

## Chapter 8

# Agency Revenues and Fund Balance Reports

## 8.1 SUMMARIZED REVENUES REPORT

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### Who must submit revenue projections?

Agencies must provide revenue projections for monies they collect, deposit, distribute or transfer for any budgeted account whether they spend out of the account or not. Only projected revenue transactions executed by an agency should be reported by that agency. For example, the Department of Revenue would report taxes it collects, although it may not spend them. The State Treasurer, instead of individual agencies, should report interest earnings (Source 0408).

**Revenue projections are reported on the Summarized Revenue by Account and Source Report.**

### How are the data used?

The Governor must propose a balanced budget in which all funds are balanced. Revenue estimates from agencies for the ensuing biennium are combined with beginning budget fund balances, working capital reserves, current biennium revenue actuals and estimates, and proposed expenditure data to determine each account's estimated 2017–19 ending fund balance for the proposed budget.

### What is on the Summarized Revenue by Account and Source Report?

The Summarized Revenue by Account and Source Report form shows revenues that are expected for budgeted funds in the ensuing biennia. These include all accounts with a budget type of A, B or M and certain type H accounts. See the State Administrative and Accounting Manual Section 75.30.50 for a list of funds and their respective budget types (<http://www.ofm.wa.gov/policy/75.30.htm#75.30.50>). The report also includes RecSum text for each entered revenue-related decision package.

### Remember to include both the capital and operating budget revenues

Revenue estimates related to the capital budget should be included with estimates for the operating budget on the Summarized Revenue by Account and Source Report. Although it is typical for a capital project to take several biennia to complete, the revenue estimates should be limited to the 2017–19 biennium.

### What information is required?

Agencies must submit maintenance level and policy level revenue estimates for the 2017–19 biennium by fiscal year, account, major source and source. Revenue estimates should be reported on a GAAP basis.

OFM does not require current biennium or carry-forward level estimates for revenue. Total maintenance level revenue for the 2017–19 biennium should be entered in a single step as one revenue-only decision package in Maintenance Level 1 with the RecSum code of 90. There is one exception: The revenue adjustments related to an individual maintenance level item should be included in the same decision package as the expenditures for that item and not included in the M1-90 decision package.

Agencies may choose to enter information at the current biennium and carry-forward levels in BDS, but this information will be rolled together as a maintenance level total on the Summarized Revenue Report upon submission to OFM.

Policy level revenue items must be submitted in a policy decision package. Related expenditures, if any, should be included in the same decision package. Review Chapter 9 if you have new or increased fees.

### **Explain assumptions in the decision package**

In a decision package containing revenue, include the following information in the narrative:

- Key assumptions underlying the estimate of each revenue source
- Numerical expressions showing how the projected revenue amounts were calculated and derived
- If the health and continued viability of the revenue source are in question, discuss why and the expected impact

### **What if an account is only partially budgeted?**

When an account is partially budgeted, the agency should not report revenue associated with the nonbudgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. The administering agency should be sure that reported revenue is sufficient to cover the budgeted expenditures for all agencies that spend from that account. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

### **Reminder about balancing federal and private/local revenues and expenditures**

Except as noted below, each agency’s federal revenue must equal its federal expenditures shown in the agency’s budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Known exceptions to the “federal match by agency” rule include:

- Office of Superintendent of Public Instruction, Fund 113-Common School Construction Account
- Military Department, Fund 05H – Disaster Response Account. Federal revenue will exceed expenditures by the amount of recovery dollars received when disasters are closed out. These dollars become state fund balance, which offsets federal expenditure variance.
- Health Care Authority, Fund 001 – General Fund Federal. After expenditures are settled, match revenue leaving a positive variance to offset negative variance in Veterans Affairs. These funds are Medicaid dollars booked at HCA but spent in support of veterans homes in Retsil and Orting.
- Department of Veterans Affairs, Fund 001 – General Fund Federal. Negative variance is offset to positive variance in Health Care Authority (HCA). Funds are Medicaid dollars booked at HCA but spent at the veterans facility in Spokane.
- Employment Security, Fund 119 – Unemployment Compensation Administration Account. Carry forward fund balance from previous biennium.
- Washington State Department of Transportation/Bond Retirement and Interest, Fund 389 – Toll Facility Bond Retirement Account. For the federal GARVEE bonds, Washington State Department of Transportation records the revenue to pay the debt service. Bond Retirement and Interest pays the debt service and records the expenditure.

Similarly, private/local revenues must equal private/local expenditures shown in the agency’s budget (both operating and capital) unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Known exceptions to the “private local match by agency” rule include:

- Criminal Justice Training Commission, Fund 03M – Municipal Criminal Assistance Account. Carry forward fund balance from previous biennium.
- DSHS, Fund 001 – General Fund Private/Local. After expenditures are settled, match revenue.

