expenditure and updated to object code 40.
County's External Investment Pool	3.2.2	**Counties** - Rewrote the entire section for counties to report external investments in accordance with GASB 84.
Capital Assets Management System Requirements	3.3.9	3.3.9.40 Added information that is required to be recorded for each capital asset, and clarified some of the tracking system requirements.
County Auditor's Operation and Maintenance Fund (Recording Fees)	3.6.2	**Counties -** 3.6.2.75 Added reference to RCW 36.22.240 and requirements.
Electronic Funds Transfer - Receipts	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."
Electronic Funds Transfer - Disbursement	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."
Electronic Funds Transfer - Disbursement	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."

		REPORTING
GAAP Reporting Requirements	4.1.1	4.1.1.210 Updated the guidelines for financial accountability.
Governmental Funds Financial Statements	4.3.3	4.3.3.31 Added information about the category Classification of Fund Balances.
Fiduciary Funds Financial Statements	4.3.5	**Counties** - 4.5.5.53 Provided the guidance for counties reporting external investment pools.
Statement of Cash Flows	4.5.130	Updated the illustration - added a line for "other (payments)."
Required Supplementary Information	4.7.10	Clarified the RSI requirements.
Required Supplementary Information	4.7.20	Removed references to GASB 43 and 45 and replaced with GASB 74 and 75.
Required Supplementary Information	4.7.340	Other Postemployment Benefit (OPEB) Plan Schedules, 4.7.340 - 4.7.410 - Updated the requirements to match GASB 74 and 75. Added links to the appropriate templates.
Expenditures of Federal Awards (Schedule 16)	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.
Note X - Deposits and Investments		Instructions to preparers, footnote 3 - Included instructions for participants in investment pools.
Note X - External Investment Pool		New Note **Counties** - Provided guidance for disclosing external investment pools.
Note X - Pension and /or OPEB Plans - Defined Contributions		Added information that the requirement to report defined contribution plans is only when the government contributes.
Note X - Pension and /or OPEB Plans - Nongovernmental Plans		Added clarification on when to use the Nongovernmental Plans note.
Note X - Pension Plans		Added guidance for defined contribution pension plans when a government contributes.

Note X - Solvency		Risk Pools - Updated part B. of the note template regarding the requirements for health and welfare pools (joint pools).
		ONLINE FILING
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.
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.).

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BARS Alerts

8/19/2019	New BARS Code (This alert applies only to counties and cities)
3/5/2019	Reporting of the USDA Federal Loans
8/1/2018	BARS Manual Update - New Accounts and Changes to Object Code 50
3/21/2018	Capital Assets Inventory in Counties
3/7/2018	Tax Abatement information available on the DOR website (GAAP governments only)

Overview of Significant Changes – Applicable to the Reporting Year 2018

Topic	**Reference**	**Description of Changes**
		CHART OF ACCOUNTS
BARS Account Export	3132500, *Housing and Related Services Sale and Use Tax*	New account for governments collecting sales and use tax as authorized in RCW 82.14.530.
BARS Account Export	3329330, *Medical Transformation Demonstration*	New account for revenues for Medicaid payments related to an implementation of the Transformation Plans. The addition was communicated on August 1, 2018 in BARS Alert
BARS Account Export	3329340, *Ground Emergency Medical Transportation (GEMT) Payment Program*	New account for revenues from Medicaid related to the GEMT program. The addition was communicated on August 1, 2018 in BARS Alert
BARS Account Export	3360211, *County Fair Fund*	Expanded definition to clarify use of this code.
BARS Account Export	3360700, *PFD Lodging Tax Distribution*	Code applicable only to Seattle and King County.

BARS Account Export	3432000, *Television/Cable/Internet Sales and Services*	Expanded the title and the definition to include internet services as authorized by Chapter 186, Laws of 2018.
BARS Account Export	3697000, *Pension/ OPEB Contributions*	Revised title and definition to clarify use of this account for pension and OPEB related revenues only.
BARS Account Export	38110/38120, *Interfund Loan Receipts*	Removed these accounts since the loans are balance sheet transactions and their reporting on Schedule 01 was always optional.
BARS Account Export	51530, *Legal Services*	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 an audit on legal liabilities, so it will help make the audit process more efficient. **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.**
BARS Account Export	58110/58120, *Interfund Loan Repayments*	Removed these accounts since the loans are balance sheet transactions and their reporting on Schedule 01 was always optional.
Object Codes		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 BARS Alert issued August 1, 2018.
		ACCOUNTING
Fund Types and Accounting Principles	3.1.1	GASB Statement 84, *Fiduciary Activities* – the Statement is 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 Fiduciary Funds 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.
Capital Assets Management	3.3.9	The update incorporates the changes to RCW 36.32.210 which removed the annual inventory requirement. The change was communicated on March 21, 2018 in BARS Alert.

