Chapter 85
Accounting Procedures

85.10 Budgetary Accounting Procedures

85.10.10 These procedures apply to budgeted accounts

June 1, 2004

This subsection describes budgetary accounting procedures and applies to appropriated and/or allotted accounts.

85.10.20 Budgetary accounting requirements

July 1, 2009

85.10.20.a

An agency's expenditure authority is provided by the Legislature through appropriations in a budget bill or inclusion of non-appropriated account moneys in the legislative budget system, and by the Governor and the Office of Financial Management (OFM) through allocations, approval of unanticipated receipts, or across-the-board spending reductions. An agency may not expend or obligate funds in excess of its expenditure authority.

Allotments are detailed plans of the scheduled revenues and expenditures authorized in the budget and the related cash receipts and disbursements. An agency's actual spending will be monitored against the allotments by the agency, OFM, the Legislature, and the public. Allotments must:

- Conform to the terms, limits, or conditions of Legislative appropriations.
- Serve as the agency's best estimate of the money it will spend and the revenue it will collect each month and year of the biennium.
- Provide the agency's best estimate of expected cash flows by month.

Agencies are required to record budget transactions in the state's accounting records to reflect legislative operating and capital appropriations and expenditure authority (original and supplemental), reappropriations of capital appropriations, unanticipated receipts allotments, expenditure allotments and reserves, estimated revenue allotments, and cash receipt and disbursement allotments after receiving approval from the OFM Budget Division. For further information on allotments requirements, refer to the applicable OFM Operating and Capital Allotment Instructions and Ten-year Capital Plan Instructions available on the OFM Budget Division website at: Budget Instructions.

85.10.20.b

Agencies are to submit proposed allotment plans to OFM using TALS (The Allotment System). After approval by OFM, the entries illustrated in Section 85.15 are automatically generated by APS or TALS, and are recorded in the Agency Financial Reporting System (AFRS).

85.10.20.c

Encumbrances are another budgetary tool that can be used in accounts subject to allotments. Refer to Section 85.30 of this manual for further information on encumbrances. For illustrative entries to record and close encumbrances, refer to Subsection 85.42.20.

85.15 Budgetary Accounting - Illustrative Entries

85.15.05 These entries are for illustrative purposes

July 1, 2008

These entries are automatically generated by TALS (The Allotment System) and are recorded in the Agency Financial Reporting System (AFRS). These entries are for illustrative purposes **only** and should **not** be considered all-inclusive.

85.15.10 Establish expenditure authority for budgeted accounts

July 1, 2008

To record original and supplemental appropriations, approved unanticipated receipts for appropriated accounts; and estimated budgeted expenditures for non-appropriated/allotted accounts. The total expenditure authority is to be posted:

	Dr.	Cr.
Budgetary Control Summary (9100)	xxx	
Approved Unallotted Expenditure Authority (6110)		xxx

85.15.15 Allotments for budgeted accounts

July 1, 2008

To record approved allotments in budgeted accounts:

	Dr.	Cr.
Approved Unallotted Appropriations (6110)	xxx	
Approved Allotments (6210)		xxx

85.15.16 FTEs for budgeted accounts

July 1, 2008

To record approved FTEs in budgeted accounts:

	Dr.	Cr.
Approved Estimated FTEs (0110)	xxx	
Statistical Clearing Account (0998)		xxx

85.15.17 Decrease FTEs for budgeted accounts

July 1, 2008

To record decrease in approved FTEs in budgeted accounts:

	Dr.	Cr.
Statistical Clearing Account (0998)	xxx	
Approved Estimated FTEs (0110)		xxx

85.15.20 Estimated revenues for budgeted accounts

May 1, 1999

To record estimated revenues or additional revenue estimates due to documented changes in conditions:

	Dr.	Cr.
Approved Estimated Revenues (3110)	xxx	
Budgetary Control Summary (9100)		xxx

85.15.25 Decrease estimated revenues for budgeted accounts

May 1, 1999

To record a decrease in estimated revenues due to documented changes in conditions:

	Dr.	Cr.
Budgetary Control Summary (9100)	xxx	
Approved Estimated Revenues (3110)		xxx

85.15.30 Transfer unobligated allotments to reserve for budgeted accounts

May 1, 1999

To record the transfer to reserve status of the unobligated balance of approved allotments:

	Dr.	Cr.
Approved Allotments (6210)	xxx	
Approved Reserves (6310)		xxx

85.15.35 Re-allotment of amounts placed in reserve for budgeted accounts

May 1, 1999

To record the approved re-allotment of amounts previously transferred to reserve:

	Dr.	Cr.
Approved Reserves (6310)	xxx	
Approved Allotments (6210)		xxx

85.15.40 Revert unobligated allotments to unallotted status for budgeted accounts

May 1, 1999

To record the return of unobligated amounts previously allotted to an unallotted status:

	Dr.	Cr.
Approved Allotments (6210)	xxx	
Approved Unallotted Appropriations (6110)		xxx

85.15.45 Transfer unallotted legislative appropriations to reserve for appropriated accounts

May 1, 1999

To record approved transfers of unallotted legislative appropriations to reserve status for appropriated accounts:

	Dr.	Cr.
Approved Unallotted Appropriations (6110)	xxx	
Approved Reserves (6310)		xxx

85.15.50 Transfer legislative appropriations placed in reserve to unallotted status for appropriated accounts

May 1, 1999

To record approved transfers of legislative appropriations previously placed in reserve to unallotted status for appropriated accounts:

	Dr.	Cr.
Approved Reserves (6310)	xxx	
Approved Unallotted Appropriations (6110)		xxx

85.15.55 Abolish or decrease legislative appropriations for appropriated accounts

May 1, 1999

To record approved transfers of legislative appropriations previously placed in reserve to unallotted status for appropriated accounts:

	Dr.	Cr.
Approved Reserves (6310)	xxx	
Approved Unallotted Appropriations (6110)		xxx

85.15.60 Close of accounting period for budgeted accounts

May 1, 1999

To record closing entries for budgetary accounts at the end of the biennium:

	Dr.	Cr.
Approved Unallotted Appropriations (6110)	xxx	
Approved Allotments (6210)	xxx	
Approved Reserves (6310)	xxx	
Budgetary Control Summary (9100)	xxx	or xxx
Approved Estimated Revenues (3110)		xxx

85.20 Revenue and Cash Receipts

85.20.10 Collection and deposit of receipts

July 1, 2009

85.20.10.a Receipt Forms

- **Format** - A standard cash receipt format is not prescribed as a state form. However, agencies are required to develop and adopt an official receipt form that satisfies their unique requirements. The form adopted is to be pre-numbered. At a minimum, the form is to provide for the following information: date, amount, mode of payment, and identification of the agency and the preparer.

  Machine generated receipts (e.g., cash register) and automated cashiering systems that provide the required control data are acceptable. Cash registers and automated cashiering systems should be configured to provide a receipt for the payee and a copy for the agency.

- **Use** - Collections made over the counter or in the field are to be documented by issuance of an official receipt or through cash registers or automated cashiering systems. Receipts are to be issued in numeric sequence and the numeric sequence is to be strictly controlled. It is not necessary to issue cash receipts for remittances received through the mail. In instances where a cash receipt is not required to be issued, other internal control procedures are to be established to ensure proper accounting. Refer to Chapter 20 of this manual for guidance related to internal control procedures.

85.20.10.b Record of Cash Receipts

Agencies are to maintain daily cash receipt records reflecting all daily receipts by account and source. Where cash registers or automated cashiering systems are used, this could be the machine generated control tape or electronic daily transaction register.

85.20.10.c Reconciliation of Cash Receipts

On a daily basis, collections are to be counted and reconciled with cash receipt records and local account deposit slips. Any differences between the deposits and records of receipts are to be investigated and resolved.

85.20.10.d Cash Over and Short:

- Cash over and short is to be separately recorded in the accounting records. The agency is to make the necessary entries to properly reflect cash over and short in the General Ledger.
- Revenue Source Code 0490 "Cash Over and Short" is to be used to record the amount of overage or shortage so that the total recorded in the General Ledger agrees with the amount deposited. Revenue Source Code 0490 provides a record on the books of the agency of the amount and the frequency of overages and shortages. Refer to Subsection 85.24.40 for an illustrative entry.
- Recovery of cash shortages or redistribution of overages is to be processed through Revenue Source Code 0490.
- The balances of Revenue Source Code 0490 and the transactions affecting these balances are to be analyzed regularly and controlled to reduce the possibility of misappropriated cash.

85.20.10.e Deposit of Cash Receipts:

- Generally, cash receipts must be deposited intact each day for the collections of the previous business day. Refer to Section 85.50.
- For treasury/treasury trust accounts, agencies are to use a Cash Receipts Journal Summary document (A8) or the equivalent in TM$ (Treasury Management System) for deposits of checks and cash, incoming wire transfers, and/or incoming Automated Clearing House (ACH) transactions with the OST.
- Local account deposits are to be controlled and documented by the use of bank deposit slips.

Refer to Subsection 85.24.30 for an illustrative entry.

85.20.20 Prudent collection processes

July 1, 2001

Agencies are encouraged to exercise prudent cash management in the handling of cash receipts. Agency receipting policies should ensure the most efficient and timely collection possible and minimize the cost of collection. Agencies can use various receipt mechanisms to collect amounts due the state, including lock box, electronic fund transfers and, with approval from OFM, credit and debit cards. Refer to Chapter 40.

85.20.30 Non-revenue receipts

July 1, 2003

Agencies may receive monies that do not meet the definition of revenue contained in the glossary of this manual. Such receipts generally represent items such as recovery of expenditures, canceled warrants, refunds of forgeries, State Employees Insurance Board Insurance premium refunds, undistributed receipts, and interagency reimbursements. These amounts are to be classified and recorded as non-revenue receipts in the General Ledger.

Receipts for recoveries of authorized current appropriation expenditures represent an offset to current appropriation allotment charges and are recorded either using Revenue Source Code 0902 "Recoveries of Current Appropriation Expenditures" or as a credit against the current appropriation expenditure that was originally charged. Entries needed to clear Revenue Source Code 0902 and adjust the current appropriation allotment charges are to be recorded at least monthly.

Receipts for recovery of an expenditure charged against a prior appropriation are recorded with a credit to GL Code 3210 "Cash Revenues" using Revenue Source Code 0486 "Recoveries of Prior Expenditure Authority" and do not offset current appropriation allotment charges.

85.20.40 Proceeds from sale of property

Jan. 1, 2012

The proceeds realized from the sale of property by the Department of Enterprise Services under the provisions of RCW 43.19.1919 are remitted to the agency holding title to the property. The amount is to be deposited by the agency to the account from which such property was purchased or if such account no longer exists, into the General Fund. The following procedures apply to the recording of these proceeds:

If the net proceeds were included in the budget for new asset acquisition, the amount is to be recorded as reduction of the expenditures/expenses charged for the purchase of the new asset. Refer to Subsection 85.65.58 for illustrative entries.

In governmental fund type accounts, unless specifically budgeted, the proceeds realized, if material, from the sale of surplus property are not to be used to reduce the expenditures related to current acquisitions. Absent specific inclusion in the budget, the net proceeds realized from the sale of surplus property are to be recorded as Revenue Source Code 0416 "Sale of Property - Other." Refer to Subsection 85.60.50.a.

In proprietary and fiduciary fund type accounts, the net of the sale proceeds and the removal of the capital asset and related accumulated depreciation is recorded as GL Code 3213 "Gain and Loss on Sale of Capital Assets" using Revenue Source Code 0418 "Gain or Loss on Sale of Capital Assets." Refer to Subsection 85.60.50.b.

85.20.50 Undistributed receipts

May 1, 1999

Deposit of moneys is not to be delayed because of difficulty in determining account and source. Upon permission from the Office of the State Treasurer (OST), those receipts not immediately identifiable are to be deposited to Account 01R "Undistributed Receipts Account." Refer to Subsection 85.24.70.a for an illustrative entry.

At a subsequent date when receipts deposited in the Undistributed Receipts Account are identified as to the source and account, a Journal Voucher document is to be submitted to OST, transferring these funds from Account 01R, to the proper account and revenue source code. The Journal Voucher document is to be restricted to information pertaining to transfer of amounts from Account 01R to the proper account and not commingled with other transfer transactions. Refer to Subsections 85.24.70.b and 85.24.70.c for illustrative entries.

85.20.60 Receipts placed in suspense

July 1, 2009

If the daily receipts are identifiable by account, but cannot be immediately allocated to a specific revenue source code, the transaction is to be credited to the applicable account and classified as Revenue Source Code 0920 "Items Placed in Suspense." As soon as a determination can be made of the proper revenue source code(s), the agency is to clear the Revenue Source Code 0920. Revenue Source Code 0920 is to have a zero balance at the end of the fiscal year.

Receipts which are to be applied or refunded at a later date or moneys contingent on an unknown final disposition, and not subject to the Undistributed Receipts procedure above, are to be transmitted to the Office of the State Treasurer and deposited in the State Treasury by a credit to Account 01P "Suspense Account."

As soon as a determination can be made of the proper account or accounts to charge or credit for items placed in suspense, the agency is to clear the item(s) in the Suspense Account 01P. Refer to Subsection 85.24.80 for illustrative entries.

85.20.70 Refunds of revenue

May 1, 1999

In the event fees or other payments are collected and deposited by an agency that are subsequently determined to be erroneous or excessive, the agency may refund the overpayment. Refunds of revenues are to be in accordance with the provisions of RCW 43.88.170 and RCW 43.01.072 through RCW 43.01.075.

Refunds may be made when there has been as error with respect to:

- The amount of fee or payment collected;
- The necessity of making or securing a permit, filing, examination or inspection;
- The sufficiency of the credentials of the applicant;
- The eligibility of the applicant for any other reason; and/or
- The necessity for payment.

Unless an appropriation exists for such a refund, it is to be accounted for as a reduction of the revenue initially credited upon receipt of the overpayment.

No refund shall be authorized by a state agency where the amount is two dollars or less unless demand for the refund is made within six months of the overpayment.

85.20.80 Subsidiary records

May 1, 1999

Subsidiary records are to be used to record actual and estimated revenues by account and revenue source. In some cases, however, to allow for proper financial control and analysis, reporting revenues at a lower level may be required. Subsidiary records are to balance with general ledger control accounts.

85.20.90 Deposit interest distribution by OST

June 1, 2005

The Office of the State Treasurer (OST) reports all interest earned on surplus cash balances for Treasury and Treasury Trust Accounts. The distribution of deposit interest is recorded in Agency 705, Treasurer's Deposit Income. The administering agency will receive, upon request, a copy of OST's journal voucher indicating the interest earnings distributed to the administering agency's account(s) in Agency 705. OST's journal voucher is for informational purposes and is not to be posted to the administering agency's records.

85.22 Deposit Adjustments and Returned Payments

85.22.10 About these procedures

May 1, 1999

These procedures cover items returned or adjustments made by the bank for the following reasons:

- Non sufficient funds (NSF) checks
- Missing signature(s) on check
- Stop payment placed on check
- Account closed
- Deposit adjustment found during bank's proof process
- Other reasons causing return of checks or adjustments to the state's bank accounts

85.22.20 Documentation for deposit adjustments

July 1, 2008

85.22.20.a

An agency is to maintain adequate detail records to document a bank deposit adjustment. For deposit adjustments resulting in an amount due the state (e.g., NSF checks), document the following information in subsidiary records:

- Name of maker and amount.
- Date of check and bank upon which it was drawn.
- The date of the initial deposit of the check subsequently returned and the Revenue Source and Sub-source (if applicable) codes or other account coding to which the check was initially credited.

85.22.20.b

For adjustments to cash in treasury/treasury trust accounts to reflect a returned item or bank adjustment, document the following:

The number identifying the Cash Receipt Journal Summary (A8-A) showing Office of the State Treasurer's (OST) adjustment to cash in the bank to reflect the item returned or adjustment by the bank.

The date and coding of the subsequent redeposit of the returned item, if such subsequent collection is actually realized or the number identifying the Cash Receipt Journal Summary (A8-A) reflecting the subsequent redeposit.

Refer to further Subsection 85.54.52 for collection information related to NSF checks.

85.22.30 Deposit adjustments - treasury and trust accounts

July 1, 2009

For **Treasury and Treasury Trust accounts**, when notified by the bank that an adjustment has been posted to the state's bank account, OST will prepare a Cash Receipt Journal Summary (A8), in the name of the agency that **initially** deposited the returned item. OST will record the adjustment in Account 01P, "Suspense Account," adjusting GL Codes 4310 "Current Treasury Cash Activity (OST Only)" and 7110 "Receipts In-Process." OST will send the agency a copy of the Cash Receipt Journal Summary along with the NSF check, deposited item returned, or Deposit Adjustment Notice. The deposit adjustment current document number will start with "ADJ."

The agency is to record the deposit adjustment or returned check:

Using the Cash Receipts Journal Summary (A8) prepared by OST, clear receipts in process in Account 01P and establish a receivable for the amount of the returned item. Refer to Subsection 85.24.50 for an illustrative entry.

Clear the receivable in Account 01P by a journal entry adjusting the GL Code where the amount was originally recorded in the agency's operating account. This is normally revenue, but may be expenditure recovery or receivable liquidation. If a revenue, use either Revenue Source Code 0940 “Deposit Adjustments and Returned Checks” or the revenue source code used on the initial deposit. OST will clear Account 01P with the journal entry reflecting the adjustment. Refer to Subsection Subsection 85.24.50 for an illustrative entry.

At fiscal year end, reclassify any residual balance in Revenue Source Code 0940 to the appropriate asset, liability, revenue or expenditure/expense GL code.

Deposit subsequent collection of amounts for which a journal entry adjustment was posted with a Cash Receipt Journal Summary (A8). Refer to Subsection Subsection 85.24.60 for an illustrative entry.

85.22.40 Deposit adjustments - local accounts

July 1, 2009

For local accounts, redeposit returned items as soon as possible. Items returned a second time and other bank deposit adjustments are posted to accounting records by debiting/crediting GL Codes 1110 "Cash in Bank." A receivable is to be established for deposit adjustments resulting in amounts due the state (e.g., NSF checks).

For other types of adjustments, the cash entry is offset by debiting/crediting GL Codes 3210 "Cash Revenues" for revenues, 6510 "Cash Expenditures/Expenses" for expenditure recoveries, or other coding as appropriate. For revenues, use either Revenue Source Code 0940 "Deposit Adjustments and Returned Checks" or the revenue source code used on the initial deposit. Subsequent redeposit of amounts for which a deposit adjustment was recorded should be coded in a manner consistent with the original adjustment.

At fiscal year end, reclassify any residual balance in Revenue Source Code 0940 to the appropriate asset, liability, revenue, or expenditure/expense GL code.

85.22.50 Returns and reversals of AFRS ACH payments

July 1, 2012

85.22.50.a

An AFRS ACH payment may be returned electronically to the state as an ACH return or an ACH reversal.

85.22.50.b ACH Returns

The receiving financial institution may initiate a return because:

1. The payee bank account on the ACH transaction is closed, frozen, or invalid, or
2. The payment is refused by the payee.

When an AFRS ACH payment is returned to the state, OST sends a file electronically to AFRS. Based on the information in the file, an AFRS automated process generates transactions for:

1. OST in the Treasury Management System (TM$) for crediting the returned payment to the paying agency/account(s), and
2. The paying agency for clearing the in-process and crediting the appropriate GL Code. The paying agency must release the transactions for processing in AFRS. For AFRS procedures, refer to the "AFRS Payment Cancellations and Returns" instructions available online at: AFRS Payment Cancellations and Returns

   Agencies that opt out of the automated AFRS process should contact the Office of Financial Management (OFM) for alternative procedures.

OFM contacts the paying agency to alert them of the return. The paying agency is responsible for contacting the vendor, requesting updated bank account information, as appropriate, and determining if the payment will be reissued.

85.22.50.c ACH Reversals

The paying agency or the payee may request that DES process an ACH reversal up to four days after the ACH effective date. Reversals must be in compliance with ACH rules which designate three valid reasons to reverse an entry:

1. The entry is a duplicate payment.
2. The payment is to the wrong payee.
3. The payment is for the wrong amount.

When a valid reason exists and it is within the allowable timeframe, DES initiates the ACH reversal through TM$. DES also coordinates preparation of a cash receipt journal for OST. The state's bank gives a provisional credit that is posted by OST to the paying agency/account(s), per the cash receipt journal. The paying agency must enter a corresponding cash receipt entry debiting GL Code 7110 "Receipts in Process" and crediting the appropriate GL Code.

ACH reversals are not guaranteed as the financial institution can reject the request due to the account balance being less than the requested amount or funds being otherwise unavailable. If this occurs, the financial institution sends a negative ACH return which reverses the provisional credit. The paying agency must reverse the previous cash receipt entry and is then responsible to recover the erroneous payment from the payee.

When OFM initiates an ACH reversal, DES is also responsible to ensure notification of the reversal occurs in accordance with ACH rules which require the payee be notified of the reversal and the reason for the reversal no later than the effective date of the reversal. The effective date of the reversal is one banking day following the reversal request or the effective date of the original ACH payment, whichever is later.

85.24 Revenue and Cash Receipts - Illustrative Entries

85.24.10 These entries are for illustrative purposes

May 1, 1999

The entries in this section illustrate the recording of revenues and cash receipts in the accounting records. The entries are for illustrative purposes only and should not be considered all inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of State Treasurer (OST), as illustrated below, to clear the In-Process GL Codes.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

The entry would be reversed for In-Process debit amounts.

85.24.20 Estimated revenue

May 1, 1999

Refer to Section 85.15 of this manual for illustrations of budgetary entries to record and adjust estimated revenues.

85.24.30 Deposit of cash revenues
May 1, 1999

To record the deposit of cash revenues (refer to Subsection 85.20.10.e):

	Dr.	Cr.
Cash in Bank (1110) or		
Receipts In-Process (7110)	xxx	
Cash Revenues (3210) (with appropriate revenue source code)		xxx

85.24.40 Cash over or short
May 1, 1999

To record cash over or short (refer to Subsection 85.20.10.d):

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0490) - Cash Over or Short	xxx	
Cash In Bank (1110) or		
Receipts In-Process (7110)		xxx

Note: The entry assumes a cash shortage and would be reversed for a cash overage.

85.24.50 Recording adjustment for non-sufficient funds (NSF) check
July 1, 2008

The following entries illustrate the recording of the adjustment for a non- sufficient funds (NSF) check that was initially coded as revenue in a Treasury account. Refer to Section 85.22.

Upon receipt of the Cash Receipt Journal Summary (A8) from OST, the agency clears receipts in-process and establishes a receivable for the NSF check in the Suspense Account (Account 01P).

	Dr.	Cr.
Other Receivables (1319)	xxx	
Receipts In-Process (7110)		xxx

Further entries depend on circumstances. Option 1 would be used when the agency is in a position to redeposit the NSF check within a day or two of its return by the bank. Option 2 would be used if there were a delay before redeposit of the NSF check.

OPTION 1

To record redeposit of NSF check within a day or two of its return by the bank. The agency is to prepare a Cash Receipt Journal Summary (A8) debiting/crediting Account 01P and submit it to OST.

Operating Agency - Suspense Account (Account 01P):

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Receivables (1319)		xxx

OPTION 2

The agency prepares a Journal Voucher to clear the receivable in Account 01P and record the NSF check in the operating account.

Suspense Account (Account 01P):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	xxx	
Other Receivables (1319)		xxx

Operating Account (originally recording receipt of NSF check):

	Dr.	Cr.
Other Receivables (1319) or Cash Revenues (3210) with Revenue Source Code (0940) Deposit Adjustments and Returned Checks or the revenue source code used in the initial deposit.	xxx	
Journal Vouchers In-Process (7140)		xxx

The agency is to forward a copy of the Journal Voucher to the Office of the State Treasurer for final clearance of Account 01P and reduction of cash in the Operating Account.

85.24.60 Subsequent collections of non-sufficient funds (NSF) check

July 1, 2009

To record the subsequent collection of an NSF check for which an adjustment was posted (refer to Subsection 85.24.50) and which is deposited with a Cash Receipt Journal Summary (A8). Refer to Subsections 85.22.30 and 85.22.40.

Operating Account:

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Receivables (1319) or Cash Revenues (3210) with Revenue Source Code (0940)		

	Dr.	Cr.
Deposit Adjustments and Returned Checks or the revenue source code used in the initial deposit.		xxx

85.24.65 Recording receipt of returned AFRS ACH payment

July 1, 2009

To record the deposit of an AFRS ACH expenditure payment that was returned electronically to the state. Refer to Subsection 85.22.50.

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Cash Expenditures/Expenses (6510) or other GL Code as appropriate		xxx

85.24.70 Undistributed receipts - account and/or revenue source not identified

May 1, 1999

85.24.70.a

To record deposit of moneys pending identification of the proper account and revenue sources. Refer to Subsection 85.20.50.

Undistributed Receipts Account (Account 01R):

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Liabilities (5199)		xxx

85.24.70.b

To record reversal once the proper account and revenue sources are identified.

Undistributed Receipts Account (Account 01R):

	Dr.	Cr.
Other Liabilities (5199)	xxx	
Journal Vouchers In-Process (7140)		xxx

85.24.70.c

To record deposit of receipts in the proper accounts and revenue sources.

Proper Account XXX:

	Dr.	Cr.
Cash In Bank (1110) or		
Journal Vouchers In-Process (7140)	xxx	
Cash Revenues (3210) (with appropriate revenue source code)		xxx

85.24.80 Receipts placed in suspense

July 1, 2009

85.24.80.a

To record deposit of receipt in an operating account pending identification of the proper revenue sources. This entry assumes that the deposit is subsequently determined to belong in the operating account in which it was initially deposited. Refer to Subsection 85.20.60.

	Dr.	Cr.
Cash In Bank (1110) or		
Receipts In-Process (7110)	xxx	
Cash Revenues (3210) Revenue Source Code (0920) Items Placed in Suspense		xxx

After researching the deposit, the agency determines the proper revenue coding.

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0920) Items Placed in Suspense	xxx	
Cash Revenues (3210) (with appropriate revenue source code)		xxx

85.24.80.b

To record deposit of receipt in Suspense Account (Account 01P) pending identification of the proper account. Refer to Subsection 85.20.60.

Suspense Account (Account 01P):

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Appropriate asset or liability GL Code		xxx

To record the transfer of monies from Suspense Account (Account 01P) to the appropriate operating account.

Suspense Account (Account 01P):

	Dr.	Cr.
Appropriate asset or liability GL Code used in the original transaction above	xxx	
Journal Vouchers In-Process (7140)		xxx

Operating Account:

	Dr.	Cr.
Journal Vouchers In-Process (7140)	xxx	
Cash Revenues (3210) (with appropriate revenue source code) or appropriate GL Code		xxx

85.30 Encumbrances

85.30.10 Encumbrance accounting

July 1, 2013

85.30.10.a

An encumbrance is a reservation of an expenditure authority for obligations or contracts for goods, materials, and/or services, which have been ordered and are expected to be received before the expenditure authority lapses. Encumbrance accounting is only used in accounts subject to allotment. Encumbrance accounting ensures that expenditure authority will be available for recording the expenditure when the goods, materials or services are subsequently received. An agency may not obligate or encumber funds in excess of its expenditure authority. An encumbrance represents a commitment. It is not an expenditure.

85.30.10.b

Encumbrance accounting should be used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Agencies are not required to encumber all items of expenditure. Agencies should encumber obligations or contracts with a material impact on their budgets. Costs such as utilities, rent, travel, salaries and wages, and employee benefits and taxes should not be encumbered.

85.30.10.c

Each encumbrance transaction is to be supported by complete documentation. The documentation may be in the form of the following: Purchase Requisitions (A15-A); Purchase Orders (A16-A); Field Orders (A17-A); Printing Requisitions (A21-A); professional service contracts and/or other contracts entered into by an agency. The use of "dummy" or projected encumbrances as a method to avoid transfers to reserve or circumvent the allotment process is an improper application of encumbrance accounting and is not to be practiced. Subsection 85.42.20 shows illustrative entries to establish and liquidate encumbrances

85.30.10.d

Encumbrances related to **operating** appropriations lapse at the end of the applicable appropriation period. Encumbrances related to **capital** appropriations lapse at the end of the biennium, unless **reappropriated** by the Legislature in the ensuing biennium. Encumbrances outstanding that relate to continuing appropriations at the end of the first fiscal year of a biennium and encumbrances outstanding that relate to capital reappropriations are reported as reservations of fund balance. Refer to Subsection 90.20.35 and Subsection 90.20.40.

85.32 Goods and Services Expenditures

85.32.10 Agency responsibilities

July 1, 2008

It is the responsibility of the agency head, or authorized designee, to certify that all expenditures/expenses and disbursements are proper and correct.

Agencies are responsible for processing payments to authorized vendors, as defined in Subsection 85.32.15, providing goods and services to the agency. Goods and services include but are not limited to products, services, materials, equipment, and travel reimbursements.

Agencies are to establish and implement procedures following generally accepted accounting principles. At a minimum, agencies are also to establish and implement the following:

1. Controls to ensure that all expenditures/expenses and disbursements are for lawful and proper purposes and recorded in a timely manner (refer to Chapter 20 of this manual for guidance related to internal control procedures),
2. Procedures to ensure prompt and accurate payment of authorized obligations, and
3. Procedures to control cash disbursements.

85.32.15 Special definitions

Jan. 1, 2012

Vendor - An entity selling a good or service to the State. Vendors include, but are not limited to, retail businesses, consultants, contractors, manufacturers, credit card companies. A vendor may be an individual, corporation, non-profit organization, federal government, or federal agency, local government or local agency, another state or another state agency, a Washington state agency, or Indian nation. For travel reimbursement purposes, a vendor may include an employee, a board member, or volunteer.

Statewide Vendor - A vendor with a common vendor record maintained by the Office of Financial Management that can be used by any agency making a payment to that vendor. A Statewide Vendor (SWV) code is required for certain payment types (Inter-Agency Payments (IAP) and AFRS Automated Clearing House (ACH) payments to nonemployees).

85.32.20 Expenditure authorization

June 1, 2020

85.32.20.a

Goods and services are not to be ordered, contracted for, or paid for unless they are provided by authorized vendors and within the limitations prescribed by the Department of Enterprise Services, Contracts and Legal Division (RCW 39.26.090), or other statute.

85.32.20.b

Prior to payment authorization, agencies are to verify that the goods and services received comply with the specifications or scope of work indicated on the purchase or contract documents. Authorized personnel receiving the goods and services are to indicate the actual quantities received, services provided, deliverable submitted, etc. Refer to Chapter 20 for guidance related to internal control procedures.

85.32.20.c

Agency heads or authorized designees are responsible for authorizing all expenditures/expenses.

85.32.25 Priority of expenditures

June 7, 2012

85.32.25.a

Pursuant to RCW 43.88.150:

Unless otherwise required by federal or other contractual requirement, where funding is available from both appropriated and nonappropriated sources for the same purpose, agencies are to charge expenditures in such a ratio as will conserve appropriated funds. For institutions of higher education, this subsection applies only to operating fee accounts.

85.32.25.b

Unless otherwise provided by law, federal or other contractual requirement, if state moneys are appropriated for a capital project and matching funds or other contributions are required as a condition for receipt of state moneys, state moneys shall be expended in proportion to and only to the extent that matching funds or other contributions are available for expenditure.

85.32.30 Payment processing documents

July 1, 2013

85.32.30.a

At a minimum, payment processing documentation should include evidence of authorization for purchase, receipt of goods or services, and approval for payment. Agencies may utilize paper or electronic forms. The following documentation, or equivalent, is to be maintained:

Journal Voucher (A7-A) - This form can be used for interagency payments between treasury and/or treasury trust accounts, and to allocate or transfer costs between accounts, programs, and to record accruals and other adjustments to account balances, etc. The Journal Voucher is also used to process non-AFRS Automated Clearing House (ACH) payments through the Office of the State Treasurer to outside vendors. Instead of FormA7-A, agencies are encouraged to use one of the A19 forms (refer below) with the Inter-Agency Payment (IAP) process. Refer to Subsection 85.36.20.

Purchase Requisition (A15-A) - A form used by agencies to request the Department of Enterprise Services to order materials, supplies, and equipment or to request an amendment of a previous requisition. This form is used when an agency does not have general or specific authority to make the purchase or when the item does not fall within the statewide contracts. This form is available online at: **Purchase Requisition (A15-A)**.

Purchase Order (A16, A16-A) - A form issued by the Department of Enterprise Services to order items approved on a purchase requisition (A15-A). This form is used by agencies to encumber, liquidate, and authorize payment for such purchase requisition requests.

Declaration of Emergency Purchase (A16-E) - A form used by agencies for emergency purchases under RCW 43.19.200 made for goods and services under the authority of the Department of Enterprise Services in response to unforeseen circumstances beyond the control of an agency which present a real, immediate, and extreme threat to the proper performance of essential functions and/or may be reasonably expected to result in excessive loss or damage to property, bodily injury, or loss of life. Written notification must be submitted within three days of the purchase to the director of Enterprise Services. This form is available online at: **Declaration of Emergency Purchase (A16-E)**.

Purchase Order (A17-A, A17-1A) - A purchase document or order issued by an agency to a vendor in accordance with authority to make a delegated purchase. This form is used by agencies to encumber, liquidate, and authorize payment for such purchases. This form is available online at: Purchase order template.

Receiving Report - Partial Delivery (A18, A18-A) - A form used by agencies to document and authorize payment for partial deliveries of goods or services ordered by a single Purchase Order (A16-A) or Field Order (A17-A).

Invoice Voucher (A19-1A) - A form used by agencies to substantiate and authorize payment when a Purchase Order (A16-A) or Field Order (A17-A)is not involved and where vendor invoices are not employed. The Invoice Voucher is to be certified by the vendor. This form is used to produce warrants, pay by means of AFRS ACH, or to create payments through the IAP process. Refer to Subsection 85.36.20. This form is available online at: http://ofm.wa.gov/policy/invoicevoucher.xltx.

Voucher Distribution Form (A19-2, A19-2A) - A form used by agencies to substantiate and authorize payment when a Purchase Order (A16-A) or Field Order (A17-A) is not involved but where vendor invoices are employed.This form is used to produce warrants, pay by means of AFRS ACH or to create payments through the IAP process. Refer to Subsection Subsection 85.36.20. A voucher distribution form is available online at: **Voucher Distribution Form (A19-2, A19-2A)**.

Refund Voucher (A19-3) - A form used by agencies to process refunds of revenues received in excess of the amount owed or received in error by the state.

Travel Expense Voucher (A20-A, A20-2A) - Form A20-A is used by agencies to substantiate and/or authorize payment of travel costs for state employees. In the absence of a vendor relationship, this form can also be used to substantiate and/or authorize payment of travel costs for non-state employees such as prospective employees; individuals who serve on boards, commissions, councils, committees, and task forces; volunteers and other individuals who are authorized to receive travel expense reimbursement. When a vendor relationship exists and the A20-A is used by non-state employees to substantiate travel costs, it must be attached to an Invoice Voucher (A19-1A) to authorize payment. A travel expense voucher form is available online at: **Travel Expense Voucher (A20-A, A20-2A)**.

Form A20-2A is only used for reimbursing travel expenses of commission members who are reimbursed on a per diem basis.

Agencies may use an electronic travel reimbursement system, such as the Travel & Expense Management System (TEMS), as long as it provides information equivalent to that provided on a travel expense voucher.

Printing Requisition (A21-A) - A form used by agencies to order, encumber, liquidate, and authorize payment for goods and services from the Department of Enterprise Services. This form is available online at: **http://www.des.wa.gov/SiteCollectionDocuments/PrintingMail/Printing/Docs_A21.dot**.

Copy Center Request Form (A24) - A form used by agencies to order, encumber, liquidate, and authorize payment for copy services from the Department of Enterprise Services. This form is available online at: **http://www.des.wa.gov/SiteCollectionDocuments/PrintingMail/Printing/Docs_A24.do**t.

85.32.30.b

Purchasing documents used internally by agencies having local purchasing authorities are to meet the criteria of the forms noted above. There is no standard internal purchase request form; however, agencies are encouraged to develop and utilize an internal request form to enhance internal control over requisitions. Refer to Chapter 20 of this manual for internal control procedures.

85.32.40 Payment processing

June 6, 2024

85.32.40.a

The following information, at a minimum, is to be indicated either on the disbursement documentation or in an automated system for compliance with federal regulatory agencies and internal control policies:

- Payee name and address in compliance with U. S. postal regulations,
- Unified Business Identifier (or other vendor approved identifier), as applicable,
- Taxpayer ID Number (TIN) as per IRS publication 1220 and IRS Bulletin 1990-31,as applicable,
- Voucher number,
- Appropriate account code distribution,
- Date the goods were received or the services were provided,
- Signature of receiver or contract manager approval,
- Receipt date of invoice,
- Invoice number, if available,
- Total amount of invoice,
- Invoice date,
- Discount or other terms, and
- Date of payment.

Privacy Notice: Safeguarding and disposition of personal information collected for payment processing must be consistent with Executive Order 16-01, January 5, 2016; WTS Policy SEC-01; and RCW 42.56.210.

85.32.40.b

Agencies are to establish procedures which verify the mathematical accuracy of all documents and ensure that charges are properly recorded to the appropriate accounts.

85.32.40.c

Disbursement documents should be reviewed for the following, as applicable:

- Written approval by the agency head or authorized designee authorizing payment appears on the disbursement document.
- The payment is being processed to the correct vendor.
- Quantities indicated on the invoice agree with those documented as received on the receiving report.
- Unit prices on the invoice agree with those indicated on the disbursement document.
- Contractor rates agree with the contract document.
- Extensions and footings are correct.
- Correct account code distributions are indicated.
- Interest for late payment, upon billing, is properly documented and computed.

85.32.40.d

Disbursement documents approved for payment are to be arranged in a batch for warrant and warrant register processing within the following constraints:

- The documents are to be assigned sequential voucher numbers.
- A batch header, document transmittal, or equivalent which includes the total amount of the payments should be prepared and approved.

85.32.40.e

Encumbered balances associated with any expenditures are to be appropriately liquidated. Refer to Subsection 85.42.20.b for an illustrative entry.

85.32.40.f

Balances in GL Code 6505 "Accrued Expenditures/Expenses" associated with any cash expenditure disbursements are to be appropriately reversed.

85.32.40.g

The number of payments to a vendor is to be kept to a minimum by processing the maximum number of invoices with a single payment.

85.32.40.h

Agencies can use petty cash imprest accounts where effective in complying with prompt payment requirements and efficiency of operation can be demonstrated. Refer to Subsection 85.50.50 for petty cash policies and procedures.

85.32.50 Timing of payment

June 1, 2025

85.32.50.a

Agencies are to establish procedures to ensure timely, accurate, and cost effective payment of obligations to vendors. An agency's payments will be considered timely when its records show that the agency pays 95 percent or more of its obligations to vendors by the due date defined below. Agencies are to maximize effective cash management by paying as close to the due date as workable. Special attention is to be given to the following:

- **Due Dates** - Vendor payments are to be made by the due date. Due dates for payments are established by the terms of the purchase document, invoice, or contract between the agency and vendors. If the purchase document or contract is silent concerning terms or there is no written authorizing document, the terms are net 30 days. The 30 days, or other terms, begin upon receipt of the goods or services or a properly completed invoice, **whichever is later**.

As prescribed in RCW 39.76, agencies are required to pay interest at the rate of one percent per month on past due amounts when invoiced and there are no other exceptions. Due dates are postponed in the case of disputes. Refer to **disputes** below.

- **Discounts** - Discounts offered by vendors are considered in evaluating competitive bids; failure to earn such discounts through prompt payment increases the effective price to the state. Agencies are to pay all obligations in time to take advantage of the maximum discounts offered by vendors.
- **Partial Payments** - When agencies accept partial delivery of goods or services without reservation, prompt payment is to be made for the goods or services received upon receipt from the vendor of a properly completed invoice or in accordance with purchase document or contract terms covering the partial delivery.
- **Disputes** - Prompt and proper notification to a vendor of receipt of unsatisfactory goods or services or an incorrect invoice defers the due date. The due date is recalculated from the date the problem is resolved. Proper authorization is required when material changes are made.

85.32.50.b

Maintenance Services Contracts - Pursuant to RCW 43.88.160(5), under certain conditions, payments for equipment maintenance services may be made up to twelve months in advance, except that institutions of higher education as defined in RCW 28B.10.016 may make payments in advance for equipment maintenance services up to sixty months in advance.

85.32.50.c

Postage, Books, and Periodicals - Pursuant to RCW 42.24.035, agencies may make payment for the costs of postage, books, and periodicals in a manner consistent with normal business practices, and in the case of subscriptions, for periods not in excess of three years. Subscriptions are for magazines and other periodical publications or books, either hard copy or electronic, but do not include software.

85.32.50.d

Washington State Department of Transportation *Good to Go* toll accounts - Agencies may pre-load their *Good to Go* toll accounts; however, agencies should not exceed one month's estimated usage on the account.

85.32.60 Rapid invoice processing

June 1, 2002

The use of Rapid Invoice Processing (RIP) is encouraged to reduce the costs of processing payments for small and/or routine transactions. With RIP:

- Confirmation of the receipt of goods and services is kept at a decentralized location instead of being forwarded to the payment office to be filed with the payment documents.
- Requests for payments are processed centrally and scheduled for payment.
- The risks associated with using RIP are mitigated through compensating controls, such as providing the decentralized location the opportunity to intervene in the payment process prior to the scheduled payment date.

The level/type of payments subject to RIP procedures is to be established carefully at the agency level to ensure that a more positive system of control, such as centralized matching of signed receiving reports with requests for payment, exists to cover large and/or non-routine transactions.

Advance written authorization is to be obtained from the Office of Financial Management for the use of RIP. Requests for authorization should identify the level and type of payments proposed for RIP procedures and the processes that will be used to mitigate the risks of using RIP.

85.32.70 Purchase card

Jan. 1, 2013

State law, RCW 39.26.090 and 28B.10.029, authorizes agencies to use credit cards and similar devices to make purchases under specific terms and conditions. Refer to Chapter 40 and DES statewide credit card policy.

85.32.80 Waste recycling procedures

Jan. 1, 2012

Agencies are to record receipts and disbursements resulting from agency operated waste reduction and recycling programs not operated through the Department of Enterprise Services (refer to RCW 70A.214.090), as follows:

85.32.80.a

Revenues derived through an agency operated recycling program are to be deposited into the account that supports the recycling effort as either a miscellaneous revenue or a recovery of expenditures to the extent of expenditures for the program.

85.32.80.b

When the revenues exceed the expenditures identified with the recycling program, they are to be allocated on a proportional basis to the accounts that originally purchased the recycled materials.

85.34 Payroll and Other Related Activities

85.34.10 Payroll

July 1, 2023

Amounts owed to employees for work, labor, or services performed are to be recorded as expenditures/expenses in the accounting period (month) that the duties are performed. The expenditures/expenses are recorded in the operating account and the liability for the payroll and related benefits is recorded in the appropriate payroll revolving accounts.

Account 035 "State Payroll Revolving Account" was created in the State Treasury for the purpose of disbursing salaries and other payroll related liabilities.

In the operating account, the entry to charge payroll debits GL Code 6510 "Cash Expenditures/Expenses" with the appropriate subobject within Object A for actual salaries and Object B for related fringe benefits. The liability for the payroll and related fringe benefits is recorded in the following GL Codes:

- 5124 - Accrued Salaries and Fringe Benefits Payable,
- 5180 - Paid Family and Medical Leave Deductions Payable,
- 5181 - Employee Insurance Deductions Payable,
- 5183 - Long-Term Services and Supports Deductions Payable,
- 5187 - Industrial Insurance and Medical Aid Deductions Payable,
- 5189 - Garnishment Deductions Payable, and
- 5199 - Other Liabilities.

