

# BARS Alert – February 7, 2023



Office of the  
Washington  
State Auditor  
Pat McCarthy

## Opioid lawsuit settlement – BARS coding, accounting, and reporting

### Who this applies to the following GAAP basis governments

Cities, Counties and Towns that joined Washington State under a resolution with three companies that were found responsible for fueling the opioid epidemic. The local governments that joined the resolution will start receiving payments Dec. 1, 2022, from the settlement administrator.

### For information on spending settlement funds

As independent auditors, SAO staff are unable to provide detailed guidance on how to spend these funds. A [press release](#) from the Attorney General's Office lists approved strategies for using the funds, and notes that local governments' spending decisions must be consistent with the state [Opioid and Overdose Response Plan](#). For specific questions about appropriate use of funds, how they will be distributed, or contingency measurement changes; please contact Jeff Rupert, Complex Litigation Division Chief at the Office of the Attorney General, at [jeffrey.rupert@atg.wa.gov](mailto:jeffrey.rupert@atg.wa.gov).

### Purpose of the alert

This alert provides information on BARS coding, accounting, and reporting for the opioid settlement.

### Detailed guidance

**BARS Coding:** governments receiving this revenue should use BARS code 369.40 – Judgments and Settlements when recording these funds as revenue into their accounting system. Generally, this resource will be reported as miscellaneous revenues in the financial statements.

### GAAP basis accounting and reporting:

#### Modified accrual basis:

Since the settlement was finalized before the Dec. 31, 2022, fiscal year-end, record a receivable and a deferred inflow – unavailable revenue (if cash hasn't been received) for the expected settlement amount in the appropriate governmental fund. *Note: measurement, contingency and collectability need to be assessed when recording the receivable. At this time, SAO is not aware of any needed adjustments related to contingencies.*

Record the receivable and deferred inflow – unavailable revenue as follows:

Receivable – Opioid Settlement	debit	
Deferred inflow – unavailable revenue		credit

Record payments received before fiscal year-end and future payments as follows:

Cash	debit	
Receivable – Opioid Settlement		credit
Deferred inflow – unavailable revenue	debit	
Revenue (369.40 judgment/settlement)		credit

Record year-end revenue accruals based on your government's policy for the availability period as follows:

Deferred inflow – unavailable revenue	debit	
Revenue (369.40 judgment/settlement)		credit

Your government should report a restricted fund balance for any amount of revenue recorded that remains unspent at fiscal year-end.

**Full accrual basis:**

Record a receivable and revenue in the governmental activity's column of the entity-wide statements as follows:

Receivable – Opioid Settlement	debit
Revenue	credit

*Note: this revenue would be considered a general revenue, not program revenue.*

Classify the restricted asset and restricted net position in the governmental activity's column of the entity-wide statements.

Report the receivable and unspent cash as a "restricted asset":

GASB Codification 2200.180 states that restricted assets should be reported when restrictions on asset use change the nature or normal understanding of the availability of the asset.

Report net position as "restricted":

GASB Codification 2200.712-7 states that restricted net position should represent the reported amount of restricted assets reduced by liabilities related to those assets.

**Questions?**

If you have questions related the opioid settlement, please contact Jeff Rupert, Complex Litigation Division Chief at the Office of the Attorney General, at [jeffrey.rupert@atg.wa.gov](mailto:jeffrey.rupert@atg.wa.gov).

If you have questions related to the BARS coding, accounting, or reporting please use the [SAO Helpdesk](#).