BDS will produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

### **Use BDS for preparing the report**

Agencies must use BDS to prepare the Summarized Revenue Report. BDS will generate the report based on the revenue entered in the decision packages. Contact the WaTech Solutions Center at 360-407-9100 or [SolutionsCenter@des.wa.gov](mailto:SolutionsCenter@des.wa.gov) if you have questions or need access to the system.

### **Use prescribed revenue and source codes**

Use the correct two-digit major source code and two-digit source code to identify each type of revenue. Refer to the list of official revenue source codes in the State Administrative and Accounting Manual for the appropriate [Revenue Source Codes](#) and titles.

### **Provide updated revenue estimates to OFM in the fall if forecasts change**

OFM uses the Economic and Revenue Forecast Council’s September and November forecasts for accounts that they, and participating agencies, forecast. **Agencies must inform OFM of material adjustments to the submitted revenue estimates not formally included in state forecasts.** Agencies should ensure that current biennium revenue allotments are kept up to date to provide an accurate picture of resources in dedicated accounts.

## **8.2 FUND SUMMARY AND FUND BALANCING**

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### **Reserve fund balance for compensation and other changes**

Agencies should ensure their budget submittals will reserve enough remaining fund balance to cover potential salary, health insurance, pension and central service agency charge adjustments by OFM and the Legislature. As a guide, look at the amounts funded for these changes in previously enacted budgets.

### **Fund administrators must coordinate with other agencies on projected 2015–17 ending fund balance**

Administering agencies for specific accounts need to coordinate with other agencies using that account to ensure that combined budget proposals do not put the account into a projected negative fund balance at the end of the 2017–19 biennium.

If you have questions about which agency is considered the fund administrator, consult the Fund Reference Manual that lists the administrator for each account, in addition to other information, at <http://www.ofm.wa.gov/fund/agency.asp>.

### **Beginning budget fund balances**

OFM will send agencies the beginning budget fund balances that will be used for the budget. These are divided into two groups:

- **Governmental funds**

Each biennium, the Governor must prepare a budget proposal that is balanced for every account. Beginning fund balances for the current biennium are based on Comprehensive Annual Financial Report data. These balances represent beginning “budgetary” or “spendable” fund balances, and may not be the same as the accounting fund balance. They will also likely not be the same as the cash balance in AFRS or the ‘cash’ or ‘book’ balances in TMS. OFM will notify agencies in the spring of the adjusted beginning balances that it plans to use based on the General Ledger (G/L) codes listed below.

In the case of Governmental Funds, all Revenue (32xx) and all Expenditure (65xx) codes and the following fund balance G/L codes are included in the beginning fund balance:

- ◆ 9230 Restricted for Higher Education
- ◆ 9231 Restricted for Permanent Funds – Realized Investment Losses
- ◆ 9232 Restricted for Education
- ◆ 9234 Restricted for Transportation
- ◆ 9235 Restricted for Bond Covenants
- ◆ 9238 Restricted for Other Purposes
- ◆ 9240 Restricted for Human Services
- ◆ 9242 Restricted for Wildlife and Natural Resources
- ◆ 9244 Restricted for Local Grants and Loans
- ◆ 9246 Restricted for School Construction
- ◆ 9248 Restricted for State Facilities
- ◆ 9250 Restricted for Budget Stabilization
- ◆ 9252 Restricted for Debt Service
- ◆ 9255 Restricted for Cash and Investments with Escrow Agents and Trustees
- ◆ 9260 Restricted for Pollution Remediation Liabilities
- ◆ 9270 Restricted for Unspent Bond Proceeds
- ◆ 9271 Restricted for Operations and Maintenance Reserve
- ◆ 9272 Restricted for Repair and Replacement Reserve
- ◆ 9273 Restricted for Revenue Stabilization
- ◆ 9274 Restricted for Unspent GARVEE Bond Proceeds
- ◆ 9283 Restricted for Third Tier Debt Service
- ◆ 9285 Restricted for GARVEE Bond Debt Service
- ◆ 9310 Committed for Higher Education
- ◆ 9311 Committed for Education
- ◆ 9320 Committed for Transportation
- ◆ 9321 Committed for Other Purposes
- ◆ 9323 Committed for Human Services
- ◆ 9324 Committed for Wildlife and Natural Resources
- ◆ 9325 Committed for Local Grants and Loans
- ◆ 9330 Committed for State Facilities
- ◆ 9340 Committed for Debt Service
- ◆ 9372 Assigned for Other Purposes
- ◆ 9390 Unassigned
- ◆ 9720 Prior Period Material Corrections (OFM only)
- ◆ 9721 Fund Type Reclassification Changes (OFM only)
- ◆ 9722 Accounting Policy Changes (OFM only)
- ◆ 9723 Capital Asset Policy Changes

- **Proprietary funds**

In the case of proprietary funds, restricted and long-term assets and liabilities are removed by excluding the following G/L codes from beginning fund balances, thereby converting proprietary fund balances into meaningful budget balances.