Refer to Subsection 85.42.40 for illustrative entries.

Prepare reconciliations of all payroll revolving accounts on a timely basis to ensure balances within these accounts are correct. These accounts include Accounts 035 and 790 "College Clearing Account," and any other authorized account used for payroll related disbursements.

Section 25.20 contains administrative procedures to be followed when processing payroll.

85.34.20 Shared leave

July 1, 2018

85.34.20.a

The Shared Leave Program enables a state employee to donate annual, sick, and personal holiday leave to another state employee who:

- Is suffering from or has a relative or household member suffering from an extraordinary or severe illness, injury, impairment, or physical or mental condition;
- Has been called to service in the uniformed service;
- Is a current member of the uniformed services or is a veteran as defined in RCW 41.04.005, and is attending medical appointments or treatments for a service connected injury or disability;
- Is a spouse of a current member of the uniformed services or a veteran as defined under RCW 41.04.005, who is attending medical appointments or treatments for a service connected injury or disability and requires assistance with attending appointments or treatments;
- Is a victim of domestic violence, sexual assault or stalking, or
- Has needed skills to assist in responding to an emergency declared anywhere in the U.S.A. by the federal or any state government, and the employee is volunteering with a governmental agency or nonprofit organization to provide humanitarian relief in the devastated area, and the governmental agency or nonprofit organization accepts the employee's offer of volunteer services;
- Is a victim of domestic violence, sexual assault or stalking;
- Needs the time for parental leave; or
- Is sick or temporarily disabled because of pregnancy disability.

Refer to RCW 41.04.650 through 41.04.670 and Subsection 25.40.10. After approval from agency head or authorized designee, transfer of leave between employees is to be recorded in the accounting and payroll systems in such a way as to allow for statewide reporting of shared leave activity.

85.34.20.b

For shared leave transfers between employees within an agency and within the same account, no transfer of cash is involved. The entry is to debit GL Code 6510 "Cash Expenditures/Expenses" with Subobject BT "Shared Leave Provided - Sick Leave," BU "Shared Leave Provided - Personal Holiday," and BV "Shared Leave Provided - Vacation Leave," as applicable, and to credit the same general ledger code with Subobject BW "Shared Leave Received." Refer to Subsection 85.42.50.a for an illustrative entry.

85.34.20.c

Shared leave donations between accounts and/or agencies require transfer of cash from one account and/or agency to the other. In the donor's agency and account, the entry is to debit GL Code 6510 "Cash Expenditures/Expenses" with Subobject BT, BU, and BV, as applicable, and to credit the appropriate cash

GL code. In the donee's agency and account, the entry is to debit the appropriate cash GL code and to credit GL Code 6510 "Cash Expenditures/Expenses" with Subobject BW. Refer to Subsection 85.42.50.b for illustrative entries.

85.34.20.d

Statute requires that unused shared leave be returned on a pro-rata basis to the various donors. Additionally, if an employee donates multiple types of leave, any reversion is to be returned proportionate to the original donation. When shared leave is returned, the original entries recording shared leave transfers are reversed for the value of the unused shared leave. Amounts are assumed to be immaterial and should be recorded as a recovery of current expenditures. Refer to Subsections 85.42.50.d and e for illustrative entries.

85.34.20.e

Refer to Section 25.40 for administrative procedures relating to shared leave.

85.34.30 Amounts due deceased employees

May 1, 1999

- In the event of an employee's death, amounts owed to the deceased employee are to be recorded in GL Code 5145 "Due To Deceased Employees' Estates." Refer to Subsection 85.42.60.a for an illustrative entry. Administrative procedures in Section 25.70 are to be followed prior to release of the payment.
- Upon release of the warrant or check, the agency is to liquidate the appropriate amount of the liability recorded in GL Code 5145 " Due To Deceased Employees' Estates." Refer to Subsection 85.42.60.b for an illustrative entry.
- In all instances, the supporting documentation is to be retained by the agency as evidence for release of the warrant or check. In addition, agencies are to require claimants to acknowledge receipt of payment in writing.

85.34.40 Salary overpayment recoveries

June 1, 2004

85.34.40.a

When a salary or wage overpayment occurs, the total amount of the expenditure recovery includes the gross pay overpayment and associated employer costs related to the overpayment. These costs may include social security, Medicare, medical aid, retirement, and the employer’s share for health insurance.

85.34.40.b

If the employee is continuing on payroll, process the recovery of the gross salary overpayment as a reduction to gross pay through the payroll system. Refer to Section 25.80. In most cases, this process will automatically adjust all the reductions for gross pay and the related employer costs.

85.34.40.c

If the employee has been terminated from the payroll system and no future salary payments are anticipated, a manual recovery of both the employee overpayment and employer costs is necessary. The steps are as follows:

1. Recover from the employee the over paid net pay plus any deductions that cannot be recovered by the agency from the applicable vendors. Each deduction recovery will depend on the vendor involved and if the deduction actually has been distributed.

2. Follow Internal Revenue Service procedures for recovery of income tax withholding, social security, and Medicare for both the employee and applicable employer shares.

3. Deposit current appropriation expenditure recoveries of net pay and deductions, or employer costs, to the account(s) where the employee was charged, crediting GL Code 6510 "Cash Expenditures" using the same Object A, B, or N series charged for the wage overpayment. Refer to Subsection 85.42.70.a for an illustrative entry.

4. Decrease the full time equivalents (FTEs) for the number of hours associated with the overpayment if excess paid hours caused all or a part of the overpayment. Refer to Subsection 85.42.70.b for an illustrative entry.

85.34.40.d

Refer to Subsection 85.20.30 regarding the coding of receipts for recovery of salary and benefit expenditures charged against a prior appropriation.

85.36 Disbursement Processing

85.36.10 Agency disbursement processes

July 1, 2000

Agency disbursement processes should minimize the cost of making disbursements by using the most cost effective means available. To optimize cash management, agencies should minimize early payments unless the early payments result in vendor discounts.

85.36.20 Disbursement mechanisms

July 1, 2013

Disbursement mechanisms available to state agencies include:

- **Treasury Warrants** - Refer to Subsection 85.36.30.
- **Local Checks** - Refer to Subsection 85.36.40.
- **Wire Transfers** - Approval by the Office of Financial Management may be required to disburse funds via this method. Refer to Subsection 40.30.20.
- **Automated Clearing House (ACH)** payments are electronic fund transfers from a state bank account to a payee's account at their designated financial institution. ACH payments should be used, if possible, for payments from treasury-type accounts to local accounts.
    - **AFRS ACH** payments are electronic fund transfers that originate in the Agency Financial Reporting System (AFRS). The ACH payment information is processed nightly and communicated electronically to the Office of the State Treasurer (OST), who passes the information to the state’s ACH operator. The effective date of these payments is the second working day after initial processing. Any agency entering transactions into AFRS may issue

ACH payments by utilizing statewide vendors. Agencies are responsible for including correct, meaningful remittance information (in the invoice number, invoice date, account number, and vendor message fields) so vendors can post payments accurately.

- **OST ACH** payments are electronic fund transfers from treasury and treasury trust accounts that originate at OST. Agencies must inform OST and send an ACH JV at least by 12:00 noon the day before the effective date of the transfer. The effective date is the day funds will be transferred between bank accounts, and must be noted on the ACH JV. In cases where an agency prepares an ACH tape (or file) for OST, the tape (file) must be available to the treasurer no later than two working days before the effective date of the transfer. The ACH JV must be to OST the day before the effective date.

- **Interagency Payments (IAP)** is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts.

- **Interfund Transfers (IFT)** is the preferred method in AFRS for transferring cash between treasury and/or treasury trust accounts within the same agency. IFT transactions are used during the fiscal year to allocate or transfer costs between accounts, within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25.

- **Journal Vouchers (JV payments)** are to be used to generate ACH payments through OST to accounts outside the State Treasury. JVs are also used to transfer funds between agencies and between treasury and/or treasury trust accounts. Refer to Section 85.90 Interfund/Interagency Activities

- **State Charge Card System** is negotiated by the Department of Enterprise Services (DES) under a single vendor contract. All purchase card services should be obtained through participation in the statewide contract administered by DES, unless there is specific authority which authorized an agency to independently contract for purchase card services. Agencies must comply with the State Charge Card Services contract. More information about the state charge card system and specific contract requirements is available online at: **http://des.wa.gov/services/ContractingPurchasing/Purchasing/Pages/PurchasingVisaProgram.aspx.**

  Except as provided in Subsection 40.30.40, charge cards (e.g. purchase cards) may not be used for purchases between state agencies.

  Subsection 10.10.45 describes the use of charge cards for travel related expenses. Minimum requirements for agency purchase card programs are covered in DES policy. Agencies with central travel accounts and/or One Card programs should establish appropriate policies and controls.

- **Vehicle Fleet Credit Card** is also administered by DES. More information about the vehicle fleet credit card and specific contract requirements is available online at: : **https://des.wa.gov/services/contracting-purchasing/purchasing/purchasing-card-travel-card-and-one-card.**

- **Prepaid Debit Cards** are cards for which the prefunded value is associated with a bank account, which must be accessed for payment authorization. These cards can be reloadable or disposable. Approval by the Office of Financial Management is required prior to disbursing funds via this method. Refer to Subsection Subsection 40.30.30.

- **Electronic Benefit Transfer (EBT)** payments are an alternative method for making disbursements to benefit recipients. EBT is similar in nature to a debit card. The recipient's benefits are encoded on a magnetic stripe card. Approval by the Office of Financial Management is required prior to disbursing funds via this method. Refer to Subsection Subsection 40.30.30.

85.36.30 Treasury account requirements

Jan. 1, 2012

85.36.30.a

For the purpose of this section, the term Treasury Account refers to both Treasury and Treasury Trust Accounts. The information that is required to be maintained by agencies may be retained in paper or electronic form.

85.36.30.b

The following documents are generated when processing Treasury Account disbursements:

- **Warrant** - A payment instrument for each invoice voucher or other evidence of indebtedness validated and released by the Office of the State Treasurer (OST) for payment.

- **Agency Payment Register** - The document requested through Enterprise Reporting and used to record disbursements and account classifications of each transaction in detail. It also provides details on the payments issued including the vendor name, detailed expenditure/expense coding, type of payment (ACH, IAP, regular warrant, inserted warrant), ACH deposit date, and amount.

- **Vendor's Remittance Advice** - A document used to accompany each payment (ACH, IAP or warrant) to notify the payee of what is being paid. The Vendor's Remittance Advice is to reference the payment number, the invoice number, and other vendor information, as appropriate. The Vendor’s Remittance Advice for ACH payments is emailed or mailed to vendors by Consolidated Mail Services. Agencies receiving IAPs receive an email notification.

- **Outstanding Warrant Record** - The document used to record warrants issued by the agency which are not yet redeemed by the OST, canceled by the agency, or canceled by statute of limitation.

85.36.30.c

The validated warrants are returned to the agency by OST or, if authorized by OST, by the Department of Enterprise Services. Agency Payment Register Summary and Agency Payment Register detail reports are available in Enterprise Reporting. Inserted warrants and their remittance advices are forwarded to Consolidated Mail Services for direct mailing to vendors.

85.36.30.d

Upon receipt of the warrants, agencies are responsible for promptly forwarding warrants to the vendor or authorized payee.

85.36.30.e

The validated warrant and vendor copy of the Vendor's Remittance Advice are to be released only to the vendor or other authorized payee.

85.36.30.f

The agency is to maintain the Agency Payment Register Summary, Official Agency Payment Register and a copy of the Vendor's Remittance Advice along with the detail source documents in accordance with record retention policies.

85.36.30.g

A payment file by vendor (payee) is to be maintained. Agencies should have procedures in place to detect and avoid duplicate payments to vendors.

85.36.40 Local account requirements

July 1, 2010

85.36.40.a

The documents listed below are generated when processing Local Account disbursements. The information that is required to be maintained by agencies may be retained in paper or electronic form:

- **Check** - The payment instrument used for each invoice voucher or other evidence of indebtedness.
- **Check Register** - The document used to record pertinent details relating to expenditure/expense vouchers and coding for each check issued.
- **Vendor's Remittance Advice** - The document used to notify the payee of what is being paid. The Vendor's Remittance Advice is to reference the check number and the invoice number as appropriate.

85.36.40.b

Agencies are to maintain a file containing copies of Vendor's Remittance Advices for each check.

85.36.40.c

A payment file by vendor (payee) is also to be maintained. Agencies should have procedures in place to detect and avoid duplicate payments to vendors.

85.36.40.d

The signed check and vendor copy of the Vendor's Remittance Advice are to be released only to the vendor or other authorized payee.

85.36.50 Recording

July 1, 2010

85.36.50.a

The Official Agency Payment Register or local account Check Register constitutes the basis for recording expenditures/expenses. Expenditure/expense transactions are to be recorded in the General Ledger and the Subsidiary Allotment and Expenditure/Expense Ledgers. Refer to Subsection 85.42.30 for an illustrative entry to record expenditure/expense disbursements.

85.36.50.b

The following information, at a minimum, is to be recorded in the Subsidiary Allotment and Expenditure/Expense ledgers:

- Payment and/or check register date,
- Payment and/or check register number reference,
- Voucher number reference,
- Appropriate expenditure coding, and
- Amount of disbursement.

85.38 Other Warrant Procedures

85.38.10 Agency-initiated warrant cancellations

Apr. 1, 2023

85.38.10.a

When an agency becomes aware of the need to cancel a warrant and it is prior to the warrant reaching Statute of Limitations (SOL) status (180 days), the agency is to initiate a warrant cancellation. Warrants issued in error should be canceled by the agency as soon as the error is discovered. For lost warrants, destroyed warrants and non-deliverable warrants, agencies are to follow specific cancellation instructions in this chapter.

If an agency does not initiate a cancellation prior to the warrant reaching SOL status, follow the SOL instructions in Subsection 85.38.40.

85.38.10.b

Agency-initiated cancellations may be done either manually or using an automated process.

A manual cancellation entails the agency preparing a Journal Voucher (A7) with the appropriate cancellation transactions and entering the transactions in the Agency Financial Reporting System (AFRS).

Alternatively, an agency may use the AFRS automated cancellation process to initiate cancellations. AFRS will generate the cancellation transactions for agency review, and it will generate a report that serves as the Journal Voucher. For procedures, refer to the AFRS Payment Cancellations & Returns documentation available online at: AFRS Payment Cancellations and Returns.

Regardless of the process used, for non-SOL warrant cancellations the agency must send the scanned Journal Voucher (or AFRS-generated report) which includes the warrant number(s) to the Office of State Treasurer by email to complete the cancellation process. Do not include the original warrant or the scanned images of the original warrant(s) or the "Affidavit of Lost or Destroyed Warrant" in the email. Rather, the original warrant(s) and affidavit are to be maintained by the agency in accordance with records retention policies. Agencies are to ensure that adequate controls for safeguarding the original warrant(s) are in place. The general records retention schedule for state agencies can be found at:
State Agencies Records Retention Schedules.

85.38.10.c

When canceling a warrant, the agency is to debit GL Code 7130 "Warrant Cancellations In-Process" and credit the appropriate GL Code, depending on the reason for the cancellation.

For warrants that are non-deliverable, statutorily canceled, lost, or destroyed, credit GL Code 5194 “Liability for Canceled Warrants/Checks - Short-Term.” Refer to Subsection 85.42.80 for illustrative entries.

For warrants that were issued in error, credit the GL Code debited when the payment was issued. For example, if the warrant was an expenditure payment, credit GL Code 6510 “Cash Expenditures/ Expenses.” Refer to Subsection 85.42.85 for illustrative entries.

85.38.15 Non-deliverable warrant

July 1, 2012

A warrant in the custody of an agency is considered non-deliverable only after a search did not locate the payee.

A warrant deemed to be non-deliverable is to be canceled by an agency-initiated cancellation. Refer to Subsection 85.38.10.

Agencies are to maintain a record of all transactions concerning non-deliverable warrants.

85.38.20 Lost or destroyed warrants

Apr. 1, 2023

When a warrant is reported as lost or destroyed, an agency is to contact the Office of the State Treasurer (OST) and request information on the status of the warrant. Then the agency is to follow the procedures described in this subsection under the appropriate warrant status.

85.38.20.a

Lost or Destroyed Warrants Statutorily Canceled - If the warrant has been statutorily canceled per RCW 43.08.062, the procedures listed in Subsection 85.38.40 are to be followed.

85.38.20.b

Lost or Destroyed Warrants (Redeemed) - If the warrant has been redeemed, the procedures listed in Subsection 85.38.30 are to be followed.

85.38.20.c

Lost or Destroyed Warrants (Unredeemed) - An agency is to determine whether the warrant was lost or destroyed before or after delivery to the payee.

Note: Delivery to the U.S. Postal Service constitutes delivery to the payee.

1. If an unredeemed warrant was lost or destroyed prior to delivery to the payee, the issuing agency is to complete the affidavit section of the "Affidavit of Lost or Destroyed Warrants." The form need not be notarized. Refer to form included in this subsection.

   If the unredeemed warrant was lost or destroyed after delivery to the payee, the payee is to complete the "Affidavit of Lost or Destroyed Warrants" per RCW 43.08.066. The "Affidavit of Lost or Destroyed Warrants" must be notarized and returned to the issuing agency before a duplicate warrant is reissued.

2. For an unredeemed lost or destroyed warrant that is canceled and reissued, an agency is to follow the procedures listed below:

   - An agency prepares a separate Journal Voucher (A7) for the lost or destroyed warrant that debits GL Code 7130 "Warrant Cancellations In-Process" and credits GL Code 5194 "Liability for Canceled Warrants/Checks." Refer to Subsection 85.42.80 for an illustrative entry. The Journal Voucher is to state that the warrant was lost or destroyed.
   - AFRS agencies are to enter the Journal Voucher through the normal AFRS batch process.
   - Then the agency is to send the scanned Journal Voucher (or AFRS-generated report) which includes the warrant number(s) to OST by email for processing. Do not include the original or scanned image of the "Affidavit of Lost or Destroyed Warrant" in the email. Rather, the original affidavit is to be maintained by the agency in accordance with records retention policies. Refer to Subsection 85.38.10.b. OST is to debit GL Code 4310 "Current Treasury Cash Activity (OST Only)" and credit GL Code 7130 "Warrant Cancellations In-Process."

- When the warrant is reissued, the agency is to debit GL Code 5194 "Liability for Canceled Warrants/Checks." Refer to Subsection 85.42.90 for an illustrative entry.

85.38.20.d

If the original warrant is returned unredeemed after reissue, an agency is to immediately void the original warrant. Procedures listed in Subsection 85.38.80 are to be followed for all voided warrants.

Affidavit of Lost or Destroyed Warrant

85.38.30 Redeemed warrants reported as lost or destroyed

July 1, 2013

When a redeemed warrant has been reported as lost or destroyed, the Office of the State Treasurer (OST) is to send a copy of the redeemed warrant to the agency. The agency is to notify the legal owner that the warrant has been redeemed. A copy of the redeemed warrant and a blank "Affidavit of Forged Endorsement," are to be included with this notification. Refer to form included in this subsection.

85.38.30.a Forged Endorsement

85.38.30.a.(1)

If the legal owner claims the endorsement is a forgery, the legal owner is required to complete the "Affidavit of Forged Endorsement." Refer to form included in this subsection. The affidavit must be signed and notarized.

85.38.30.a.(2)

After receipt of the signed and notarized "Affidavit of Forged Endorsement," the agency is to compare the signature on the redeemed warrant to the signature on the affidavit. If forgery is questionable, the agency is to investigate further until it is resolved whether or not the warrant has a forged endorsement. If forgery is determined or is obvious, the following procedures apply:

- The **original** signed and notarized "Affidavit of Forged Endorsement" is to be sent to OST. OST is to return the forged warrant to the bank for credit.
- OST is to record collection of the bank credit on a Cash Receipts Journal Summary (A8) by debiting GL Code 4310 "Current Treasury Cash Activity (OST Only)" and crediting GL Code 7110 "Receipts In-Process." OST is to send a copy of the A8 to the issuing agency.
- The agency is to utilize the A8 received from OST to record the collection of the bank credit. The agency is to debit GL Code 7110 "Receipts In-Process" and credit GL Code 5199 "Other Liabilities - Short-Term." Refer to Subsection 85.42.95.a for an illustrative entry.
- When the warrant is reissued, the agency is to debit GL Code 5199 "Other Liabilities - Short-Term." Refer to Subsection 85.42.95.b for an illustrative entry.

85.38.30.b Endorsement Not Forged

If the signature on the original warrant is not a forgery, the warrant is not to be reissued.

Affidavit of Forged Endorsement

85.38.40 Statutorily canceled warrants

June 6, 2024

85.38.40.a Cancellation of Warrant

85.38.40.a.(1)

As prescribed in RCW 43.08.062, the Office of State Treasurer (OST) is required to cancel warrants that have not been presented for payment within 180 days from the date of issue.

85.38.40.a.(2)

Agencies are advised to monitor the Aged Outstanding reports in the OST's Treasury Management System (TM$) on a regular basis. Contact OST for access to TM$. Agencies may want to notify the payee that state law requires outstanding warrants to be canceled after 180 days.

85.38.40.a.(3)

A list of Statute of Limitations (SOL) canceled warrants is available in TM$ for agency review. This list includes warrant number, date issued, and amount.

85.38.40.a.(4)

Agencies are to maintain a log of statutorily canceled warrants. Information related to statutorily canceled warrants might contain personal information about citizens, including names of individuals. If this information is requested in accordance with the Public Records Act, RCW 42.56.070, and a requested record contains names of individuals, agencies are to ensure this information will not be used for commercial purposes. To this end, before releasing information that contains names of individuals, agencies are to have the "Affidavit to Release Outstanding or Cancelled Warrants" signed by those requesting a copy of the log of statutorily canceled warrants. Refer to form included in this subsection.

Privacy Notice: Safeguarding and disposition of personal information must be consistent with Executive Order 16-01, January 5, 2016; WTS Policy SEC-01; and RCW 42.56.210.

85.38.40.a.(5)

At the same time that OST runs its SOL process, the Agency Financial Reporting System (AFRS) automatically generates cancellation transactions for all SOL warrants (both AFRS and non-AFRS generated warrants) and holds them for agency review and release. Instructions regarding disposition of these funds are contained in Subsection 85.38.50.

In lieu of the automated process, an agency may prepare a Journal Voucher (A7) to clear their In-Process as stated in Subsection 85.38.10. Refer to Subsection 85.42.80 for illustrative entries.

The Journal Voucher (A7) for SOL warrant cancellations should not be sent to OST.

85.38.40.b Reissue of Statutorily Canceled Warrants

85.38.40.b.(1)

As prescribed in RCW 43.08.062, an agency may issue a new warrant for a statutorily canceled warrant presented for payment.

85.38.40.b.(2)

Statutorily canceled warrants presented to OST for payment are to be sent to the issuing agency (i.e., warrant items sent on collection).

85.38.40.b.(3)

When a statutorily canceled warrant is reported as lost or destroyed, an agency may issue a new warrant. If the issuing agency determines to reissue the statutorily canceled warrant, the agency is to issue a new warrant payable to the legal owner of the statutorily canceled warrant. The re-issuance is to be recorded in AFRS, so as to reduce the liability (GL Code 5194). Refer to Subsection 85.42.90 for illustrative entries.

85.38.40.b.(4)

If the issuing agency determines not to reissue the warrant, a letter explaining the reason for disallowance is to be sent to the legal owner.

85.38.40.b.(5)

If an agency gains possession of a statutorily canceled warrant, the agency is to immediately void the original warrant. Procedures listed in Subsection 85.38.80 are to be followed for all voided warrants.

85.38.40.b.(6)

Agencies are to maintain a log of reissued statutorily canceled warrants. This log is to reference, or be incorporated within, the log of statutorily canceled warrants and contain the following for both the original and the reissued warrant: warrant number, warrant register, date of issue, and amount. Refer to Subsection 85.38.40.a.(4).

Affidavit to Release Outstanding or Canceled Warrants

85.38.50 Liability for canceled warrants/checks

Jan. 1, 2023

85.38.50.a

GL Code 5194 "Liability for Canceled Warrants/Checks" is to be used to record obligations for canceled warrants and checks for which proper disposition has not yet been determined.

85.38.50.b

RCW 63.30, the Revised Uniform Unclaimed Property Act, applies to the outstanding liability for canceled warrants/checks. All canceled warrants/checks which remain unclaimed for more than one year are considered abandoned. Agencies are to develop procedures for systematically reviewing canceled/ outstanding warrants and checks and remitting "abandoned property" to the Department of Revenue. For methods of reporting and remitting, contact the Department of Revenue, Unclaimed Property Section. Refer to Subsection 85.74.30 for further discussion related to Department of Revenue accounting for unclaimed property.

85.38.70 State warrant stock control procedures

Apr. 1, 2023

85.38.70.a

To control the receipt, issue, and inventory of state warrant stock, the procedures outlined below are to be followed. Only the Department of Enterprise Services (DES), Production Services, will have custody of and responsibility for state warrant stock.

85.38.70.b

All state warrant stock is to be kept locked in a climate-controlled storage area and under the control of a designated custodian or designated alternate custodian. The designation of the custodian and alternate is to be in writing. Access to the state warrant stock is to be limited to the designated custodian and the alternate.

85.38.70.c

Warrants are standard items stocked by DES. Agencies using and providing preprinted state warrant stock to DES are to establish reasonable inventory and reorder levels, in consultation with DES, and are to follow normal ordering procedures for procurement of warrant stock. When warrant stock is received by Production Services, the designated custodian or the alternate is to record the following information on an appropriate inventory control form:

a. The date received
b. Quantity received
c. Inclusive serial numbers and
d. The new balance on hand

85.38.70.d

When state warrant stock is required from the locked storage area, standardized requisition forms are to be used and signed by the individual requesting the state warrant stock. In addition, the designated custodian or the alternate is to record the following information on the control form:

a. The date issued
b. Quantity issued
c. Inclusive serial numbers, if applicable

d. Name of the individual receiving the state warrant stock and
e. The new balance on hand

85.38.70.e
If a warrant is damaged or destroyed prior to being mailed, DES will follow standard operating procedures as agreed to by the Office of State Treasurer for handling, reprinting, and destroying warrants. A record is to be maintained of all warrants destroyed and reprinted by DES. This record is to include the following:

a. The date destroyed
b. The serial number(s), if applicable
c. Quantity destroyed and reason for destroying and
d. Initials of the individual taking action

Refer to Subsection 85.38.80 - Warrant voiding and destruction procedures.

85.38.70.f
A physical count of the state warrant stock is to be performed periodically as necessary to maintain an effective system of internal control over the state warrant stock. The physical count is to be performed by an individual other than the designated custodian or the alternate. The physical count is to be a blind count (i.e., the individual performing the count is not provided with the book quantity). Standardized forms to record the physical count are to be developed and used. The individual performing the physical count is to sign each form used to record the physical count. The forms are to be promptly completed and furnished to a designated supervisor who is to perform the inventory reconciliation. Standardized inventory reconciliation forms are to be developed and used. The inventory reconciliation form is to show the following:

a. Date of physical count
b. Date the reconciliation form is completed
c. The book quantity as of the date of physical count
d. The physical count and
e. The name of the person performing the inventory

If the physical count agrees with the book quantity, then certification of this fact, signed by the supervisor, is to be recorded on the inventory reconciliation form. If there is a variance between the book quantity and the physical count, a second physical count is to be conducted immediately by the supervisor or other party if the supervisor is the designated custodian or alternate. If a variance still exists, the situation is to be reported to the agency head and the agency is to follow procedures for a suspected loss. Refer to Section 70.75, Suspected losses of public funds or property.

85.38.80 Warrant voiding and destruction procedures

Apr. 1, 2023

Warrants damaged during printing are to be controlled by the Department of Enterprise Services (DES). Other warrants to be voided and/or destroyed are to be controlled by the agency in possession of the warrant (i.e., the issuing agency). Agencies are to develop and implement procedures for voiding and destroying canceled warrants in accordance with records retention policies. Voiding warrants includes, at a minimum, stamping or manually writing "VOID" on the face of the warrant. Destroying/disposing includes cross-shredding and/or disposing in a secure, locked recycle bin.

DES Production Services is to develop and implement written procedures for destroying signed warrants, as described above, but is also to include other warrant handling requirements, such as federal guidelines.

The general records retention schedule for state agencies can be found at:
State Agencies Records Retention Schedules.

85.38.90 Local check control procedures

May 1, 1999

Agencies with local accounts are to develop and implement written procedures for controlling local checks. Procedures should provide for adequate internal control as prescribed in Subsection 85.38.70. Additional guidance on internal control can be found in Chapter 20.

85.40 Belated and Sundry Claims

85.40.10 Belated claims

Jan. 1, 2016

85.40.10.a

This policy is effective only for appropriated expenditures associated with an enacted budget that specifically allows for belated claims.

85.40.10.b

Belated claims are obligations for goods and services which were received on or before June 30 but were not accrued in the concluding appropriation period. Shortages in estimated accrued expenditures/expenses are also treated as belated claims of the prior appropriation period.

85.40.10.c

All belated claims are coded and charged as current appropriation expenditures except as noted in 85.40.10.g.

85.40.10.d

Approval by the Office of Financial Management (OFM) for belated claims from appropriated accounts is required prior to payment by the requesting agency. OFM's decision regarding belated claims will be made in writing to the requesting agency. Payment of belated claims against non-appropriated accounts does not require OFM approval.

85.40.10.e

Belated claims needing OFM approval are to be submitted for review following the close of each appropriation period. Agencies are to submit a request for all belated claims identifying vendor, date of receipt of goods or services, amount of claim, account and appropriation that should have been charged had the claim been paid timely, and the account and current appropriation to be charged. The request is to be submitted in writing to OFM Statewide Accounting.

85.40.10.f

OFM will verify that the agency requesting a belated claim payment has unexpended appropriation authority from applicable prior appropriation periods sufficient to satisfy the claim. If the agency is able to pay the claim from current appropriation authority without causing an overexpenditure, OFM will approve the belated claim request.

85.40.10.g

In the event that the applicable prior appropriation authority is not sufficient to cover the claim, the agency's request is to also include an explanation of the reason for the overexpenditure and the actions taken to preclude the situation from recurring. If the agency's explanation is deemed reasonable and the agency is able to pay the claim from current appropriation authority without causing an overexpenditure, OFM will approve the belated claim request.

85.40.10.h

If payment of a belated claim will cause an agency to over spend current appropriation authority, the agency is to consult its assigned OFM Statewide Accountant and OFM Budget Analyst.

85.40.10.i

The authenticity and correctness of obligations paid through the belated claims procedure is the sole responsibility of the agency.

85.40.20 Sundry claims

Jan. 1, 2016

Sundry claims, including those dealt with by administrative action and those requiring legislative action, are to be submitted to the Department of Enterprise Services (DES), Office of Risk Management. For information, contact DES Office of Risk Management.

85.42 Expenditures, Expenses, and Cash Disbursements - Illustrative Entries

85.42.10 These entries are for illustrative purposes

May 1, 1999

The entries in this section illustrate the recording of expenditures/expenses and cash disbursements in the accounting records. These entries are for illustrative purposes **only** and should **not** be considered all inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

85.42.20 Encumbrances

June 1, 2011

85.42.20.a

To record the **establishment of encumbrances** or increases to existing encumbrances for budgeted accounts. Refer to Subsection 85.30.10.

	Dr.	Cr.
Encumbrances (6410)	xxx	
Reserved for Encumbrances (9510)		xxx

85.42.20.b

To record **encumbrance liquidations** for budgeted accounts. Refer to Subsections Subsection 85.30.10 and 85.32.40.e.

	Dr.	Cr.
Reserved for Encumbrances (9510)	xxx	
Encumbrances (6410)		xxx

85.42.30 Expenditure/expense disbursements

May 1, 1999

To record expenditure/expense disbursements for goods and services received. Refer to Subsection 85.36.50.

	Dr.	Cr.
Cash Expenditure/Expense (6510) (with appropriate subobject)	xxx	
Cash in Bank (1110) or		
Warrants/ACH Payments In-Process (7120)		xxx

85.42.40 Recording payroll

July 1, 2023

85.42.40.a

To record payroll expenditures/expenses. Refer to Subsection 85.34.10.

	Dr.	Cr.
Cash Expenditure/Expense (6510) (with appropriate subobject)	xxx	
Cash in Bank (1110) or		
Journal Vouchers In-Process (7140)		xxx

85.42.40.b

To record the receipt of cash in the payroll revolving account and the establishment of the payroll liabilities for agencies using the state's Human Resource Management System (HRMS).

	Dr.	Cr.
Journal Vouchers In-Process (7140)	xxx	
Accrued Salaries and Fringe Benefits Payable (5124)		xxx
Paid Family and Medical Leave Deductions Payable (5180)		xxx
Employee Insurance Deductions Payable (5181)		xxx
Long-Term Services and Supports Deductions Payable (5183)		xxx
Industrial Insurance and Medical Aid Deductions Payable (5187)		xxx
Garnishment Deductions Payable (5189)		xxx
Other Liabilities (5199)		xxx

85.42.40.c

To record subsequent liquidation of payroll and related liabilities in the payroll revolving account.

	Dr.	Cr.
Accrued Salaries and Fringe Benefits Payable (5124)	xxx	
Paid Family and Medical Leave Deductions Payable (5180)	xxx	
Employee Insurance Deductions Payable (5181)	xxx	
Long-Term Services and Supports Deductions Payable (5183)	xxx	
Industrial Insurance and Medical Aid Deductions Payable (5187)	xxx	
Garnishment Deductions Payable (5189)	xxx	
Other Liabilities (5199)	xxx	
In-Process (71XX)		xxx

85.42.50 Recording shared leave

July 1, 2024

85.42.50.a

To record transfer of shared leave between employees within an agency and within the same account. Refer to Subsection 85.34.20.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BW)		xxx

85.42.50.b

To record transfer of shared leave between employees of different agencies and/or accounts.

Donor's Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

Donee's Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BW)		xxx

85.42.50.c

To record the payroll for an employee using donated shared leave.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Object A, B)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.42.50.d

To record reversion of unused shared leave when employees are within the same agency and account.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BW)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)		xxx

85.42.50.e

To record reversion of unused shared leave when employees are from different agencies and/or accounts.

Donor's Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)		xxx

Donee's Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BW)	xxx	
Cash in Bank (1110) or		
In-Process (71XX)		xxx

85.42.50.f

To record transfer of shared leave between employees of different agencies and one of the states' authorized shared leave pools. Refer to Subsections 25.40.12, 25.40.13, and 25.40.14.

Donor's Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject BT, BU and BV, as applicable)	xxx	
Cash in Bank (1110) or		
In-Process (71XX)		xxx

Authorized Shared Leave Pool:

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX)	xxx	
Accrued Compensatory Time and Miscellaneous Leave Payable (5128)		xxx

85.42.50.g

To record transfer of shared leave between one of the states' authorized shared leave pools and employees of different agencies. Refer to Subsections 25.40.12, 25.40.13, and 25.40.14.

Authorized Shared Leave Pool:

	Dr.	Cr.
Accrued Compensatory Time and Miscellaneous Leave Payable (5128)	xxx	
Cash in Bank (1110) or		
In-Process (71XX)		xxx

Donee's Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX)	xxx	
Cash Expenditures/Expenses (6510) (Subobject BW)		xxx

85.42.60 Amounts due deceased employees

July 1, 2018

85.42.60.a

To record amounts owed to deceased employees. Refer to Subsection 85.34.30.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (with appropriate subobjects)	xxx	
Due to Deceased Employees' Estates (5145) or		
Cash in bank (1110) or		
Journal Vouchers In-Process (7140)		xxx

To record the receipt of cash in the payroll revolving account and the establishment of the payroll liability for agencies using the state's Human Resource Management System (HRMS).

	Dr.	Cr.
Journal Vouchers In-Process (7140)	xxx	
Due to Deceased Employees' Estates (5145)		xxx

85.42.60.b

To record the liquidation of the liability when the funds are released for payment.

	Dr.	Cr.
Due to Deceased Employees' Estates (5145)	xxx	
Cash in Bank (1110) or		
Warrants/ACH Payments In-Process (7120)		xxx

85.42.70 Salary overpayment recoveries

May 1, 1999

85.42.70.a

To record the recovery of net pay and related deductions, or employer costs, for a salary overpayment. Refer to Subsection 85.34.40.c.

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Cash Expenditures/Expenses (6510) (Subobject A, B or N series)		xxx

85.42.70.b

To record the reduction in full time equivalents (FTEs) for any excess hours associated with a salary recovery. Refer to Subsection 85.34.40.c.

	Dr.	Cr.
Statistical Clearing Account (0998)	xxx	
Actual FTEs (0120)		xxx

85.42.80 Cancellations of non-deliverable, SOL, and lost or destroyed warrants

July 1, 2012

To record cancellations of non-deliverable warrants, warrants statutorily canceled by the Office of the State Treasurer, and lost or destroyed warrants. Refer to Section 85.38.

	Dr.	Cr.
Warrant Cancellations In-Process (7130)	xxx	
Liability for Canceled Warrants/Checks (5194)		xxx

85.42.85 Cancellation of warrants issued in error

July 1, 2012

To record cancellations of warrants issued in error. Refer to Subsection 85.38.10.

	Dr.	Cr.
Warrant Cancellations In-Process (7130)	xxx	
Cash Expenditures/Expenses (6510) or		
Cash Revenues (3210)		xxx

85.42.90 Re-issuance of canceled warrants

July 1, 2012

To record re-issuance of warrants previously canceled due to warrant being non-deliverable, statutorily canceled by the Office of the State Treasurer, or lost or destroyed. Refer to Section 85.38.

	Dr.	Cr.
Liability for Canceled Warrants/Checks (5194)	xxx	
Warrants/ACH Payments In-Process (7120)		xxx

85.42.95 Forged endorsement

May 1, 1999

85.42.95.a

To record the bank credit for the redemption of forged warrants. Refer to Subsection 85.38.30.a.

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Liabilities (5199)		xxx

85.42.95.b

To record re-issuance of forged warrants. Refer to Subsection 85.38.30.a.

	Dr.	Cr.
Other Liabilities (5199)	xxx	
Warrants/ACH Payments In-Process (7120)		xxx

85.50 Cash

85.50.10 Deposit of treasury or treasury trust receipts

July 1, 2011

85.50.10.a

Deposit intact each day all cash receipts for treasury and treasury trust accounts collected on the preceding day as prescribed in RCW 43.01.050 unless a specific written waiver is granted by the Office of State Treasurer (OST). Refer to Subsection 85.65.12 for an illustrative entry.

85.50.10.b

Except as provided in RCW 39.58.080, all treasury and treasury trust receipts must be deposited in a public depositary located in this state. (Chapter 39.58 RCW).

85.50.10.c

To qualify as a depositary for monies belonging to the state, or in custody of the state under the control of the OST, financial institutions and credit unions must meet the requirements established by the Public Deposit Protection Commission and Chapter 39.58 RCW.

85.50.20 Deposit of local receipts

July 1, 2008

85.50.20.a

Cash receipts for deposit in local accounts, established pursuant to RCW 43.88.195 or other statutory provision, are to be deposited intact each day for the collections of the preceding day refer to Subsection 85.65.12 for an illustrative entry unless:

- A specific written waiver is granted by the Office of Financial Management, or
- Total cash receipts on hand (exclusive of change accounts) are under $500. However regardless of the amount on hand, local account receipts are to be deposited weekly.

85.50.20.b

Local funds are to be deposited in public depositaries located in this state. (Chapter 39.58 RCW) Refer to Subsection 85.50.10.c.

85.50.30 Undeposited receipts

May 1, 1999

85.50.30.a

Undeposited receipts consist of the following:

- Cash receipts on hand, and
- Monies in transmittal accounts pending deposit in the OST concentration account.

85.50.30.b

Undeposited receipts exclude monies that have not been entered into the agency's records. These include: unopened mail transmittals; non-validated receipts; electronic payments in process; and monies received by personnel operating outside of the agency's accounting office and not forwarded for deposit to the accounting office. It should be noted, however, that the statutory provisions controlling the depositing of state monies, as prescribed in RCW 43.01.050, are to be observed at all times. Refer to Subsection 85.50.10.

85.50.40 Reconciliation of cash receipts and deposits

Oct. 1, 2018

85.50.40.a

Daily, cash is to be counted and reconciled with the appropriate records reflecting the day's transactions. All differences are to be investigated to ascertain the reason for the discrepancy. Procedures for recording cash over and short are prescribed in Subsection 85.20.10 of this manual.

85.50.40.b

Agencies are to review the GL Code Series 71XX "In-Process" report timely. To aid in this reconciliation, there is an Unbalanced In-Process Reconciliation report (DLY007) available in Enterprise Reporting (ER). Agencies can schedule this report to run on a daily basis. This report shows in detail outstanding in-process transactions for both the agency and the OST.

85.50.40.c

Accounts maintained in financial institutions or credit unions, including petty cash accounts, are to be promptly reconciled with agency records on a monthly basis. The balance shown on the bank statement may not agree with the agency's book balance.

Variances can occur because of outstanding checks, deposits in transit, bank service charges, or other adjustments. Adjusting entries may be required when entries appear on the bank statement without corresponding entries in the agency's books. Adjusting entries, if necessary, are to be promptly prepared and recorded in the agency's records.

85.50.50 Petty cash - general information

July 1, 2011

85.50.50.a

Agencies may maintain two types of cash accounts within the petty cash regulations.

- **Change Accounts** - Used solely for making change in across-the-counter cash transactions.
- **Petty Cash (Imprest) Accounts** - Used to make payments when issuing a warrant/check is not practical or timely. With specific approval by the Office of Financial Management (OFM), used to load prepaid debit cards.

85.50.50.b

Petty cash account regulations are prescribed in Chapter 42.26 RCW.

85.50.50.c

The agency head (or authorized designee) is to issue and maintain on file a letter designating the individual assigned as custodian, the amount of the petty cash account, and the purpose for which the monies will be spent.

85.50.50.d

The agency head (or authorized designee) is responsible for the proper use of petty cash. Agencies are to establish petty cash internal control procedures in accordance with OFM's prescribed policies. Refer to Chapter 20 of this manual.

85.50.50.e

Only minimal amounts of cash are to be kept on hand. Petty cash accounts in excess of $100 must be maintained in a checking account in a local financial institution or credit union that is a public depositary (refer to Subsection 85.50.10.c) unless the agency has a safe, vault, or money chest that is used to safeguard petty cash. Whenever possible, all petty cash accounts are to be maintained in a bank account. Bank accounts are to be opened in the name of the agency, not an individual.

85.50.50.f

In limited circumstances, a petty cash account may be used to load money onto a prepaid debit card. The use of prepaid debit cards in conjunction with a petty cash account requires pre-approval by OFM through the Economic Feasibility Study (EFS) process. Refer to Section 40.40.

85.50.50.g

If a state auditor's report discloses that the amount of an agency's petty cash account is excessive or its use is in violation of regulations, the director (or official designee) of OFM may require the elimination of, or reduction in the amount of, the petty cash account.

85.50.60 Accounting for petty cash in treasury accounts

June 1, 2015

85.50.60.a Establishing Treasury Petty Cash Accounts

1. Requests for petty cash, or increases to petty cash, are made using the "Application and Authorization for Petty Cash Advance, Treasury Accounts" form that is available at the end of this subsection or through the Office of Financial Management (OFM), Statewide Accounting (the director's official designee). The completed form is submitted to the agency's assigned OFM Statewide Accountant for approval. **Distribution of the total amount of approved petty cash within an agency is determined by the agency.**

   Agencies requesting approval for petty cash accounts that will utilize prepaid debit cards should reference the EFS approval letter in the 'Justification' section of the application form.