Capital Assets Accounting	3.3.10	Based on additional research we made the following changes to clarify different areas related to capital assets: • Added guidance for options for accounting for replacements; • Moved all the guidance for componentization primarily to this section • Added GASBS 69 guidance; • Added GASBS 89 guidance; • Aligned useful life section with current GASB standards and terminology; • Clarified and expanded fully depreciated asset section; • Clarified and expanded group/composite depreciation section based on research and GASB codification guidance.
Capital Assets Accounting	3.3.10.50	Removed requirement to capitalize interests during construction. This is an early implementation of GASBS 89, *Accounting for Interest Cost Incurred before the End of Construction Period* which is **applicable for reporting periods beginning after December 15, 2019.**
Refunding Debt	3.4.4.91	Added GASBS 86, *Certain Debt Extinguishment Issues* update regarding accounting and reporting when the debt is refunded with the government's own resources.
Arbitrage Rebate	3.4.6.90	Removed requirement to capitalize interests during construction. This is an early implementation of GASBS 89, *Accounting for Interest Cost Incurred before the End of Construction Period* which is **applicable for reporting periods beginning after December 15, 2019.**
Contingencies and Litigations	3.4.15	A new section was added to discuss and clarify concepts related to accounting and reporting of contingencies and litigations.
Other Postemployment Benefits (OPEB)	3.4.17	The entire section was updated to implement GASBS 74 and 75. [The update contains also notes and RSI requirements.]
County Auditor's Operation and Maintenance Fund (Recording Fees)	3.6.2	The section was updated to reflect the 2018 legislative changes in the amounts of collected surcharges.
ER&R	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.
Interfund Activities	3.9.8	Added a new section to provide a general overview of interfund transactions.
		REPORTING

		GASB Statement 84, *Fiduciary Activities* – the statement is effective for reporting periods beginning after December 15, 2018; however we incorporated the required changes in this version of manual. The following sections were updated: 4.1.1.150 (removed due to the changes in reporting requirements for custodial funds and their impact on financial reports); 4.1.4.20, 4.3.1.40, 4.3.2.70, 4.8.3.50, and 4.9.140. These changes involved only a title change from the agency to custodial funds. The most significant change involves changes in financial reporting and these are incorporated into 4.3.5, Fiduciary Funds Financial Statements.
Statement of Cash Flows	4.5.100	Removed requirement to capitalize interests during construction. This is an early implementation of GASBS 89, *Accounting for Interest Cost Incurred before the End of Construction Period* which is **applicable for reporting periods beginning after December 15, 2019.**
Note 1 – Summary of Significant Accounting Policies	Section 7	Removed requirement to capitalize interests during construction. This is an early implementation of GASBS 89, *Accounting for Interest Cost Incurred before the End of Construction Period* which is **applicable for reporting periods beginning after December 15, 2019.**
Note X – Capital Assets	Subsection F, Interest Capitalization + Instructions [7]	Removed requirement to capitalize interests during construction. This is an early implementation of GASBS 89, *Accounting for Interest Cost Incurred before the End of Construction Period* which is **applicable for reporting periods beginning after December 15, 2019.**
Note X – Long-Term Debt		Added reporting requirements of GASBS 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. **This Statement is applicable for reporting periods beginning after June 15, 2018**.
Note X – Tax Abatement		Added link to the WA State Department of Revenue page containing information regarding state's abatements. This update was communicated on March 7, 2018 in the BARS Alert.
Schedule 09		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.
Schedule 16	4.8.5.60 4.8.5.120 4.8.5.130 4.8.5180 Note 4, *Federal Loans*	Revision reflect the clarification for reporting federal grants provided by federal agencies. Remove discussion of ARRA grants. The example of reporting FEMA grants was updated. 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). Revised rules for reporting grants with missing CFDA numbers. Added sentence regarding interim financing.
Schedule 21		The Schedule was revised to provide relevant information needed in assessing and auditing governments' risk management circumstances.
		ONLINE FILING

Schedule 09		The Schedule 09, *Schedule of Liabilities*, 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.