The G/L codes excluded in calculating the budget fund balance for proprietary funds are listed below:

**Note:** An x indicates all G/L codes in that series are excluded.

- ◆ **1130** Petty cash
- ◆ **1140** Cash with escrow agents
- ◆ **1150** Cash with fiscal agents
- ◆ **12xx** Investments (except 1205-Temp./Pooled cash investments)
- ◆ **1410** Consumable inventories
- ◆ **1440** Raw materials inventories
- ◆ **1450** Livestock
- ◆ **1510** Prepaid expenses
- ◆ **16xx** Long-term receivables (except 1656-Advances due from other funds)
- ◆ **19xx** Other assets and deferred outflows
- ◆ **2xxx** Capital assets
- ◆ **3110** Approved estimated revenues
- ◆ **32xx** Accrued/Cash/Noncash revenues
- ◆ **5114** Annuities payable, short-term
- ◆ **5118** Benefit claims payable, short-term
- ◆ **5125** Annual leave payable, short-term
- ◆ **5127** Sick leave payable, short-term
- ◆ **5128** Compensatory time payable, short-term
- ◆ **516x** Short-term portion of bonds payable
- ◆ **5172** Lease payable, short-term
- ◆ **5173** COP payable, short-term
- ◆ **5192** Unavailable revenues – short-term
- ◆ **5196** Obligations under reverse repurchase agreements
- ◆ **5197** Obligations under securities lending agreements
- ◆ **52xx** Long-term liabilities and deferred inflows
- ◆ **59xx** Other credits
- ◆ **61xx** Expenditure authority and estimated expenditures
- ◆ **62xx** Allotments
- ◆ **63xx** Reserves
- ◆ **6410** Encumbrances
- ◆ **65xx** Other expenses
- ◆ **91xx** Budgetary control and nonspendable fund balance
- ◆ **92xx** Restricted fund balance
- ◆ **93xx** Committed fund balance and net investment in capital assets
- ◆ **97xx** Correction/Changes
- ◆ **94xx** Retained earnings
- ◆ **95xx** Reserves
- ◆ **96xx** Other reserve accounts

### 8.3 REVENUE TRANSFER RECONCILIATION STATEMENT

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#### When must a Revenue Transfer Reconciliation Statement be submitted?

Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the Summarized Revenue report (e.g., transfers between budgeted and nonbudgeted funds), a Transfer Reconciliation Statement is required as part of the revenue justification material. This statement assists the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the Transfer Reconciliation Statement:

SOURCE 06XX — TRANSFERS IN:

Fiscal Year Amount	To Account	Purpose
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SOURCE 06XX — TRANSFERS OUT:

Fiscal Year Amount	From Account	Purpose
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## 8.4 WORKING CAPITAL RESERVE (B9-1)

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### Who must submit this statement?

The administering agency of an account should submit a Working Capital Reserve form (B9-1) that lists the recommended ending fund balance for those accounts.

### Use BDS for preparing the report

Agencies use BDS to prepare this report. BDS includes the appropriate worksheet and prints the report.

### What to consider when estimating a reasonable working capital reserve

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. For most funds, a reasonable amount would be sufficient to cover two months' worth of cash expenditures.

The recommended balance should be entered for each account needing a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. However, administering agencies may find it prudent to recommend a higher ending balance because of volatile revenues or unique cash-flow cycles, or to offset an operating deficit in the ensuing biennium.

Administering agencies should ensure sufficient balance to cover compensation, central service agency charge increases and other cost adjustments typically made by OFM after agency budgets have been submitted.

Since only administering agencies may enter a recommended reserve, they should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

## 8.5 REMINDERS FOR PREPARING REVENUE SUBMITTALS

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- Do you have a clear method(s) for estimating revenue that your agency collects? Have there been recent changes that would impact your revenue collections?
- Do federal and private/local revenue match the combined expenditures of both the operating and capital budgets for the biennium? (See Chapter 8.1 for a list of exceptions.)
- Did you include all revenue collected by your agency, even if spent by another agency? Check to see what actual revenues are reported by your agency in AFRS.
- Did you include revenue estimates for changes or new sources resulting from recently passed revenue legislation?
- Did you reduce revenues available for transfer or distribution for the amount of new expenditures proposed from those funds?
- Are there sufficient revenues to cover dedicated account expenditures?

- Did you reserve enough fund balance to cover possible compensation or central service agency charge adjustments by OFM?
- Will you send revised revenue estimates to OFM in the fall for agency dedicated fund forecast changes?
- Did you remember that you:
  - ◆ Do not submit estimates for revenue that is collected by another agency.
  - ◆ Do not include interest earnings (Source 0408), which are part of the Treasurer’s Office estimates.
  - ◆ Do not include transfers or revenue distributions executed by the Treasurer’s Office.