2. After approval, OFM will return the signed original "Application and Authorization for Petty Cash Advance, Treasury Accounts" Form to the agency. When the petty cash increase is approved, the agency is to produce a warrant to reclassify Treasury cash to GL Code 1130 "Petty Cash." Refer to Subsection 85.65.14.a for an illustrative entry. The warrant is to be endorsed and cashed or deposited by the assigned custodian. OFM will send a copy of the signed form to the Office of State Treasurer.
3. Written accounting and control procedures for petty cash are to be developed and followed.
4. A petty cash account is not to be established for less than:
   - $25; or
   - An amount that requires reimbursement more frequently than biweekly.

Application and Authorization for Petty Cash Advance, Treasury Accounts

85.50.60.b Authorized Uses of Treasury Petty Cash Accounts

With the exception of prepaid debit cards, the following are the authorized uses of Treasury petty cash:

1. Local market purchases of supplies and materials. These purchases may include: minor miscellaneous materials; supplies; fresh fruit and vegetables; and minor repairs and replacements parts for machinery and equipment not under state contract. Such payments may be made provided that:
   - The purchase is within the limitations prescribed by the Department of Enterprise Services, and
   - The items purchased cannot be expediently paid through regular payment procedures.
2. Rail, air, common carrier, and bus express charges where carriers require payment at time of delivery.
3. Postage due on mail. Postage due may be paid when it appears that it will be of benefit to the state to accept delivery of the mail.
4. Salaries and wages due employees. Payment of salaries and wages may be made **only** when there has been an undue delay in processing the amount due an employee through normal payroll procedures. The employee must complete a supporting document requesting a miscellaneous payroll deduction for the full amount of the petty cash payment prior to the release of the check to the employee. The completed document is to be used to support the deduction of the amount due the petty cash account from the employee's pay. The following information, at a minimum, is to be maintained on the supporting document:
   - Typed authorization by employee for miscellaneous payroll deduction
   - Name of the employee
   - Amount due from the employee
   - Date of the request
   - Reason for the request
   - Signature of the employee
   - Signature of the petty cash custodian
   - Signature of the person authorizing the disbursement

   In the absence of an automated payroll calculation system which can be relied upon to accurately calculate net pay, the amount which can be disbursed from a petty cash account for this purpose is limited to 90% of the computed net pay due to the employee. The total amount disbursed to an employee for this purpose must be deducted from the employee’s next scheduled pay in one lump sum; partial repayments are prohibited. Petty cash accounts are not to be used to pay employees in advance of established regular pay dates.
5. Travel advances to employees **when the need for an advance cannot be anticipated** in time to use regular travel advance procedures. A Travel Authorization Form (A40, A40-A), or its equivalent, is to be completed by the employee. The completed form is to be used to support

reimbursement of the petty cash account. The total amount disbursed from the account for this purpose is not to exceed the amount approved on the form. Travel advances are not to impair the intended functioning of the petty cash account.

6. The authorized uses of petty cash prepaid debit cards must be specified in the agency petty cash authorization request and designated in the OFM approval letter.
7. Agencies may request, in writing, special authorization from the director (or official designee) of OFM for petty cash accounts to be used for the following:

   - Change accounts in agencies dispensing goods, services, etc., over-the-counter direct to the public.
   - Grants or benefits to welfare, correction, or rehabilitation recipients provided that such payments are authorized by appropriations.
   - Refunds of erroneous or excessive payments, or other refunds authorized by law.
   - Other purposes where the establishment of a petty cash account would be of special benefit to the state.

85.50.60.c

Petty cash and change accounts are **not** used for cashing personal and/or payroll checks or warrants.

85.50.60.d Disbursement and Reconciliation Procedures for Treasury Petty Cash Accounts

1. All disbursements from petty cash accounts are documented and supported by receipts or vouchers bearing the signature of the payee. The following is recorded on the supporting document: date; name of payee; purpose of disbursement; amount paid; signature of the person authorizing the disbursement; and the proper account distribution.
2. Transactions involving payment of salaries and wages are also supported with a completed miscellaneous payroll deduction document. Refer to Subsection 85.50.60.b #4.
3. Travel advances are supported with a properly completed Travel Authorization (A40, A40-A), or its equivalent.
4. Agencies are to establish written procedures to ensure that the above documents are transmitted promptly to the proper fiscal personnel for processing against the individual's pay or travel expense voucher.
5. A petty cash register reflecting the balance of the account is to be maintained.
6. **The total cash on hand, plus the amount of disbursements represented by the documentation, is to equal the authorized amount of the petty cash account.** The petty cash account is to be reconciled at least monthly. If a checking account is used, the petty cash account is to be promptly reconciled each month to the bank.
7. There are to be frequent, periodic audits of the petty cash account. The audits are to be performed by the agency's Internal Auditor or another individual (not the petty cash custodian) designated by the agency head.
8. An adequate audit trail is to be maintained.

85.50.60.e Reimbursement of Treasury Petty Cash Accounts

1. Change accounts do not require replenishment, unless a theft or loss has occurred. Cash over and short which occur during the course of making change are cleared daily as part of the reconciliation and deposit of receipts. Refer to Subsection 85.20.10. The amount of the change account on hand should always equal the authorized amount.
2. To replenish a petty cash account for disbursements made, a Voucher Distribution Form (A19-2) is to be prepared. The A19-2 is to show the name of the agency and custodian as trustee of the account in place of the vendor name. All documents substantiating the disbursements are to be attached. The GL coding distribution is summarized and entered in the account code block of the form. The voucher is checked and approved for payment by someone other than the custodian. The amount of this voucher and the cash remaining in the petty cash account are to equal the authorized amount.
3. The accounting entries to record petty cash disbursements are the same as for other vendor payments.
4. Petty cash accounts are to be reimbursed monthly, unless the reimbursable amount is less than $100. If the reimbursable amount is less than $100, the agency can reimburse on a less frequent basis.

85.50.60.f Reduction or Abolishment of Treasury Petty Cash Accounts

1. When a petty cash account is reduced or abolished, the agency is to prepare and submit to the OST a Cash Receipts Journal Summary (A8) along with the petty cash remittance. The petty cash is returned to the Treasury account from which it was advanced. This transaction reclassifies the existing debit in GL Code 1130 "Petty Cash" to Treasury cash for the reduction in the amount of petty cash account. Refer to Subsection 85.65.14.b for an illustrative entry.
2. The agency is to notify their assigned OFM Statewide Accountant of all abolishments or reductions in Treasury petty cash accounts. OFM will distribute a copy of the notification to OST.

85.50.70 Accounting for petty cash in local accounts (including treasury trust accounts)

June 1, 2015

85.50.70.a Establishing Local Petty Cash Accounts

1. The agency head (or authorized designee), unless otherwise provided by law, has the authority to establish and control a petty cash account in a local account established pursuant to RCW 43.88.195 or other statutory provision. The petty cash account is not to be excessive.
2. Written accounting and control procedures for petty cash are to be developed and followed.
3. The agency head (or authorized designee) is to issue and maintain on file a letter designating the individual assigned as trustee, the amount of the petty cash account, and the purpose of the account.

4. For local accounts, the agency is to produce a check to reclassify GL Code 1110 “Cash in Bank” to GL Code 1130 “Petty Cash.” For treasury trust accounts, the agency is to produce a warrant to reclassify Treasury cash to GL Code 1130 “Petty Cash.” Refer to Subsection 85.65.14.a for an illustrative entry. The check or warrant is to be endorsed and cashed or deposited by the assigned custodian.

85.50.70.b Authorized Uses, Disbursement, and Reconciliation Procedures of Local Petty Cash Accounts

The authorized uses of petty cash accounts that are prescribed for Treasury petty cash accounts at Subsection 85.50.60.b items 1 through 6 are to be followed for local petty cash accounts. If the planned use of the petty cash account is not one of those listed under Subsection 85.50.60.b items 1 through 6, agencies may request, in writing, special authorization from the administering agency of the account for purposes as listed under Subsection 85.50.60.b.7.

The disbursement and reconciliation procedures that are prescribed for Treasury petty cash accounts are to be followed for local petty cash accounts. Refer to Subsection 85.50.60.d.

85.50.70.c Reimbursement of Local Petty Cash Accounts

The reimbursement procedures prescribed for Treasury petty cash accounts are followed for local petty cash accounts. However, the use of Voucher Distribution (A19-2A) form is optional. Refer to Subsection 85.50.60.e.

85.50.70.d Reduction or Abolishment of Local Petty Cash Accounts

The agency head (or authorized designee) has the authority to reduce or abolish a local petty cash account.

When a local petty cash account is reduced or abolished, the money is returned to the local account from which it was advanced. This transaction is recorded by reclassifying the existing debit in GL Code 1130 "Petty Cash" to GL Code 1110 "Cash in Bank" for the amount of the reduction in petty cash.

When a treasury trust petty cash account is reduced or abolished, the agency is to prepare and submit to OST a Cash Receipts Journal Summary (A8) along with the petty cash remittance. The petty cash is returned to the treasury trust account from which it was advanced. Refer to Subsection 85.65.14.b for an illustrative entry.

85.52 Investments

85.52.10 About investments

July 1, 2003

Investments are made as authorized by law and/or contractual agreement. Investment purchase and sale transactions are to be reported for GAAP reporting purposes on a trade date basis.

For purchases, at trade date the investment is recorded in the appropriate investment accounts and the amount due on settlement is recorded as a credit to GL Code 5123 "Investment Trades Pending Payable."

For sales, at trade date the investment is removed from the accounting records and the amount of the proceeds due at settlement are recorded in GL Code 1323 "Investment Trades Pending Receivable."

Recognition of earnings on investments is to follow the revenue recognition criteria pertinent to the fund type in which the investment is recorded.

Costs associated with investing activities that are readily separable from investment income are to be recorded to Revenue Source Code 0473 "Costs of Investment Activities." Refer to Subsection 85.65.20.

85.52.20 Short-term investments

June 1, 2003

Short-term investments are recorded in GL Code 1205 "Temporary and/or Pooled Cash Investments," GL Code 1206 "Investment with Local Government Investment Pool," and/or GL Code 1209 "Short-Term Portion of Long-Term Investments." Short-term investments include:

- Investments of surplus cash balances, including the cash float, in short-term securities and other investments where funds can be disbursed at any time without prior notice or penalty.
- Investments that are both readily convertible to known amounts of cash and so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates;
- Investment of surplus funds with the Local Government Investment Pool; and
- The portion of long-term investment that will mature within one year.

Valuation - Investments classified as short-term are valued at fair value, except for the following instances:

a. Time deposits, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates, are recorded using a cost-based measure, if the fair value is not significantly affected by the impairment of the credit standing of the issuer or other factors.

b. Money market investments and participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less may be recorded at amortized cost, if the fair value is not significantly affected by the impairment of the credit standing of the issuer or other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term. Amortized cost includes the acquisition cost of the investment as adjusted for amortization of premium or accretion of discount (17CFR 270.2a-7). Participating contracts are investments whose value is affected by market (interest rate) changes. If these contracts are negotiable or transferable, or their redemption value considers market rates, they should be considered participating.

85.52.30 Non-current investments

July 1, 2015

In situations where external restrictions exist, non-current investments held in governmental fund type accounts, not offset by unearned revenue or a liability, should be offset with the appropriate restricted fund balance GL Code.

Except as noted below at Subsections 85.52.40, 85.52.50 and 85.52.60, the acquisition, valuation, and sale or liquidation of non-current investments are to be accounted for as follows:

85.52.30.a Acquisition

The cost of non-current investments is to be recorded in the accounting records in GL Code 1210 "Investments." Purchased accrued interest, if any, is to be recorded as a debit to GL Code 1316 "Interest and Dividends Receivable." Refer to Subsection 85.65.18.a through d for illustrative entries.

85.52.30.b Valuation

Investments should generally be valued at fair value. Fair value is a market-based measurement. For some investments, observable market transactions or market information is available. In cases where there are no observable market transactions to provide pricing information, other approaches including the cost approach (the cost to acquire a comparable investment) or income approach (the current value of future cash flows or revenues) may be used.

Examples of investments to be valued at fair value include:

- Land and real estate held as an investment
- Common stock not required to be measured according to the equity method
- Open-end mutual funds.

Examples of investments to be valued at other than fair value include:

- Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost.
- Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
- Investments of the state's Local Government Investment Pool (LGIP), which are held in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost.
- Investments in the LGIP are measured at the net asset value per share.

Increases in the investment's fair value are to be recorded by debiting GL Code 1280 "Valuation Allowance - Investments" and crediting GL Code 3220 "Non-cash Revenues," Revenue Source Code 0413.

Decreases are to be recorded by debiting GL Code 3220 "Non-cash Revenues," Revenue Source Code 0413 and crediting GL Code 1280 "Valuation Allowance - Investments." Refer to Subsection 85.65.22 for an illustrative entry.

85.52.30.c Sale or Exchange

Sales or exchanges of non-current investments (refer to Subsection 85.65.24 for illustrative entries) are to be recognized on a trade date basis. Generally, gains and losses are to be recorded at the time of the sale using GL Code 3205 or 3210, Revenue Source Code 0413 for gains and losses.

85.52.40 Investment pools

July 1, 2015

85.52.40.a Internal Investment Pools

Internal investment pools are to follow the guidance for short-term and non-current investments as presented in Subsection 85.52.20 and 85.52.30, respectively. The equity position of each account participating in the investment pool should be reported as an asset in the participating account. Income and costs associated with internally pooled investments are to be accounted for in the accounts that report the investments unless legal or contractual provisions require transfer of amounts to another account.

85.52.40.b External Investment Pools

External investment pools commingle the moneys of more than one legally separate entity and invest, on behalf of the participants, in an investment portfolio. Investment positions in external investment pools that are not SEC-registered are to be determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like pool. A 2a7-like pool is an external investment pool that operates in conformity with the SEC's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Investment positions in a 2a7-like pool should be measured at the net asset value per share provided by the pool.

85.52.50 Permanent funds

July 1, 2013

85.52.50.a Accounting for Losses

In some cases, accounting for a negative net change in fund balance exclusive of unrealized gains and losses in permanent funds managed and invested by the State Investment Board (SIB) requires unique treatment in order to satisfy legal requirements. In these cases, to preclude the erosion of permanent fund corpus (GL Code 9110 "Nonspendable Permanent Fund Principal"), due to other than market fluctuations, at year end it is necessary to separately track a negative net change in fund balance exclusive of unrealized gains and losses in GL Code 9231 "Restricted for Permanent Funds – Realized Investment Losses" and amortize the loss against future beneficiary distributions on a straight-line basis over the weighted average life of the portfolio in the permanent fund.

85.52.50.b Distributions to Beneficiary Funds

Unless otherwise allowed under state law and agreed upon by affected parties, for income distribution purposes, distributions from permanent funds managed and invested by the SIB to beneficiary funds are to include:

- The interest and dividends from permanent fund investments for the period (GL Code 3210, Revenue Source Code 0401 "Investment Income" or Revenue Source Code 0411 "Dividend Income"),

- The earnings from sale or exchange of the permanent fund investments for the period (GL Code 3210, Revenue Source Code 0413),
- Less the cost of investing activities, and
- Less the amount of the accumulated loss amortization for the period.

For distribution purposes, earnings do not include non-cash fair value adjustments (GL Code 3220, Revenue Source Code 0413). Unrealized gains and losses are to be closed to GL Code 9112 “Nonspendable Permanent Funds – Unrealized Gain/Loss.”

In permanent funds, if allowed by law, undistributed realized income (including capital gains and losses) is closed to restricted fund balance as applicable.

85.52.50.c Separate Reporting of Nonspendable and Restricted Fund Balance

If balances are retained in permanent funds and permanent endowments that exceed the legal or other externally mandated permanent balance (corpus), the nonspendable and restricted portions must be tracked separately.

85.52.60 Deferred compensation plans (IRC Section 457)

July 1, 2001

In accordance with Statement No. 34 of the Governmental Accounting Standards Board, the state’s Internal Revenue Code Section 457 deferred compensation plan is reported for GAAP reporting purposes as a pension trust fund. Plan investments should be valued in accordance with Subsection 85.52.30.b.

85.52.70 Securities lending

May 1, 1999

Investments in **securities** lending agreements where the state has the ability to pledge or sell the collateral without borrower default are to be recorded in the accounting records in GL Codes 1216 "Collateral held under Securities Lending Agreements" and 5197 "Obligations under Securities Lending Agreements."

For recording purposes, the investment in securities lending agreements may be recorded in the general ledger at the summary level based on a detail report from the securities lending agent. No subsidiary records are required.

For GAAP reporting purposes, if these investments are acquired with resources pooled from multiple accounts, the investments and obligations resulting from the securities lending agreements are to be allocated on a pro rata basis to the accounts that have the risk of loss for the collateral investments.

Income and costs associated with securities lending agreements are to be recorded in the accounts that report the investments and obligations unless legal or contractual provisions require transfer of the amounts to another account.

85.52.80 Reverse purchase agreements

May 1, 1999

Investments in reverse repurchase agreements are to be recorded in the accounting records in GL Codes 1215 "Investments under Reverse Repurchase Agreements" and 5196 "Obligations under Reverse Repurchase Agreements." No subsidiary records are required. For GAAP reporting purposes, if these investments are acquired with resources pooled from multiple accounts, the assets and liabilities arising from the reverse repurchase agreements are to be reported in the accounts that have the risk of loss for the investments. Income and costs associated with pooled reverse repurchase agreements are to be recorded in the accounts that report the assets and liabilities unless legal or contractual provisions require transfer of the amounts to another account.

85.52.90 Subsidiary ledgers are required for certain investments

May 1, 1999

85.52.90.a

In addition to the required general ledger accounts, subsidiary ledgers are to be maintained to record the details of each investment with the exception of investments in securities lending agreements and reverse repurchase agreements.

85.52.90.b

Subsidiary ledgers are to be balanced against the associated general ledger control accounts at least monthly and at fiscal year end.

85.52.90.c

Subsidiary ledgers are to contain, at a minimum, the following specific information for each investment held:

- Description of the item
- Identification number
- Location of security or collateral
- Date purchased (trade date)
- Interest rate (fixed income only)
- Interest dates (fixed income only)
- Issue date (fixed income only)
- Maturity date (fixed income only)
- Par or face value
- Cost
- Unamortized premium or discount (updated at least quarterly) (fixed income only, if applicable)
- Carrying value
- Fair value (updated at least quarterly)
- Date of sale (trade date) and sales amount

85.54 Receivables

85.54.10 About receivables

June 6, 2024

85.54.10.a

Receivables are defined as the amounts to be collected from private individuals, businesses, agencies, accounts, or other governmental units.

85.54.10.b

Agencies are to promptly record receivables when the asset or revenue recognition criteria have been met or the underlying accounting event has occurred and the amount is determinable. (Refer to Subsection 80.30.20)

85.54.10.c

Agencies are to record receivables in the general ledger by account and general ledger code. Subsidiary records are also required. Refer to Subsection 85.54.65.

Agencies may either maintain an in-house receivable subsidiary system with the approval of the Washington Technology Solutions (WTS) (refer to Subsection 80.30.88), or utilize the central accounts receivable system, which is available through the Office of Financial Management.

Detailed receivable subsidiary ledgers are to be established and maintained on an open item basis (i.e., an entry or entries in the subsidiary ledger for each outstanding amount due). However, existing balance forward systems may continue to operate with approval from the WTS.

85.54.15 Taxes receivables

July 1, 2009

85.54.15.a

By fiscal year-end, all taxes receivable that are considered measurable, available and due within twelve months, are recorded as debits in GL Code 1311 "Taxes Receivable" and GL Code 1328"Tax Liens Receivable," the related amounts estimated to be uncollected as credits in GL Code 1341 "Allowance for Uncollectible Taxes Receivable" and the difference as credits to revenue.

85.54.15.b

In governmental fund type accounts, not all taxes due to the state meet the GAAP criterion of being available and objectively measurable; therefore, taxes receivable recognized as revenue are generally limited to:

- Property taxes that are collectible within 60 days.

- Taxes imposed on exchange transactions, such as gross receipts and taxes, when the underlying exchange transaction occurs.
- Other taxes as reported by, or levied on, the taxpayer but not yet paid to the state.
- Amounts erroneously underpaid by taxpayers.
- Interest and penalties on taxes.

85.54.15.c

Taxes receivable that are measurable, but are not due within twelve months, are recorded as debits to the long-term GL Code 1611 "Taxes Receivable" and the related amounts estimated to be uncollectible as credits to GL Code 1641 "Allowance for Uncollectible Taxes Receivable."In governmental fund type accounts, since the net amount of long-term taxes receivable does not meet the GAAP criterion of available, it is recorded as a credit to GL Code 5292 "Unavailable Revenues." Refer to Subsection 85.65.30 for an illustrative entry.

85.54.20 Due from federal government

June 1, 2013

85.54.20.a

By fiscal year-end, all balances involving receivables from the federal government are recorded as debits to GL Code 1351 "Due From Federal Government". This includes amounts that are due within twelvemonths from all federal government agencies for such items as:

- Expenditures incurred by the state which qualify for reimbursement from the federal government. Refer to Subsections 85.65.34.a and b for illustrative entries.
- The federal government's share of monies expended by the state to finance a project which, either by law or by contractual agreement, is to be financed on a matching basis with the federal government.
- Amounts due from the federal government in a governmental fund type account which are in dispute at the end of the accounting period. The revenues associated with these receivables are not recognized until the dispute is settled. Disputed receivables are offset by credits to GL Code 5190 "Unearned Revenues." Refer to Subsection 85.65.34.c for an illustrative entry.

85.54.20.b

Amounts due from the federal government, that are not due within twelve months, are to be recorded as debits to the long-term GL Code 1651 "Due From Federal Government." In governmental fund type accounts, revenues associated with long-term receivables that are not considered available are not recognized until they are considered available. Long-term receivables from the federal government are offset by crediting GL Code 5292 "Unavailable Revenues."

85.54.25 Due from other governments

June 1, 2013

85.54.25.a

Other governments are defined as any separate governmental units and include: other state governments; Native American tribes; county governments; municipal governments; school districts; and any other political subdivisions. This does not include agencies of Washington State government or the federal government.

85.54.25.b

By fiscal year-end, all balances involving loans to local governments and other receivables from other governments,that are due within twelve months are recorded as debits to GL Code 1352 "Due From Other Governments."

85.54.25.c

Amounts due from other governments, that are not due within twelve months, are to be recorded as debits to the long-term GL Code 1652 "Due From Other Governments."

In governmental fund type accounts, if the receivable arises from a revenue transaction and the amount is not considered available, the associated revenue is not to be recognized. Receivables considered unavailable are offset by crediting GL Code 5292 "Unavailable Revenue." If the receivable arises from an advance or loan, an entry is required to reserve a portion of fund balance to indicate that long-term receivables are not available for appropriation. This is accomplished by debiting the appropriate fund balance GL code and crediting GL Code 9131 "Nonspendable Receivables - Long-Term."

85.54.30 Due from other accounts

July 1, 2009

85.54.30.a

By fiscal year-end, all balances involving activity or loans between accounts **within an agency**, that are due/payable within twelve months, are recorded as debits to GL Code 1353 "Due From Other Funds" on the general ledger of the account making the loan and as credits to GL Code 5153 "Due To Other Funds" on the general ledger of the account owing the debt.

85.54.30.b

Amounts due from other accounts, that are not due within twelve months,are recorded as debits to the long-term GL Code 1653 "Due From Other Funds" on the general ledger of the account that will collect the amount due, and as a credit to GL Code 5253 "Due To Other Funds"either on the general ledger of a proprietary fund type account that owes the amount or in Account 999 "General Long-Term Obligations Subsidiary Account " if a governmental fund type account owes the amount.Revenues of governmental fund type accounts associated with long-term receivables are deferred because they are not considered available.

85.54.30.c

Amounts advanced from one account to another account are recorded as GL Code 1350 "Due From Other Funds - Advances" on the general ledger of the account making the advance and as GL Code 5150 "Due To Other Funds - Advances" on the general ledger of the account that is receiving the advance.

85.54.30.d

All interfund receivables (GL Codes 1350, 1353, and 1653) and payables (GL Codes 5150, 5153, & 5253) are to be in balance within an agency (i.e., interfund receivables must equal interfund payables). To facilitate this, agencies are required to include subsidiary coding on the GL codes indicating the account which the receivable/payable is due from/to.

85.54.35 Due from other agencies

July 1, 2009

85.54.35.a

Agencies supplying goods and services to other agencies are to establish procedures for the timely billing to other agencies for such goods and services provided, and for the timely recording of these receivables and accrued revenues.

- Billings are to include enough information to provide for maintenance of subsidiary ledgers in accordance with Subsection 85.54.65.
- Billings are to be prepared on a regular basis, at least quarterly, except for instances where a written contract or regulation requires a different schedule.
- Billings are to incorporate sufficient detail to adequately document the goods or services provided. Source documentation should be retained by the billing agency and be available, upon request, for review by the billed agency.

85.54.35.b

By fiscal year-end, all balances involving amounts due from one agency to another agency, that are due within twelve months, are recorded as debits to GL Code 1354 "Due From Other Agencies" on the general ledger of the agency providing the goods or services and as credits to GL Code 5154 "Due To Other Agencies" on the general ledger of the agency receiving the goods or services.

85.54.35.c

Amounts due from other agencies, that are not due within twelve months, are recorded as debits to the long-term GL Code 1654 "Due From Other Agencies" on the general ledger of the agency that will collect the amount, and as either a credit to GL Code 5254 "Due To Other Agencies" on the general ledger of a proprietary fund type account that owes the amount or in Account 999 "General Long-Term Obligations Subsidiary Account" if the amount is owed by a governmental fund type account. Revenues of governmental fund type accounts associated with long-term receivables are deferred because they are not considered available.

85.54.35.d

All interagency receivables (GL Codes 1354 and 1654) and payables (GL Codes 5154 and 5254) are to be in balance between agencies. To facilitate this, agencies are required to include subsidiary coding on the GL codes indicating the agency which the receivable/payable is due from/to. Sufficient communication is to be maintained among agencies to ensure that interagency receivables and payables are in balance statewide at fiscal year-end.

85.54.40 Notes and loans receivable

June 1, 2011

85.54.40.a

Monies lent by agencies in the form of notes or loans to private entities (e.g., economically disadvantaged areas) or individuals (e.g., student loans) that are due within twelve months, are classified as GL Code 1313 "Notes Receivable" or GL Code 1314 "Loans Receivable," as appropriate.

85.54.40.b

By fiscal year-end, all balances involving amounts due from private entities or individuals on loans that are not due within twelve months, are recorded as debits to the long-term GL Code 1614 "Loans Receivable" and the related amounts estimated to be uncollectible as credits to the GL Code 1644 "Allowance for Uncollectible Loans Receivable."

85.54.40.c

For governmental fund type accounts, fund balance is reserved for net long-term receivables other than student loans. GL Code 9131 "Nonspendable Loans Receivable - Long-Term" is adjusted through the appropriate fund balance GL code to equal net long-term non-student loans receivable. Refer to Subsection 85.65.36 for illustrative entries for both budgeted and non-budgeted long-term receivables.

For higher education agencies, an entry is required to adjust the nonspendable portion of fund balance to indicate that net long-term student loan receivables (GL Codes 1614 and 1644) do not represent available spendable resources. GL Code 9130 "Nonspendable Student Loan Receivable" is adjusted through the appropriate GL code so that the balance of GL Code 9130 equals net long-term student loans receivable.

85.54.41 Lease receivable and deferred inflow on leases

July 1, 2021

85.54.41.a

A lease is a contract that conveys control of the right to use another entity's capital asset, as specified in the contract, for a period of time in an exchange or exchange-like transaction. When the state is the lessor, a lease receivable and deferred inflow of resources must be recorded for leases that meet the state's capitalization policy. Refer to Subsection 30.20.35.c.

85.54.41.b Valuing the Lease Receivable

At the commencement of the lease term, the lease receivable should be recorded at the present value of lease payments expected to be received during the lease term.

Variable payments based on future performance of the lessee or usage of the underlying asset (such as a percentage of revenue generated from use of the asset) should not be included in the measurement of the lease receivable. Rather, those variable payments should be recognized as revenue in the period in which it was earned using Revenue Source Code 0437 "Leased Property Variable Income."

The future lease payments are to be discounted using the interest rate the lessor charges the lessee. If the rate is not specifically stated, then the current interest rate the lessor would be charged at the inception of the lease to borrow the funds necessary to purchase the asset should be used.

The deferred inflow on leases should equal the sum of the initial measurement of the lease receivable and any lease payments received from the lessee at or before the commencement of the lease term that relate to future periods (for example, the final month's rent), less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

85.54.41.c Lease Accounting for Lessors

At commencement of the lease term, the lease is recorded in the appropriate account by debiting GL Codes 1321 and 1621 "Lease Receivable" and crediting GL Code 5295 "Deferred Inflows on Right-to-Use Leases." Any lease payments received from the lessee at or before the commencement of the lease term that relate to future periods are to be added to the deferred inflow. Any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term are to be deducted from the deferred inflows.

Periodic lease payments are to be allocated to principal and interest based on the lease amortization schedule. The lease receivable is reduced by the principal portion of the payment by crediting GL Code 1321 "Lease Receivable." The interest portion of the payment is recorded by crediting GL Code 3210 "Cash Revenue" using Revenue Source Code 0435 "Income from Leased Property."

The deferred inflow on leases (revenue) is recognized on a straight-line basis over the lease term. The entry is to be recorded by debiting GL Code 5295 "Deferred Inflows on Right-to-Use Leases" and crediting GL Code 3210 "Cash Revenue" using Revenue Source Code 0435 "Income from Leased Property."

By fiscal year-end, all balances involving amounts that are not due within twelve months are to be recorded as debits to the long-term GL Code 1621 "Lease Receivable." In addition, the amounts estimated to be uncollectible are to be recorded by debiting GL Code 5295 "Deferred Inflows on Right-to-Use Leases" and crediting GL Codes 1345 and 1645 "Allowance for Uncollectible Lease Receivable."

Refer to Subsection 85.85.40 for illustrative entries.

85.54.41.d

Discounted rent provided to the lessee for capital assets or improvements to the leased asset, paid for by the lessee, must be recorded at the gross amount due offset by an expense equal to the discount provided.

85.54.41.e

Short-term leases and leases that do not meet the state's capitalization threshold should be recorded as revenue as the payments are received using Revenue Source Code 0402 "Income from Property."

85.54.42 Private donation pledges

July 1, 2004

85.54.42.a

By fiscal year-end, all balances involving donation pledges due within one year are recorded as debits to GL Code 1320 "Donations/Pledges Receivable." They are recorded in the period when all applicable eligibility requirements are met to the extent that they are measurable, unconditional, and probable of collection.

85.54.42.b

Pledges that are not due within twelve months are to be recorded as debits to the long-term GL Code 1620 "Donations/Pledges Receivable." In governmental fund type accounts, revenues associated with long-term receivables are deferred because they are not considered available.

85.54.43 Public-private and public-public partnerships receivables and deferred inflows

July 1, 2022

85.54.43.a

Public-private and public-public partnerships (PPPs) are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. When the state is the **transferor**, if applicable, a receivable for installment payments and deferred inflow of resources must be recorded for PPPs that meet the state's PPP threshold. Refer to Subsection 30.20.20.

In addition, if ownership of a new asset (the underlying PPP asset) will be transferred from the operator to the transferor at the end of the PPP term, the transferor should recognize a receivable for the underlying PPP asset and a deferred inflow of resources when the asset is placed into service.

85.54.43.b Receivable for Installment Payments

At the commencement of the PPP term, the installment payments receivable should be recorded at the present value of PPP payments expected to be received during the PPP term, reduced by any provision for estimated uncollectible amounts. Measurement of the receivable for installment payments should include the following, if required by a PPP:

a. Fixed payments,

b. Variable payments that depend on an index or a rate (such as the Consumer Price Index or other), initially measured using the index or rate as of the commencement of the PPP term,

c. Variable payments that are fixed in substance, and

d. Residual value guarantee payments that are fixed in substance.

Variable payments, including payments related to revenue sharing arrangements, based on future performance of the operator, usage of the underlying PPP asset, or variable factors other than an index or a rate, should not be included in the measurement of the receivable for installment payments. Rather, those variable payments should be recognized as revenue in the period in which it was earned using Revenue Source Code 0438 “Income from PPPs” and reported to OFM at fiscal year-end.

The future PPP payments are to be discounted using the interest rate the transferor charges the operator. If the rate is not specifically stated, then the interest rate implicit in the contract should be used.

85.54.43.c Receivable for the Underlying PPP Asset

If an underlying PPP asset is a new asset purchased or constructed by the operator and the PPP does *not* meet the definition of a service concession arrangement, the transferor should recognize a receivable for the underlying PPP asset to be received from the operator when the underlying PPP asset is placed into service. Measurement of the receivable should be based on the operator’s estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator.

85.54.43.d Deferred Inflow of Resources

The transferor initially should measure the deferred inflow of resources related to a PPP as the sum of the following assets when the related assets are recognized:

a. The amount of the initial measurement of the receivable for installment payments,

b. PPP payments received from the operator at or before the commencement of the PPP,

c. The amount of the initial measurement of the underlying PPP asset,

d. The amount of the initial measurement for improvements to the underlying PPP asset, and

e. The amount of the initial measurement of the receivable for the underlying PPP asset.

85.54.43.e PPP Accounting for Transferors

Installment payments. At commencement of the PPP term, the PPP installment payments are recorded by the transferor in the appropriate account by debiting GL Codes 1322 and 1622 “PPP Installment Payments Receivable” and crediting GL Code 5296 “Deferred Inflows on PPPs.” Any payments received from the operator at or before the commencement of the PPP term are to be added to the deferred inflow of resources amount.

The deferred inflow on PPPs (revenue) is recognized on a straight-line basis over the PPP term. The entry is to be recorded by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Code 3220 “Noncash Revenues” using Revenue Source Code 0438 “Income from PPPs.”

By fiscal year-end, all balances involving amounts that are not due within twelve months are to be recorded as debits to the long-term GL Code 1622 "PPPs Receivable." In addition, any amounts estimated to be uncollectible are to be recorded by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Codes 1349 and 1649 "Allowance for Uncollectible Other Receivables."

Capital assets. When (a) an improvement to the underlying PPP asset is placed into service by the operator or (b) when the PPP meets the definition of a service concession arrangement and a new asset (the underlying PPP asset) purchased or constructed by the operator is placed into service, the transferor should recognize the asset or the improvement to the PPP asset at acquisition value as follows:

a. In **governmental fund type accounts**, the asset or the improvement is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 5296 “Deferred Inflows on PPPs” in Account 997 “General Capital Assets Subsidiary Account.”

b. In **proprietary and fiduciary fund type accounts**, the asset or the improvement is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 5296 “Deferred Inflows on PPPs” in the acquiring account.

The transferor should apply all other accounting and financial reporting requirements relevant to the underlying PPP asset and should depreciate these assets using the straight-line method over the PPP term. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset.

When the PPP does not meet the definition of a service concession arrangement and a new asset (the underlying PPP asset) purchased or constructed by the operator is placed into service, the transferor should recognize the PPP asset as follows:

a. In **governmental fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 “Capital Asset Receivable” and crediting GL Code 5296 “Deferred Inflows on PPPs” in Account 997 “General Capital Assets Subsidiary Account.”

b. In **proprietary and fiduciary fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 “Capital Asset Receivable” and crediting GL Code 5296 “Deferred Inflows on PPPs” in the acquiring account.

The deferred inflow on PPPs (revenue) is recognized on a straight-line basis over the PPP term as follows:

a. In **governmental fund type accounts**, revenue is recognized by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Code 3222 “Noncash Revenues” using Revenue Source Code 0438 “Income from PPPs” in Account 997 “General Capital Assets Subsidiary Account.”

b. In **proprietary and fiduciary fund type accounts**, revenue is recognized by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Code 3220 “Noncash Revenues” using Revenue Source Code 0438 “Income from PPPs” in the acquiring account.

At the end of the PPP term, when ownership of the underlying PPP asset is transferred from the operator to the transferor, the transferor records the receipt of the title, based on the estimated carrying value, as follows:

a. In **governmental fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 1694 “Capital Asset Receivable” in Account 997 “General Capital Assets Subsidiary Account.”

b. In **proprietary and fiduciary fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 1694 “Capital Asset Receivable” in the acquiring account.

Refer to Subsection 85.65.63 for illustrative entries.

85.54.44 Travel advances receivable

July 1, 2010

85.54.44.a

Travel advances are recorded to GL Code 1383 “Travel Advances” in the account for which the applicable travel will be incurred. Refer to Subsection 10.80.60 for policies related to the administration of travel advances. Refer to Subsection 85.65.33 for illustrative entries.

85.54.44.b

Agencies are to maintain detailed documentation by employee for travel advances and reconcile it monthly to GL Code 1383.

85.54.45 Other receivables

July 1, 2004

85.54.45.a

By fiscal year-end, all balances involving receivables other than those outlined above, which are due within twelve months, are recorded as debits to GL Code 1312 "Accounts Receivable" (refer to Subsection 85.65.32.a for an illustrative entry); GL Code 1316 "Interest and Dividends Receivable" (refer to

Subsections 85.65.18 and 85.65.20 for illustrative entries); or under the general category of GL Code 1319 "Other Receivables."

Other Receivables include such items as:

- Overpayments by an agency subject to refund (does not include overpayments to other governmental units).
- Miscellaneous receivables which may arise during an agency's course of operation.

85.54.45.b

Other long-term receivables, which are measurable but are not due within twelve months, are recorded to the long-term GL Code 1619 "Other Receivables" and the related amount estimated to be uncollectible in GL Code 1649 "Allowance for Uncollectible Other Receivables."

85.54.50 Receivable collection procedures

June 6, 2024

85.54.50.a

Agencies with more than $50,000 in past due receivables are to prepare **aging reports** at least monthly. Aging reports are required to be reviewed by management and such review documented on the report.

85.54.50.b

Written procedures are to be developed and followed to ensure that past due receivables are followed up promptly and in a manner that is cost-effective for the overall collection program. These procedures are to provide for the full range of collection procedures to be used as appropriate, including issuance of statements and dunning letters, phone and personal interviews, filing of suits and liens, referral to private collection agencies or letter services, etc. Agencies that do not have special statutory collection authority or specialized collection operations are encouraged to use collection agencies after receivables become 90 days past due.

Accounts receivable records may contain personal information about citizens. **Privacy Notice: Safeguarding and disposition of personal information must be consistent with Executive Order 16-01, January 5, 2016; WTS Policy SEC-01 ; and RCW 42.56.210.**

85.54.50.c

Interest of one percent per month is to be charged on past due receivables in accordance with RCW 43.17.240, except when one of the following conditions are met:

- Charging interest conflicts with the provisions of a contract or with any other law.
- The debt is to be paid by other governmental unit.

- The debt became due prior to July 28, 1991.
- Interest is waived based upon rules adopted by OFM found at Chapter 82-06 WAC describing the conditions under which interest may be waived on past due receivables.

85.54.50.d

RCW 19.16.500 and 82.32.265 allow the use of collection agencies for the purpose of collecting public debts. Agencies are encouraged to use collection agencies whenever they determine that this will be more cost effective than internal collection efforts.

Debts may be assigned to a collection agency when all of the following conditions have been met:

- A written contract has been established with the collection agency;
- There has been an attempt to notify the debtor of the existence of the debt and the fact that the debt may be assigned to a collection agency for collection if the debt is not paid; and
- At least thirty days have elapsed from the attempted notice

The Department of Enterprise Services maintains a statewide contract for "collection agency services." This contract may be used by state agencies and satisfies the requirements of this section.

Collection agency services are not to be used for the collection of receivables in the following categories: Due From Federal Government, Other Governments, Other Funds, and Other Agencies.

Agencies should be aware that the assignment of accounts to "letter services," which send debtors a series of letters but do not actually collect monies for the state, is not subject to the above requirements. Agencies may use such "letter services" as part of their collection efforts whenever they determine such services to be cost effective. The same is true of "pre-collect" services that send the 30-day notice but do not collect money for the state.

85.54.50.e

The Office of Attorney General has a Bankruptcy and Collection Unit (BCU) specializing in bankruptcy cases and other collection situations. Use of BCU services can be cost effective and should be coordinated through the assistant attorney generals assigned as agency general legal counsels.

85.54.50.f

Agencies are to document all efforts made toward the collection of receivables.

85.54.52 Collecting NSF checks

Jan. 1, 2012

Agencies are encouraged to take advantage of the Uniform Commercial Code (UCC) provisions for dealing with NSF checks. This may be accomplished by agency collection procedures or through use of state contracts from the Department of Enterprise Services (DES) for letter writing services and NSF collection services. In either case, the UCC provisions found at RCW 62A.3-515 through 62A.3-525 are applicable.

Under the provisions of the UCC, agencies must send a notice of dishonor meeting statutory requirements that are contained in RCW 62A.3-520.

- After sending notice of dishonor, under the provisions of the UCC, agencies may:
- Collect a reasonable handling fee for each NSF check. Agencies must establish their handling fee by rule. Agencies that intend to use the state contract for NSF check collections through DES should establish fees consistent with the rates in the state contract.
- After 15 days notice, charge interest at the rate of 12 percent per year.

If the matter goes to court, collect reasonable attorney fees, and damages of three times the face amount of the check or three hundred dollars, whichever is less.

Agencies should consult with legal advisors regarding any question as to how the UCC provisions coordinate with other enforcement provisions available to the agency. Agency statutes may supersede, supplement, or otherwise affect the operation of the UCC provisions.

85.54.55 Uncollectible receivables

July 1, 2008

85.54.55.a

The allowance method of accounting for uncollectible receivables is to be used by agencies.

85.54.55.b

Estimates of total uncollectible receivables are to be made at least quarterly and adjusting entries are to be recorded in the agency's accounting records to the allowance for uncollectible receivables. Refer to Subsection 85.65.32.b and c for illustrative entries.

85.54.55.c

Generally accepted accounting principles require that a determination be made between receivables deemed to be collectible and those considered not economically collectible, including those not collectible at all. Agencies are to develop and follow written criteria for the determination of uncollectibility. Receivables determined to be uncollectible are to be written off promptly against the appropriate allowance account (GL Code Series 134X). Refer to Subsection 85.65.32.d for an illustrative entry.

85.54.55.d

Prior to or promptly after the write-off of uncollectible receivables occurs, the write-off is subject to management review using procedures developed by the agency in cooperation with the Office of the

Attorney General. These procedures may call for the Attorney General's review of certain types of receivables to ensure that no cost-effective legal means of collecting the receivables remain.

After management review, any account determined to have been inappropriately written off is to be returned to the accounting records by reversing the write-off entries.

85.54.55.e

Agencies may find it cost effective to pursue minimal collection actions for certain types of accounts after the write-off has occurred. Examples of minimal collection actions include routine periodic computer matches with new accounts and allowing student or client records to remain "flagged" for receivables.

85.54.55.f

In cases where an allowance account does not have a sufficient balance or where an agency fails to establish an allowance account, agencies are to write off uncollectible receivables as follows:

- In governmental fund type accounts, the uncollectible receivable should generally be written off by reversing the coding that was used when the receivable was established. In situations where the receivable relates to the accrual of federal or private/local revenue, agencies should contact their OFM Statewide Accountant for assistance.
- In proprietary fund type accounts, the accounts receivable should be written off to GL Code 6515 "Bad Debts Expense." However, if the proprietary account is budgeted and the receivable originated through an offset to expenditures, then the adjustment to write down the receivable should be a reversal of the original entry.

When the write off involves the receivable of federal or private/local revenues, agencies should contact their assigned OFM Statewide Accountant.

85.54.60 Documentation

May 1, 1999

Transactions affecting receivables are to be supported by documents indicating all pertinent information relating to the transactions. Detailed postings of these documents are to be recorded and maintained in the subsidiary ledgers for all outstanding receivables. Detailed postings are to be summarized and entered in the general ledger control account. Typical transactions affecting receivables include the following:

85.54.60.a

Establishment of receivables. Sequentially numbered billing documents (invoices) are to be used. Upon completion of transactions, invoices are to be prepared and sent to debtors. Invoices are to contain at a minimum: a description of the goods or services provided; the date(s) provided; the amount of the debt; and the invoice due date. Files of these documents are to be maintained by the agency. These files are to include a means of sequentially accounting for billing documents.

85.54.60.b

Recording of receipts. Daily receipts applicable to receivables are to be entered in detail to a daily cash record. Detail listings are to support summary totals. The detail is to disclose the name of the payee or account number, amount received, invoice number if available, mode of payment, and check number if applicable.

85.54.60.c

Adjustments of receivables. Any adjustment increasing or decreasing the amount of receivables carried on the books of an agency is to be supported by a revised billing document, a credit memorandum, or other appropriate documentation. Written procedures are to be developed and followed to ensure that only authorized adjustments are recorded.

85.54.60.d

Valuation of receivables. Valuation of receivables using the allowance method is to be made at least quarterly and at fiscal year end to reflect the amount of receivable balances estimated to be collectible. This transaction is to be documented by means of a Journal Voucher (A7). Refer to Subsection 85.65.32.b and c for illustrative entries.

85.54.60.e

Collection efforts. A written record is to be kept, by account, on collection efforts. However, general system documentation may support billing and past due notices produced by automated systems.

85.54.60.f

Write-offs of uncollectible receivables. For accounting and financial reporting purposes, write-offs of uncollectible receivables are to be made against the appropriate allowance accounts (GL Code Series 134X or Series 164X). Transactions are to be documented by means of Journal Vouchers (A7). Refer to Subsection 85.65.32.d for an illustrative entry. The name of the debtor, the date of inception of the account, and the amount of the account being written-off are to be part of the supporting documentation for the Journal Voucher (A7).

85.54.60.g

Records retention for write-offs. The records regarding uncollectible accounts are subject to retention, archival, and destruction according to the applicable statutes and the agency's records retention policies.

85.54.65 Subsidiary ledgers

July 1, 2012

Agencies are to establish and maintain a detailed subsidiary ledger on an open item basis (i.e., an entry in the subsidiary ledger for each outstanding amount due). The following specific information, at a minimum, is to be maintained:

- Name of debtor
- Account number of debtor (or Unified Business Identifier number), if assigned
- Address of debtor, if available
- General ledger control code (or equivalent indicator)
- Account code (or equivalent indicator)
- Description of each outstanding charge and/or credit*
- Invoice or document number*
- Date of invoice or document*
- Invoice due date (if different from date of invoice)*
- Amount of each charge and/or credit*

* In open item systems, these items are maintained in supporting documentation **for paid items only**. In previously existing balance forward systems, which may be used only with approval from OFM's Office of the Chief Information Officer, these items should be maintained in supporting documentation to the subsidiary ledger.

Subsidiary ledgers are to be balanced against the associated general ledger control accounts at least monthly.

Current subsidiary ledgers are to be periodically purged of accounts/items which are no longer outstanding. For example, accounts/items that have been paid should not be retained on the current subsidiary ledger file but should be moved to a historical file for retention purposes.

85.56 Inventories

85.56.10 Inventory management and control procedures are in Chapter 35

May 1, 1999

Agencies are to comply with the OFM prescribed inventory policies and procedures in Chapter 35 of this manual.

85.56.20 Consumable inventories

June 1, 2014

When the fiscal year-end balance of consumable inventories on-hand at an inventory control point is estimated to exceed $50,000 in value, agencies are to select, and consistently apply, one of the following two accounting alternatives.

85.56.20.a Periodic Inventory Method

1. Purchases of consumable inventories during the year are recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Object E and crediting cash. Refer to Subsection 85.65.38.a for an illustrative entry.

2. No entry is required to record the use of consumable inventories during the year.

3. An annual adjustment is recorded to reflect the actual inventory balance as determined by a physical inventory count. Refer to Subsection 85.65.38.c for an illustrative entry.

4. In governmental fund type accounts, an additional entry is required at year-end to adjust the nonspendable portion of fund balance to indicate that the amount of consumable inventories is not available for appropriation.

    - If consumable inventories increased during the year, the additional adjusting entry is recorded by debiting the appropriate fund balance GL code and crediting GL Code 9120

"Nonspendable Consumable Inventories" for the amount of the increase. Refer to Subsection 85.65.38.c for an illustrative entry.

- This entry is reversed if consumable inventories decreased during the year.
- The balance in GL Code 9120 "Nonspendable Consumable Inventories" at year end is to equal the balance in GL Code 1410 "Consumable Inventories."

85.56.20.b Perpetual Inventory Method

1. Purchases of consumable inventories during the year are recorded as assets by debiting GL Code 1410 "Consumable Inventories" and crediting the appropriate cash or payable GL code. Refer to Subsection 85.65.40.a for an illustrative entry.
2. To record the use of consumable inventories during the year, GL Code 6510 "Cash Expenditures/ Expenses" is debited and GL Code 1410 "Consumable Inventories" is credited. Refer to Subsection 85.65.40.b for an illustrative entry.
3. An adjustment may be required to reflect the actual ending inventory balance as determined by performing a physical inventory count.
4. In governmental fund type accounts, an additional adjusting entry is required at year-end to adjust the nonspendable portion of fund balance to indicate that the amount of consumable inventories is not available for appropriation.
   - If GL Code 1410 "Consumable Inventories" increased , the adjusting entry is recorded by debiting the appropriate fund balance GL code and crediting GL Code 9120 "Nonspendable Consumable Inventories" for the amount of the increase.
   - This entry is reversed if GL Code 1410 "Consumable Inventories" decreased.
   - The balance in GL Code 9120 "Nonspendable Consumable Inventories" at year end equals the balance in GL Code 1410 "Consumable Inventories."

85.56.30 Merchandise inventories in proprietary fund type accounts

May 1, 1999

Agencies are to select, and consistently apply, one of the following alternatives to account for merchandise inventories in proprietary fund type accounts.

85.56.30.a Periodic Inventory Method

1. Purchases of merchandise during the year are recorded as expenses by debiting GL Code 6516 "Cost of Goods Sold" using Object F and crediting the appropriate cash or payable GL code. Refer to Subsection 85.65.42.a for an illustrative entry.

2. Sales of merchandise are recorded by debiting the appropriate receivable or cash GL code and crediting GL Code 3205 "Accrued Revenues" or GL Code 3210 "Cash Revenues" as appropriate with Revenue Source Code 0450. Refer to Subsection 85.65.42.b for an illustrative entry.

3. An annual adjustment is required to reflect the actual ending inventory balance as determined by performing a physical inventory count. If merchandise inventories increased during the year, this adjustment is accomplished by debiting GL Code 1420 "Merchandise Inventories" and crediting GL Code 6516 "Cost of Goods Sold" using the same object codes that were used in (1) above to purchase the merchandise. If merchandise inventories decreased during the year, this entry would be reversed. Refer to Subsection 85.65.42.c for an illustrative entry.

85.56.30.b Perpetual Inventory Method

1. Purchases of merchandise during the year are recorded as assets by debiting GL Code 1420 "Merchandise Inventories" and crediting the appropriate cash or payable GL code. Refer to Subsection 85.65.44.a for an illustrative entry.

2. Sales of merchandise are recorded by debiting the appropriate receivable or cash GL code and crediting GL Code 3205 "Accrued Revenues" or GL Code 3210 "Cash Revenues" as appropriate with Revenue Source Code 0450. An additional entry is required to reflect the change in inventory. This entry debits GL Code 6516 "Cost of Goods Sold" using Object F and credits GL Code 1420 "Merchandise Inventories" for the cost of the merchandise sold. Refer to Subsection 85.65.44.b for illustrative entries.

3. An adjustment is also usually required to reflect the actual inventory balance as determined by performing a physical inventory count. If the merchandise inventories count discloses an increase over the Merchandise Inventory amount (in GL Code 1420), an adjustment is necessary and is accomplished by debiting GL Code 1420 "Merchandise Inventories" and crediting GL Code 6516 "Cost of Goods Sold" using the same object code used in (2) above upon sale of the merchandise. If the merchandise inventories count discloses an amount less than the balance in GL Code 1420, the preceding entry would be reversed. Refer to Subsection 85.65.42.c for an illustrative entry.

85.56.40 Donations of consumable inventories

Jan. 1, 2014

85.56.40.a

Record the receipt of donated consumable inventories, **other than federally donated consumable inventories**, in GL Code 1415 “Donated Inventories” and recognize revenue in GL Code 3220 “Noncash revenue” with Revenue Source Code 0441 “Contributions and Grants.”

In governmental fund type accounts, an additional entry is required to adjust the nonspendable portion of fund balance to indicate that the donated consumable inventories on hand are no longer available for appropriation. This entry is recorded by debiting the appropriate fund balance GL code and crediting GL Code 9120 "Nonspendable Consumable Inventories."

To record the use or distribution of donated consumable inventories during the year, debit GL Code 6525 "Expenditure Adjustments/Eliminations (GAAP)," or if non-appropriated GL Code 6510 "Cash Expenditures/ Expenses," with an appropriate subobject and credit GL Code 1415 “Donated Inventories.” An additional entry in governmental funds is required to adjust the nonspendable portion of fund balance.

85.56.40.b

The following revenue and expenditure/expense examples illustrate the perpetual method approach for recording the receipt and use of **federally donated consumable inventories**. The end result of the entries is that the balance in GL Code 1415 "Donated Inventories," which represents the value of donated inventories on hand, is exactly offset by GL Code 5190 "Unearned Revenues." Also, the amount of donated inventory revenue recognized during the year, GL Code 3225 "Revenue Adjustment/Elimination (GAAP)," is exactly offset by GL Code 6525 "Expenditure/Expense Adjustment/Elimination (GAAP)," the amount of donated inventory used or distributed during the year.

Revenue. The fair value of federally donated consumable inventories is recorded by debiting GL Code 1415 "Donated Inventories" and crediting GL Code 5190 "Unearned Revenue." If shipping costs were incurred by the state, they are to be recorded by debiting GL Code 1410 "Consumable Inventories,” offset by a credit to the appropriate cash or payable GL code. Refer to Subsection 85.65.46.a for an illustrative entry.

Expenditures/expenses. To record the use or distribution of federally donated consumable inventories during the year, GL Code 6525 "Expenditure Adjustments/Eliminations (GAAP)" with an appropriate subobject is debited and GL Code 3225 “Revenue Adjustments/Eliminations (GAAP)" with an appropriate revenue source code is credited for the previously recorded fair value of the donated consumable inventories used or distributed.

The amount of shipping costs, if any, applicable to the used or distributed donated consumable inventories is to be removed (credited) from GL Code 1410 "Consumable Inventories" and GL Code 6510 "Cash Expenditures/ Expenses" is to be debited. Refer to Subsection 85.65.46.b for an illustrative entry.

Year-end adjustment. At year-end, an entry to GL Code 1415 is required to adjust its balance to the federally donated inventory on hand. The offsetting entry is recorded to GL Code 5190 "Unearned Revenues."

Shipping costs (if applicable) of donated consumable inventories on hand at fiscal year-end is to be included in the ending balances of GL Code 1410 "Consumable Inventories."

In governmental fund type accounts, an additional entry is required to adjust the nonspendable portion of fund balance to indicate that the shipping costs expended on donated consumable inventories on hand are no longer available for appropriation.

This entry is recorded by debiting the appropriate fund balance GL code and crediting GL Code 9120 "Nonspendable Consumable Inventories" for the amount of the increase in shipping costs in GL Code 1410. This entry would be reversed for a decrease in shipping costs in GL Code 1410. Refer to Subsection 85.65.46.c for an illustrative entry.

85.56.40.c

Transfers between agencies. If donated inventory is transferred between agencies, the sending agency records the transfer by reversing the entry made when the inventory was received. Because the sending agency is not consuming the inventory, it does not record an expenditure for inventory transferred to other agencies. The receiving agency is to record the receipt and use of the donated inventory.

85.58 Prepaid Expenses

85.58.10 Prepaid expenses

July 1, 2008

85.58.10.a

Prepaid expenses are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period. In Washington, because goods and services generally must be received prior to payment, prepaid expenses will be limited.

Examples of prepaid expenses that may be acquired include insurance, maintenance services contracts, Washington State Good to Go toll accounts, and postage, books, and periodicals. Refer to Subsection 85.32.50.b, .c, and .d.

85.58.10.b

In governmental fund type accounts, prepaid expenses are generally accounted for using the purchases method. Under the purchases method, prepaid expenses are treated as expenditures when purchased rather than accounted for as an asset.

85.58.10.c

Prepaid expenses are recorded as assets in proprietary and fiduciary fund type accounts. Refer to Subsection 85.65.50.a for an illustrative entry. The portion of supplies or services consumed or used during a period is recorded as an expense. Refer to Subsection 85.65.50.b for an illustrative entry. The balance that remains is reported as an asset in GL Code 1510 "Prepaid Expenses" until consumed or used.

85.60 Capital Assets

85.60.10 About capital assets

July 1, 2009

Capital assets are tangible or intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy. Refer to Chapter 30 of this manual.

Capital assets are classified for general ledger purposes as land; transportation infrastructure-modified approach; art collections, library reserve collections, and museum and historical collections (both exhaustible and inexhaustible); buildings; improvements other than buildings; infrastructure; furnishings and equipment; intangible assets; library resources; and construction in progress.

Subsection 75.40.20 of this manual describes the various capital asset general ledger codes.

85.60.20 Asset valuation

July 1, 2001

Valuation requirements for capital assets are listed in Chapter 30 of this manual.

85.60.30 Acquisition of capital assets

Oct 1, 2024

85.60.30.a

Governmental Fund Type Accounts. In governmental fund type accounts, acquisitions of capital assets are recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using appropriate subobjects such as those within Object J "Capital Outlays."

For accountability purposes, the asset is also recorded in Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 9850 "Investment in General Capital Assets." Refer to Subsection 85.65.52.a for illustrative entries.

When capital assets are donated to a governmental fund type account, no entry is made in the operating account because governmental funds use the current financial resources measurement focus. However, the capital assets are recorded in Account 997 "General Capital Assets Subsidiary Account" at their estimated acquisition value at the date of donation plus all appropriate ancillary costs. Refer to Subsection 85.65.52.a for an illustrative entry.

85.60.30.b

Proprietary and Fiduciary Fund Type Accounts. In proprietary and fiduciary fund type accounts, acquisitions of capital assets are recorded by debiting GL Code Series 2XXX "Capital Assets." Budgeted proprietary and fiduciary fund type accounts require an additional entry to record the appropriated disbursement and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes. This entry debits GL Code 6510 "Cash Expenditures/Expenses" using appropriate subobjects such as those within Object J "Capital Outlays" and credits GL Code 6525 "Expense Adjustments/ Eliminations (GAAP)" with the same subobject code. Refer to Subsection 85.65.52.b for illustrative entries.

Donations of capital assets to proprietary and fiduciary fund type accounts are recorded in the acquiring account at their estimated acquisition value at the date of donation by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 3220 "Noncash Revenues" with Revenue Source Code 0820 "Capital Contributions" or other appropriate revenue source code. Refer to Subsection 85.65.52.b for an illustrative entry.

85.60.30.c

Assets that do not meet the state's capitalization policy. Purchases of assets that do not meet the state's capitalization policy (for example, equipment or software with a unit cost under $10,000) are to be recorded by debiting GL Code 6510 “Cash Expenditures/Expenses” with the appropriate Subobject JA “Noncapitalized Assets” or JB “Noncapitalized Software.” Refer to Subsection 85.65.54 for an illustrative entry.

85.60.40 Depreciation/amortization of capital assets

June 1, 2013

Generally, debits to Allowance for Depreciation or Allowance for Amortization accounts should only occur as a result of assets being disposed of or transferred out.

Generally, credits to Allowance for Depreciation or Allowance for Amortization accounts should only occur as a result of recording Depreciation/ Amortization Expense (GL Codes 6511 or 6591) or assets being transferred in.

Immaterial prior period adjustments to Allowance for Depreciation or Allowance for Amortization in proprietary and fiduciary fund type accounts are offset by Depreciation/Amortization Expense (GL Code 6511).

For immaterial prior period adjustments to Allowance for Depreciation or Allowance for Amortization in Account 997 General Capital Assets Subsidiary Account, refer to Subsection 90.20.15.f and illustrative entries at 90.30.35.g and h.

85.60.40.a

Governmental Fund Type Accounts. Depreciation/Amortization Expense and Allowance for Depreciation and Allowance for Amortization for depreciable general capital assets are to be recorded in Account 997 “General Capital Assets Subsidiary Account.” This entry debits GL Code 6591 “Depreciation/Amortization Expense” with Subobject WA “Depreciation/Amortization Expense,” and credits GL Code Series 2XXX “Allowance for Depreciation” or “Allowance for Amortization.” Agencies may depreciate assets using the straight-line method or a composite method.

Section 30.50 contains Schedule A that details the Capital Asset Class Codes and Useful Life Schedule.

For further information on depreciation methods, refer to Subsection 30.20.70.b. Refer to Subsection 85.65.56.a for an illustrative entry.

85.60.40.b

Proprietary and Fiduciary Fund Type Accounts. Depreciation or amortization expense for capital assets is to be recorded in the same account in which the capital asset is recorded by debiting GL Code 6511 “Depreciation/Amortization Expense” with Subobject WA “Depreciation/Amortization Expense,” and by crediting GL Code Series 2XXX "Allowance for Depreciation" or "Allowance for Amortization." Agencies may depreciate assets using the straight-line method or a composite method.

Section 30.50 contains Schedule A that details the Capital Asset Class Codes and Useful Life Schedule.

For further information on depreciation methods, refer to Subsection 30.20.70.b. Refer to Subsection 85.65.56.b for an illustrative entry.

85.60.45 Impairment of capital assets and related insurance recoveries

July 1, 2009

85.60.45.a

Capital assets that become impaired during the year may require an accounting adjustment to reflect the decrease in carrying value. Refer to Subsection 30.20.90.a.

Changes in legal, regulatory, contractual or technological conditions may result in the impairment of a capital asset. Changes to the duration of the useful life of an asset will determine if there is an impairment loss to be recognized and a change to the amortization of the remaining carrying value over the remaining estimated useful life of the asset.

Impairments are considered to be permanent; therefore, a temporary decline in an asset's service utility does not affect the carrying value of the asset. If in future years the events or circumstances that caused an impairment change, the past impairment losses recognized are not reversed.

Impairment losses are generally reported as direct expenses to the program that uses or used the impaired capital asset. Contact your agency's OFM Statewide Accountant for further guidance on measuring and recording an impairment. Physical damage to the state highway system infrastructure, accounted for using the modified approach, is generally considered temporary and does not result in recording a loss. However, if the highway network or a subsystem remains damaged and idle, the carrying amount is disclosed at year-end.

The carrying amounts of impaired capital assets that are idle at fiscal year-end are to be included in the agency's disclosures to OFM.

85.60.45.b

Insurance recoveries related to impaired assets are reported net of the related loss when the recovery is realized or realizable in the same fiscal year as the loss. Restoration or replacement costs of an impaired capital asset are reported as a separate transaction from the related insurance recovery.

85.60.50 Disposal of capital assets

Jan. 1, 2014

Entries are to be made during the year to record the disposition of capital assets.

85.60.50.a

Governmental Fund Type Accounts. Dispositions of capital assets that were originally acquired by governmental fund type accounts, are to be recorded in Account 997 "General Capital Assets Subsidiary Account." Such assets disposed of during the year are recorded by debiting GL Code Series 2XXX "Allowance for Depreciation" for the accumulated depreciation to date, debiting GL Code 6597 "Capital Asset Adjustment (General Capital Asset Subsidiary Account Only)" for the asset's undepreciated (net book) value, if any, and crediting GL Code Series 2XXX "Capital Assets" for the original cost of the asset. Refer to Subsection 85.65.58.a for an illustrative entry.

Net proceeds received from the disposition of capital assets are generally recorded in the account that originally acquired the asset. If an estimate of the net proceeds from disposition was included in the budget for replacement of capital asset acquisitions and the expenditure for the acquisition of the new capital assets has already been recorded at gross, then the net proceeds are to be recorded by debiting GL Code Series 71XX "In-Process," or GL Code 1110 "Cash in Bank" and crediting to GL Code 6510 "Cash Expenditures/Expenses" with the same appropriation and Object J coding used to record the acquisition of the replacement asset.

This entry reduces the expenditure to net. Refer to Subsection 85.65.58.a for an illustrative entry.

If the net proceeds from disposition were not included in the budget for new capital asset acquisitions, the net proceeds received are to be recorded by debiting GL Code Series 71XX "In-Process" or GL Code 1110 "Cash in Bank" and crediting GL Code 3210 "Cash Revenue" with Revenue Source Code 0416 "Sale of Property - Other." Refer to Subsection 85.65.58.a for an illustrative entry.

If a capital asset originally acquired by a governmental fund type account is used as a trade-in for a new capital asset, the asset traded in is removed from Account 997 "General Capital Assets Subsidiary Account" similar to a sale above. The new capital asset is recorded at its cost net of the trade-in as an expenditure in the operating account. In Account 997 "General Capital Assets Subsidiary Account," the value of the new asset recorded is the sum of the expenditure reported in the operating account and the net book value of the asset traded in. Refer to Subsection 85.65.60.a for an illustrative entry.

Proprietary and Fiduciary Fund Type Accounts. In proprietary and fiduciary fund type accounts, dispositions of capital assets are accounted for in the account where the asset is recorded. Disposals of capital assets are recorded by debiting GL Code Series 2XXX "Allowance for Depreciation" for the accumulated depreciation to date, debiting GL Code Series 71XX "In-Process," or GL Code 1110 "Cash in Bank" for the net proceeds received (if any), crediting the appropriate GL Code Series 2XXX "Capital Assets" for the original cost of the asset, and a balancing entry to GL Code 3213 "Gain and Loss on Sale of Capital Assets" with Revenue Source Code 0418 "Gain or Loss on Sale of Capital Assets." Refer to Subsection 85.65.58.b for illustrative entries.

85.60.50.b

Recording proceeds in budgeted accounts. In budgeted proprietary and fiduciary fund type accounts, an additional entry is required to record the net proceeds received upon disposition.

If the estimated net proceeds from disposition were included in the budget for replacement capital asset acquisitions and the purchase of the new capital asset has been recorded at gross, then the following entry is to be made. The agency is to debit GL code 6525 "Expense Adjustments/ Eliminations (GAAP)" with an appropriate subobject within Object J "Capital Outlays" and credit GL Code 6510 "Cash Expenditures/ Expenses" with the same appropriation and subobject for the net proceeds received from disposition. This entry reduces the budgeted expense to net. Refer to Subsection 85.65.58.b for illustrative entries.

If the estimated net proceeds from disposition were budgeted as revenue (and not included in the budget for new capital asset acquisition(s)), then the entry is to debit GL Code 3225 "Revenue Adjustments/ Eliminations (GAAP)" with Revenue Source Code 0416 "Sale of Property - Other" and credit GL Code 3210 "Cash Revenues" with the same revenue source code. Refer to Subsection 85.65.58.b for illustrative entries.

85.60.50.c

Trade-ins. In proprietary and fiduciary fund type accounts, no gain is recognized on a trade-in. The capital asset traded-in and its associated accumulated depreciation are removed from the accounting records and the balancing entry is added to the cost of the new capital asset. Refer to Subsection 85.65.60.b for an illustrative entry.

85.60.60 Reconciliation of capital assets

July 1, 2012

The balance in GL Code Series 2XXX "Capital Assets" is to agree with the balance of the detail listing of capital assets in the agency's authorized capital asset management system. Agencies using the state's Capital Asset Management System (CAMS) have available capital asset reports for both cost and depreciation showing beginning balances, additions, deletions, and ending balances. Agencies not using the state's CAMS are to develop similar capital asset reports.

All agencies are to reconcile their authorized capital asset management system with the balances in GL Code Series 2XXX "Capital Assets" to ensure the accuracy of the balances in the general ledger. As a result of this reconciliation, prior period adjustments may be required. Prior period adjustments are discussed further in Subsection 90.20.15 and illustrated in Subsection 90.30.30.

85.60.65 Right-to-use lease and subscription assets

July 1, 2023

85.60.65.a

Right-to-use lease and subscription assets are to be capitalized at the value of the sum of:

- The initial measurement of the lease liability or subscription liability (refer to Subsection 85.72.25),
- Any ancillary charges or capitalizable initial implementation costs, and

- Payments made to the lessor or vendor at or before the commencement of the lease/subscription term, less any incentives received from the lessor or vendor at or before the commencement of the lease/subscription term.

Accounting for right-to-use lease agreements and subscription-based information technology arrangements (SBITAs) consists of:

1. Recording the lease/subscription asset and lease/subscription liability at the commencement of the contract term,
2. Updating DebtBook,
3. Separating periodic payments into principal and interest portions using the contract's amortization schedule,
4. Applying payments to the correct object of expenditure, and
5. Amortizing the lease/subscription asset.

85.60.65.b

Governmental Fund Type Accounts. At commencement of the contract term, the following entries should be recorded:

1. The right-to-use lease/subscription asset is recorded in Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 26XX "Intangible Right-to-Use Lease Capital Assets" and crediting GL Code 9850 "Investment in General Capital Assets."
2. The right-to-use lease/subscription liability is recorded in Account 999 "General Long-Term Obligations Subsidiary Account" (refer to Subsection 85.72.25).
3. A capital outlay and other financing source is recorded in the Operating Account equal to the lease/ subscription liability by debiting GL Code 6514 “Capital Asset Acquisitions by Other Financing Sources” with subobject JS “Intangible Lease and Subscription Asset Capital Outlay” and crediting GL Code 3221 “Other Financing Sources” with Revenue Source Code 0810 “Right-to-Use Lease and Subscription Asset Acquisition.”

The right-to-use lease/subscription asset should be amortized using the straight-line method over the shorter of the lease term or the asset's useful life. Section 30.50 contains Schedule A - Capital Asset Class Codes and Useful Life Schedule. Amortization Expense and Allowance for Amortization are to be recorded in Account 997 “General Capital Assets Subsidiary Account.” This entry debits GL Code 6591 “Depreciation/ Amortization Expense” with Subobject WA “Depreciation/Amortization,” and credits GL Code Series 2XXX “Allowance for Amortization.”

Refer to Subsection 85.85.37.a for illustrative entries.

If assets are subsequently acquired (i.e., through transfer of title at the end of the lease term), they are to be recorded in Account 997 "General Capital Assets Subsidiary Account" at fair value at the time of title transfer. Refer to Subsection 85.85.37.d(1) for illustrative entries.

85.60.65.c

Proprietary and Fiduciary Fund Type Accounts. At commencement of the contract term, the intangible right-to-use lease asset and lease liability or subscription asset and subscription liability should be recorded in the account acquiring the asset by debiting GL Code Series 26XX "Intangible Right-to-Use Lease Capital Assets" and crediting the appropriate lease liability GL code.

The lease/subscription asset should be amortized using the straight-line method over the shorter of the lease term or the asset's useful life. Section 30.50 contains Schedule A - Capital Asset Class Codes and Useful Life Schedule. Amortization expense is to be recorded in the same account in which the lease/ subscription asset is recorded by debiting GL Code 6511 “Depreciation/Amortization Expense” with Subobject WA “Depreciation/Amortization,” and by crediting GL Code Series 2XXX “Allowance for Amortization.”

Refer to Subsection 85.85.37.b for illustrative entries.

If assets are subsequently acquired (i.e., through transfer of title at the end of the lease period), they are to be valued at fair value at the time of title transfer. The asset is recorded by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 3210 "Cash Revenues" with Revenue Source Code 0486 "Recoveries of Prior Expenditure Appropriation Expenditures.” Refer to Subsection 85.85.37.d(2) for illustrative entries.

85.60.65.d

Leases and SBITAs that are short-term or that do not meet the state’s capitalization threshold (refer to Subsection 30.20.20) should be recorded as an expenditure/expense as the payments are made. Payments are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with Subobject ED "Rentals and Leases - Land and Buildings," EH "Rentals and Leases - Furnishings and Equipment," or EY "Software Licenses, Maintenance, and Subscription-Based Computing Services." Refer to Subsection 85.85.37.c for illustrative entries.

85.60.67 Capital assets in public-private and public-public partnerships and availability payment arrangements

July 1, 2022

Public-private or public-public partnerships (PPPs) that meet the definition of a right-to-use lease (refer to Subsection 30.20.30), are accounted for as such (refer to Subsection 30.20.35) **if** all the following criteria are met:

a. existing assets of the transferor are the only underlying PPP assets,

b. improvements to those existing assets are not required to be made by the operator as part of the PPP arrangement, and

c. the PPP does not meet the definition of a service concession arrangement (SCA).

Refer to Subsection 85.60.65 and Subsection 85.72.25 for more details on how to account for right-to-use leases.

85.60.67.a PPPs that are not service concession arrangements

Existing underlying PPP assets. If the underlying asset in a public-private or public-public partnership (PPP) is an existing asset of the state (the transferor), the **transferor** continues to measure the asset at its carrying value and to apply all other accounting and financial reporting requirements relevant to the underlying PPP asset including depreciation and impairment.

Improvements made by the operator to an existing underlying PPP asset of the transferor that meet the capitalization threshold (refer to Subsection 30.20.20) should be recognized by the transferor at acquisition value when the improvements are placed into service as follows:

a. In **governmental fund type accounts**, the improvement is recorded by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 5296 "Deferred Inflows on PPPs" in Account 997 "General Capital Assets Subsidiary Account."

b. In **proprietary and fiduciary fund type accounts**, the asset or the improvement is recorded by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 5296 "Deferred Inflows on PPPs" in the acquiring account.

The transferor should generally apply all other accounting and financial reporting requirements relevant to the improvements to the underlying PPP asset including depreciation and impairment. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

New underlying PPP assets. If the underlying PPP asset is a new asset purchased or constructed by the operator that will transfer to the transferor (state) at the end of the PPP term, the operator should recognize the underlying PPP asset until ownership of the asset is transferred to the transferor. When the underlying PPP asset is place into service, the transferor should recognize a receivable for the underlying PPP asset to be received from the operator, as shown below. Measurement of the receivable should be based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator.

a. In **governmental fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 "Capital Asset Receivable" and crediting GL Code 52XX "Deferred Inflows on PPPs" in Account 997 "General Capital Assets Subsidiary Account."

b. In **proprietary and fiduciary fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 "Capital Asset Receivable" and crediting GL Code 5296 "Deferred Inflows on PPPs" in the acquiring account.

The deferred inflow on PPPs (revenue) is recognized on a straight-line basis over the PPP term. The entry is to be recorded by debiting GL Code 5296 "Deferred Inflows on PPPs" and crediting GL Code 3220 "Noncash Revenue" using Revenue Source Code 0438 "Income from PPPs."

Upon transfer of the title from the operator to the transferor at the end of the PPP term, the transferor records that underlying PPP asset as follows:

a. In **governmental fund type accounts**, in Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 1694 “PPP Capital Asset Receivable.”

b. In **proprietary and fiduciary fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 1694 “PPP Capital Asset Receivable” in the acquiring account.

Refer to Subsection 85.54.43 and Subsection 85.65.63 for additional information.

85.60.67.b PPPs that are service concession arrangements

New underlying PPP assets. If the underlying PPP asset is a new asset purchased or constructed by the operator, when the asset is placed into service, the transferor initially should measure the underlying PPP asset at acquisition value by recording:

a. In **governmental fund type accounts**, in Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 5296 “Deferred Inflows on PPPs.”

b. In **proprietary and fiduciary fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 5296 “Deferred Inflows on PPPs” in the acquiring account.

The transferor should generally apply all other accounting and financial reporting requirements relevant to the underlying PPP asset including depreciation and impairment. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

Refer to Subsection 85.65.63 for additional information.

85.60.70 Lease-to-own capital assets

July 1, 2021

85.60.70.a

Lease-to-own agreements, where the ownership of the underlying asset transfers to the state by the end of the contract (refer to Subsections 30.20.40 and 85.72.30), are to be capitalized at the net present value of the future minimum lease payments at the inception of the lease.

Accounting for a lease-to-own agreement consists of:

1. Recording the capital asset and lease-to-own agreements payable at its inception,
2. Updating the capital asset inventory system,
3. Separating periodic payments into principal and interest portions, and
4. Applying payments to the correct object of expenditure.

85.60.70.b

Governmental Fund Type Accounts. At lease commencement, the capital asset acquisition is recorded by debiting GL Code 6514 "Capital Asset Acquisitions by Other Financing Sources" with an appropriate subobject within Object J "Capital Outlays," and crediting GL Code 3221 "Other Financing Sources" with Revenue Source Code 0809 "Lease-to-Own Acquisition."

Corresponding entries are made in (a) Account 997 “General Capital Assets Subsidiary Account” by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 9850 “Investment in General Capital Assets” (refer to Subsection 85.65.62.a for illustrative entries), and (b) Account 999 “General Long-Term Obligations Subsidiary Account” to record the related lease liability. Subsection 85.85.40.a shows detailed illustrations for recording lease liabilities and subsequent payments on leases in Account 999.

85.60.70.c

Proprietary and Fiduciary Fund Type Accounts. The entry for a leased asset acquisition is recorded in the acquiring account by debiting GL Code Series 2XXX “Capital Assets” and crediting the appropriate lease liability GL code. Refer to Subsection 85.65.62.b for illustrative entries. Subsection 85.85.40.b shows detailed illustrations for recording lease liabilities and subsequent payments on leases.

85.60.80 Capital assets acquired through Certificates of Participation (COP)

July 1, 2012

85.60.80.a

Governmental Fund Type Accounts. Capital assets acquired through the Office of the State Treasurer (OST) Certificate of Participation (COP) program are recorded with:

- An entry in the acquiring operating account for the activity (debiting GL Code 6514 and crediting GL Code 3221).
- An entry in the General Capital Assets Subsidiary Account (Account 997) to record the capital asset.
- An entry in the General Long-Term Obligations Subsidiary Account (Account 999) to record the COP liability.

For further information on COPS, refer to Subsections 85.72.40, 85.85.45, and 85.85.50.

85.60.80.b

Proprietary and Fiduciary Fund Type Accounts. Capital assets acquired through OST's Certificate of Participation program are recorded with:

- An entry in the acquiring account to record the capital asset and the COP liability.
- An additional entry in the acquiring account to record the budgeted disbursement if the account is budgeted.

For further information on COPs, refer to Subsection 85.72.40, 85.85.45, and 85.85.50.

85.60.90 Accounting for the construction of capital assets

July 1, 2021

85.60.90.a

An agency may choose either to construct its own capital assets or hire an outside contractor to do the construction. All direct construction costs and indirect costs that are related to construction of capital assets are to be recorded in the account incurring the expenditures. Agency project management costs may be capitalized directly, when practicably discernible and directly associated with the project, or through the application of a percentage of total budgeted project costs. The application rate may or may not be designed to recover total agency project management costs. Refer to the OFM Capital Plan instructions for discussion of maximum percentage limitations.

85.60.90.b

Governmental Fund Type Accounts. All costs incurred for the construction of capital assets are recorded in the account incurring the expenditure by debiting GL Code Series 65XX "Expenditure/ Expenses" with the appropriate subobject(s). Refer to Section 30.20 for further details on capitalizable costs. For construction projects not completed at the end of the accounting period, a corresponding entry is made to record the construction in progress in Account 997 "General Capital Assets Subsidiary Account." This is accomplished by debiting GL Code 2510 "Construction in Progress" and crediting GL Code 9850 "Investment in General Capital Assets." Refer to Subsection 85.65.64.a for illustrative entries.

Upon completion of the project, construction costs accumulated in the construction in progress account are reclassified to the appropriate capital asset GL code in Account 997 "General Capital Assets Subsidiary Account." Refer to Subsection 85.65.64.a for illustrative entries.

Agencies that finance capital asset construction through OST's COP Real Estate Program should refer to Subsections 85.72.40.d and 85.85.50 for more information regarding COP accounting requirements for the Real Estate Program.

85.60.90.c

Proprietary and Fiduciary Fund Type Accounts. In proprietary and fiduciary fund type accounts, all costs incurred for the construction of capital assets are to be recorded in the account incurring the costs by debiting GL Code 2510 “Construction in Progress.”

If the account is budgeted, an additional entry is required to record the appropriated disbursement and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes. This entry debits GL Code Series 65XX “Expenditures/Expenses” with the appropriate subobject(s) and credits GL Code 6525 “Expense Adjustments/ Eliminations (GAAP)” with the same subobject code(s). Refer to Subsection 85.65.64.b for illustrative entries. Refer to Section 30.20 for further details on capitalizable costs.

Upon completion of the project, the balance in GL Code 2510 “Construction in Progress” is reclassified to the appropriate capital asset GL code. This entry debits GL Code Series 2XXX “Capital Assets” and credits GL Code 2510 “Construction in Progress” for the total costs accumulated. Refer to Subsection 85.65.64.b for illustrative entries.

85.60.95 Accounting for the transfer of vehicles to the State Motor Pool

Jan. 1, 2012

An unusual accounting situation arises when a state agency that has purchasing authority purchases a vehicle but does not have the resources to manage or maintain it or when an agency is required by the Governor’s Fleet Optimization Order to transfer vehicles to the Department of Enterprise Services (DES), State Motor Pool.

The purchasing agency has exclusive use of the vehicle and DES treats the vehicle as part of the State Motor Pool, maintaining it and tracking its usage. DES charges the agency normal vehicle rates for use and applies a credit for the vehicle capital costs. Refer to RCW 43.19.605.

85.60.95.a

Accounting for the purchase and transfer of the vehicle to DES depends on the fund type of the account used to purchase the vehicle.

1. **Governmental Fund Type Accounts** - The acquisition of the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Subobject JC "Furnishings and Equipment" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank."
2. **Proprietary and Fiduciary Fund Type Accounts** - The acquisition of the vehicle is recorded by debiting GL Code 1510 "Prepaid Expense" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank."

   Note: Budgeted proprietary accounts require an additional entry to record the appropriated disbursement and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes. This entry debits GL Code 6510 “Cash Expenditures/Expenses” using Subobject JC “Furnishings and Equipment” and credits GL Code 6525 “Expense Adjustments/ Eliminations (GAAP)” using Subobject JC.

85.60.95.b

DES records the transfer of ownership in Account 422 "Enterprise Services Account" by debiting GL Code 2410 "Furnishings and Equipment" and crediting GL Code 5290 "Unearned Revenues."

85.60.95.c

Accounting for the usage of the vehicle depends on the fund type of the account that initially purchased it.

1. **Governmental Fund Type Accounts** - The net amount billed by DES for the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Subobject GN "Motor Pool Services" and crediting either GL 71XX "In-Process" or GL Code 1110 "Cash in Bank."

2. **Proprietary and Fiduciary Fund Type Accounts** - The net amount billed by DES for the vehicle is recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" using Subobject GN "Motor Pool Services" and crediting either GL Code 71XX "In-Process" or GL Code 1110 "Cash in Bank." An additional entry is required to record the amortization of the vehicle cost by debiting GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" using Subobject GN "Motor Pool Services" and crediting GL Code 1510 "Prepaid Expenses."

85.60.95.d

DES records the revenue for the vehicle in two steps: **first**, DES records the payment from the agency using the vehicle by debiting GL Code 71XX "In-Process" and crediting GL Code 3210 "Cash Revenues" using Revenue Source Code 0420 "Charges for Services;" and **second**, DES records the amortization of the vehicle cost by debiting GL Code 5290 "Unearned Revenues" and crediting GL Code 3210 using Revenue Source Code 0420.

85.60.97 Accounting for Interagency/Interfund Capital Asset Transfers

Jan. 1, 2014

85.60.97.a Assets transferred between state agencies

When a capital asset is transferred from (sold by) one agency to another, the receiving agency is to record the asset at the carrying value of the transferring agency. The transferring agency is to provide the receiving agency with the carrying value of the asset transferred. The recording of the transfer (sale) is dependent upon the fund types of the accounts involved. Refer to Subsection 85.60.97.b and 85.60.97.c.

85.60.97.b Assets transferred between fund type accounts

When a capital asset that was used to support a function reported in a governmental fund type account is later transferred to a proprietary or fiduciary fund type account (or vice versa), only the proprietary or fiduciary fund type account reports the activity. The proprietary or fiduciary fund type account reports the book value of the capital asset offset by a capital contribution (transfer in) or a gain or loss on disposition (transfer out). No entry is made in the governmental fund type operating account because governmental funds use the current financial resources measurement focus. However, the capital asset would be recorded in Account 997 “General Capital Assets Subsidiary Account.”

Refer to Subsection 85.65.66 for illustrative entries.

85.60.97.c Assets transferred between proprietary fund type accounts

When a capital asset is transferred from one proprietary fund type account to another, both the donor account and the recipient account offset the book value of the capital asset with a transfer.

85.65 Assets - Illustrative Entries

85.65.10 These entries are for illustrative purposes

May 1, 1999

The following entries illustrate transactions affecting assets. These entries are for illustrative purposes **only** and should **not** be considered all inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry, generally from the Office of the State Treasurer (OST) as illustrated below, to clear the In-Process GL Codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

85.65.12 Deposit of cash revenues

May 1, 1999

To record the deposit of cash revenue received. Refer to Subsection 85.50.10 and 85.50.20.

	Dr.	Cr.
Cash In Bank (1110) or		
Receipts In-Process (7110)	xxx	
Cash Revenues (3210) (with appropriate revenue source code)		xxx

85.65.14 Petty cash - treasury and treasury trust accounts

June 1, 2015

85.65.14.a

To record the establishment of or an increase in a treasury or treasury trust petty cash account. Refer to Subsection 85.50.60.a or 85.50.70.a, respectively.

	Dr.	Cr.
Petty Cash (1130)	xxx	
Warrants/ACH Payments In-Process (7120)		xxx

85.65.14.b

To record the abolishment of, or a reduction in, a treasury or treasury trust petty cash account. Refer to Subsection 85.50.60.f or 85.50.70.d, respectively.

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Petty Cash (1130)		xxx

85.65.16 Petty cash - local accounts

June 1, 2015

85.65.16.a

To record the establishment of, or an increase in, a local petty cash account. Refer to Subsection 85.50.70.a.

	Dr.	Cr.
Petty Cash (1130)	xxx	
Cash in Bank (1110)		xxx

85.65.16.b

To record the abolishment of, or a reduction in, a local petty cash account. Refer to Subsection 85.50.70.d.

	Dr.	Cr.
Cash in Bank (1110)	xxx	
Petty Cash (1130)		xxx

85.65.18 Accounting for the acquisition of non-current investments

Jan. 1, 2014

85.65.18.a

To record the acquisition of non-current equity investments at trade date. Refer to Subsection 85.52.30.a.

	Dr.	Cr.
Investments (1210)	xxx	
Investment Trades Pending Payable (5123)		xxx

85.65.18.b

To record the settlement of the trade for acquisition of non-current equity investments. Refer to Subsection 85.52.30.a.

	Dr.	Cr.
Investment Trades Pending Payable (5123)	xxx	
In-Process (71XX)		xxx

85.65.18.c

To record the acquisition of non-current fixed income investments at trade date including purchased accrued interest. Refer to Subsection 85.52.30.a.

	Dr.	Cr.
Investments (1210)	xxx	
Interest Receivable on Investments (1316)	xxx	
Investment Trades Pending Payable (5123)		xxx

85.65.18.d

To record the settlement of the trade for acquisition of non-current fixed income investments. Refer to Subsection 85.52.30.a

	Dr.	Cr.
Investment Trades Pending Payable (5123)	xxx	
In-Process (71XX)		xxx

85.65.20 Accounting for earnings and costs associated with non-current investments

July 1, 2003

85.65.20.a

To record interest or dividend income on non-current investments received in cash including purchased accrued interest. Refer to Subsection 85.52.10.

	Dr.	Cr.
Receipts In-Process (7110) or Cash in Bank (1110)	xxx	
Interest and Dividends Receivable (1316)		xxx
Cash Revenues (3210) Revenue Source Code (0401) Treasury Investment Income, (0409) Interest Income, or (0411) Dividend Income		xxx

85.65.20.b

To record interest or dividend income on non-current investments which was reinvested.

	Dr.	Cr.
Investments (1210)	xxx	
Cash Revenues (3210) Revenue Source Code (0401) Treasury Investment Income, (0409) Interest Income, or (0411) Dividend Income		xxx

85.65.20.c

To record the payment of investment related costs (e.g., advisor fees, consulting fees, manager fees) not associated with an investment sale transaction.

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0473) Costs of Investment Activities	xxx	
Warrants/ACH Payments In-Process (7120)		xxx

85.65.22 Accounting for fair value adjustment to non-current investments

July 1, 2013

To record the adjustment to reflect an increase to the fair value of non-current investments. To record a decrease in fair value, the revenue entry is reversed. Refer to Subsection 85.52.30.b.

	Dr.	Cr.
Valuation Allowance - Investments (1280)	xxx	
Noncash Revenues (3220) Revenue Source Code (0413) Capital Gains and Losses		xxx

85.65.24 Accounting for the sale of non-current investments

July 1, 2013

85.65.24.a

To record the sale at trade date of non-current investments and the resulting gain on investments. For a loss, the entry would be reversed. Refer to Subsection 85.52.30.c.

	Dr.	Cr.
Investment Trade Pending Receivable (1323)	xxx	
Accrued Revenues (3205) Revenue Source Code (0473) Cost of Investment Activities	xxx	
Investments (1210)		xxx
Accrued Revenues (3205) Revenue Source Code (0413) Capital Gains and Losses		xxx

85.65.24.b

To record the settlement of the trade for the sale of non-current investments. For a loss, the entry would be reversed. Refer to Subsection 85.52.30.c.

	Dr.	Cr.
In-Process (71XX)	xxx	
Cash Revenues (3210) Revenue Source (0473) Costs of Investment Activities	xxx	
Accrued Revenues (3205) Revenue Source (0413) Capital Gains and Losses	xxx	
Cash Revenues (3210) Revenue Source (0413)		xxx
Capital Gains and Losses		xxx
Accrued Revenues (3205) Revenue Source (0473) Costs of Investment Activities		xxx
Investment Trades Pending Receivable (1323)		xxx

85.65.24.c

To reverse the non-cash revenue recognized in posting adjustments to increase fair value. Entry would be reversed if fair value adjustments recorded a loss. Refer to Subsection 85.52.30.c.

	Dr.	Cr.
Noncash Revenues (3220) Revenue Source Code (0413) Capital Gains and Losses	xxx	
Valuation Allowance – Investments (1280)		xxx

85.65.24.d

To reverse the nonspendable portion of fund balance in governmental funds for non-current investments not offset by unearned revenue or a liability.

	Dr.	Cr.
Nonspendable Investments (9123)	xxx	
Appropriate fund balance GL code (9XXX)		xxx

85.65.28 Accounting for deferred compensation (IRC Section 457)
June 1, 2011

In accordance with Statement No. 34 of the Governmental Accounting Standards Board, the state's deferred compensation plan is accounted for and reported as a pension trust fund. Acquisitions and sales of deferred compensation plan investments are to follow the entries in Subsection 85.65.18 and 85.65.24, respectively, except that no entry is to be made to GL 9123 "Nonspendable Investments."

85.65.30 Taxes receivable
May 1, 1999

To record long-term taxes receivable which are measurable but not due within twelve months. Refer to Subsection 85.54.15.c.

	Dr.	Cr.
Taxes Receivable (1611)	xxx	
Allowance for Uncollectible Taxes Receivable (1641)		xxx
Unavailable Revenues (5292)		xxx

85.65.32 Receivables
July 1, 2001

85.65.32.a

To record a receivable at time of billing. Refer to Subsection 85.54.45.a.

	Dr.	Cr.
Accounts Receivable (1312)	xxx	
Accrued Revenues (3205) (appropriate revenue source codes)		xxx

85.65.32.b

To value receivables and adjust the allowance for uncollectible accounts to reflect the amount estimated to be uncollectible at the end of the period in a governmental fund type account. Refer to Subsection 85.54.55.b.

	Dr.	Cr.
Accrued Revenues (3205) (with revenue source code originally credited)	xxx	
Allowance for Uncollectible Accounts Receivable (1342)		xxx

85.65.32.c

To value receivables and adjust the allowance for uncollectible accounts to reflect the amount estimated to be uncollectible at the end of the period in a proprietary or fiduciary fund type account. Refer to Subsection 85.54.55.b. Example assumes a reduction in collectability. If collectability appears improved, the entry would be reversed.

	Dr.	Cr.
Bad Debt Expense 6515 (Sub-Object WC)	xxx	
Allowance for Uncollectible Accounts Receivable (1342)		xxx

85.65.32.d

To write off receivables determined to be uncollectible by the state. Refer to Subsection 85.54.55.c.

	Dr.	Cr.
Allowance for Uncollectible Accounts Receivable (1342)	xxx	
Accounts Receivable (1312)		xxx

85.65.33 Travel advances receivable

July 1, 2010

85.65.33.a

To record the issuance of a travel advance. In this example, the amount advanced is $500. Refer to Subsection 85.54.44.

	Dr.	Cr.
Travel Advance (1383)	500	
Accounts Payable (5111)		500
Accounts Payable (5111)	500	
Cash in Bank (1110) or In-Process (71XX)		500

85.65.33.b

To record travel expenditures when the travel advance issued is equal to the amount of travel costs.

	Dr.	Cr.
Cash Expenditure (6510) Object G	500	
Travel Advance (1383)		500

85.65.33.c

To record travel expenditures when the travel advance issued is less than the amount of travel costs. In this example, travel costs are $700.

	Dr.	Cr.
Cash Expenditure (6510) Object G	500	
Travel Advance (1383)		500
Accrued Expenditure (6505) Object G	200	
Accounts Payable (5111)		200
Cash Expenditure (6510) Object G	200	
Accrued Expenditure (6505) Object G		200
Accounts Payable (5111)	200	
Cash in Bank (1110) or In-Process (71XX)		200

85.65.33.d

To record travel expenditures when the travel advance issued is greater than the amount of the travel costs. In this example, travel costs are $400. The traveler must reimburse the agency for the excess advanced.

	Dr.	Cr.
Cash Expenditure (6510) Object G	400	
Travel Advance (1383)		400
Cash Receipts In-Process (7110)	100	
Travel Advance (1383)		100

85.65.34 Due from federal government

May 1, 1999

85.65.34.a

To record amounts receivable for the reimbursement of federal expenditures. Refer to Subsection 85.54.20.

	Dr.	Cr.
Due from Federal Government (1351)	xxx	
Accrued Revenues (3205) Revenue Source Code (03XX)		xxx

85.65.34.b

To record the receipt of monies due from the federal government. Refer to Subsection 85.54.20.

	Dr.	Cr.
Cash in Bank (1110) or Receipts In-Process (7110)	xxx	
Cash Revenues (3210) Revenue Source Code (03XX)		xxx

	Dr.	Cr.
Accrued Revenues (3205) Revenue Source Code (03XX)	xxx	
Due from Federal Government (1351)		xxx

85.65.34.c

To record federal receivables which are in dispute at the end of the accounting period in a governmental fund type account. Refer to Subsection 85.54.20.

	Dr.	Cr.
Accrued Revenues (3205) Revenue Source (03XX)	xxx	
Unearned Revenues (5190)		xxx

85.65.36 Long-term loans

June 1, 2011

The following entries illustrate disbursement and repayment for both budgeted and non-budgeted long-term loans. Since the loan in this illustration is made to a private entity, long-term GL Code 1614 "Loans Receivable" is used. However, this example may be applied to other types of long-term loans using other receivable general ledger codes, such as GL Code 1652 "Due from Other Governments." Refer to Subsection 85.54.40.

85.65.36.a

85.65.36.a.(1)

To record disbursement of a budgeted long-term loan from a governmental fund type account. Budgeted loans present a unique situation where loan disbursements and repayments are expenditures and revenues for budgetary purposes, but not for GAAP financial accounting purposes.

Note: In AFRS, Sub-object NR is reported as Fund Balance on the GAAP operating statement. On the Budget to Actual statement, however, it is reported as an expenditure.

	Dr.	Cr.
Loans Receivable (1614)	xxx	
In-Process (71XX)		xxx
Cash Expenditures/Expenses (6510) (Subobject NR)	xxx	
Nonspendable Receivables - Long-Term (9131)		xxx

85.65.36.a.(2)

To record repayment of the budgeted long-term loan from (a) above, an interim process occurs reclassifying the expected payment from long-term to short-term. The amount recognized and recorded at fiscal year-end is based on the subsequent year's scheduled payments.

Note: In AFRS, Revenue Source Code 0866 "Loan Principal Repayment" is reported as Fund Balance on the GAAP operating statement. On the Budget to Actual statement, however, it is reported as revenue.

	Dr.	Cr.
Loans Receivable (1314) or Due from Other Governments (1352)	xxx	
Loans Receivable (1614) or Due from Other Governments (1652)		xxx
Nonspendable Receivables - Long-Term (9131)	xxx	
Accrued Revenue (3205) Revenue Source Code (0866) Loan Principal Repayment		xxx

Then repayment is recorded as received.

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Loans Receivable (1314) or Due from Other Governments (1352)		xxx

For loans whose payments are uncertain, the receivable is reclassified from long-term to short-term upon receipt of the loan payment.

	Dr.	Cr.
Loans Receivable (1314) or Due from Other Governments (1352)	xxx	
Loans Receivable (1614) or Due from Other Governments (1652)		xxx
Nonspendable Receivables - Long-Term (9131)	xxx	
Accrued Revenue (3205) Revenue Source Code (0866) Loan Principal Repayment		xxx

Then the payment receipt is recorded.

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Loans Receivable (1314) or Due from Other Governments (1352)		xxx
Accrued Revenue (3205) Revenue Source Code (0866) Loan Principal Repayment	xxx	
Cash Revenue (3210) Revenue Source Code (0866) Loan Principal Repayment		xxx

85.65.36.b

85.65.36.b.(1)

To record disbursements of a long-term loan which are not budgeted.

Note: The entry to adjust the nonspendable portion of fund balance for receivables is made in governmental fund type accounts only. This entry is not applicable in proprietary and fiduciary fund type accounts.

	Dr.	Cr.
Loans Receivable (1614)	xxx	
In-Process (71XX) or		
Cash in Bank (1110)		xxx
Appropriate fund balance GL code (9XXX)	xxx	
Nonspendable Receivables - Long-Term (9131)		xxx

85.65.36.b.(2)

To record repayment of the non-budgeted long-term loan from (b) above, after an interim process occurs reclassifying receivables from long-term to short-term.

	Dr.	Cr.
Loans Receivable (1314) or		
Due from Other Governments (1352)	xxx	
Loans Receivable (1614) or		
Due from Other Governments (1652)		xxx
Nonspendable Receivables - Long-Term (9131)	xxx	
Appropriate fund balance GL code (9XXX)		xxx

Then the loan payment is recorded.

	Dr.	Cr.
Cash in Bank (1110) or		
Receipts In-Process (7110)	xxx	
Loans Receivable (1314) or		
Due from Other Governments (1352)		xxx

85.65.37 Lease receivable and deferred inflows on leases

July 1, 2021

The following example is used to illustrate the entries for leases to an external entity (not a state agency) that exceeds the state's capitalization threshold. Refer to Subsection 85.72.30.

An agency entered into an agreement to lease a building for 10 years at the rate of $10,000 per month. The current interest rate is 4 percent and the present value of the minimum lease payments is $990,994 (annuity due). The value of the asset meets the state's capitalization threshold (refer to Subsection 30.20.20). Therefore, the entries to be recorded for a lease are as follows:

Note: Contact the Office of the State Treasurer for the current rate of interest, for computing present value. Leases are computed as annuities due because the payments are made at the first of the month; other capital purchases may be computed as ordinary annuities.

85.65.37.a

To record the lease receivable and the deferred inflows of resources at lease commencement. The portion of the receivable due within the next fiscal year should be recorded in GL 1321 and the remaining receivable balance should be recorded in GL 1621.

	Dr.	Cr.
Lease Receivable (1321)	85,276	
Lease Receivable (1621)	905,718	
Deferred Inflows on Right-to-Use Leases (5295)		990,994

Note: Continue to recognize the capital asset and depreciate if applicable.

85.65.37.b

To record the receipt of the first periodic lease payment and reduction of the lease receivable.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	10,000	
Lease Receivable (1321)		10,000

85.65.37.c

To record the receipt of the second periodic lease payment, interest income, and reduction of the lease receivable.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	10,000	
Lease Receivable (1321)		6,730
Cash Revenue (3210) Leased Property Interest Income (0436)		3,270

85.65.37.d

To reduce the deferred inflow on leases and recognize a portion of the revenue. Deferred inflows of resources should be amortized over the lease term using the straight-line method. The revenue must be recognized by fiscal year end. In this example, the amortization is performed monthly.

	Dr.	Cr.
Deferred Inflows on Right-to-Use Leases (5295)	8,258	
Cash Revenue (3210) Income from Leased Property (0435)		8,258

85.65.37.e

To reclassify as short term that portion of the receivable due within the next fiscal year. At fiscal year-end, the amount in GL Code 1321 should be the same as the next year's principal payment on the agency's lease agreement amortization schedule.

	Dr.	Cr.
Lease Receivable (1321)	85,324	
Lease Receivable (1621)		85,324

85.65.37.f

To record the allowance for estimated uncollectible lease receivable. If collectability appears improved, the entry would be reversed.

	Dr.	Cr.
Deferred Inflows on Right-to-Use Leases (5295)	xxx	
Allowance for Uncollectible Lease Receivable (1345/1645)		xxx

85.65.37.g

To record the receipt of a variable lease payment.

	Dr.	Cr,
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Revenue (3210) Leased Property Variable Income (0437)		xxx

85.65.38 Consumable inventories - periodic inventory method

June 1, 2011

85.65.38.a

To record the acquisition of consumable inventories. Refer to Subsection Subsection 85.56.20.a (1).

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object E	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.65.38.b

To record the use of consumable inventories during the year.

No entry is required.

85.65.38.c

At year-end, to record an increase in consumable inventories during the year. Refer to Subsection Subsection 85.56.20.a (3) and (4). These entries would be reversed to record a decrease in consumable inventories during the year.

Note: The second entry is to adjust the nonspendable portion of fund balance in governmental fund type accounts only.

	Dr.	Cr.
Consumable Inventories (1410)	xxx	
Cash Expenditures/Expenses (6510) Object E		xxx
Appropriate fund balance GL code (9XXX)	xxx	
Nonspendable Consumable Inventories (9120)		xxx

85.65.40 Consumable inventories - perpetual inventory method

May 1, 1999

85.65.40.a

To record the acquisition of consumable inventories. Refer to Subsection 85.56.20.b.(1).

	Dr.	Cr.
Consumable Inventories (1410)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.65.40.b

To record the use of consumable inventories during the year. Refer to Subsection 85.56.20.b.(2).

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object E	xxx	
Consumable Inventories (1410)		xxx

85.65.42 Merchandise inventories in proprietary fund type accounts - periodic inventory method

May 1, 1999

85.65.42.a

To record the acquisition of merchandise inventories as an expense. Refer to Subsection 85.56.30.a.(1).

	Dr.	Cr.
Cost of Goods Sold (6516) Object F	xxx	
Cash in Bank (1110) or		
In-Process (71XX) or		
Payables (51XX)		xxx

85.65.42.b

To record the sale of merchandise inventories when the merchandise inventory purchase is recorded as an expense. Refer to Subsection 85.56.30.a.(2).

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX) or		
Receivables (13XX)	xxx	
Cash Revenue (3210) or		
Accrued Revenues (3205) Revenue Source Code (0450) Sales		xxx

85.65.42.c

To record the adjustment for merchandise inventory when the physical count shows the inventory value greater than the amount in the general ledger control account GL Code 1420 "Merchandise Inventories." This entry is reversed when the physical count shows the inventory value less than the recorded amount. Refer to Subsections 85.56.30.a.(3) and b.(3).

	Dr.	Cr.
Merchandise Inventories (1420)	xxx	
Cost of Goods Sold (6516) Object F		xxx

85.65.44 Merchandise inventories in proprietary fund type accounts - perpetual inventory method

May 1, 1999

85.65.44.a

To record the acquisition of merchandise inventories as an asset. Refer to Subsection 85.56.30.b.(1).

	Dr.	Cr.
Merchandise Inventories (1420)	xxx	
Cash in Bank (1110) or		
In-Process (71XX) or		
Payables (51XX)		xxx

85.65.44.b

To record the sale of merchandise inventories when the merchandise inventory purchase is recorded as an asset. Refer to Subsection 85.56.30.b.(2).

The second entry is to adjust the merchandise inventory account and record the cost of goods sold:

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX) or		
Receivables (13XX)	xxx	
Cash Revenue (3210) or		
Accrued Revenues (3205) Revenue Source Code (0450) Sales		xxx
Cost of Goods Sold (6516) Object F	xxx	
Merchandise Inventories (1420)		xxx

85.65.46 Donations of consumable inventories

Jan. 1, 2014

A common example of donated consumable inventory is federal surplus food commodities provided to the state for use in a variety of programs. This example assumes that commodities with a fair value of $5,000 are donated to the state for use in a governmental fund type account. The state pays $500 shipping costs for delivery of the commodities.

85.65.46.a

To record the acquisition of federally donated consumable inventories. Refer to Subsection 85.56.40.b.

	Dr.	Cr.
Consumable Inventories (1410)	500	
Donated Inventories (1415)	5,000	
Cash in Bank (1110) or		
In-Process (71XX)		500
Unearned Revenues (5190)		5,000

85.65.46.b

To record the use of donated consumable inventories with a fair value of $4,000. Use of donated consumable inventories is treated as a nonbudgeted activity. The cash outlay for shipping costs is a budgeted expenditure. Refer to Subsection 85.56.40.b.

	Dr.	Cr.
Expense Adjustments/Eliminations (GAAP) (6525) Object E	4,000	
Cash Expenditures/Expenses (6510) Object E	400	
Consumable Inventories (1410)		400

Revenue Adjustments/Eliminations (GAAP) (3225) Revenue Source Code (0310) Dept. of Agriculture		4,000

85.65.46.c

To record year-end adjustment. Refer to Subsection 85.56.40.b.

Note: The second entry (for the shipping costs) is required in governmental and fund type accounts only.

	Dr.	Cr.
Unearned Revenues (5190)	4,000	
Donated Inventories (1415)		4.000
Appropriate fund balance GL code (9XXX)	1,000	
Nonspendable Consumable Inventories (9120)		1,000

85.65.50 Prepaid expenses

May 1, 1999

85.65.50.a

To record the prepayment of goods and services, other than inventory, in proprietary and fiduciary fund type accounts. Refer to Subsection 85.58.10.c.

	Dr.	Cr.
Prepaid Expenses (1510)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.65.50.b

To record the portion of prepaid goods and services used during the period. Refer to Subsection 85.58.10.c.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (with appropriate subobject)	xxx	
Prepaid Expenses (1510)		xxx

85.65.52 Acquisition of capital assets

July 1, 2015

85.65.52.a Governmental Fund Type Accounts

The entry for the purchase of a capital asset records the expenditure in the account acquiring the asset with a corresponding entry in Account 997 "General Capital Assets Subsidiary Account." Refer to Subsection 85.60.30.a.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J	xxx	
Cash in Bank (1110) or		
In-Process (71XX)		xxx

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Asset (2XXX)	xxx	
Investment in General Capital Assets (9850)		xxx

The following entry records the donation of a capital asset to a governmental fund type account. Because governmental fund type accounts focus on current financial resources, no entry is made in the operating account. However, an entry is made in Account 997 "General Capital Assets Subsidiary Account" to record the estimated acquisition value of the asset. Refer to Subsection 85.60.30.a.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Asset (2XXX)	xxx	
Investment in General Capital Assets (9850)		xxx

85.65.52.b Proprietary and Fiduciary Fund Type Accounts

The entry to record the purchase of a capital asset is made in the appropriate capital asset GL code in the account acquiring the asset. Refer to Subsection 85.60.30.b.

Operating Account:

	Dr.	Cr.
Capital Asset (2XXX)	xxx	
Cash in Bank (1110) or		
In-Process (71XX)		xxx

The following additional entry is required for budgeted proprietary and fiduciary fund type accounts for capital asset acquisitions:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J	xxx	
Expense Adjustments/Eliminations (GAAP) (6525) Object J		xxx

The following entry records the donation of a capital asset to a proprietary or fiduciary fund type account.

	Dr.	Cr.
Capital Asset (2XXX)	xxx	
Noncash Revenues (3220) Revenue Source Code 0820 Capital Contributions or other appropriate revenue source code		xxx

85.65.54 Assets that do not meet the state's capitalization policy

July 1, 2009

The entry for the acquisition of an asset that does not meet the state's capitalization policy records the expenditure/expense in the account acquiring the asset. Refer to Subsection 85.60.30.c.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject JA or JB	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.65.56 Depreciation/amortization

July 1, 2009

85.65.56.a Governmental Fund Type Accounts

The following entry records the depreciation on general capital assets in Account 997 "General Capital Assets Subsidiary Account." Refer to Subsection 85.60.40.a.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Depreciation/Amortization Expense (6591) (Subobject WA)	xxx	
Allowance for Depreciation - Capital Asset (2XXX) or		xxx
Allowance for Amortization – Intangible Assets (2480)		xxx

85.65.56.b Proprietary and Fiduciary Fund Type Accounts

The following entry records the depreciation of capital assets in proprietary and fiduciary fund type accounts. Refer to Subsection 85.60.40.b.

	Dr.	Cr.
Depreciation/Amortization Expense (6511) (Subobject WA)	xxx	
Allowance for Depreciation – Capital Asset (2XXX) or		xxx
Allowance for Amortization – Intangible Assets (2480)		xxx

85.65.58 Disposal of capital assets

July 1, 2012

85.65.58.a Governmental Fund Type Accounts

The net proceeds received from the sale of general capital assets are generally recorded in the account that originally acquired the asset. Refer to Subsection 85.60.50.a. If the estimated net proceeds from disposition were included in the budget for the acquisition of the replacement capital asset and the expenditure for the acquisition of new capital assets has already been recorded at gross, the following entry is made:

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX)	xxx	
Cash Expenditures/Expenses (6510) Object J		xxx

If the net proceeds from disposition were not included in the budget for a replacement capital asset, the following entry is to be made instead:

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX)	xxx	
Cash Revenues (3210) Revenue Source Code (0416) Sale of Property - Other		xxx

In addition, an entry in Account 997 "General Capital Assets Subsidiary Account" is made to record the removal of the capital asset. In the following entry, the capital asset was not fully depreciated (i.e. the cost is greater than the accumulated depreciation). If the capital asset was fully depreciated (i.e. the cost and the accumulated depreciation are an equal amount), then in GL Code 6597 "Capital Asset Adjustment (General Capital Assets Subsidiary Only)" would net to zero.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Asset Adjustment (General Capital Assets Subsidiary Account Only) (6597) Subobject WF	xxx	
Allowance for Depreciation Capital Assets (2XXX)	xxx	
Capital Assets (2XXX)		xxx

85.65.58.b Proprietary and Fiduciary Fund Type Accounts

The disposal of capital assets of proprietary and fiduciary fund type accounts are accounted for in the account that recorded the asset. Refer to Subsection 85.60.50.b.

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX)	xxx	
Allowance for Depreciation - Capital Assets (2XXX)	xxx	
Capital Assets (2XXX)		xxx
Gain and Loss on Sale of Capital Assets (3213) Revenue Source Code (0418) Gain or Loss on Sale of Capital Assets		xxx

The following additional entry is needed to record the net proceeds received upon disposition of a capital asset in budgeted proprietary and fiduciary fund type accounts.

If the net proceeds from disposition were included in the budget for the acquisition of the replacement capital asset and the purchase for the new capital assets has already been recorded at gross, the following entry is made:

	Dr.	Cr.
Expense Adjustments/Eliminations (GAAP) (6525) Object J	xxx	
Cash Expenditures/Expenses (6510) Object J		xxx

If the net proceeds from disposition were included in the budget as estimated revenues, the following entry is made:

	Dr.	Cr.
Revenue Adjustments/Eliminations (GAAP) (3225) Revenue Source Code (0416) Sale of Property - Other	xxx	
Cash Revenues (3210) Revenue Source Code (0416) Sale of Property - Other		xxx

85.65.60 Trade-in of capital assets

July 1, 2008

These illustrative entries assume the following: a vehicle is purchased for $12,000 cash. (It has a fair value of $14,000 less a trade-in allowance of $2,000.) The trade-in vehicle originally cost $9,000 and has a current book value of $1,500.

85.65.60.a Governmental Fund Type Accounts

These entries reflect the trade-in transaction in the operating account acquiring the vehicle and the corresponding entries in Account 997 "General Capital Assets Subsidiary Account." Refer to Subsection 85.60.50.a.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject J)	12,000	
Cash in Bank (1110) or		
In-Process (71XX)		12,000

General Capital Assets Subsidiary Account (Account 997):

The first entry removes the vehicle traded in. The second entry records the new vehicle.

	Dr.	Cr.
Investment in General Capital Assets (9850)	1,500	
Accumulated Depreciation – Furnishings, and Equipment (2420)	7,500	
Furnishings and Equipment (2410)		9,000
Furnishings and Equipment (2410)	13,500	
Investment in General Capital Assets (9850)		13,500

85.65.60.b Proprietary and Fiduciary Fund Type Accounts

This entry reflects a trade-in transaction in non-budgeted proprietary and fiduciary fund type accounts. Refer to Subsection 85.60.50.c.

	Dr.	Cr.
Furnishings and Equipment (2410)	13,500	
Accumulated Depreciation – Furnishings and Equipment (2420)	7,500	
Furnishings and Equipment (2410)		9,000
Cash in Bank (1110) or		
In-Process (71XX)		12,000

85.65.62 Capital assets acquired through lease-to-own agreements

July 1, 2021

85.65.62.a Governmental Fund Type Accounts

The entry for the acquisition of capitalized leased assets records the expenditure in the account acquiring the leased assets with a corresponding entry in Account 997 "General Capital Assets Subsidiary Account." Refer to Subsection 85.60.70.a.

Operating Account:

	Dr.	Cr.
Capital Asset Acquisitions by Other Financing Sources (6514) Object J (Capital Outlays)	xxx	
Other Financing Sources (3221) Revenue Source Code (0809) Lease-to-Own Acquisition		xxx

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	xxx	
Investment in General Capital Assets (9850)		xxx

The entry to record lease payments, for acquisitions that do not meet the lease-to-own agreement requirements in Subsection 30.20.30, is shown below. For such acquisition, no entry is made in Account 997 "General Capital Assets Subsidiary Account" until title transfers to the state and the fair value of the asset meets the state's capitalization policy.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject ED or other subobject as appropriate)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

To record subsequent acquisition of non-capitalized leased assets in Account 997 "General Capital Assets Subsidiary Account" upon transfer of the title. The asset is recorded at the fair value at the time title transfers.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	xxx	
Investment in General Capital Assets (9850)		xxx

85.65.62.b Proprietary and Fiduciary Fund Type Accounts.

To record capitalized leased equipment acquired by proprietary and fiduciary fund type accounts in the account acquiring the leased assets. Refer to Subsection 85.60.70.b.

	Dr.	Cr.
Furnishings and Equipment (2410)	xxx	
Lease Purchase Agreements Payable (5172)		xxx
Lease Purchase Agreements Payable (5272)		xxx

The entry to record lease payments, for acquisitions that do not meet the lease-to-own agreement requirements in Subsection 30.20.30, is as follows:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) (Subobject ED or other subobject as appropriate)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

To record the fair value of the subsequent acquisition of non-capitalized leased assets upon transfer of title.

	Dr.	Cr.
Furnishings and Equipment (2410)	xxx	
Cash Revenues (3210) Revenue Source Code (0486) Recoveries of Prior Appropriation Expenditures		xxx

85.65.63 Capital assets acquired through public-private and public-public partnerships - transferor accounting

July 1, 2022

This section provides common illustrative entries made by the **transferor** in a public-private and public-public partnership (PPP) arrangement under various scenarios. Contact your OFM Statewide Accountant to discuss your specific arrangement.

85.65.63.a New asset acquired through PPP that is not a service concession arrangement.

The underlying PPP asset is a new asset purchased or constructed by the operator under an agreement that is not a service concession arrangement (SCA). This example assumes the operator makes an upfront payment at the commencement of the agreement and installment payments throughout the PPP term to the transferor. Ownership of the asset will transfer from the operator to the transferor (state) at the end of the PPP term.

1. Governmental Fund Type Accounts

When the new underlying PPP asset is placed into service, recognize a receivable for the underlying asset measured at the operator's estimated carrying value as of the expected date of ownership transfer; a receivable for the present value of any future PPP installment payments, if any; and a deferred inflow of resources on PPPs. The deferred inflows on PPPs amount should include any prepayments received at or before commencement of the PPP term.

Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)	xxx	
Deferred Inflows on PPPs (5296)		xxx

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Asset Receivable (1694)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To record the **receipt of installment payments** in the operating account.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)		xxx
Cash Revenues (3210) Revenue Source Code (0436) PPP Interest Income		xxx

To **amortize the deferred inflow of resources on PPPs** over the life of the PPP term and recognize PPP revenue.

Operating Account:

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3220) Revenue Source Code (0438) Income from PPPs		xxx

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3222) Revenue Source Code (0438) Income from PPPs		xxx

At the completion of the PPP term, when ownership of the underlying PPP asset is transferred to the operator, record the **receipt of title to the underlying PPP asset** based on the estimated carrying value of the operator and liquidate the capital asset receivable.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Assets (2XXX)	xxx	
Capital Asset Receivable (1694)		xxx

Record **depreciation** until the PPP asset is fully depreciated.

	Dr.	Cr.
Depreciation/Amortization Expense (6591) (Subobject WA)	xxx	
Allowance for Depreciation - Capital Asset (2XXX)		xxx

2. Proprietary and Fiduciary Fund Type Accounts

When the new underlying PPP asset is placed into service, recognize a receivable for the underlying asset measured at the operator's estimated carrying value as of the expected date of ownership transfer; a receivable for the present value of any future PPP installment payments, if any; and a deferred inflow of resources on PPPs. The deferred inflow on PPPs amount should include any prepayments received at or before commencement of the PPP term.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)	xxx	
Capital Assets Receivable (1694)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To record the **receipt of installment payments**.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)		xxx
Cash Revenues (3210) Revenue Source Code (0436)		
PPP Interest Income		xxx

To **amortize the deferred inflow of resources on PPPs** over the life of the PPP term and recognize PPP revenue.

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3220), Revenue Source Code (0438)		
Income from PPPs		xxx

At the completion of the PPP term, when ownership of the underlying PPP asset is transferred to the operator, record the **receipt of title to the underlying PPP asset** based on the estimated carrying value of the operator and liquidate the capital asset receivable.

	Dr.	Cr.
Capital Assets (2XXX)	xxx	
Capital Asset Receivable (1694)		xxx

Record **depreciation** until the PPP asset is fully depreciated.

	Dr.	Cr.
Depreciation/Amortization Expense (6511) (Subobject WA)	xxx	
Allowance for Depreciation - Capital Asset (2XXX)		xxx

85.65.63.b New asset acquired through PPP that is a service concession arrangement.

The underlying PPP asset is a new asset purchased or constructed by the operator under an agreement that meets the definition of a service concession arrangement (SCA). This example assumes the operator makes an upfront payment at the commencement of the agreement and installment payments throughout the PPP term to the transferor.

1. Governmental Fund Type Accounts

At the commencement of the PPP term, record a receivable for the present value of future PPP installment payments and a deferred inflow of resources on PPPs. The deferred inflow on PPPs amount should include any prepayments received at or before commencement of the PPP term.

Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To record the **receipt of installment payments**.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)		xxx
Cash Revenues (3210) Revenue Source Code (0436)		
PPP Interest Income		xxx

When the new underlying PPP asset is placed into service, record the acquisition of a capital asset through a PPP measured at acquisition value and deferred inflows of resources on PPPs.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Asset (2XXX)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To **amortize the deferred inflow of resources on PPPs** over the PPP term and recognize PPP revenue.

Operating Account:

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3220) Revenue Source Code (0438)		
Income from PPPs		xxx

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3222) Revenue Source Code (0438)		
Income from PPPs		xxx

Record **depreciation** until the PPP asset is fully depreciated. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Depreciation/Amortization Expense (6591) (Subobject WA)	xxx	
Allowance for Depreciation - Capital Asset (2XXX)		xxx

2. Proprietary and Fiduciary Fund Type Accounts

At the commencement of the PPP term, record a receivable for the present value of any future PPP installment payments and a deferred inflow of resources on PPPs. The deferred inflow on PPPs amount should include any prepayments received at or before commencement of the PPP term.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To record the **receipt of installment payments** in the operating account.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)		xxx

When the new underlying PPP asset is placed into service, recognize a capital asset for the underlying PPP asset measured at acquisition value.

	Dr.	Cr.
Capital Asset (2XXX)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To **amortize the deferred inflow of resources on PPPs** over the PPP term and recognize PPP revenue.

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3220) Revenue Source code (0438)		
Income from PPPs		xxx

Record **depreciation** until the PPP asset is fully depreciated. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

	Dr.	Cr.
Depreciation/Amortization Expense (6511) (Subobject WA)	xxx	
Allowance for Depreciation - Capital Asset (2XXX)		xxx

85.65.63.c Underlying PPP asset is an existing asset that may require improvements by the operator. The PPP is not a service concession arrangement.

In this example, the underlying PPP asset is an existing asset of the transferor that requires improvements by the operator under an agreement that is not a service concession arrangement (SCA). This example assumes the operator makes an upfront payment at the commencement of the agreement and installment payments throughout the PPP term to the transferor.

1. Governmental Fund Type Accounts

At the commencement of the PPP term, recognize a receivable for the present value of any future PPP installment payments and a deferred inflow of resources on PPPs. The deferred inflow on PPPs amount should include the upfront payment received at or before commencement of the PPP term.

Operating Account:

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To record the **receipt of installment payments**.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)		xxx

To **amortize the deferred inflow of resources on PPPs** over the PPP term and recognize PPP revenue.

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3220) Revenue Source Code (0438)		
Income from PPPs		xxx

When the improvements to the existing underlying PPP asset are placed into service, recognize an addition to capital assets for the acquisition value of the improvements and a deferred inflow of resources on PPPs.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Asset-Improvements (2XXX)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To **amortize the deferred inflow of resources on PPPs** over the PPP term and recognize PPP revenue.

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3222) Revenue Source Code (0438) Income from PPPs		xxx

Record **depreciation** on the PPP asset over its useful life. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

	Dr.	Cr.
Depreciation/Amortization Expense (6591) (Subobject WA)	xxx	
Allowance for Depreciation - Capital Asset (2XXX)		xxx

2. Proprietary and Fiduciary Fund Type Accounts

At the commencement of the PPP term, recognize a receivable for the present value of any future PPP installment payments and a deferred inflow of resources on PPPs. The deferred inflow on PPPs amount should include the upfront payments received at or before commencement of the PPP term.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)	xxx	
Deferred Inflows on PPPs (5296)		xxx

To record the **receipt of installment payments**.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
PPP Installment Payment Receivable (1322/1622)		xxx

If the operator is required by the PPP agreement to make improvements to the existing underlying PPP asset, when those improvements are placed into service, recognize an addition to capital assets for the acquisition value of the improvements and a deferred inflow of resources on PPPs.

	Dr.	Cr.
Capital Assets-Improvements (2XXX)	xxx	
Deferred Inflows on PPPs (5296)		xxx

Record **depreciation** until the PPP asset is fully depreciated. If the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset during the PPP term.

	Dr.	Cr.
Depreciation/Amortization Expense (6511) (Subobject WA)	xxx	
Allowance for Depreciation - Capital Asset (2XXX)		xxx

To **amortize the deferred inflow of resources on PPPs** over the PPP term and recognize PPP revenue.

	Dr.	Cr.
Deferred Inflows on PPPs (5296)	xxx	
Noncash Revenues (3220) Revenue Source Code (0438) Income from PPPs		xxx

85.65.64 Accounting for the construction of capital assets

July 1, 2009

85.65.64.a Governmental Fund Type Accounts

Costs incurred for the construction of capital assets are to be recorded in the account incurring the expenditure. Refer to Subsection 85.60.90.b.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J or other subobject as appropriate	xxx	
Cash in Bank (1110) or In-Process (71XX) or Construction Contracts Payable (5117)		xxx

Construction projects not completed at the end of the accounting period require an entry in Account 997 "General Capital Assets Subsidiary Account."

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Construction In Progress (2510)	xxx	
Investment in General Capital Assets (9850)		xxx

Upon completion of the project, the construction in progress is reclassified to the appropriate capital asset GL code(s) in Account 997 "General Capital Assets Subsidiary Account."

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Assets (2XXX)	xxx	
Construction In Progress (2510)		xxx

85.65.64.b Proprietary and Fiduciary Fund Type Accounts

In proprietary and fiduciary fund type accounts, costs incurred for the construction of capital assets are to be recorded in the account incurring the expense. Refer to Subsection 85.60.90.c.

	Dr.	Cr.
Construction In Progress (2510)	xxx	
Cash in Bank (1110) or		
In-Process (71XX) or Construction Contracts Payable (5117)		xxx

The following additional entry is required for budgeted proprietary or fiduciary fund type accounts where construction costs are appropriated.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J	xxx	
Expense Adjustments/Eliminations (GAAP) (6525) Object J		xxx

Upon completion of the construction project, the construction in progress is reclassified to the appropriate capital asset GL code(s) for the total costs capitalized to date.

	Dr.	Cr.
Capital Assets (2XXX)	xxx	
Construction In Progress (2510)		xxx

85.65.66 Interagency/Interfund Capital Asset Transfers

Jan. 1, 2014

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The following entries illustrate how to record the transfer of a capital asset based on the fund type of the accounts involved in the transfer. Refer to Subsection 85.60.97.b and c.

85.65.66.a Transfer capital asset from Governmental Fund Type Account to a Proprietary or Fiduciary Fund Type Account

The following entry records the transfer of a capital asset from a governmental fund type account. Because governmental fund type accounts focus on current financial resources, no entry is made in the operating account. However, an entry in Account 997 “General Capital Assets Subsidiary Account” is made to record the removal of the capital asset. In this example, the capital asset was not fully depreciated (i.e. the cost is greater than the accumulated depreciation). If the capital asset was fully depreciated (i.e. the cost and the accumulated depreciation are an equal amount), the entries to GL Code 6597 "Capital Asset

Adjustment (General Capital Assets Subsidiary Only)" would net to zero, and there would be no capital contribution recorded in the proprietary fund type account.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Asset Adjustment (General Capital Assets Subsidiary Account Only) (6597) Subobject WF	xxx	
Allowance for Depreciation – Capital Assets (2XXX)	xxx	
Capital Asset (2XXX)		xxx

Proprietary or Fiduciary Fund Type Account:

	Dr.	Cr.
Capital Asset (2XXX)	xxx	
Allowance for Depreciation – Capital Assets (2XXX)		xxx
Noncash Revenues (3220) Revenue Source Code 0820 Capital Contributions		xxx

Note: If a cash payment is made in conjunction with the transfer of the capital asset, it is receipted into the governmental operating account that initially purchased the capital asset using GL Code 3210 "Cash Revenues" with Revenue Source Code 0416 " Sale of Property – Other."

85.65.66.b Transfer capital asset from Proprietary or Fiduciary Fund Type Account to a Governmental Fund Type Account

The following entry records the transfer of a capital asset to a governmental fund type account. Because governmental fund type accounts focus on current financial resources, no entry is made in the operating account. However, an entry in Account 997 "General Capital Assets Subsidiary Account" is made to record the addition of the capital asset. In this example, the capital asset was not fully depreciated (i.e. the cost is greater than the accumulated depreciation). If the capital asset was fully depreciated (i.e. the cost and the accumulated depreciation are an equal amount), the entries made to GL Code 9850 "Investment in General Capital Assets" would net to zero, and there would be no gain or loss on the sale of the capital asset recorded in the proprietary or fiduciary fund type account.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Capital Assets (2XXX)	xxx	
Allowance for Depreciation – Capital Assets (2XXX)		xxx
Investment in General Capital Assets (9850)		xxx

Proprietary or Fiduciary Fund Type Account:

	Dr.	Cr.
Allowance for Depreciation – Capital Assets (2XXX)	xxx	
Gain and Loss on Sale of Capital Assets (3213) Revenue Source Code (0418) Gain or Loss on Sale of Capital Assets	xxx	
Capital Asset (2XXX)		xxx

Note: If a cash payment is made in conjunction with the transfer of the capital asset, it is paid by the governmental operating account associated with the activity that will be using the capital asset using GL Code 6510 “Cash Expenditures” with the appropriate J subobject, and by the proprietary or fiduciary fund type account using GL Code 3213 “Gains and Losses on Sales of Capital Assets” with Revenue Source Code 0418 “Gain or Loss On Sale of Capital Assets.”

85.70 Short-Term Liabilities

85.70.10 About short-term liabilities

May 1, 1999

Short-term liabilities are legal obligations which arise upon the receipt of goods or services. In governmental fund type accounts, short-term liabilities are payable from current, available resources. In proprietary fund type accounts, short-term liabilities are obligations payable within one year. Short-term liabilities are accounted for in the GL Code Series 51XX. Refer to Subsection 75.40.20 of this manual for a description of the various short-term liability general ledger codes.

85.70.20 Establishing short-term liabilities

July 1, 2009

85.70.20.a

The accrual method is used in accounting for the expenditures or expenses of all accounts.

85.70.20.b

Agencies establish liabilities at the end of each accounting period for the following items by account, appropriation, program, object, and sub-object:

- Utilities - Actual based on vendor invoices, or estimate based on past experience.
- Rentals - Actual based on lease agreements.
- Travel Expenses - Actual based on travel vouchers, or estimate based on past experience or prior approval of travel.

- Payroll Taxes - Actual based on actual payrolls, or estimate based upon prior pay period.
- Salaries and Wages - Actual based on time records, or estimate based upon prior pay period. When accruing salaries and wages, agencies are to also accrue the associated number of Full-Time Equivalent (FTE) staff months.
- All other obligations that have been incurred but not paid, and that are due and payable with current available resources, generally within one year.

85.70.20.c

A Journal Voucher (A7-A) or other authorized source document is to be prepared to record liabilities. Refer to Subsection 85.85.15 for an illustrative entry.

85.70.20.d

Liabilities are to be recorded based on the best available information. If the amount of the accrual is known (i.e., the invoice has been received or the amount is otherwise known), the entry is to be made to GL Code 6505 "Accrued Expenditures/Expenses." With prior written approval from the OFM Statewide Accounting (refer to Subsection 1.10.50), non-AFRS warrant producing agencies can use alternate coding for recording Expenditures/Expenses.

At the end of the expenditure authority period, if the amount is not known, but can be reasonably estimated following the procedures for determining accounting estimates at Subsection 90.20.55, the entry is to be made to GL Code 6560 "Estimated Accrued Expenditures/Expenses." Refer to Subsections 90.30.50.b and d for illustrative entries.

The payment of liabilities is to be recorded separately from the accrual (or establishment) of liabilities to allow for proper financial reporting, as required by GASB Statement 34.

85.70.20.e

Each accrual transaction is to be supported by complete documentation. The use of "dummy" or projected accruals as a method to avoid transfers to reserve or circumvent the allotment process is an improper application of accrual accounting and is not to be practiced.

85.70.30 Accounts payable

May 1, 1999

Amounts owed on open account for the purchase of goods or services are recorded in GL Code 5111 "Accounts Payable." The recording of an account payable represents an acknowledgment on the part of the agency that the goods or services have been received and that an actual liability which must be liquidated at a future date exists. Amounts due to other accounts, other agencies or other governments are not reported in this GL code. Such amounts are reported separately in the GL Code 515X Series.

85.70.40 Unavailable revenues

June 1, 2015

Governmental funds use the modified accrual basis of accounting which recognizes revenues in the period in which they become measurable and available. Generally, revenues are deemed available if they will be collected either within the current period or soon enough after the end of the period to pay current year liabilities. In Washington, accrued revenues are generally deemed available if collectible within 12 months.

Therefore, accrued revenues deemed unavailable typically are collectible beyond one year and should be offset by GL Code 5292. Examples include long term receivables and contracts for the harvest of timber that extend beyond 12 months.

GL Code 5192 should be used only in limited instances where the revenue associated with a receivable does not meet the revenue recognition criteria and will be collected within one year. An example where GL Code 5192 is properly used is to offset property taxes receivable that are expected to be collected after 60 days following year end but within one year.

Refer to Subsection 85.85.24 for an illustrative entry.

85.70.45 Unearned revenues

June 1, 2015

Under both the modified accrual and accrual basis of accounting, revenue may only be recognized when earned. If the asset recognition criteria is met before the earnings process is complete, the asset must be offset by a corresponding liability for unearned revenue (GL Codes 5190 and 5290).

Examples of revenues not yet earned include:

- Advance payments,
- Prepayments made pursuant to agreements,
- Insurance premiums billed in advance,
- Prepaid tuition and fees (summer school), and
- Prepaid tolls.

Refer to Subsection 85.85.25 for an illustrative entry.

85.70.50 Short-term portion of long-term obligations

June 1, 2004

Amounts due within the next year on long-term obligations are classified as short-term liabilities. Refer to Subsection 85.85.22 for an illustrative entry.

85.72 Long-Term Obligations

85.72.10 About long-term obligations

June 1, 2013

Depending on the nature of the obligation, long-term obligations of the state are accounted for in one of two ways. Long-term obligations related to, and expected to be paid from, proprietary and fiduciary fund type accounts are accounted for in those accounts (fund long-term obligations). All other long-term obligations (general long-term obligations) are accounted for in the General Long-term Obligations Subsidiary Account (Account 999). Subsection 75.40.20 of this manual describes the various long-term obligation general ledger codes.

85.72.10.a Fund Long-Term Obligations

Fund long-term obligations are directly related to and payable from **proprietary and fiduciary fund type accounts**. They generally are not expected to be paid in the next year.

Enterprise fund long-term obligations are reported in the proprietary fund statement of net position as well as in the business-type activities column of the government-wide statement of net position.

Internal service fund long-term obligations are reported in the internal service funds column in the proprietary fund statement of net position as well as in the governmental activities column in the government-wide statement of net position.

Fiduciary fund long-term obligations are reported in the statement of fiduciary net position.

85.72.10.b General Long-Term Obligations

All long-term indebtedness of the state which is not classified as a fund obligation should be accounted for as a general long-term obligation. General long-term obligations are liabilities that will not be paid by expending available resources as of the end of the current fiscal year.

General long-term obligations are not reported in governmental funds, but are reported in the governmental activities column in the government-wide statement of net position.

85.72.15 State Finance Committee approval

July 1, 2008

The State Finance Committee (established under Chapter 43.33 RCW) is composed of the Governor, Lieutenant Governor and State Treasurer, the latter being designated by law as chair. The Office of the State Treasurer provides administrative support to the State Finance Committee.

Bonds. By law, the State Finance Committee is delegated authority to supervise and control the issuance of all state bonds. Bonds are authorized by the legislature for the purpose of providing funds to finance the projects described and authorized by the legislature in the capital, transportation, and/or operating appropriations bills. By statutory provisions, certain higher education institutions have authority to issue revenue bonds.

Financing Contracts. RCW 39.94.010 requires that all financing contracts of the state for the acquisition of real and personal property, which provide for payments over a term of more than one year, be subject to approval by the State Finance Committee.

RCW 28B.10.022 requires that similar financing contracts of the regional universities, the Evergreen State college and the state board for community and technical colleges, as well as some of the financing contracts of state colleges, be subject to approval by the State Finance Committee. RCW 28B.10.022 also allows the board of regents of a state university to enter into certain financing contracts on their own.

However, except for financing contracts for research facilities or equipment described under Chapter 28B.140 RCW, the board of regents must notify the State Finance Committee at least sixty days prior to entering into such contracts.

85.72.20 Bonds payable

June 1, 2013

85.72.20.a

Amounts owed from the issuance of long-term debt under a formal legal procedure and secured either by the pledge of specific revenues or by the full faith and credit of the state are recorded as Bonds Payable. Bond issues for the state of Washington include:

- **General Obligation Bonds** - Statewide bond issues that are secured by an unconditional pledge of the full faith and credit and taxing power of the state.
- **Zero-Coupon General Obligation Bonds** - These bonds are also secured by an unconditional pledge of the full faith and credit and taxing power of the state. They are sold at a deep discount without coupons and accrete to full value at maturity.
- **Revenue Bonds** - These bond issues do not involve a pledge of the full faith and credit of the state. The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. Other revenue bonds, including those issued by other colleges and universities, are payable from identified sources of revenue which are generally derived from the assets acquired or constructed with the bond proceeds.
- **Refunding Bonds** - When advantageous and permitted by statute and bond covenants, the State Finance Committee can authorize current or advance refundings of outstanding general obligation bonds. Refunding bonds are issued to retire bonds already outstanding. Colleges and universities may also issue refunding bonds to refund their outstanding revenue bonds.

85.72.20.b

When issued, the bonds discussed above specify principal repayments as:

- **Term Bonds** - Bonds for which the entire principal matures on one date.
- **Serial Bonds** - Bonds for which the principal is repaid in periodic installments over the life of the issue.

85.72.20.c

Bond Accounting – Bonds are accounted for in one of two ways depending on whether they are classified as fund obligations or general long-term obligations.

- **Fund Bond Debt** – Bond obligations related to and intended to be paid from proprietary fund type accounts are recorded in such accounts. Refer to Subsection 85.85.30 of this manual for illustrative entries for issuance and servicing of fund bond debt. If deemed material, original issue discounts (OID) and original issue premiums (OIP) are recorded using GL Codes 1910 "Unamortized Discount on Bonds Sold," and 5910 "Unamortized Premiums on Bonds Sold" respectively and amortized over the life of the bonds using GL Code 6512 “Amortization Expense” Subobject WB “Amortization.” Issuance costs, including underwriters’ discounts, are recorded as expenses using GL Code 6510 “Cash Expenditures/Expenses” and appropriate object codes such as C or E or Subobject PC “Other Debt Costs.” If the OIP or OID is deemed immaterial, they should be recorded in the same manner as the other issuance costs.

- **General Bond Debt** - When bonds are issued that are not fund obligations, the liability for the par amount of the bonds issued is recorded in Account 999 “General Long-Term Obligations Subsidiary Account.” In addition, the account receiving the proceeds records the par amount of the bonds using Revenue Source Code 0860 “Bonds Issued” or 0864 “Taxable Bonds Issued.” Original issue premiums and discounts are recorded to Revenue Source Code 0863 “Original Issue Premium - Bonds” or 0862 “Original Issue Discount - Bonds.” Issuance costs, including underwriters’ discounts, are recorded as expenditures using appropriate object codes such as C or E or Subobject PC “Other Debt Costs.” The debt service activity, which includes redeeming the bonds and making interest payments, is recorded in a debt service fund type account. Refer to Subsection 85.85.35 of this manual for illustrative entries for issuance and servicing of general bonded debt.

85.72.20.d Refunding Bonds

When advantageous and permitted by statute or bond covenants, the state refunds outstanding bonds. Refunding occurs when new debt is issued to provide resources to satisfy the debt service requirements of an outstanding bond issue.

An economic gain or loss arises because of a refunding. The economic gain or loss is computed by determining the difference between the present value of cash flow requirements of the refunded debt and the present value of cash flow requirements of the refunding debt. The economic gain or loss is disclosed in the notes to the financial statements in the state's Annual Comprehensive Financial Report (ACFR).

There are two types of refunding:

- **Current Refunding** - To qualify as a current refunding, the refunded debt must all mature or be redeemed within 90 days from the date of issuance of the refunding debt.

- **Advance Refunding** - In an advance refunding, the net proceeds of the refunding issue are used to purchase U.S. Government securities, which are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds until the bonds are called or mature. The refunded bonds are considered to be defeased. Neither the liability for the refunded bonds nor the securities held in the irrevocable trusts are reflected in the state’s financial accounting records.

In **governmental funds**, bonded debt is refunded using a debt service fund type account but the accounting varies depending on whether it is a current refunding or an advance refunding.

In a current bond refunding, the refunding (new bond) proceeds are recorded with Revenue Source Code 0859 “Proceeds of Refunding Bonds”. The payment to the escrow agent is recorded as an expenditure, subobject PA “Principal” and/or PB “Interest.” Original issue premiums are recorded to Revenue Source

Code 0858 “Original Issue Premium– Refunding Bonds.” Original issue discounts are recorded to Revenue Source Code 0856 “Original Issue Discount – Refunding Bonds.” Issuance costs, including underwriter’s discount, are recorded to Revenue Source Code 0857 “Underwriters Discount/Costs of Issuance – Refunding Bonds.”

In an advance refunding, the refunding (new bond) proceeds are recorded with Revenue Source Code 0859 “Proceeds of Refunding Bonds.” The payment to the escrow agent is recorded with Revenue Source Code 0855 “Payments to Refunded Bond Escrow Agents.” Original issue premiums are recorded to Revenue Source Code 0858 “Original Issue Premium - Refunding Bonds.” Original issue discounts are recorded to Revenue Source Code 0856 “Original Issue Discount - Refunding Bonds.” Issuance costs, including underwriter’s discount, are recorded to Revenue Source Code 0857 “Underwriters Discount/ Costs of Issuance – Refunding Bonds.”

The refunded debt (old bond) is removed from and the refunding debt (new bond) is recorded in Account 999 “General Long-Term Obligations Subsidiary Account.”

In a **proprietary fund type account**, when bonded debt is refunded (either a current or advance refunding), the refunded debt (old bond) is removed from, and the refunding debt (new bond) is recorded in, the applicable account. If material, the difference between (1) the book value of the refunded (old) debt and (2) the amount required to retire the debt is deferred. The deferred amount is recorded in GL Code 5268 “Deferred Inflow on Bond Refundings” (credit amount) or GL 1972 “Deferred Outflow on Bond Refunding” (debit amount). The deferred amount is amortized as an adjustment to interest expense over the remaining life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

The book value of the refunded debt includes its maturity value, and any related unamortized premium or discount (GL Codes 5910 “Unamortized Premiums on Bonds Sold,” and 1910 “Unamortized Discounts on Bonds Sold”).

85.72.25 Right-to-use lease and subscription liabilities

July 1, 2023

85.72.25.a

A lease is a contract that conveys control of the right to use another entity’s capital asset, as specified in the contract, for a specific period of time in an exchange or exchange-like transaction. A lease liability and intangible right-to-use lease asset must be recorded for leases that meet the state’s capitalization policy. See Subsection 30.20.20.

A subscription-based information technology arrangement (SBITA) is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. A subscription liability and intangible subscription asset must be recorded for SBITAs that meet the state's capitalization policy. See Subsection 30.20.20.

85.72.25.b Valuing the Lease or Subscription Liability

At commencement of the lease/subscription term, the lease/subscription liability should be recorded at the present value of payments expected to be made during the lease/subscription term. Refer to Subsection 30.20.35.b and 30.20.45.d for a complete list of payments to be included. The future payments should be discounted using the interest rate stated in the contract. If the rate is not specifically stated in the contract, then the current interest rate the state would be charged to borrow the funds necessary to purchase the asset should be used.

85.72.25.c Lease and SBITA Accounting

Accounting for right-to-use lease agreements and SBITAs consists of:

1. Recording the lease/subscription asset and lease/subscription liability at the commencement of the contract term,
2. Updating DebtBook,
3. Separating periodic payments into principal and interest portions using the contract's amortization schedule,
4. Applying payments to the correct object of expenditure, and
5. Amortizing the lease/subscription asset.

85.72.25.c.(1)

Governmental Fund Type Accounts. In governmental fund type accounts, the entry for a leased asset acquisition at commencement of the lease term is recorded by debiting GL Code 6514 "Capital Asset Acquisitions by Other Financing Sources" with Subobject JS "Intangible Lease and Subscription Asset Capital Outlay," and crediting GL Code 3221 "Other Financing Sources" with Revenue Source Code 0810 "Right-to-Use Lease and Subscription Asset Acquisition."

In addition, corresponding entries are made in (a) Account 997 "General Capital Assets Subsidiary Account" by debiting GL Code Series 26XX "Intangible Right-To-Use Capital Assets" and crediting GL Code 9850 "Investment in General Capital Assets," and (b) Account 999 "General Long-Term Obligations Subsidiary Account" to record the related lease or subscription liability.

Periodic payments represent debt service expenditures in governmental fund type accounts. Agencies should record payments to the lessor/vendor as an expenditure/expense using the subobject and sub-subobject that most accurately represents the payment. For example, Subobject/Sub-subobject ED/D010 “Rentals and Leases – Land and Buildings/Buildings Long Term” or EY/Y040 "Software Licenses, Maintenance, and Subscription-Based Computing Services/Software as a Service (SaaS).

By fiscal year-end, an entry must be recorded to reclassify the amount paid that is applicable to principal and interest on the lease/subscription liability by debiting GL 6525 "Expense Adjustments/Eliminations (GAAP)" with the subobject and sub-subobjects related to the principal and interest and crediting GL 6525 "Expense Adjustments/Eliminations (GAAP)" with the subobject and sub-subojects used when the payments were made to the vendor/lessor.

The principal portion of the lease/subscription liability should be charged to Subobject/Sub-subobject ED/D200 “Rentals and Leases – Land and Buildings/Lease Principal,” EH/H200 “Rentals and Leases –

Furnishings and Equipment/Lease Principal," or EY/Y200 "Software Licenses, Maintenance, and Subscription-Based Computing Services/SBITA Principal." The interest portion of the payment is charged to Subobject/Sub-subobject ED/D201 "Rentals and Leases – Land and Buildings/Lease Interest," EH/H201 "Rentals and Leases – Furnishings and Equipment/Lease Interest," or EY/Y201 "Software Licenses, Maintenance, and Subscription-Based Computing Services/SBITA Interest."

The lease/subscription liability recorded in Account 999 "General Long-Term Obligations Subsidiary Account" is reduced by the amount of the principal payments. At the end of each fiscal year, the balance in GL Code 5274 "Right-to-Use Lease Liability" related to the principal due in the next fiscal year should be reclassified to short term GL Code 5174 "Right-to-Use Lease Liability" and the balance in GL Code 5275 "Subscription IT Liability" related to the principal due in the next fiscal year should be reclassified to short term GL Code 5175 "Subscription IT Liability."

Refer to Subsection 85.85.37.a for illustrative entries.

85.72.25.c.(2)

Proprietary and Fiduciary Fund Type Accounts. In proprietary and fiduciary fund type accounts, a lease liability (GL Codes 5174/5274) or subscription liability (GL Codes 5175/5275) and an intangible right-to-use capital asset (26XX series) should be recorded in the fund at the commencement of the lease/subscription term.

Agencies should record payments to the lessor/vendor as an expenditure/expense using the subobject and sub-subobject that most accurately represents the payment. For example, Subobject/Sub-subobject ED/D010 "Rentals and Leases – Land and Buildings/Buildings Long Term" or EY/Y040 "Software Licenses, Maintenance, and Subscription-Based Computing Services/Software as a Service (SaaS).

By fiscal year-end, an entry must be recorded to reclassify the amount paid that is applicable to principal and interest on the lease/subscription liability by debiting GL Code 5174 "Right-to-use Lease Liability" or GL Code 5175 "Subscription IT Liability" for the portion of the payment related to principal and debiting GL 6525 "Expense Adjustments/Eliminations (GAAP)" with Subobject/Sub-subobject ED/D201 "Rentals and Leases – Land and Buildings/Lease Interest," EH/H201 "Rentals and Leases – Furnishings and Equipment/Lease Interest," or EY/Y201 "Software Licenses, Maintenance, and Subscription-Based Computing Services/SBITA Interest for the portion of the payment related to interest and crediting GL 6525 "Expense Adjustments/Eliminations (GAAP)" with the subobject and sub-subojects used when the payments were made to the vendor/lessor.

In nonbudgeted proprietary and fiduciary fund type accounts, the liability is reduced and the interest expense is recorded as the periodic payments are made. The portion of the payment related to principal is recorded by debiting GL Code 5174 "Right-to-use Lease Liability" or GL Code 5175 "Subscription IT Liability." The portion of the payment related to interest is recorded by debiting GL Code 6510 "Cash Expenditures/Expense" with Subobject/Sub-subobject ED/D201 "Rentals and Leases – Land and Buildings/Lease Interest," EH/H201 "Rentals and Leases – Furnishings and Equipment/Lease Interest," or EY/Y201 "Software Licenses, Maintenance, and Subscription-Based Computing Services/SBITA interest."

Refer to Subsection 85.85.37.b for illustrative entries.

85.72.25.d

Variable payments based on future performance of the agency or usage of the underlying asset should not be included in the measurement of the liability. Rather, those variable payments should be recognized as an expenditure/expense in the period in which the obligation for those payments is incurred.

Variable lease payments are to be recorded by debiting GL Code 6510 “Cash Expenditures/Expenses” with Subobject/Sub-subobject ED/D202 “Rentals and Leases – Land and Buildings/Variable Lease Payments,” EH/H202 “Rentals and Leases – Furnishings and Equipment/Variable Lease Payments,” or EY/Y202 "Software Licenses, Maintenance, and Subscription-Based Computing Services/Variable SBITA Payments."

85.72.25.e

Leases or SBITAs that are short-term or that do not meet the state’s capitalization threshold (refer to Subsection 30.20.20) should be recorded as an expenditure/expense as the payments are made. Lease payments are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with Subobject ED "Rentals and Leases - Land and Buildings" or EH "Rentals and Leases - Furnishings and Equipment." SBITA payments are to be recorded by debiting GL Code 6510 "Cash Expenditures/Expenses" with Subobject EY "Software Licenses, Maintenance, and Subscription-Based Computing Services."

85.72.30 Lease liability for lease-to-own agreements

July 1, 2021

85.72.30.a

Lease-to-own agreements where the ownership of the underlying asset transfers to the state by the end of the contract and does not contain termination options should be recorded as a financed purchase. The liability should initially be recorded at the net present value of the future minimum lease payments at the inception of the lease. Refer to Subsections 30.20.40 and 85.60.70.

Accounting for a lease-to-own agreement consists of:

1. Recording the capital asset and lease-to-own agreements payable at its inception,
2. Updating the capital asset inventory system,
3. Separating periodic payments into principal and interest portions, and
4. Applying payments to the correct object of expenditure.

85.72.30.b

Governmental Fund Type Accounts. At the commencement of the lease term, the acquisition of the capital asset is recorded as an expenditure in GL Code 6514 "Capital Asset Acquisitions by Other Financing Sources" with an appropriate subobject within Object J “Capital Outlays” and the lease proceeds are recorded in GL Code 3221 "Other Financing Sources," Revenue Source Code 0809 "Lease-to-Own Acquisition."

In addition, the capital asset acquired should be recorded in Account 997 "General Capital Assets Subsidiary Account" and the lease obligation should be recorded in Account 999 "General Long-Term Obligations Subsidiary Account." Refer to Subsections 85.60.70 and 30.20.40 for further information.

Periodic lease payments represent debt service expenditures in governmental fund type accounts. Subobject PA is charged for the annual amount paid that is applicable to the principal portion of the lease-to-own agreements payable and Subobject PB is charged for the interest portion of the payment. The lease liability recorded in the General Long-Term Obligations Subsidiary Account (Account 999) is reduced by the amount of principal payments.

Normally the monthly billing will separate the interest portion from principal, but if not separately stated, interest must be computed by the agency using the current market interest rate the lessee would be charged at the inception of the lease to borrow the funds necessary to purchase the asset.

Agencies should review the balance in GL Code 5272 at the end of each fiscal year and reclassify as short term (GL Code 5172 "Lease-to-Own Agreements Payable") that portion of the lease liability that is due to be paid in the next fiscal year.

Payment is normally made from an operating account unless specific requirements dictate use of a debt service fund type account. Refer to Subsection 85.85.40 for illustrative entries.

85.72.30.c

Proprietary and Fiduciary Fund Type Accounts. The entry for a lease-to-own asset acquisition is recorded in the acquiring account by debiting GL Code Series 2XXX "Capital Assets" and crediting GL Code 5172/5272 "Lease-to-Own Agreements Payable." Refer to Subsection 85.65.62.b for illustrative entries. Subsection 85.85.40.b shows detailed illustrations for recording lease liabilities and subsequent payments on leases.

Periodic payments represent a combination of debt service and a reduction of a liability in proprietary and fiduciary fund type accounts. If the lease-to-own liability was recorded in GL Code 5172/5272, then GL Code 5172 is debited for the amount paid that is applicable to the principal portion of the lease-to-own agreements payable and Subobject PB is debited for the interest portion of the payment.

Normally the monthly billing will separate the interest portion from principal, but if not separately stated, interest must be computed by the agency using the current market interest rate the lessee would be charged at the inception of the lease to borrow the funds necessary to purchase the asset.

Agencies should review the balance in GL Code 5272 at the end of each fiscal year and reclassify as short term (GL Code 5172 "Lease-to-Own Agreements Payable") that portion of the lease liability that is due to be paid in the next fiscal year.

85.72.35 Liabilities for public-private and public-public partnerships and availability payment arrangements

July 1, 2022

85.72.35.a

Public-private and public-public partnerships (referred to as PPPs) are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. Some PPPs are service concession arrangements (SCAs). Refer to Subsection 30.20.47.

Availability payment arrangements (APAs) are arrangements in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

85.72.35.b Accounting for PPP and APA liabilities

The **operator** in a PPP arrangement, as applicable to the agreement, records: a liability for installment payments; a right-to-use asset; a liability for the underlying PPP asset to be transferred to the transferor; and a deferred outflow of resources.

APAs should be accounted for as a financed purchase by recording an acquisition of a capital asset and the incurrence of a liability, similar to a lease-to-own agreement. Refer to Subsection 85.85.40 for illustrative entries.

Agencies should contact their OFM Statewide Accountant for more details and assistance.

85.72.40 Certificates of Participation (COP)

June 1, 2013

85.72.40.a

In order to increase the efficiency and cost effectiveness of lease-purchase activity, the State established a master lease purchase program administered through the Office of the State Treasurer (OST). This program uses Certificates of Participation (COP) as a financing mechanism.

Contact the Office of State Treasurer for further information on the COP program. Refer to Subsections 85.60.80, 85.85.45 and 85.85.50 for information on COP accounting.

There are two types of COPs as follows:

- **Equipment Acquisition Program** - Under this program, a capital asset (equipment) is generally acquired with a single transaction.
- **Real Estate Program** - Under this program, an asset (real estate) is purchased, constructed or renovated. The purchase, construction, or renovation activity may take place over a period of time and may involve multiple transactions.

85.72.40.b

Generally, COPs are payable from annual appropriations by the Legislature. If the possibility that the Legislature will fail to appropriate repayment is deemed remote, then a liability for the COP is recorded.

85.72.40.c

When governmental fund type accounts purchase equipment or real estate through COPs, the transaction is not an expenditure authority charge. It is the payment of the COP principal that is charged against expenditure authority.

85.72.40.d

When COP financed capital assets are acquired in governmental fund type accounts, the acquisition or construction is recorded as an expenditure using GL Code 6514 “Capital Asset Acquisitions by Other Financing Sources” and the proceeds are recorded in the acquiring account using GL Code 3221 “Other Financing Sources” Revenue Source Code 0807 “Certificates of Participation.” The COP liability is recorded in Account 999 “General Long-Term Obligations Subsidiary Account” and the capital assets acquired in Account 997 “General Capital Assets Subsidiary Account.”

For real estate acquisition/construction/renovation projects financed through COPs (excluding higher education), the COP proceeds are deposited into and expended out of a construction account.

For acquisition of equipment or real estate through COPs in proprietary and fiduciary fund type accounts, the COP liability and the corresponding asset are recorded in the acquiring account.

All assets acquired with COPs are capitalized. Refer to Subsection 30.20.20.

OST accounts for COP sale and repayment activity in Account 739 “Certificate of Participation and Other Financing Account - State.”

Refer to Subsection 85.85.45 and 85.85.50 for illustrative entries.

85.72.40.e

Typically, COPs have semi-annual debt service payments. In governmental fund type accounts, Subobject PD is charged for the amount paid that is applicable to the principal and Subobject PE is charged for the interest portion of the payment. In proprietary and fiduciary fund type accounts. GL Code 5173 "Certificates of Participation Payable" is charged for the amount paid that is applicable to the principal portion of the COPs and Subobject PE is to be charged for the interest portion of the payment.

Budgeted proprietary fund type accounts require an additional entry to record an expenditure authority charge for the portion of the payment applicable to the principal. This additional entry involves a debit GL Code 6510 "Cash Expenditures/Expense," Subobject PD "Principal COP Lease-Purchase Agreements," and a credit to GL Code 6525 "Expense Adjustments/Eliminations (GAAP)" Subobject PD. Refer to Subsection 85.85.45 and 85.85.50 for illustrative entries.

85.72.40.f

Refunding COPs - When advantageous and permitted by statute or COP covenants, the state refunds outstanding COPs. Refunding occurs when new COPs are issued to provide resources to satisfy the debt service requirements of an outstanding COP issue.

An economic gain or loss arises because of a refunding. The economic gain or loss is computed by determining the difference between the present value of cash flow requirements of the refunded debt and the present value of cash flow requirements of the refunding debt. The economic gain or loss is disclosed in the notes to the financial statements in the state's Annual Comprehensive Financial Report (ACFR).

There are two types of refunding:

- **Current Refunding** - To qualify as a current refunding, the refunded debt must all mature or be redeemed within 90 days from the date of issuance of the refunding debt.
- **Advance Refunding** - In an advance refunding, the net proceeds of the refunding issue are used to purchase U.S. Government securities, which are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded COPs until the COPs are called or mature. The refunded COPs are considered to be defeased. Neither the liability for the refunded COPs nor the securities held in the irrevocable trusts are reflected in the state's financial accounting records.

In **governmental funds**, COP debt is refunded using a governmental fund type account but the accounting varies depending on whether it is a current refunding or an advance refunding.

In a current COP refunding, the refunding (new COP) proceeds are recorded with Revenue Source Code 0854 "Proceeds of Refunding COPs." The payment to the escrow agent is recorded as an expenditure, subobject PA "Principal" and/or PB "Interest." Original issue premiums are recorded to Revenue Source Code 0853 "Original Issue Premium – Refunding COPs." Original issue discounts are recorded to Revenue Source Code 0851 "Original Issue Discount – Refunding COPs." Issuance costs, including underwriter's discount, are recorded to Revenue Source Code 0852 "Underwriters Discount/Costs of Issuance – Refunding COPs."

In an advance COP refunding, the refunding (new COP) proceeds are recorded with Revenue Source Code 0854 "Proceeds of Refunding COPs." The payment to the escrow agent is recorded with Revenue Source Code 0850 "Payments to Refunded COP Escrow Agents." Original issue premiums are recorded to Revenue Source Code 0853 "Original Issue Premium – Refunding COPs." Original issue discounts are recorded to Revenue Source Code 0851 "Original Issue Discount – Refunding COPs." Issuance costs, including underwriter's discount, are recorded to Revenue Source Code 0852 "Underwriters Discount/ Costs of Issuance – Refunding COPs."

The refunded debt (old COP) is removed from and the refunding debt (new COP) is recorded in Account 999 "General Long-Term Obligations Subsidiary Account."

In a **proprietary or fiduciary fund** type account, when COP debt is refunded (either a current or advance refunding), the refunded (old) COP is removed from, and the refunding (new) COP is recorded in the applicable account. If material, the difference between (1) the book value of the refunded (old) COP and

(2) the amount required to retire the old COP is deferred. The deferred amount is recorded in GL Code 5266 “Deferred Inflow on COP Refundings” (credit amount) or 1971 “Deferred Outflow on COP Refunding” (debit amount). The deferred amount is amortized as an adjustment to interest expense over the remaining life of the refunded COP or the life of the refunding COP, whichever is shorter. Refer to Subsection 85.85.52 for illustrative entries.

The book value of the refunded COP includes its maturity value, any related unamortized premium or discount (GL Codes 5920 “Unamortized Premiums on COPs Sold” and 1911 “Unamortized Discounts on COPs Sold”).

85.72.50 Compensated absence liabilities

July 1, 2024

85.72.50.a General

A liability accrues as employees accumulate compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off while employed or settled (for example, paid in cash to the employee or to an employee flex spending account) upon separation from employment. Refer to subsection 80.30.55 - Compensated absence policy.

Additionally, a liability accrues to the state for certain payroll related costs (e.g., the employer's portion of social security and Medicare taxes). Governmental fund type accounts accumulate this liability in Account 999 "General Long-Term Obligations Subsidiary Account." Proprietary and fiduciary fund type accounts record these liabilities in the vacation leave payable as a fund liability.

85.72.50.b Establishing the Liability

85.72.50.b.(1) Vacation Leave

As a part of the year-end closing process, a determination is made of the dollar value of accumulated vacation leave due employees on June 30 using current salary levels. One of two methods is to be employed in this computation:

- Determine the accumulated vacation leave liability on an employee-by-employee basis by multiplying the hours accumulated by the respective employee's current hourly rate; or
- Multiply the total accumulated vacation leave hours by the average hourly rate of all employees. (This option is to be used only by those agencies that do not have an automated system capable of making the calculation on an individual employee basis.)

Once the dollar value of the vacation leave due employees is determined the employer portion of associated payroll related costs is calculated. The sum of the amount payable to employees and the employer share of the related payroll costs represents Accrued Vacation Leave Payable.

Using the assumption that employees are currently taking the leave that they most recently earned (last in, first out), and given that accrued vacation leave generally increases year to year, the long-term designation (GL Code 5225) is generally appropriate. Under this assumption, vacation leave liabilities would be classified as short term only when special circumstances exist, such as a significant number of retirements or terminations (resulting in unusually high vacation leave buy-out) are expected in the next year.

85.72.50.b.(2) Sick Leave

As a part of the year-end closing process, a liability for sick leave is to be accrued for the estimated amount that will be paid as sick leave buy-out upon retirement directly to employees or on employees' behalf to a health plan such as a voluntary employee's beneficiary association (VEBA) account.

To calculate the liability, the dollar value of sick leave accumulated as of year-end is divided by four (since the state's buy-out policy is one day for every four accumulated) and then multiplied by the actuarially determined factor representing the probability that leave will be cashed out at retirement. This factor will be available annually from OFM Statewide Accounting. Agencies that use a leave system other than the Human Resources Management System (HRMS) may use alternative methods for determining the accumulated sick leave estimated to be cashed out or used as sick leave based on data from their leave system.

Once the dollar value of the sick leave due to employees is determined, the employer portion of associated payroll related costs is calculated. The sum of the amount payable to employees and the employer share of the related payroll costs represents Accrued Sick Leave Payable.

Using the assumption that employees are currently taking the leave that they most recently earned (last in, first out), and given that accrued sick leave generally increases year to year, the long-term designation (GL Code 5227) is generally appropriate. Under this assumption, sick leave liabilities would be classified as short term only when special circumstances exist, such as a significant number of retirements (resulting in unusually high sick leave buy-out) are expected in the next year.

85.72.50.b.(3) Compensatory and Miscellaneous Leave

As a part of the year-end closing process, a determination is made of the dollar value of accumulated compensatory time, personal holidays, exchange time, and other leave types that meet the definition of a compensated absence in Subsection 80.30.55 that is due employees on June 30 using current salary levels.

One of two methods is to be employed in this computation:

- Determine the accumulated leave liability on an employee-by-employee basis by multiplying the hours by the respective employee's current hourly rate or the rate at which the leave is paid out. For example compensatory time may be paid at the employee's current hourly rate times one-and-a-half; or
- Multiply the total accumulated leave balances by an average hourly rate. (This option is to be used only by those agencies that do not have an automated system capable of making the calculation on an individual employee basis.)

Once the dollar value of the compensatory time and miscellaneous leave due to employees is determined, the employer portion of associated payroll related costs is calculated. The sum of the amount payable to employees and the employer share of the related payroll costs represents Accrued Compensatory and Miscellaneous Leave Payable.

The short-term designation is generally more appropriate for the compensatory and miscellaneous leave payable based on the rules, laws, and collective bargaining agreements covering when the leave must be used. This includes compensatory time, personal holidays, exchange time, and shared leave. Agencies will need to determine the most appropriate designation of other miscellaneous leave.

85.72.50.c Recording Compensated Absence Liabilities

85.72.50.c.(1)

Adjustments are made at the close of the fiscal year to record the net increase or decrease in the compensated absence liabilities. Agencies with multiple proprietary accounts or a combination of governmental and proprietary accounts need to allocate the compensated absence liabilities to each proprietary account and a single total for **all** governmental fund type accounts. This allocation may be estimated when leave records are not maintained by account.

85.72.50.c.(2)

In proprietary and fiduciary fund type accounts, net increase or decrease in the compensated absence liabilities are recorded as a fund liability through a debit to GL Code 6525 “Expense Adjustments/ Eliminations (GAAP)” (using expenditure authority and program codes as appropriate) and a credit to GL Code 5125 and/or 5225 “Accrued Vacation Leave Payable,” GL Code 5127 and/or 5227 “Accrued Sick Leave Payable,” or GL Code 5128 and/or 5228 "Accrued Compensatory and Miscellaneous Leave Payable,” based on the leave type and the appropriate short-term or long-term designation. Net decreases in the liabilities are recorded by a debit to GL Code 5125, 5225, 5127, 5227, 5128 and/or 5228 and a credit to GL Code 6525 with applicable expenditure authority and program codes.

85.72.50.c.(3)

For governmental fund type accounts, net increase or decrease in the compensated absence liabilities are recorded in Account 999 "General Long-Term Obligations Subsidiary Account" as a debit to GL Code 1820 "Amount to be Provided for Retirement of Long-Term Obligations" and a credit to the GL Code 5125 and/or 5225 “Accrued Vacation Leave Payable,” GL Code 5127 and/or 5227 “Accrued Sick Leave Payable,” or GL Code 5128 and/or 5228 "Accrued Compensatory and Miscellaneous Leave Payable,” based on the leave type and the applicable short-term or long-term designation. Net decreases in the liabilities are recorded as a debit to GL Code 5125, 5225, 5127, 5227, 5128 and/or 5228 and a credit to GL Code 1820.

85.72.70 Termination benefits

July 1, 2006

A liability accrues for termination benefits provided to state employees. Additionally, a liability accrues to the state for certain payroll related costs (e.g., the employer's portion of pension benefit and social security and Medicare taxes). Unemployment compensation or effects of a termination benefit on the agency's obligations for pension or other post employment benefits are not considered termination benefits.

In governmental fund type accounts, termination benefits are recorded as an expenditure and fund liability. In proprietary and fiduciary fund type accounts, termination benefits are recorded as an expense and fund liability. Agencies should contact their OFM Statewide Accountant for further guidance on recording termination benefits.

85.74 Special Liabilities

85.74.20 Public works contracts - retention of payments

July 1, 2012

85.74.20.a General

85.74.20.a.(1)

RCW 60.28.011 requires, in part, that all contracts for public improvements or work, other than for professional services, by a public body must provide for retention from the amounts earned by the contractor those amounts provided by law. Such monies are to be retained in accordance with the provision of the law for the protection and payment of the claims of any person arising under the contract and the state for taxes due from the contractor.

Highway, street or road public improvement contracts funded in whole or in part by federal transportation funds are to rely upon the contract bond as referred to in Chapter 39.08 RCW for protection of payment and taxes, as described in the preceding paragraph.

85.74.20.a.(2)

The monies withheld from amounts due a contractor under the provisions of a public works contract, at the option of the contractor, shall be:

- Retained in an account by the agency, or
- Deposited by the agency in an interest bearing account in a qualified public depositary, or
- Placed in escrow with a bank or trust company by the agency.

- Alternatively, a contractor may submit a bond for all or any portion of the contract retainage in a form acceptable to the agency and from a bonding company meeting standards established by the agency.

85.74.20.a.(3)

Following the award of a contract for public improvements or work for which retained percentages are required to be withheld under the provisions of RCW 60.28.011, agencies are to require the contractor to exercise an option in writing as to whether monies withheld from amounts due to the contractor are to be retained by the agency, deposited in an interest bearing account, placed in escrow, and/or whether the contractor will submit a bond for all or a portion of the contract retainage. Agencies are to develop procedures for informing the contractor of the options and method for exercising the option selected.

An option must be exercised prior to or at the time of submission of the invoices for the first progress payment to be made under the contract. No progress payment is to be made until the contractor has exercised an option in writing.

85.74.20.a.(4)

Payments on contracts for public improvements or work should be made in accordance with Chapter 60.28 RCW.

85.74.20.a.(5)

Refer to Subsection 85.85.60 of this manual for illustrative entries related to retained percentages.

85.74.20.b Retainage Held by the Agency

When an election is made for the agency to hold the retainage in a state account, the agency records the amount retained in GL Code 5116 "Retained Percentages Payable." The agency should maintain a subsidiary record of the retainage held by contract number and contractor name.

85.74.20.c Retainage Deposited in Interest Bearing Accounts

85.74.20.c.(1)

When an election is made to deposit amounts withheld in an interest bearing account in a public depositary, the contractor and agency are to select an institution agreeable to both. The financial institution selected must be a qualified public depositary under Chapter 39.58 RCW.

85.74.20.c.(2)

Deposits in an interest bearing account are to be in the name of the agency and are not allowed to be withdrawn without the agency's written authorization.

85.74.20.c.(3)

Interest earned on deposits is to be paid to the contractor as said interest becomes payable under the terms of the deposit. The agency is to notify the institutions to withhold all further payments of interest in the event claims are filed against the contractor. After such notice, all unpaid interest is to be subject to the conditions of Chapter 60.28 RCW. The account is to be appropriately noted by the public depositary to enable that institution to report interest payments made to the contractor to the Internal Revenue Service in the proper format.

85.74.20.d Retainage Placed in Escrow

85.74.20.d.(1)

When the contractor elects to place amounts withheld in escrow, the contractor selects a bank or trust company as the escrow agent. The agency, contractor, and escrow agent are to then jointly execute an Escrow Agreement approved as to form by the Attorney General. The Escrow Agreement, in addition to other requirements, is to provide for payment of all escrow services and brokerage fees by the contractor and is to stipulate that the contractor agrees to assume all risks in connection with the investment of the retained percentages. A copy of the completed Escrow Agreement is to be provided to the escrow agent, contractor, and agency prior to the time the first progress payment is made.

85.74.20.d.(2)

When the moneys withheld are placed in escrow, the warrant or check representing the sum of the monies withheld is to be made payable to the bank or trust company and the contractor jointly. Such monies are to be converted into bonds and securities and held in escrow. The bonds and securities are to be chosen by the contractor and approved by the agency. Interest on the bonds and securities shall be paid to the contractor as said interest becomes payable under the terms of the Escrow Agreement.

In approving securities, the agency is to consider the probable safety of the securities and their liquidity in relation to completion of the project and the timing of retention payments per statute. The agency may approve investments in bonds or securities eligible for investment by public entities, pursuant to RCW 43.84.080 and Chapters 39.58, 39.59 and 43.250 RCW.

85.74.20.d.(3)

The agency is to retain in its files all documents, supporting data, and records which reflect all actions taken relating to the escrow account and the investment of escrow monies.

85.74.30 Unclaimed property

Jan. 1, 2023

In accordance with state law, unclaimed personal property is held by the state in the absence of legal claimants. The state accounts for abandoned property in Account 196 "Unclaimed Personal Property

Account." Amounts in excess of a statutory limit are transferred to the General Fund. The state establishes a liability in Account 196 to reflect an estimate of the amount that will eventually be claimed using short-term GL Code 5193 "Liability for Unclaimed Property Refunds" and long-term GL Code 5293 "Liability for Unclaimed Property Refunds."

The state uses Account 527 "Administrator for Intestate Estates Account" for escheat property. Property escheats to the state from the estates of persons who die intestate without any known or discoverable heirs. Account 527 is used to account for the escheat property pending identification of rightful heirs.

Refer to RCW 63.30.040.

85.74.40 Claims and judgments

Oct. 1, 2011

85.74.40.a

Agencies are to record a liability for claims and judgments when all four of the following criteria are met:

- The event giving rise to the claim occurred prior to the end of the fiscal year,
- It is probable that a claim will be asserted,
- It is probable that the claim will prevail, and
- The amount of the loss is measurable or estimable.

85.74.40.b

In governmental fund type accounts, a claim or judgment is recognized as an expenditure and a liability as of the date that payment became due pursuant to the terms of a settlement agreement or court judgment (assuming there is no appeal) regardless of whether or not there are sufficient available spendable resources to liquidate them. The remaining portion of the liability is recorded in Account 999 “General Long-Term Obligation Subsidiary Account.”

85.74.40.c

In proprietary and fiduciary fund type accounts, claims and judgments are always fund liabilities. They are separated into short-term GL Code 5113 "Claims and Judgments Payable" and long-term GL Code 5213 "Claims and Judgments Payable."

85.74.40.d

An example of a claims liability involves disallowed costs on federal programs. At the point that the agency determines that it is probable that a repayment will be made to the federal government and the amount is measurable, a claims liability is to be recorded. Additionally, an adjustment for the amount of the repayment is to be recorded to reduce both the federal revenue and expenditure/expense initially charged. Refer to Subsection 85.85.65 for an illustrative entry.

85.74.40.e

In instances where it is reasonably possible that a loss has occurred or an asset has been impaired, or a loss is probable but not measurable, a liability should not be recorded. These contingent obligations are reported by means of the year-end disclosure form process and disclosed in the notes to the state's financial statements.

85.74.45 Asset Retirement Obligations

June 1, 2019

85.74.45.a

Asset retirement obligations are legally enforceable liabilities associated with the retirement of a tangible capital asset. A liability and corresponding deferred outflow of resources should be recognized in the financial statements.

85.74.45.b

When both an external obligating event and an internal obligating event resulting from normal operations occur, agencies must attempt to estimate the expected current value of outlays expected to be incurred.

85.74.45.c

An external obligating event is one of the following:

- Approval of federal, state or local laws or regulations.
- Creation of a legally binding contract.
- Issuance of a court judgement.

85.74.45.d

An internally obligating event is an action taken by the government that requires the government to apply legal requirements to the government's specific circumstances.

An internally obligating event is one of the following:

- Contamination resulting from normal operations and is not in the scope of GASB statement 49 (Pollution Remediation).
- Non-contamination related:
- Consuming a portion of the usable capacity by the normal operations of that capital asset.
- Placing into operation a tangible capital asset that is required to be retired.
- Permanent abandonment of an asset before it is placed into operation.
- Acquiring a tangible capital asset that has an existing asset retirement obligation.

85.74.45.e

The liability for an asset retirement obligation should be measured at current value (not present value) using all available evidence. The current value is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the current reporting period. The liability should be adjusted annually if there is a significant change in the estimate.

Best estimates should be determined by probability weighting of potential outcomes when sufficient evidence is available or can be obtained at reasonable cost.

When probability weighting cannot be accomplished at reasonable cost, the most likely amount in the range of potential outcomes should be used.

85.74.45.f

In governmental fund type accounts, goods and services that are used for asset retirement activities should be recognized as liabilities of the operating accounts only to the extent that the goods and services have been received and the liabilities are expected to be liquidated with current available spendable resources. An entry is required to reserve a portion of fund balance to indicate that the liability is not available for appropriation.

This is accomplished by debiting the appropriate Fund Balance GL Code and crediting GL Code 9265 “Restricted for Asset Retirement Obligations.” The remaining portion of the liability is recorded in Account 999 “General Long-Term Obligation Subsidiary Account.”

85.74.45.g

In proprietary and fiduciary fund type accounts, asset retirement obligations are always fund liabilities. They are separated into short-term liabilities using appropriate general ledger codes (for example, accounts payable or accrued salaries) and long-term liabilities using GL Code 5289 “Asset Retirement Obligation.”

85.74.45.h

Agencies should recognize deferred outflow of resources equal to the same amount of the corresponding liability upon initial measurement using GL Code 1976 “Deferred Outflows on Asset Retirement Obligations.”

A reduction of the deferred outflow should be recognized in a systematic and rational manner over a period of time. That is, either over the entire estimated useful life of the tangible asset or over the remaining estimated useful life of the tangible asset starting from when the outflow is initially recognized.

85.74.45.i

Agencies that have or believe they may have asset retirement obligations should contact their OFM Statewide Accountant for assistance. Refer to Subsection 90.40.75 for fiscal year-end disclosure requirements related to asset retirement obligations.

85.74.50 Pollution remediation obligations

July 1, 2009

85.74.50.a

Pollution remediation obligations are liabilities related to the State's responsibility to clean up pollution or contamination. They do not include obligations for pollution prevention or control activities.

85.74.50.b

When one of the following five events or circumstances occurs, agencies must attempt to estimate the expected pollution remediation outlays:

- Pollution poses an imminent danger to the public or environment and the agency has little choice but to take action.
- The agency violates a pollution prevention-related permit or license.
- A regulator identifies the agency as responsible or potentially responsible for cleaning up pollution.
- The agency is named (or evidence indicates that it will be named) in a lawsuit to compel it to address pollution.
- The agency begins or legally obligates itself to begin clean up or post-clean up activities.

85.74.50.c

Pollution remediation efforts should be broken down into components, such as legal services, site investigation, and post remediation monitoring. On an on-going basis, the efforts should be analyzed by component to determine if costs are reasonably estimable. A liability should be recognized as the ranges within a component become reasonably estimable.

85.74.50.d

The liability for the pollution remediation should be measured at current value (not present value) using the expected cash flow technique. The expected cash flow technique is the sum of probability-weighted amounts in a range of possible estimated amounts.

85.74.50.e

In governmental fund type accounts, goods and services that are used for pollution remediation activities should be recognized as liabilities of the operating accounts only to the extent that the goods and services have been received and the liabilities are expected to be liquidated with current available spendable resources. The remaining portion of the liability is recorded in Account 999 "General Long-Term Obligation Subsidiary Account."

85.74.50.f

In proprietary and fiduciary fund type accounts, pollution remediation obligations are always fund liabilities. They are separated into short-term liabilities using appropriate general ledger codes (for example, accounts payable, claims and judgments payable, or accrued salaries) and long-term liabilities using GL Code 5287 "Pollution Remediation Obligation."

85.74.50.g

Agencies that have or believe they may have pollution remediation obligations should contact their OFM Statewide Accountant for assistance. Refer to Subsection 90.40.75 for fiscal year-end disclosure requirements related to pollution remediation obligations.

85.74.55 Other post employment benefit (OPEB) obligations

July 1, 2008

Obligations for other post employment benefits (OPEB), such as retiree medical and dental insurance subsidies, are recognized as the benefits are being earned. Even though Washington's OPEB are not formalized in a contract or plan document, GAAP require that the actuarially determined value of the annual required contribution be recognized on an annual basis. To the extent that the annual required contribution is not funded, an OPEB obligation accrues.

In governmental fund type accounts, the OPEB obligation is recorded in Account 999 "General Long-Term Obligation Subsidiary Account.

In proprietary and fiduciary fund type accounts, the OPEB obligation is recorded as a fund liability.

85.80 Fund Balance/Net Position

85.80.10 Fund balance/net position

July 1, 2023

85.80.10.a

In governmental fund type accounts, the difference between assets, liabilities, deferred inflows of resources, and deferred outflows of resources is called fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. These classifications reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Adjustments to fund balance are made at the account level to identify the degree of constraint.

85.80.10.b

In proprietary fund type accounts, the difference between assets, liabilities, deferred inflows of resources, and deferred outflows of resources is called net position. Net position is comprised of three components - net investment in capital assets; restricted; and unrestricted.

85.80.10.c

For reporting at the government-wide level, the difference between assets, liabilities, deferred inflows of resources, and deferred outflows of resources is presented in the net position format consistent with proprietary funds.

85.80.10.d

Except under specific circumstances, direct entries to fund balance/net position, other than adjustments to record amounts that are nonspendable, restricted, committed or assigned, are not allowed. Examples of circumstances where direct entries to fund balance/net position are allowed include implementation of new accounting standards and correction of material prior period errors. Refer to Subsection 90.20.15.

85.80.10.e

Refer to Subsection 75.40.20 of this manual for a description of the various fund balance/net position general ledger codes.

85.85 Liabilities and Equity - Illustrative Entries

85.85.10 General

July 1, 2003

The entries in this section illustrate the recording of liabilities and equity in the accounting records. The entries are for illustrative purposes **only** and should **not** be considered all-inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of the State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

85.85.15 Establishment of short-term liabilities

May 1, 1999

To record the accrual of expenditures/expenses for goods and services from a vendor invoice. Refer to Subsection 85.70.20.c.

	Dr.	Cr.
Accrued Expenditures/Expenses (6505)	xxx	
Appropriate Short-Term Payable GL Code (51XX)		xxx

85.85.20 Payment of short-term liabilities

May 1, 1999

To record payment of a short-term liability.

	Dr.	Cr.
Appropriate Short-Term Payable GL Code (51XX)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx
Cash Expenditures/Expenses (6510)	xxx	
Accrued Expenditures/Expenses (6505)		xxx

85.85.22 Long-term to short-term reclassification

June 1, 2004

To record unavailable revenue. For example, taxes due are accrued but will not be collected within the next 12 months. Refer to Subsection 85.70.50. May be used only in governmental fund type accounts.

	Dr.	Cr.
Long-Term Liability (52XX)	xxx	
Short-Term Payable (51XX)		xxx

85.85.24 Unavailable revenues

June 1, 2013

85.85.24.a

To record unavailable revenue. For example, under a sales tax deferral program, taxes are accrued but will not be collected within the next 12 months. Refer to Subsection 85.70.40. May be used only in governmental fund type accounts.

	Dr.	Cr.
Taxes Receivable (1611)	xxx	
Unavailable Revenue (5292)		xxx

85.85.24.b

To record recognition of revenue once applicable recognition criteria have been met, i.e., taxes are collectible within the current period or soon enough after the end of the period to pay current liabilities.

	Dr.	Cr.
Unavailable Revenue (5292)	xxx	
Accrued revenue (3205) Revenue Source Code (01XX) appropriate tax revenue code		xxx

85.85.25 Unearned revenues

June 1, 2015

85.85.25.a

To record unearned revenue. For example, cash received from students for tuition and fees paid in advance of providing services. Refer to Subsection 85.70.45.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Unearned Revenue (5190)		xxx

85.85.25.b

To record recognition of revenue once earning process is complete.

	Dr.	Cr.
Unearned Revenue (5190)	xxx	
Cash Revenue (3210) Revenue Source Code (0424) Tuition and Fees		xxx

85.85.30 Fund bond debt issuance and servicing

June 1, 2013

The following example is used to illustrate entries for recording the issuance and servicing of fund bond debt in a non-appropriated proprietary account. Generally, these bonds are revenue bonds. Refer to Subsection 85.72.20.c.

An agency issues revenue bonds with:

- Par amount of $5,000,
- Original issue discount (OID) of $200,
- Underwriter's discount (UD) of $60, and
- Costs of issuance (COI) of $20.

Details of the bond debt service are:

- 1st year $500 principal, $300 interest, and
- 2nd year $600 principal.

Note: Original issue discount (OID) results when the par of the bond exceeds its purchase price. Original issue premium (OIP) results when the par of the bond is less than the purchase price. If deemed material, OID and OIP are deferred (using GL Codes 1910 "Unamortized Discount on Bonds Sold," and 5910 "Unamortized Premiums on Bonds Sold" respectively) and amortized over the life of the bonds using GL Code 6512 "Amortization Expense" Subobject WB "Amortization." Issuance costs, including underwriters' discounts, are recorded as expenses using GL Code 6510 "Cash Expenditures/Expenses" and appropriate object codes such as C or E or Subobject PC "Other Debt Costs." If the OIP or OID is deemed immaterial, it should be recorded in the same manner as the other issuance costs. Refer to Subsection 85.72.20.c.

85.85.30.a

To record the issuance of the revenue bonds and payment of the costs of issuance.

	Dr.	Cr.
Cash in Bank (1110)	4,740	
Cash Expenditures/Expenses (6510) Subobject PC (UD)	60	
Unamortized Discount on Bonds Sold (1910) (OID)*	200	
Revenue Bonds Payable (5262) (Par)		5,000
Cash Expenditures/Expenses (6510) Subobject PC (COI)	20	
Cash in Bank (1110)		20

*If the bond had an OIP instead of an OID GL Code 5910 "Unamortized Premiums on Bonds Sold" would be credited and amortized over the life of the bond.

85.85.30.b

To record as short term that portion of principal due within the next fiscal year.

	Dr.	Cr.
Revenue Bonds Payable (5262)	500	
Revenue Bonds Payable (5162)		500

85.85.30.c

To record the payment of the first year's debt service.

	Dr.	Cr.
Revenue Bonds Payable (5162)	500	
Cash Expenditures/Expenses (6510) (Subobject PB Interest)	300	
Cash in Bank (1110)		800

85.85.30.d

To record annual amortization of original issue **discount** (OID) on a straight-line basis.

	Dr.	Cr.
Amortization Expense (6512) (Subobject WB)	20	
Unamortized Discount on Bonds Sold (1910)		20

85.85.30.e

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5162 should agree with the next year's principal payment on the bond amortization schedule.

	Dr.	Cr.
Revenue Bonds Payable (5262)	600	
Revenue Bonds Payable (5162)		600

Note: If this were a **budgeted proprietary account**, bond proceeds would be recorded as revenue by a credit to GL Code 3210 "Cash Revenues," Revenue Source Code 0860 "Bonds Issued," and then adjusted for GAAP reporting purposes through GL Code 3225 "Revenue Adjustments/Eliminations (GAAP)," Revenue Source Code 0860 to GL Code 5162 "Revenue Bonds Payable ." Likewise, payments on bond principal would be initially recorded as expenditure by a debit to GL Code 6510 Subobject PA "Principal," and then adjusted for financial reporting purposes through GL Code 6525 "Expense Adjustments/Eliminations (GAAP)," Subobject PA to GL Code 5162.

85.85.35 General obligation bond debt issuance and servicing

Jan. 1, 2011

The following example is used to illustrate entries for recording the issuance and servicing of general bond debt:

- Par amount of $5,000,
- Original issue premium (OIP) of $200,
- Underwriter's discount (UD) of $60, and
- Costs of issuance (COI) of $20.

Details of the bond debt service are:

- 1st year $500 principal, $300 interest, and
- 2nd year $600 principal.

Note: Discounts that are related to underwriters' fees are handled consistent with other issue costs. Original issue discount (OID) results when the par of the bond exceeds its purchase price. Original issue premium (OIP) results when the par of the bond is less than the purchase price. Costs of issuance (COI) are generally included in the proceeds and paid separately. Refer to Subsection 85.72.20.c.

For purposes of this example, proceeds of the debt issue will be used to build a facility to house a general governmental agency. The COI for general obligation bond debt sold by the Office of the State Treasurer (OST) are always included in the proceeds and paid separately by OST.

85.85.35.a

To record the issuance of the bonds and payment of the costs of issuance.

Office of the State Treasurer:

State Building Construction Account (Account 057):

	Dr.	Cr.
Receipts In-Process (7110)	5,140	
Cash Expenditures/Expenses (6510)		
Subobject ER - Other Purchased Services (UD)	60	
Cash Revenues (3210) Revenue Source Code (0863)		
Original Issue Premium - Bonds (OIP)		200
Cash Revenues (3210) Revenue Source Code (0860) Bonds Issued or		
(0864) Taxable Bonds Issued (Par)		5,000
Cash Expenditures/Expenses (6510) with appropriate subobject for COI	20	
In-Process (71XX)		20

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820) (Par)	5,000	
General Obligation Bonds Payable (5161)		500
General Obligation Bonds Payable (5261)		4,500

Note: If bond proceeds are being distributed to accounts other than Account 057, the costs of issuance (COI) will be prorated to those accounts based on the portion of the par amount that they receive.

85.85.35.b

To record a debt service transfer from an operating (reimbursing) account, through the General Fund, and then to a debt service fund type account for a reimbursable bond.

Office of the State Treasurer (Agency 010):

Operating (Reimbursing) Account:

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0694)		
Operating Transfers - Debt Service Reimbursements	800	
Journal Vouchers In-Process (7140)		800

General Fund (Account 001):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Revenues (3210) Revenue Source Code (0694)		
Operating Transfers - Debt Service Reimbursements		800
Cash Revenues (3210) Revenue Source Code (0694)		
Operating Transfers - Debt Service Reimbursements	800	
Journal Vouchers In-Process (7140)		800

Debt Service Account (Account 381 or Account 383):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Revenues (3210) Revenue Source Code (0694)		
Operating Transfers - Debt Service Reimbursements		800

85.85.35.c

If the bond payment does not relate to a reimbursable bond, then the debt service transfer is made directly from the General Fund to a debt service fund type account as follows:

Office of the State Treasurer (Agency 010):

General Fund (Account 001):

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject MP		
Interfund Transfers Out – Principal	500	
Cash Expenditures/Expenses (6510) Subobject MI		
Interfund Transfers Out- Interest	300	
Journal Vouchers In-Process (7140)		800

Debt Service Account (Account 3XX):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Expenditures/Expenses (6510) Subobject MC		
Interfund Transfers In – Principal		500
Cash Expenditures/Expenses (6510) Subobject MD		
Interfund Transfers In – Interest		300

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount Available in Debt Service Funds (1810)	800	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		800

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount Available in Debt Service Funds (1810)	800	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		800

85.85.35.d

To record the first debt service payment.

Debt Service Account (Account 3XX):

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA Principal	500	
Cash Expenditures/Expenses (6510) Subobject PB Interest	300	
Journal Vouchers In-Process (7140)		800

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
General Obligations Bonds Payable (5161)	500	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		500
Amount to be Provided for Retirement of Obligations (1820)	800	
Amount Available in Debt Service Funds (1810)		800

85.85.35.e

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5161 should agree with the next year's principal payment on the general obligation bonds amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
General Obligations Bonds Payable (5261)	600	
General Obligations Bonds Payable (5161)		600

85.85.37 Right-to-use lease agreements and subscription-based IT arrangements

July 1, 2023

85.85.37.a Governmental Fund Type Accounts

The following example is used to illustrate the entries for leased assets and subscription-based information technology arrangements (SBITAs) that meet the capitalization threshold in a governmental fund type account. Refer to Subsections 85.60.65 and 85.72.25.

An agency operating from a governmental fund type account entered into an agreement to lease a building for 60 months at the rate of $95,000 per month that are due on the first of each month. The current interest rate is 3 percent and the present value of the lease payments is $5,300,200. Since this lease meets the state's capitalization threshold, a lease liability and an intangible right-to-use asset must be recorded (refer to Subsection 30.20.30 for further information on capitalization criteria for leases). Therefore, the entries to be recorded are as follows:

85.85.37.a.(1)

To record the acquisition of an intangible right-to-use lease asset in the Operating Account equal to the value of the lease liability, and the lease asset and liability in the capital asset and long-term obligations subsidiary accounts.

Operating Account:

	Dr.	Cr.
Capital Asset Acquisitions by Other Financing Sources (6514) Subobject JS – Intangible Lease and Subscription Asset Capital Outlay	5,300,200	
Other Financing Sources (3221) Revenue Source Code (0810) Right-to-Use Lease and Subscription Asset Acquisition		5,300,200

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Lease Asset - Building (2630)	5,300,200	
Investment in General Capital Assets (9850)		5,300,200

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	5,300,200	
Right-to-Use Lease Liability (5174)		1,008,216
Right-to-Use Lease Liability (5274)		4,291,984

85.85.37.a.(2)

To record the monthly lease payments.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Sub-subobject ED/D010 – Rentals and Leases – Furnishings and Equipment/Buildings Long Term	95,000	
Cash in Bank (1110) or In-Process (71XX)		95,000

85.85.37.a.(3)

At year-end, to reclassify the payments to the portions allocated to principal and interest based on the lease liability amortization schedule.

Operating Account:

	Dr.	Cr.
Expenditure/Expense Adjustment/Elimination (GAAP) (6525) Sub-subobject ED/D200 – Rentals and Leases – Land and Buildings/Lease Principal	1,008,216	
Expenditure/Expense Adjustment/Elimination (GAAP) (6525) Sub-subobject ED/D201 – Rentals and Leases – Land and Buildings/Lease Interest	131,784	
Expenditure/Expense Adjustment/Elimination (GAAP) (6525) Sub-subobject ED/D010 – Rentals and Leases – Land and Buildings/Buildings Long Term		1,140,000

To reduce the lease liability by the portion of the payments applicable to the principal.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Right-to-Use Lease Liability (5174)	1,008,216	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		1,008,216

85.85.37.a.(4)

To record the amortization of the asset for the fiscal year. Amortization should be calculated using the straight-line method over the shorter of the lease term or the useful life of the asset. *Note: amortization expense must be recorded at least annually.*

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Depreciation/Amortization Expense (6591) (Subobject WA)	1,060,040	
Allowance for Amortization – Building Lease Asset (2640)		1,060,040

85.85.37.a.(5)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5174, should agree with the next year's principal payment on the lease's amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Right-to-Use Lease Liability (5274)	1,025,263	
Right-to-Use Lease Liability (5174)		1,025,263

85.85.37.a.(6)

To record a variable lease payment.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Sub-subobject ED/D202 – Rentals and Leases – Land and Buildings/Variable Lease Payment	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.85.37.a.(7)

To remove a capital asset when the asset is returned to the lessor. If the lease is cancelled early and the asset was not fully amortized (i.e. the cost is greater than the accumulated amortization), debit GL Code 6597 "Capital Asset Adjustment (General Capital Assets Subsidiary Account Only)" for the difference between the initial cost of the asset and the accumulated amortization.

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Allowance for Amortization – Building Lease Asset (2640)	4,505,170	
Capital Asset Adjustment (General Capital Assets Subsidiary Account Only) (6597) Subobject WF	795,030	
Lease Asset - Building (2630)		5,300,200

85.85.37.b Proprietary and Fiduciary Fund Type Accounts

The following example is used to illustrate the entries for leased assets and subscription-based information technology arrangements (SBITAs) in proprietary and fiduciary fund type accounts. Refer to Subsections 85.60.65 and 85.72.25.

An agency operating from a proprietary fund type account entered into an agreement to lease a building for 60 months at the rate of $95,000 per month that are due on the first of each month. The current interest rate is 3 percent and the present value of the lease payments is $5,300,200. Since this lease meets the state's capitalization threshold, a lease liability and an intangible right-to-use asset must be recorded (refer to Subsection 30.20.30 for further information on capitalization criteria for leases). Therefore, the entries to be recorded are as follows:

85.85.37.b.(1)

To record the acquisition of an intangible right-to-use lease asset and the lease liability. The current lease liability represents that portion of the principal due within one year and the long-term portion of the lease liability that will be paid thereafter.

	Dr.	Cr.
Lease Asset - Building (2630)	5,300,200	
Right-to-Use Lease Liability (5174)		1,008,216
Right-to-Use Lease Liability (5274)		4,291,984

85.85.37.b.(2)

To record monthly lease payments.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Sub-subobject ED/D010 – Rentals and Leases – Furnishings and Equipment/Buildings Long Term	95,000	
Cash in Bank (1110) or In-Process (71XX)		95,000

Note: Nonbudgeted proprietary and fiduciary fund type accounts could directly reduce the lease liability and record an expense for the portion related to interest.

85.85.37.b.(3)

At year-end, to reclassify the payments to the portions allocated to principal and interest based on the lease liability amortization schedule. The portion related to principal reduces the lease liability and the portion related to interest is recorded as a lease interest expense.

	Dr.	Cr.
Right-to-Use Lease Liability (5174)	1,008,216	
Expenditure/Expense Adjustment/Elimination (GAAP) (6525) Sub-subobject ED/D201 – Rentals and Leases – Land and Buildings/Lease Interest	131,784	
Expenditure/Expense Adjustment/Elimination (GAAP) (6525) Sub-subobject ED/D010 – Rentals and Leases – Land and Buildings/Buildings Long Term		1,140,000

85.85.37.b.(4)

To record the amortization of the asset for the fiscal year. Amortization should be calculated using the straight-line method over the shorter of the lease term or the useful life of the asset. *Note: amortization expense must be recorded at least annually.*

	Dr.	Cr.
Depreciation/Amortization Expense (6511) (Subobject WA)	1,060,040	
Allowance for Amortization – Building Lease Asset (2640)		1,060,040

85.85.37.b.(5)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5174, should agree with the next year's principal payment on the lease's amortization schedule.

	Dr.	Cr.
Right-to-Use Lease Liability (5274)	1,025,263	
Right-to-Use Lease Liability (5174)		1,025,263

85.85.37.b.(6)

To record a variable lease payment.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Sub-subobject ED/D202 – Rentals and Leases – Land and Buildings/Variable Lease Payment	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.85.37.b.(7)

To remove a capital asset when the asset is returned to the lessor. If the lease is cancelled early and the asset was not fully amortized (i.e. the cost is greater than the accumulated amortization), debit GL Code 3213 "Gains and Losses on Sales of Capital Assets" for the difference between the initial cost of the asset and the accumulated amortization.

	Dr.	Cr.
Allowance for Amortization – Building Lease Asset (2640)	4,505,170	
Gains and Losses on Sales of Capital Assets (3213) Revenue Source Code (0418) Gain or Loss on Sale of Capital Assets	795,030	
Lease Asset - Building (2630)		5,300,200

85.85.37.c

Leases and SBITAs that do not meet capitalization requirements

To record payments for leases and SBITAs that do not meet the capitalization requirements in Subsection 30.20.30.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject ED or other subobject as appropriate	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.85.37.d

Acquisition of leased asset that originally did not meet the capitalization requirements

To record the fair value of the subsequent acquisition of non-capitalized leased assets upon transfer of title.

85.85.37.d.(1)

Governmental Fund Type Accounts

An agency operating in a governmental fund type account records the fair value in Account 997 "General Capital Assets Subsidiary Account."

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	xxx	
Investment in General Capital Assets (9850)		xxx

85.85.37.d.(2)

Proprietary and Fiduciary Fund Type Accounts

An agency operating in a proprietary or fiduciary fund type account records the fair value in the operating account. Any lease payments made in the current biennium should be recorded as a recovery of expenditure (GL Code 6510 entry) and any lease payments made in prior biennia should be recorded as a recovery of prior expenditure authority (GL Code 3210, Revenue Source Code 0486 entry).

	Dr.	Cr.
Furnishings and Equipment (2410)	xxx	
Cash Expenditures/Expenses (6510) Subobject ED or other subobject as appropriate		xxx
Cash Revenues (3210) Revenue Source Code (0486) Recoveries of Prior Expenditure Authority Expenditures		xxx

85.85.40 Lease-to-own agreements

July 1, 2021

85.85.40.a

Governmental Fund Type Accounts

The following example is used to illustrate the entries to record a lease-to-own agreement in a governmental fund type account. Refer to Subsection 85.72.30.

An agency operating from the General Fund (governmental fund type account) entered into an agreement to lease a copy machine with a fair value of $17,000 for 60 months at the rate of $300 per month. The current interest rate is 4 percent and the present value of the minimum lease payments is $16,344 (annuity due). Since the value of the asset meets the state's capitalization threshold, this lease-to-own agreement must be capitalized (refer to Subsection 30.20.30 for further information on capitalization criteria). The amount to be capitalized is $16,344, which is the lesser of the fair value and the net present value. Therefore, the entries to be recorded are as follows:

85.85.40.a.(1)

To record the acquisition of a capital asset through a lease-to-own agreement in the Operating Account, and the asset and lease liability in the capital asset and long-term obligations subsidiary accounts.

Operating Account:

	Dr.	Cr.
Capital Assets Acquisition by Other Financing Sources (6514) Subobject JC – Furnishings and Equipment or other appropriate subobject	16,344	
Other Financing Sources (3221) Revenue Source Code (0809) Lease-to-Own Acquisition		16,344

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	16,344	
Investment in General Capital Assets (9850)		16,344

General Long-Term Obligations Account Group (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	16,344	
Lease-to-Own Agreements Payable (5172)		1,541
Lease-to-Own Agreements Payable (5272)		14,803

Note: Contact the Office of the State Treasurer for the current rate of interest for computing present value. Lease-to-own agreements are computed as annuities due because the payments are made at the first of the month; other capital purchases may be computed as ordinary annuities.

85.85.40.a.(2)

To record the first periodic payment of the lease-to-own agreement.

Note: No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA - Principal	300	
Cash in Bank (1110) or In-Process (71XX)		300

To reduce the liability by the amount of periodic payment on the principal due. The entire payment is charged to the current lease-to-own agreements payable.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Lease-to-Own Agreements Payable (5172)	300	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		300

85.85.40.a.(3)

To record the second periodic payment of the lease-to-own agreement. A portion of the payment is allocated to principal and a portion to interest based on the lease amortization schedule.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA - Principal	247	
Cash Expenditures/Expenses (6510) Subobject PB - Interest	53	
Cash in Bank (1110) or In-Process (71XX)		300

To reduce the liability by the amount of periodic payment on the principal due. The amount to be recorded is the portion of the payment applicable to the principal.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Lease-to-Own Agreements Payable (5172)	247	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		247

85.85.40.a.(4)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5172, should agree with the next year's principal payment on the agency's lease agreement amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Lease-to-Own Agreements Payable (5272)	3,064	
Lease-to-Own Agreements Payable (5172)		3,064

85.85.40.b Proprietary and Fiduciary Fund Type Accounts

The following example is used to illustrate the entries to record a lease-to-own agreement in proprietary and fiduciary fund type accounts. Refer to Subsection 85.72.30.

An agency operating from a proprietary fund type account entered into an agreement to lease a copy machine with a fair value of $17,000 for 60 months at the rate of $300 per month. The current interest rate is 4 percent and the present value of the minimum lease payments is $16,344 (annuity due). Since the value of the asset meets the state's capitalization threshold, this lease-to-own agreement must be capitalized (refer to Subsection 30.20.30 for further information on capitalization criteria). The amount to be capitalized is $16,344, which is the lesser of the fair value and the net present value. Therefore, the entries to be recorded are as follows:

85.85.40.b.(1)

To record the acquisition of a capital asset through a lease-to-own agreement and the lease liability. The current lease liability represents that portion of the lease obligation due within one year and the long-term portion represents lease obligations maturing thereafter.

	Dr.	Cr.
Furnishings and Equipment (2410)	16,344	
Lease-to-Own Agreements Payable (5172)		1,541
Lease-to-Own Agreements Payable (5272)		14,803

Note: Contact the Office of the State Treasurer for the current rate of interest for computing present value. Lease-to-own agreements are computed as annuities due because the payments are made at the first of the month; other capital purchases may be computed as ordinary annuities.

85.85.40.b.(2)

To record the first periodic payment of the lease-to-own agreement. The entire payment is charged to the current lease-to-own agreements payable. Note: No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

	Dr.	Cr.
Lease-to-Own Agreements Payable (5172)	300	
Cash in Bank (1110) or In-Process (71XX)		300

Budgeted proprietary and fiduciary fund type accounts require an additional entry to record the appropriated disbursement (GL Code 6510 entry) and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes (GL Code 6525 entry).

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA - Principal	300	
Expense Adjustments/Eliminations (GAAP) (6525)		
Subobject PA - Principal		300

85.85.40.b.(3)

To record the second periodic payment of the lease-to-own agreement. A portion of the payment is allocated to principal and a portion to interest based on the lease amortization schedule. The principal portion of the payment is recorded to the current lease-to-own agreements payable.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PB - Interest	53	
Lease-to-Own Agreements Payable (5172)	247	
Cash in Bank (1110) or In-Process (71XX)		300

Budgeted proprietary and fiduciary fund type accounts require an additional entry to record the appropriated disbursement (GL Code 6510 entry) and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes (GL Code 6525 entry). The amount to be recorded is the portion of the payment applicable to the principal.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA - Principal	247	
Expense Adjustments/Eliminations (GAAP) (6525)		
Subobject PA - Principal		247

85.85.40.b.(4)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5172 should agree with the next year's principal payment on the agency's lease agreement amortization schedule.

	Dr.	Cr.
Lease-to-Own Agreements Payable (5272)	3,064	
Lease-to-Own Agreements Payable (5172)		3,064

85.85.40.c Computation of Present Value Annuities

Any annuity is a series of equal payments made at regular intervals of time. The time intervals between payments are called payment periods. An annuity is a compound interest situation with periodic payments. When the payments are made at the end of the payment periods, the annuity is called an ordinary annuity. When the payments are made at the beginning of the payment periods, the annuity is called an annuity due.

Computation of present value may be achieved by use of the following formulas:

Where:

Pv = present value factor

I = interest rate
n = number of periods

Ordinary Annuity/Present Value Formula - A loan is a prime example of this annuity situation in which a sum of money is to be repaid with interest by certain payments for a fixed number of periods. The present value of the loan can be computed by multiplying the periodic loan payments by the present value factor. The present value factor is calculated by using the following formula:

$$Pv = \frac{1 - \frac{1}{(1+i)n}}{i}$$

Annuity Due/Present Value Formula - Rent or lease situations are common examples of this type of annuity. The present value of the rent or lease can be computed by multiplying the periodic rent/lease payments by the present value factor. The present value factor is calculated by using the following formula:

(However, the formula need not be used, since tables showing present values computed with the formula at various interest rates are readily available.)

$$Pv = \frac{1 - \frac{1}{(1+i)n}}{i}$$ and adding 1 to the computed amount

85.85.45 Equipment Certificates of Participation (COP)

June 1, 2013

85.85.45.a Governmental Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for **equipment certificates of participation** (COP) in a **governmental** fund type account. Refer to Subsection 85.72.40.c.

An agency operating in a governmental fund type account purchases a piece of equipment for $10,000, and finances it with a COP.

Details of the COP issue are:

- Par amount of $10,115,
- Original issue premium (OIP) of $10,
- Underwriter's discount (UD) of $50, and
- Costs of issuance (COI) of $75.

Details of the COP debt service are:

- 1st year $2,000 principal, $600 interest, and
- 2nd year $2,200 principal.

Note: The actual par value of the COP is slightly higher than the proceeds required by the agency to cover issue costs, such as costs of issuance (COI) and the original issue discount (OID) and underwriter's discount (UD). The OID, results when the par of the COP is more than the purchase price. Original issue premium (OIP) results when the par of the COP is less than the purchase price. Discounts that are related to underwriters' fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately by OST. OST provides agencies with a statement detailing this information. The agency is to include the financing costs as part of the cost of the asset that is capitalized and depreciated.

85.85.45.a.(1)

To record the COP liability, original issue discount, underwriter's discount, and the expense of the costs of issuance (paid by OST). When the COP is sold by OST, it becomes an obligation of the agency even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is generally two weeks or less.

Operating Account:

	Dr.	Cr.
Due from Other Agency – OST (1354)	10,000	
Capital Asset Acquisitions by Other Financing Sources (6514) Subobject PC - Other Debt Costs (UD + COI)	125	
Other Financing Sources (3221) Revenue Source Code (0869) Original Issue Premium - COPs (OIP)*		10
Other Financing Sources (3221) Revenue Source Code (0807) Certificates of Participation (Par)		10,115

*If the COP had an OID instead of an OIP Revenue Source Code 0868 "Original Issue Discount - COPs" would be debited.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be provided for retirement of Long-Term Obligations (1820)	10,115	
Certificates of Participation Payable (5173)		2,000
Certificates of Participation Payable (5273)		8,115

85.85.45.a.(2)

To record the agency's purchase of equipment, the subsequent reimbursement with COP proceeds from OST, and the capitalization of the equipment in Account 997. The purchase of the equipment and the reimbursement from OST may be several months apart.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J - Capital Outlays*	10,000	

	Dr.	Cr.
Cash in Bank (1110) or In Process (71XX)*		10,000

Capital Asset Acquisitions by Other Financing Sources (6514) Subobject JC - Furnishing and Equipment*	10,000	
Cash Expenditures/Expenses (6510) Object J - Capital Outlays*		10,000

Cash in Bank (1110) or In Process (71XX)*	10,000	
Due from Other Agency – OST (1354)		10,000

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	10,115	
Investment in General Capital Assets (9850)		10,115

*If OST pays the vendor directly for the equipment, then the agency would not record the cash receipt or the cash disbursement entries (since there is no reimbursement to the agency). However, the agency would still record the capital acquisition in GL Code 6514 Subobject JC with the credit offset in GL Code 1354 "Due from Other Agency - OST."

Note: If a COP has been authorized and equipment costs are incurred in one fiscal year but the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 “Due from Other Governments,” and credit expenditures to GL Code 6510 in the year the equipment costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and debit cash when the COP proceeds are received, along with a debit to GL Code 6514 Subobject JC with the offsetting credit to GL Code 3221 Revenue Source Code 0807.

85.85.45.a.(3)

To record the first year COP debt service payment (principal and interest).

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD - Principal COP Lease/Purchase Agreements	2,000	
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease/Purchase Agreements	600	
Cash in Bank (1110) or In-Process (71XX)		2,600

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5173)	2,000	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		2,000

85.85.45.a.(4)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5173 should agree with the next year's principal payment on the agency's COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2,200	
Certificates of Participation Payable (5173)		2,200

85.85.45.b Proprietary and Fiduciary Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for equipment certificates of participation (COP) in a budgeted proprietary fund type account. Refer to Subsection 85.72.40.c.

An agency operating in a proprietary fund type account purchases a piece of equipment for $10,000, and finances it with a COP.

- Par amount of $10,115,
- Original issue premium (OIP) of $10,
- Underwriter's discount (UD) of $50, and
- Costs of issuance (COI) of $75.

Details of the COP debt service are:

- 1st year $2,000 principal, $600 interest, and
- 2nd year $2,200 principal.

Note: The actual par value of the COP is slightly higher than the proceeds required by the agency to cover issue costs, such as costs of issuance (COI) and original issue discount (OID). OID results when the par of the COP is more than the purchase price. Original issue premium (OIP) results when the par of the COP is less than the purchase price. Discounts that are related to underwriters' fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately by OST. OST provides agencies with a statement detailing this information. The agency is to include the financing costs as part of the cost of the asset that is capitalized and depreciated.

In proprietary fund type accounts COP issue costs, such as COI and UD are expensed using GL Code 6510 "Cash Expenditures/Expenses" Subobject PC "Other Debt Costs."

If the OID or OIP is deemed material, it should be deferred using GL Code 1911 "Unamortized Discounts on Certificates of Participation" or GL Code 5920 "Unamortized Premiums on Certificates of Participation" respectively. The amount deferred should be amortized over the life of the COP using GL Code 6512 "Amortization Expense" Subobject WB "Amortization." If the OIP or OID is deemed immaterial, it should be recorded in the same manner as the other issuance costs.

All of these entries are made in the agency's **Operating Account**:

85.85.45.b.(1)

To record the agency's purchase of equipment; the COP liability; the subsequent receipt of COP proceeds from OST; the elimination of the budgeted disbursement; and the capitalization of the equipment. When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is generally two weeks or less.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject JC Furnishings and Equipment	10,000	
Cash in Bank (1110) or In-Process (71XX)		10,000
Due from Other Agency – OST (1354)	10,000	
Cash Expenditures/Expenses (6510) Subobject PC - Other Debt Costs (UD + COI – OIP)*	115	
Certificates of Participation Payable (5173)		2,000
Certificates of Participation Payable (5273)		8,115

*If the COP had an OID instead of an OIP, the OID amount would be added to the UD and COI.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	10,000	
Due from Other Agency – OST (1354)		10,000
Furnishings and Equipment (2410)	10,115	
Expense Adjustment/Eliminations (GAAP) (6525) Subobject JC - Furnishings and Equipment		10,000
Expense Adjustment/Elimination (6525) Subobject PC – Other Debt Costs (UD + COI - OIP)		115

85.85.45.b.(2)

To record the first year COP debt service payment (principal and interest) and the elimination of the budgeted principal expenditure.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PE – Interest COP Lease/Purchase Agreements	600	
Cash Expenditures/Expenses (6510) Subobject PD – Principal COP Lease/Purchase Agreements	2,000	
Cash in Bank (1110) or In-Process (71XX)		2,600
Certificates of Participation Payable (5173)	2,000	
Expense Adjustment/Eliminations (GAAP) (6525) Subobject PD – Principal COP Lease/Purchase Agreements		2,000

85.85.45.b.(3)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5173 should agree with the next year's principal payment on the agency's COP amortization schedule.

	Dr.	Cr.
Certificates of Participation Payable (5273)	2,200	
Certificates of Participation Payable (5173)		2,200

85.85.45.c Office of the State Treasurer (Agency 010 Entries)

Using the same example as in [Subsection 85.85.45](#) above, an agency purchases a piece of equipment for $10,000, and finances it with a COP.

- Par amount of $10,115,
- Original issue premium (OIP) of $10,
- Underwriter's discount (UD) of $50, and
- Costs of issuance (COI) of $75.

Details of the COP issue are:

- 1st year $2,000 principal, $600 interest, and
- 2nd year $2,200 principal.

Note: The actual par value of the COP is slightly higher than the proceeds required by the agency to cover issue costs, such as the original issue discount (OID), the underwriter's discount (UD), and costs of issuance (COI). The COI is included in the proceeds but not the OID or the UD.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund type account, the OST entries are the same.

85.85.45.c.(1)

To record the closing of the COP sale with the underwriter.

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Receipts-In-Process (7110) (Par +OIP - UD)	10,075	
Cash Revenues (3210) Revenue Source Code (0499) Other Revenues (COI)		75
Due to Other Agency (5154)		10,000

85.85.45.c.(2)

To distribute the COP proceeds to the state agency and pay the costs of issuance.

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Due to Other Agency (5154)	10,000	
In-Process (71XX)		10,000
Accrued Expenditures/Expenses (6505) with appropriate subobject (COI)	75	
Accounts Payable (5111) (COI)		75
Cash Expenditures/Expenses (6510) (appropriate subobject) (COI)	75	
Accrued Expenditures/Expenses (6505) with appropriate subobject (COI)		75
Accounts Payable (5111) (COI)	75	
In-Process (71XX) (COI)		75

85.85.45.c.(3)

To record the receipt of the first debt service payment from an agency.

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
In-Process (71XX)	2,600	
Due to Fiscal Agents (5130) (principal and interest)		2,600

Note: OST temporarily invests the payments received from agencies for 30 days until the debt service payment is due to the fiscal agent. This activity is recorded by transferring In-Process (71XX) in and out of the Local Government Investment Pool (1206).

85.85.45.c.(4)

To record payment to the fiscal agent.

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Due to Fiscal Agents (5130)	2,600	
In-Process (71XX)		2,600

85.85.50 Real Estate Certificates of Participation (COP)

July 1, 2021

85.85.50.a

Governmental Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for real estate certificates of participation (COP) in a governmental fund type account. Refer to Subsection 85.72.40.d.

An agency operating in a governmental fund type account obtains proper legislative approval for construction of a new state office building and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a COP. Proceeds of the COP are used to pay for construction costs and interest incurred during the construction period.

Details of the COP issue are:

- Par amount of $73.6 million,
- Original issue premium (OIP) of $.7 million,
- Underwriter's discount (UD) of $.2 million,
- Costs of issuance (COI) of $.1 million,
- COP proceeds for construction $60 million,
- COP proceeds for interest costs $14 million, and
- Net COP proceeds held by OST for the agency $74 million ($60 million for construction costs and $14 million for construction period interest).

Note: Original issue discount (OID) results when the par of the COP is more than the purchase price. An OIP results when the par of the COP is less than the purchase price. Discounts that are related to underwriters' fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately. OST receives cash proceeds for the COI, but not for the UD and the OID.

Details of the first year:

- $10 million is expended on construction,
- Debt service is $4 million, interest only, and
- Unspent construction funds earn $.8 million in interest revenue.

Unspent proceeds are held by OST and invested in the Local Government Investment Pool (LGIP) or with a trustee.

Note: Construction period interest is recognized as an expense in the period incurred.

85.85.50.a.(1)

To record the liability for the real estate COP, and the original issue premium, underwriter's discount, and the expense of the costs of issuance (paid by OST). When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is generally two weeks or less.

Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	74.0 mil	
Capital Asset Acquisitions by Other Financing Sources (6514) Subobject PC – Other Debt Costs (UD + COI)	.3 mil	
Other Financing Sources (3221) Revenue Source Code (0807) Certificates of Participation (Par)		73.6 mil
Other Financing Sources (3221) Revenue Source Code (0869) Original Issue Premium - COPs		.7 mil

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	73.6 mil	
Certificates of Participation Payable (5273)		73.6 mil

Note: Because interest only is due during the construction period, the entire obligation is initially coded long-term.

85.85.50.a.(2)

To record construction expenditures and reimbursement from OST.

Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J –Capital Outlays	10 mil	
Cash in Bank (1110) or In-Process (71XX)		10 mil
Capital Asset Acquisitions by Other Financing Sources (6514) Subobject JF - Buildings	10 mil	
Cash Expenditures/Expenses (6510) Object J – Capital Outlays		10 mil
Cash in Bank (1110) or In-Process (71XX)	10 mil	
Due from Other Agency – OST (1354)		10 mil

Note: If a COP has been authorized and construction project costs are incurred in one fiscal year but the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 Due from Other Governments, and credit expenditures to GL Code 6510 in the year the project costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and establish the GL Code 1354 from the OST.

85.85.50.a.(3)

To record first year interest-only debt service payment. This payment is made by OST from the COP proceeds held by OST to cover interest expense during the construction period.

Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PE –Interest COP Lease-Purchase Agreements	4.0 mil	
Due from Other Agency-OST (1354)		4.0 mil

85.85.50.a.(4)

To recognize interest earned on unspent COP proceeds held by OST and reported to the agency monthly.

Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	.8 mil	
Cash Revenues (3210) Revenue Source Code (0401) Investment Income		.8 mil

85.85.50.a.(5)

To record an adjusting entry for construction in progress. At a minimum, this entry should be made at fiscal year-end. Construction in progress is equal to the sum of construction expenditures ($10 million) and COI and UD($.3 million) less OIP ($.7 million).

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Construction in Progress (2510)	9.6 mil	
Investment in General Capital Assets (9850)		9.6 mil

85.85.50.a.(6)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end (based on the assumptions in 85.85.50.a.(7)), the amount in GL Code 5173 Certificates of Participation Payable should agree with the next year's principal payment on the agency's COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2.0 mil	
Certificates of Participation Payable (5173)		2.0 mil

85.85.50.a.(7)

In a subsequent period, assume that a debt service payment is scheduled:

- Principal $2 million,
- Interest expense $3.5 million, and
- Total COP debt service payment $5.5 million.
- Payment components:
- $2 million is paid by OST from the remaining COP proceeds held by OST to cover interest incurred during the construction period,
- $1.1 million is paid by OST from interest earned on COP proceeds held by OST during the construction period,
- $2.4 million is paid in cash by the agency to OST, and
- OST makes the full COP debt service payment of $5.5 million to the fiscal agent.
- Refer to Subsection 85.85.50.c.(6).

Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD - Principal COP Lease-Purchase Agreements	2.0 mil	
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease-Purchase Agreements	3.5 mil	
Cash in Bank (1110) or In-Process (71XX)		2.4 mil
Due from Other Agency-OST (1354)		3.1 mil

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5173)	2.0 mil	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		2.0 mil

85.85.50.b Proprietary and Fiduciary Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for **real estate** certificates of participation (COP) in a **budgeted proprietary** fund type account. Refer to Subsection 85.72.40.

An agency operating in a budgeted proprietary fund type account obtains proper legislative approval for construction of a new state office building and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a COP. Proceeds of the COP are used for to pay for construction costs and interest incurred during the construction period.

Details of the issue are:

- Par amount of $73.6 million,
- Original issue premium (OIP) of $.7 million,
- Underwriter's discount (UD) of $.2 million,
- Costs of issuance (COI) of $.1 million,
- COP proceeds for construction $60 million,
- COP proceeds for interest costs $14 million, and
- Net COP proceeds held by OST for the agency $74 million ($60 million for construction costs and $14 million for construction period interest.

Note: Original issue discount (OID) results when the par of the COP is more than the purchase price. An OIP results when the par of the COP is less than the purchase price. Discounts that are related to underwriters' fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately. OST receives cash proceeds for the COI, but not for the UD and the OID.

Details of the first year:

- $10 million is expended on construction,
- Debt service is $4 million, interest only, and
- Unspent COP proceeds earn $.8 million in interest revenue.

This example assumes that net construction period interest is material and is therefore capitalized, and that the OIP is immaterial, and therefore expensed. UD and COI are always expensed as issuance costs. (If the OIP had been deemed material, it would be deferred in GL Code 5920 "Unamortized Premiums on Certificates of Participation" and amortized over the life of the COP using GL Code 6512 "Amortization Expense" Subobject WB "Amortization").

Unspent proceeds are held by OST and invested in the Local Government Investment Pool (LGIP) or with a trustee.

Note: Construction period interest is recognized as an expense in the period incurred.

85.85.50.b.(1)

To record the liability for the real estate COP, and the original issue premium, underwriter's discount, and the expense of the costs of issuance (paid by OST). When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is generally two weeks or less.

Agency Operating/Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	74 mil	
Cash Expenditures/Expenses (6510) Subobject PC – Other Debt Costs *(UD + COI - OIP)**		.4 mil
Certificates of Participation Payable (5273) *(Par)*		73.6 mil

*If the COP had an OID instead of an OIP, the OID amount would be added to the UD and COI.

Note: Because interest only is due during the construction period, the entire obligation is initially coded long-term.

85.85.50.b.(2)

To record construction expenditures, reimbursement by OST, and elimination of budgeted expenditures.

Agency Operating/Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Object J - Capital Outlays	10 mil	
Cash in Bank (1110) or In-Process (71XX)		10 mil
Cash in Bank (1110) or In-Process (71XX)	10 mil	
Due from Other Agency-OST (1354)		10 mil
Construction in Progress (2510)	9.6 mil	
Expense Adjustment/Elimination (6525) Subobject PC – Other Debt Costs *(UD + COI - OIP)*	.4 mil	
Expense Adjustment/Elimination (6525) Object J – Capital Outlays		10 mil

85.85.50.b.(3)

To record interest earned on unspent COP proceeds held by OST and reported to the agency monthly.

Agency Operating/Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	.8 mil	
Cash Revenues (3210) Revenue Source Code (0401) Investment Income		.8 mil

85.85.50.b.(4)

To record first year interest expense only debt service payment – this payment is made by OST from the proceeds held by OST to cover interest expense during the construction period.

Agency Operating/Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PE – Interest COP Lease/Purchase Agreements	4.0 mil	
Due from Other Agency-OST (1354)		4.0 mil

Once the COP proceeds held by OST to cover interest expense during the construction period are expended, the interest payments will be paid by the agency to OST.

85.85.50.b.(5)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end (based on the assumptions in 85.85.50.b.(6)), the amount in GL

Code 5173 should agree with the next year's principal payment on the agency's COP amortization schedule.

Agency Operating/Construction Account:

	Dr.	Cr.
Certificates of Participation Payable (5273)	2.0 mil	
Certificates of Participation Payable (5173)		2.0 mil

85.85.50.b.(6)

In a subsequent period, assume that a debt service payment is scheduled:

- Principal $2 million,
- Interest expense $3.5 million, and
- Total COP debt service payment $5.5 million.

Payment components:

- $2 million is paid by OST from the remaining COP proceeds held by OST to cover interest incurred during the construction period,
- $1.1 million is paid by OST from interest earned on the COP proceeds held by OST during the construction period,
- $2.4 million is paid in cash by the agency to OST,
- OST makes the full COP debt service payment of $5.5 million to the fiscal agent.

Refer to Subsection 85.85.50.c.(6).

Agency Operating/Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD – Principal COP Lease-Purchase Agreements	2.0 mil	
Cash Expenditures/Expenses (6510) Subobject PE -Interest COP Lease-Purchase Agreements	3.5 mil	
Cash in Bank (1110) or In-Process (71XX)		2.4 mil
Due from Other Agency – OST (1354)		3.1 mil
Certificates of Participation Payable (5173) Principal	2.0 mil	
Expense Adjustments/Elimination (6525) Subobject PD - Principal COP Lease-Purchase		2.0 mil

85.85.50.c

Office of the State Treasurer (Agency 010 Entries)

Using the same example as in Subsection 85.85.50 a and b above, an agency obtains proper legislative approval for the construction of a new state office building and applies to the Office of the State Treasurer

(OST) for COP financing. OST sells a COP. Proceeds of the COP are used to pay for construction costs and interest incurred during the construction period.

Details of the issue are:

- Par amount of $73.6 million,
- Original issue premium (OIP) of $.7 million,
- Underwriter's discount (UD) of $.2 million,
- Costs of issuance (COI) of $.1 million,
- COP proceeds for construction $60 million, and
- COP proceeds for interest costs $14 million.

Note: Original issue discount (OID) results when the par of the COP is more than the purchase price. OIP results when the par of the COP is less than the purchase price. Discounts that are related to underwriters' fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately. OST receives cash proceeds for the COI, but not for the UD and the OID.

Details of the first year:

- $10 million is expended on construction,
- Debt service is $4 million, interest expense only, and
- Unspent COP proceeds earn $.8 million in interest revenue.

The entries for OST are as follows:

All entries are made to Account 739 (Certificates of Participation and Other Financing Account - State):

85.85.50.c.(1)

To record the closing of the COP sale with the underwriter, and investment of the proceeds in the LGIP. OST receives cash for the construction proceeds, the interest expense due during construction, and the costs of issuance.

	Dr.	Cr.
Receipts-In-Process (7110) (*Par + OIP – UD*)	74.1 mil	
Due to Other Agency (5154)		74.0 mil
Cash Revenue (3210) Revenue Source Code (0499) Other Revenues (*COI)*		.1 mil
Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140)	74.0 mil	
In-Process (71XX)		74.0 mil

85.85.50.c.(2)

To record payment of costs of issuance.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) with the appropriate Subobject	.1 mil	
In-Process (71XX)		.1 mil

85.85.50.c.(3)

To record withdrawal from the LGIP (or trustee), and payment to the agency for construction costs incurred.

	Dr.	Cr.
Receipts-In-Process (7110)	10 mil	
Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140)		10 mil
Due to Other Agency (5154)	10 mil	
In-Process (71XX)		10 mil

85.85.50.c.(4)

To record interest earnings of $.8 million on unspent COP proceeds.

	Dr.	Cr.
Investments with LGIP (1206)	.8 mil	
Due to Other Agency (5154)		.8 mil

85.85.50.c.(5)

To record the first debt service payment made to the fiscal agent by the OST on behalf of the agency. This first payment is made from the amount held by OST to cover interest expense during the construction period.

	Dr.	Cr.
In-Process (71XX)	4.0 mil	
Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140)		4.0 mil
Due to Other Agency (5154)	4.0 mil	
Due to Fiscal Agent (5130)		4.0 mil
Due to Fiscal Agent (5130)	4.0 mil	
In-Process (71XX)		4.0 mil

85.85.50.c.(6)

To record debt service in a subsequent period. OST receives a cash payment from an agency of $2.4 million and uses the remaining COP proceeds held to cover interest expense during the construction period of $2 million and the accumulated interest earned on the COP proceeds held on deposit of $1.1 to pay the total debt service of $5.5 million.

	Dr.	Cr.
In-Process (71XX)	2.4 mil	
Due to Fiscal Agent (5130)		2.4 mil
In-Process (71XX)	3.1 mil	
Investments with LGIP (1206)		3.1 mil
Due to Other Agency (5154)	3.1 mil	
Due to Fiscal Agent (5130)		3.1 mil
Due to Fiscal Agent (5130)	5.5 mil	
In-Process (71XX)		5.5 mil

85.85.52 Real Estate Certificates of Participation (COP) refunding

June 1, 2013

85.85.52.a

Governmental Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for an **advance refunding** of a real estate certificate of participation (COP) in a governmental fund type account. Refer to Section 85.72.40.f.

Details of the old (refunded) COP are:

- Principal balance $250,000, and
- Interest due $1,400

Details of the new (refunding) COP are:

- Principal balance $239,000,
- Original issue premium (OIP) $15,000,
- Underwriter’s discount (UD) $1,600,
- Costs of issuance (COI) $1,000, and
- Total reacquisition price $251,400 ($239,000 + 15,000 – 1,600 – 1,000).

85.85.52.a.(1)

To record the liability for the new (refunding) COP, the original issue premium, underwriter’s discount, and the expense of the costs of issuance (paid by OST), and the payment to the escrow agent bank. When the new COP is sold by OST, it becomes an obligation of the agency. An amount equal to the principal balance of the old (refunded) COP plus any interest due is sent to the escrow agent bank to refund the old

COPs. When the old COP is refunded, it is no longer an obligation of the agency and it is removed from Account 999.

Operating Account:

	Dr.	Cr.
Cash Revenue (3210) Revenue Source Code (0850) Payments to Refunded COP Escrow Agents (par of old COPs + interest due on the old COPs)**	251,400	
Cash Revenue (3210) Revenue Source Code (0852) Underwriter's Discount/Costs of Issuance – Refunding COPs	2,600	
Cash Revenue (3210) Revenue Source Code (0854) Proceeds of Refunding COPs		239,000
Cash Revenue (3210) Revenue Source Code (0853) Original Issue Premium – Refunding COPs*		15,000

*If the COP had an Original Issue Discount (OID) instead of an OIP, Revenue Source Code 0851 "Original Issue Discount – Refunding COPs" would be debited.

If this was a **current refunding of a COP (instead of an advance refunding), the amount to be paid to the escrow agent would be recorded as an expenditure to subobject PA "Principal" and/or PB "Interest."

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation (5173/5273)	250,000	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		250,000
Amount to be Provided for Retirement of Long-Term Obligations (1820)	239,000	
Certificates of Participation (5173/5273)		239,000

85.85.52.b

Proprietary and Fiduciary Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for an **advance refunding** of a real estate certificate of participation (COP) in a proprietary fund type account. Refer to Section 85.72.40.f.

Details of the old (refunded) COP issue are:

- Principal balance $251,000 (5 years remaining),
- Details of the new (refunding) COP are:
- Principal balance $250,000 (10 years),
- Original issue premium (OIP) $10,000 (assume material),
- Underwriter's discount (UD) $2,600,

- Costs of issuance (COI) $2,400, and
- Total reacquisition price $255,000 ($250,000 +10,000 -2,600 – 2,400)

85.85.52.b.(1)

To record the new (refunding) COP, the removal of the old (refunded) COP, and the deferred amount on the COP refunding.

Operating/Construction Account:

	Dr.	Cr.
COP (old) Payable (5173/5273)	251,000	
Cash Expenditures/Expenses (6510) Subobject PC - Other Debt Costs (UD + COI)	5,000	
Deferred Outflow on COP Refunding (1971)*	4,000	
COP (new) payable (5173/5273)		250,000
Unamortized Premiums on COPs sold (5920)		10,000

*If the deferred amount was a credit, it would be recorded to GL Code 5266 “Deferred Inflow on COP Refunding.”

85.85.52.b.(2)

To record the annual amortization of the Deferred Outflow on the COP Refunding on a straight-line basis over 5 years (the remaining life of the old COP).

	Dr.	Cr.
Amortization Expense (6512) Subobject WB	800	
Deferred Outflow on COP Refunding (1971)		800

85.85.52.b.(3)

To record the annual amortization of the original issue premium (OIP) on a straight-line basis over 10 years (the life of the new COP).

	Dr.	Cr.
Unamortized Premiums on COPs sold (5920)	1,000	
Amortization Expense (6512) Subobject WB		1,000

85.85.60 Retention of payments

July 1, 2012

To record entries related to payments on public works contracts including retained percentages. Refer to Subsection 85.74.20.

85.85.60.a Payment to Contractor

To record the amount paid to the contractor on a progress billing.

	Dr.	Cr.
Cash Expenditures/Expenses (6510)	xxx	
In-Process (71XX) or		
Cash in Bank (1110)		xxx

85.85.60.b Retained in State Account

To record the amount retained by the state, in a treasury/treasury trust or local account, from a progress billing.

	Dr.	Cr.
Cash Expenditures/Expenses (6510)	xxx	
Retained Percentages Payable (5116)		xxx

85.85.60.c Payment of Amounts Retained in State Account

To record the payment of amounts retained by the state in a treasury/treasury trust or local account.

	Dr.	Cr.
Retained Percentages Payable (5116)	xxx	
In-Process (71XX) or		
Cash in Bank (1110)		xxx

85.85.60.d Retained in Escrow or Interest Bearing Account

To record the amount of retained percentages placed in escrow or in an interest bearing account from a progress billing.

	Dr.	Cr.
Cash Expenditures/Expenses (6510)	xxx	
In-Process (71XX) or		
Cash in Bank (1110)		xxx
Cash and Investments with Escrow Agents and Trustees (1140)	xxx	
Retained Percentages Payable (5116)		xxx

85.85.60.e Payment of Amounts Retained in Escrow or an Interest Bearing Account

To record the payment of amounts retained in escrow or in an interest bearing account.

	Dr.	Cr.
Retained Percentages Payable (5116)	xxx	
Cash and Investments with Escrow Agents and Trustees (1140)		xxx

85.85.65 Claims and judgments

July 1, 2001

This illustrative entry of a claims liability displays the accrual of a dispute with the federal government over questioned program costs when it is probable that the state will be required to refund federal revenue. Refer to Subsection 85.74.40.

Note: The second entry is made to reverse activity previously coded as federal, which is now supported by state funds.

	Dr.	Cr.
Cash Revenues (3210) Federal Source Code (03XX)	xxx	
Claims and Judgments Payable (5113)		xxx
Cash Expenditures/Expenses (6510) Subobject (XX) (using a state appropriation)	xxx	
Cash Expenditures/Expenses (6510) Subobject (XX) (using a federal appropriation)		xxx

85.90 Interfund/Interagency Activities

85.90.10 Interfund/interagency activities

July 1, 2008

There are two major categories of interfund/interagency activities: reciprocal and nonreciprocal.

Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions. It includes interfund loans (refer to Subsection 85.90.20), and interfund services provided and used (refer to Subsection 85.90.30).

Nonreciprocal interfund/interagency activity is nonexchange in nature. It includes interfund transfers (refer to Subsection 85.90.50), and reimbursements (refer to Subsection 85.90.60).

For information on paying interfund/interagency billings, refer to Subsection 85.36.20.

85.90.20 Interfund loans

July 1, 2001

Interfund loans are reciprocal in nature. They are amounts provided with a requirement for repayment within a reasonable time. Interfund loans are reported as interfund receivables ("due from") in lending funds and interfund payables ("due to") in borrowing funds. Loans due within one year should be classified as short-term and loans due beyond a year should be classified as long-term. Refer to Subsection 85.54.30.

85.90.30 Interfund/interagency services provided and used

Jan. 1, 2012

Interfund/interagency services provided and used are also reciprocal in nature. They were previously termed "quasi-external transactions." Interfund/interagency services provided and used are transactions within the state that are similar to and reported as though they had occurred with organizations external to the state. Interfund/interagency services provided and used are to be accounted for consistently by the accounts involved.

At the end of each fiscal period, any unpaid or unsettled amounts are reported as either interagency or interfund receivables and payables. Refer to Subsection 85.90.40 for illustrative entries.

To record interfund/interagency services provided and used, the paying agency records an expenditure/ expense using an appropriate object of expenditure. The receiving agency records revenue using either Revenue Source Code 0420 "Charges for Services," 0450 "Sales of Goods and Supplies - Proprietary Funds," or another appropriate revenue source code. Interfund/interagency services provided and used are budgeted and accounted for in this manner.

The following are examples of interfund/interagency services provided and used:

Internal service fund billings for goods or services, such as mail services from the Department of Enterprise Services and legal services provided by the Office of the Attorney General. Refer to Subsection 85.90.40.

Routine employer contributions from operating accounts to a pension trust fund.

Routine service charges for inspection, engineering, utilities, or similar services provided by one account/ agency to another.

85.90.40 Payment procedures for selected central services agency charges

June 6, 2024

85.90.40.a

The following are selected central services agencies which require the use of unique object codes by the paying agency. A listing of services provided is as follows:

Office of the Secretary of State - Archives, records storage, and microfilm services.

Office of the State Auditor - Auditing services.

Office of the Attorney General - Legal services.

Department of Enterprise Services - Office space, janitorial services, utilities, buildings and grounds maintenance, campus delivery and mail service, parking, motor pool, procurement, mainframe print services, web services, secure file services, risk management, printing, small agency budgeting/

accounting/human resources/payroll services, and personnel services for general government classified employees.

Office of Administrative Hearings - Administrative hearings examiner services.

Office of Financial Management - Statewide financial and payroll systems, personnel services for state agency classified employees, higher education classified employees, and Statewide Accounting, Budgeting, and Forecasting.

Office of Minority and Women's Business Enterprises (OMWBE) - Certification of minority business enterprises, socially and economically disadvantaged business enterprises, and women's business enterprises statewide.

Washington Technology Solutions - Computer and telecommunication services.

85.90.40.b

The following object codes and payment schedules are to be used by the paying agency for transactions with selected central services agencies:

Central Service Agency					Paying Agency
Agency No. and Name		Account	Revenue Source Code	Object Code	Billing/Payment Schedule
(075) Office of the Governor Office of Equity		462	0420	EU	Billed quarterly in advance (July, October, January, and April).
(085) Office of the Secretary of State					
	Archives and Records Management	006	0420	EW	Billed quarterly in advance (July, October, January and April).
	Microfilm Services	006	0428	EW	Monthly actuals billed after month end.
(095) Office of the State Auditor		483	0420	ET	Monthly actual time and expenses billed after month end for accountability and whistleblower audits. ACFR and statewide single audits billed quarterly for actual time and expense.
(100) Office of the Attorney General		405	0420	EM	Monthly actuals for billable staff time and direct litigation costs are billed by the end of the following month.
(105) Office of Financial Management					
	Personnel Services - State agencies other than higher education	415	0420	EN	July, October, January and April (Quarterly billings in advance based on classified salaries).
	Labor Relations	436	0420	EN	July, October, January and April (Quarterly billings in advance based on .1% of salaries of employees covered by a bargaining unit).

Central Service Agency					Paying Agency
Agency No. and Name		Account	Revenue Source Code	Object Code	Billing/Payment Schedule
	Enterprise Systems Fee	472	0420	EL	Billed monthly based on budgeted FTEs.
	Core Financials System Replacement	466	0420	EL	Billed quarterly based on budgeted FTEs.
	Personnel Services - Higher Education	455	0420	EN	July, October, January and April (Quarterly billings in advance) based on classified salaries.
	Statewide Accounting, Budgeting, and	468	0420	EZ	Billed quarterly based on budgeted FTEs.
(110) Office of Administrative Hearings		484	0420	EV	Monthly actuals for billable staff time are billed by the end of the following month.
(147) OMWBE		453	n/a	n/a	Covered by vendor-paid contract management fee assessed on all contracts managed within DES Contracts and Legal Division.
(163) Washington Technology Solutions					
	Computer Services	458	0420	EL	Monthly actuals billed after month end.
	State Data Center Allocation	458	0499	EL	Billed monthly based on budgeted IT expenses.
	Telecommunications	458	0420	EB	Monthly actuals billed after month end.
	Geospatial Portal	458	0420	EL	Weighted Factor 4-part index (portal downloads, number of GIS staff, agency FTEs, annual ESRI maintenance costs).
	Enterprise Architecture and Innovation	458	0420	EL	Billed monthly based on budgeted FTEs in IT job classifications.
	Enterprise Data Management	458	0420	EL	Billed monthly based on budgeted FTEs in IT job classifications.
	State Privacy Office	458	0420	EL	Billed monthly based on budgeted FTEs in IT job classifications.
	Strategy and Management	458	0420	EL	Billed monthly based on budgeted FTEs in IT job classifications.
(179) Dept. of Enterprise Services					
	Parking Services	045	0402	EK	Prepaid, and billed monthly, quarterly and annually.
	Engineering & Architectural Services	057	n/a	JK	Varies by agency.
	Capital Campus Maintenance and Operations	422	0420	EK	Billed monthly following services performed.

Central Service Agency					Paying Agency
	Agency No. and Name	Account	Revenue Source Code	Object Code	Billing/Payment Schedule
	Capital Campus Utilities and Fixed Price Contracts	422	0420	EK	Billed monthly following services performed.
	Consolidated Mail Services	422	0420	EK	Outgoing mail monthly actuals billed after month end; Incoming/Campus mail billed according to agencies' agreements.
	Facilities & Services (Seat of Government)	422	0420	EK	Billed monthly based on budgeted FTEs located in Thurston County.
	Facilities Engineering Services	422	0420	EK	Invoiced upon completion of service.
	Federal and State Surplus	422	0420	JA/JC	Invoiced upon purchase.
	IT Equipment Leasing	422	0420	EH	Billed monthly.
	Motor Pool	422	0420	GN	Monthly actuals billed after month end.
	Personnel Services - State agencies other than higher education	422	0420	EN	Billed monthly based on budgeted FTEs. Separate training fees continue to apply.
	Printing Services	422	0450	EF	Billed following services performed.
	Production Services	422	0420	EL	Monthly actuals billed after month end.
	Property Management	422	0402	ED	Rent billed monthly at month end.
	Purchasing Administration Fee	422	n/a	n/a	Covered by vendor = paid contract
	Small Agency Financial Services	422	0420	ER	Billed monthly based on budgeted formula.
	Small Agency Human Resource Services	422	0420	ER	Billed monthly based on budgeted FTEs.
	Risk Management Administration	546	0420	EP	Administration costs billed monthly based on formula. Commercial insurance costs billed as purchased.
	Self-Insurance Liability Premiums	547	0496	EP	Billed annually at the beginning of the fiscal year.

85.90.40.c

Unless otherwise provided above, central service agencies are to present invoices for payment to receiving agencies within 15 calendar days after the end of each billing period. However, at fiscal year-end, all bills (actual and estimates) are to be invoiced per the current fiscal year closing calendar in Subsection 90.20.05.

85.90.40.d

When problems arise with the collection of interagency receivables, the following steps are to be taken:

1. The interagency receivables/payables personnel are to contact each other to resolve the problems.
2. If (1) fails, the accounting chiefs are to contact each other to find a resolution.
3. If (2) fails, the agencies are to contact their assigned OFM Statewide Accountants.

85.90.50 Transfers

July 1, 2008

85.90.50.a

Transfers are nonreciprocal in nature. Transfers of equity, formerly known as residual equity transfers, are non-recurring, non-routine transfers of equity between accounts. Two examples of equity transfers are contributions to or return of contributions from proprietary fund type accounts and transfer of residual equity balances from discontinued accounts.

Transfers of equity are generally infrequent. The key to identifying equity transfers is their non-recurring or non-routine nature. If transactions are recurring or routine, particularly if they involve a subsidy relationship, they are reported as operating transfers. Refer to Subsection 85.90.50.b

Equity transfers are recorded in governmental fund type accounts using Revenue Source Codes 0678 "Equity Transfers In" or 0679 "Equity Transfers Out." Equity transfers in proprietary fund type accounts are recorded to Revenue Source Code 0820 "Capital Contributions." Refer to Subsection 85.95.20 for illustrative entries.

All equity transfers are to be in balance at the agency level, except for the following:

- Transfers to/from subsidiary accounts, and
- Transfers between state agencies.

85.90.50.b

Operating transfers include the following:

- Transfers from accounts required by statute to collect resources to accounts legally authorized to expend them,
- Transfers of resources designated for debt service from the accounts collecting the receipts to the debt service accounts that will make the debt service payments,
- Transfers of unrestricted revenues collected in the General Fund to finance various programs accounted for in other accounts in accordance with budgetary authorization,
- Operating and equity transfers as required by law, and
- Transfers of profits from certain enterprise activities (Liquor and Lottery) to other accounts as required by law.

Operating transfers are recorded as expenditures using Object M or as revenues using the 06XX revenue source codes. Refer to Section 75.80 for a listing and description of all transfer revenue source codes. Refer to Subsection 85.95.30 for illustrative entries.

Operating transfers net to zero at the agency level.

85.90.50.c

Special budgeted allocations generally give agencies additional spending authority, but no additional cash is provided for federal, private/local or dedicated operating accounts. Two examples of these budgeted, noncash allocations are the Salary and Insurance Contribution Increase Allocation and the Special Retirement Contribution Increase Allocation. An expenditure transfer is required for the General Fund - State account allocation. Two transfer transactions - one for the expenditure transfer and one for the revenue transfer - out of the operating account and into the allocation account are required for the federal, private/local and dedicated operating account allocations. Refer to Subsection 85.95.35 for an illustrative entry.

85.90.50.d

In governmental fund type accounts, transfers are reported as other financing uses in the funds making the transfers and as other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported in a separate section below nonoperating revenues and expenses.

In instances where transfers are appropriated as expenditures, GAAP and budgetary accounting treatments will differ. For budgetary reporting, appropriated operating transfers are considered "expenditures," while for GAAP reporting purposes, as noted above, they are considered other financing uses.

85.90.60 Reimbursements (Objects S & T)

July 1, 2009

Reimbursements are recorded when one agency and/or account initially charges an expenditure/expense that is subsequently charged to another. Generally, the reimbursement is recorded as an expenditure/ expense in the reimbursing account and as a reduction of a corresponding expenditure/expense in the reimbursed account. Accounting for reimbursements in this manner results in the expenditure/expense being reported only once and in the proper account. Reimbursements are to be appropriately documented and approved.

Reimbursement reporting is to be used only in circumstances as described above. It is not to be used for interfund loans, interfund transfers, or other interfund activities. Additionally, payments received by proprietary funds for goods and services are normally recorded as revenue with appropriate revenue source codes rather than as reimbursements.

As described below, reimbursements are coded with Object S or Object T. The subobject coding should reflect the object of expenditure being offset with the reimbursement, except Subobject JA “Noncapitalized Assets” and Subobject JB “Noncapitalized Software” which are coded to Subobjects SE and TE. Although Subobjects SZ and TZ “Unidentified” are available for use, it is preferable that an agency allocates charges to the appropriate subobject of expenditure within Objects S and T on a monthly basis.

Reimbursements are classified into two types:

85.90.60.a

Intra-agency reimbursements (Object T) - Intra-agency reimbursements are used to charge for services or supplies provided by one account to another and to distribute administrative overhead charges. In accounting for intra-agency reimbursement transactions, the reimbursed account other than a non-budgeted proprietary type account is to credit expenditures using object T. The reimbursing account is to account for intra-agency materials supplied or services rendered as object T and the appropriate sub-object.

Intra-agency reimbursements are to be used to record special budgeted allocations involving accounts 239 "Tort Defense Service Revolving Account," 406 "Salary and Insurance Increase Revolving Account," 426 "Digital Government Revolving Account," and 427 "Special Account Retirement Contribution Increase Revolving Account." Refer to Subsection 85.90.50.c.

Agencies may request a waiver from complying with specific requirements of this section. The request is to be in writing and be approved in writing by OFM before the waiver takes effect. Waivers automatically expire at the end of the fiscal biennium for which they were granted and are to be re-approved in writing to remain in force.

85.90.60.a.(1) Accounts other than non-budgeted proprietary fund type accounts

All accounts other than non-budgeted proprietary fund type accounts are to use Object T transfers to record intra-agency transfers between said accounts. Reimbursements to accounts for expenditures/ expenses initially made from it which are properly applicable to another account are to be recorded as a credit to expenditures/expenses using Object T. The reimbursing account other than a non-budgeted proprietary fund type account is to debit expenditures/expenses using Object T.

When transfers of salaries are made with Subobject TA, the FTEs are to remain with the original Object A expenditure.

The total for Object T transfers at the subobject level is to equal zero for all accounts within a fiscal year except as noted below for GL Code 6525 transfers and for non-budgeted proprietary fund type accounts. Refer to Subsection 85.95.50.a and b for illustrative entries.

Intra-agency reimbursements received by **budgeted** proprietary fund type accounts are recorded as credits to expense using Object T. Therefore, an additional entry is necessary to adjust to proper GAAP accounting. The GAAP adjustment debits GL Code 6525 “Expense Adjustments/Eliminations (GAAP),” using Object T with the appropriate sub-object and credits GL Code 3225 “Revenue Adjustments/ Eliminations (GAAP)” with the appropriate revenue source code. Only in the case of GL Code 6525 transfers is there no corresponding Object T offset. Refer to Subsection 85.95.50.c for an illustrative entry.

85.90.60.a.(2) Non-budgeted proprietary fund type accounts

For non-budgeted proprietary fund type accounts (excluding accounts 443 and 505 which are subject to (1) above), reimbursements are not coded as credits to expenses using object T. They are coded directly to revenue with appropriate revenue source codes. Refer to Subsection 85.95.50.d for an illustrative entry.

85.90.60.b Interagency reimbursements (Object S)

All transactions between state agencies are to be properly accounted for as prescribed in RCW Chapter 39.34.

The following procedures are to be followed in those instances where a **budgeted account or certain account used by higher education agencies** - accounts 143, 145, 147, 148, 149, 443, and 505 which are included with budgeted accounts for purposes of this section - provides goods or services to another agency:

85.90.60.b.(1)

In accounting for interagency reimbursement transactions, the reimbursed agency is to credit expenditures/expenses using Object S - Interagency Reimbursements. The reimbursing agency is to account for expenditures for interagency materials supplied or services rendered as though they were purchased from an outside vendor. Refer to Subsection 85.95.60.a and b of this manual for illustrative entries.

Note: In budgeted accounts, interagency reimbursements are not to be recorded as revenue or as recovery of current appropriation expenditures using Revenue Source Code 0902 "Recoveries of Current Expenditure Authority Expenditures." Refer to Subsection 85.95.60.a and b for illustrative entries.

85.90.60.b.(2)

The amounts billed to other agencies and uncollected at the end of the month and work in process costs not billed at the end of the month are to be recorded as a credit to the appropriate GL code series 65XX "Expenditures/Expenses" with object S and a debit to GL code 1354 "Due from Other Agencies."

85.90.60.b.(3)

For GAAP reporting purposes, payments to budgeted proprietary fund type accounts should be recorded as revenues with appropriate revenue source codes. However, as discussed above, interagency reimbursements to budgeted proprietary fund type accounts are recorded as credits to expense (object S). Therefore, an additional entry is necessary to adjust to proper GAAP accounting. The GAAP adjustment debits GL code 6525 "Expense Adjustments/Eliminations (GAAP)," using object S with the appropriate sub-object and credits GL code 3225 "Revenue Adjustments/Eliminations (GAAP)" with the appropriate revenue source code. Refer to Subsection 85.95.60.c for an illustrative entry.

For nonbudgeted proprietary fund type accounts (excluding accounts 443 and 505 which are subject to (1) above), interagency reimbursements are not coded as credits to expenses (object S). They are coded directly to revenue with appropriate revenue source codes. Refer to Subsection Subsection 85.95.60.d for an illustrative entry.

85.90.60.c

Agencies are to establish procedures to ensure timely, accurate, and cost effective payment of obligations to agencies. Refer to Subsection 85.36 for information on payment methods.

Special attention by all agencies is to be given to the following:

Due Dates - Dates for payments are established by the terms of contracts between the state agencies. If the contract is silent concerning terms or there is no written contract, the terms are net 30 days. The 30 days, or other terms, begin upon receipt of the goods or services or a properly completed invoice, **whichever is later**. Agency payments are to be made by the due date.

Combined Payments - The number of payments to an agency are to be kept to a minimum by processing the maximum number of invoices with a single payment.

Partial Payments - When agencies accept partial delivery of goods or services without reservation, prompt payment is to be made for the goods or services received upon receipt from the agency of a properly completed invoice or in accordance with contract terms covering the partial delivery.

Disputes - Prompt and proper notification to an agency of receipt of unsatisfactory goods or services or an incorrect invoice defers the due date. The due date is recalculated from the date the problem is corrected. Proper authorization is required when material changes are made.

Records - Billings are to reflect the cost of labor, material and overhead. Records are to be maintained by the vendor agency that provides complete cost billing information and also an audit trail for post auditing. Source documentation should be made available, upon request, for review by the billed agency.

When problems arise with the collection of interagency receivables, agencies are to follow the steps in Subsection 85.90.40.d.

Vendor agencies are not to request or require advances from receiving agencies unless the advance was approved in writing by the OFM Director or authorized designee (RCW 39.34.150).

Refer to Section 90.20 for additional requirements applicable to fiscal year end cutoff.

Refer to Subsection 85.90.30 for discussion of interfund services provided and used and Subsection 85.90.50 for transfers.

85.90.70 Agency vendor payment revolving account charges

July 1, 2001

85.90.70.a

Account 720 "Agency Vendor Payment Revolving Account" may be used by agencies (RCW 42.26), with the approval of OFM, for the payment of goods or services which are payable from monies other than those maintained in the Office of the State Treasurer.

85.90.70.b

Use of Account 720 by agencies is to be authorized in writing by the Director of OFM or authorized designee.

85.90.70.c

Amounts disbursed from Account 720 must be from amounts previously deposited by the agency using the account. These deposits must be from local accounts which are properly chargeable with the disbursement. **Amounts to cover disbursements must be deposited prior to actual disbursement**. Refer to Subsection 85.95.70 for illustrative entries.

85.90.70.d

All amounts accruing to Account 720 as a result of the cancellation of warrants are to be re-deposited in the agency's appropriate local account.

85.90.70.e

Only the following accounts are to be maintained in the general ledger of Account 720: GL Codes 4310 "Current Treasury Cash Activity (OST Only)," 4325 "Beginning Treasury Cash Balance - Agency Funds," 5199 "Other Liabilities," and the 71XX "In-Process" Series. Subsidiary ledgers are not required. Refer to Subsection 85.95.70 for illustrative entries.

85.95 Interfund/Interagency Activities - Illustrative Entries

85.95.10 These entries are for illustrative purposes

July 1, 2001

The situations in this section illustrate the accounting treatment of some typical interfund/interagency activities. These entries are for illustrative purposes **only** and should **not** be considered all-inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of State Treasurer as illustrated below to clear the GL In-Process codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

The entry would be reversed for In-Process debit amounts.

85.95.20 Transfers of equity

July 1, 2003

To record the transfer of a fund balance from a discontinued local account to the General Fund. For purposes of this example, assume there is cash as well as outstanding receivables and payables in the discontinued account and that the discontinued account is a governmental fund type account. Refer to Subsection 85.90.50.a.

Discontinued Account:

	Dr.	Cr.
Payables - Short-Term (51XX)	xxx	
Cash Revenue (3210) or Noncash Revenue (3220)		
Revenue Source Code (0679) Equity Transfers Out	xxx	
Cash In Bank (1110)		xxx
Receivables - Short-Term (13XX)		xxx

General Fund - Basic Account (001):

	Dr.	Cr.
In-Process (71XX)	xxx	
Receivables - Short-Term (13XX)	xxx	
Payables - Short-Term (51XX)		xxx
Cash Revenue (3210) or Noncash Revenue (3220) Revenue Source Code (0678) Equity Transfers In		xxx

85.95.30 Operating transfers

July 1, 2003

85.95.30.a

To record an operating transfer in. Refer to Subsection 85.90.50.b.

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Revenue (3210) Revenue Source Code (0621) Operating Transfers In		xxx

85.95.30.b

To record an operating transfer out. Refer to Subsection 85.90.50.b.

	Dr.	Cr.
Cash Revenue (3210) Revenue Source Code (0622) Operating Transfers Out	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.95.35 Special budgeted allocation transfers

July 1, 2008

85.95.35.a

To record a special budgeted allocation transfer for an increase allocation to either the Salary and Insurance Increase Revolving Account (Account 406) or the Special Account Retirement Contribution Increase Revolving Account (Account 427). In this entry, the original disbursement was recorded as a cash expenditure to Object A or B in the agency's operating account. Refer to Subsection 85.90.50.c.

Allocation Account:

	Dr.	Cr.
Cash Expenditure (6510) Subobjects TA and/or TB	xxx	
Current Period Clearing Account (9920)		xxx
Current Period Clearing Account (9920)	xxx	
Cash Revenues (3210) Revenue Source Code (0626*)		xxx

Operating Account (other than General Fund):

	Dr.	Cr.
Current Period Clearing Account (9920)	xxx	
Cash Expenditure (6510) Subobjects TA and/or TB		xxx
Cash Revenues (3210) Revenue Source Code (0626*)	xxx	
Current Period Clearing Account (9920)		xxx

*The Revenue Source Code would be 03XX for federal or 05XX for private/local when non-state expenditure authority is involved.

Note: This is an in-house non-cash journal voucher entry only. Do not send it to the Office of the State Treasurer. Entries are reversed for a negative allocation.

85.95.35.b

Special allocation accounts are not used for allocations in the General Fund. Instead, the allocation is made through an allocation appropriation.

General Fund:

	Dr.	Cr.
Current Period Clearing Account (9920)	xxx	
Cash Expenditure (6510 Operating Appropriation) Subobjects TA and TB		xxx
Cash Expenditure (6510 Allocation Appropriation) Subobjects TA and TB	xxx	
Current Period Clearing Account (9920)		xxx

85.95.40 Interfund/interagency services provided and used

July 1, 2008

85.95.40.a

To record amounts billed for goods and services delivered to another agency or account. Refer to Subsection 85.90.30.

	Dr.	Cr.
Due From Other Agencies (1354) or		
Due From Other Funds (1353)	xxx	
Revenue (32XX) Revenue Source Code (as appropriate)		xxx

85.95.40.b

To record receipt of amount previously billed for goods and services delivered to another agency or account. Refer to Subsection 85.90.30.

	Dr.	Cr.
Cash in Bank (1110) or		
In-Process (71XX)	xxx	
Due From Other Agencies (1354) or		
Due From Other Funds (1353)		xxx

85.95.40.c

To record liability for goods and services rendered by another agency or account. Refer to Subsection 85.90.30.

	Dr.	Cr.
Expenditures/Expense (65XX) (with appropriate sub-object)	xxx	
Due To Other Agencies (5154) or		
Due To Other Funds (5153)		xxx

85.95.40.d

To record disbursement of amount previously booked as liability for goods and services rendered by another agency or account. Refer to Subsection 85.90.30.

	Dr.	Cr.
Due To Other Agencies (5154) or		
Due To Other Funds (5153)	xxx	
Cash in Bank (1110) or		
In-Process (71XX)		xxx

85.95.50 Intra-agency reimbursements (Object T)

July 1, 2008

85.95.50.a

To record amounts **received** by an account other than a **non-budgeted proprietary fund type account** from another account to reimburse for goods and services rendered on behalf of the reimbursing account. Refer to Subsection 85.90.60.a.(1).

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Expenditures/Expenses (65XX) Object T		xxx

85.95.50.b

To record amounts **paid** by one **budgeted account** to another account to reimburse for goods and services rendered on behalf of the reimbursing account. Refer to Subsection 85.90.60.a.(1).

	Dr.	Cr.
Expenditures/Expenses (65XX) Object T	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.95.50.c

The additional entry needed for an Object T reimbursements **received** by a **budgeted proprietary fund type account** to meet GAAP reporting requirements. Refer to Subsection 85.90.60.a.(1).

	Dr.	Cr.
Expense Adjustment/Eliminations (GAAP) (6525) Object T	xxx	
Revenue Adjustments/Eliminations (GAAP) (3225) Revenue Source Code (as appropriate)		xxx

85.95.50.d

To record an intra-agency reimbursement **received** by a **non-budgeted proprietary fund type account**. Refer to Subsection 85.90.60.a.(2).

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Revenues (3210) Revenue Source Code (0420) Charges for Services		xxx

85.95.60 Interagency reimbursements (Object S)

July 1, 2008

85.95.60.a

To record amounts **received** by an account **other than a non-budgeted proprietary fund type account** in one agency from another agency to reimburse for goods and services rendered on behalf of the reimbursing agency. Refer to Subsection 85.90.60.b.(1).

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Expenditures/Expenses (65XX) Object S		xxx

85.95.60.b

To record amounts **paid** by one agency to another agency to reimburse for goods and services rendered on behalf of the reimbursing agency. Refer to Subsection Subsection 85.90.60.b.(1).

	Dr.	Cr.
Expenditures/Expenses (65XX) Object E	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx

85.95.60.c

The additional entry needed for Object S reimbursements to a **budgeted proprietary fund type account** to meet GAAP reporting requirements. Refer to Subsection Subsection 85.90.60.b.(1).

	Dr.	Cr.
Expense Adjustments/Eliminations (GAAP) (6525) Object S	xxx	
Revenue Adjustments/Eliminations (GAAP) (3225) Revenue Source Code (as appropriate)		xxx

85.95.60.d

To record an interagency reimbursement **received** by a **non-budgeted proprietary fund type account**. Refer to Subsection 85.90.60.b.(3).

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Cash Revenues (3210) Revenue Source Code (0420) Charges for Services		xxx

85.95.70 Agency vendor payment revolving account

July 1, 2001

85.95.70.a

To record deposits of monies in the Agency Vendor Payment Revolving Account. Refer to Subsection 85.90.70.

Operating Account:

	Dr.	Cr.
Expenditures/Expenses (65XX) (with appropriate sub-object)	xxx	
Cash in Bank (1110)		xxx

Agency Vendor Payment Revolving Account (720):

	Dr.	Cr.
Receipts In-Process (7110)	xxx	
Other Liabilities (5199)		xxx

85.95.70.b

To record disbursements from the Agency Vendor Payment Revolving Account. Refer to Subsection 85.90.70.

Agency Vendor Payment Revolving Account (720):

	Dr.	Cr.
Other Liabilities (5199)	xxx	
In-Process (71XX)		xxx