**(City/County/District)**

**Notes to the Financial Statements**

**For the year ended (Month/Day/Year)**

**Note 1 - Summary of Significant Accounting Policies**

The (official name of the government) was incorporated on (date) and operates under the laws of the state of Washington applicable to a (type of government). The (city/county/district) is a (general/special) purpose local government and provides (list major types of services).

The (city/county/district) reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

* Financial transactions are recognized on a cash basis of accounting as described below.
* Component units are required to be disclosed, but are not included in the financial statements.
* Government-wide statements, as defined in GAAP, are not presented.
* All funds are presented, rather than a focus on major funds.
* The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
* Supplementary information required by GAAP is not presented.
* Ending balances are not presented using the classifications defined in GAAP.

1. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

1. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the (city) also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

1. Budgets

The (city/county/districts) adopts (annual/biennial) appropriated budgets for funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. (Annual/biennial) appropriations for these funds lapse at the fiscal year end.

(Annual/biennial) appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

|  |  |  |  |
| --- | --- | --- | --- |
| Fund/Department | Final Appropriated  Amounts | Actual Expenditures | Variance |
| General Fund: |  |  |  |
| ……. Department | $ | $ | $ |
| ……. Department | $ | $ | $ |
| ……. Department | $ | $ | $ |
| ……. Department | $ | $ | $ |
| ……. Department | $ | $ | $ |
| ……. Department | $ | $ | $ |
| ……. Department | $ | $ | $ |
| ……. Department | $ | $ | $ |
| Total General Fund | $ | $ | $ |
|  |  |  |  |
| ….. Fund | $ | $ | $ |
| ….. Fund | $ | $ | $ |
| ….. Fund | $ | $ | $ |

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the (city/county/district’s) legislative body.

1. Cash and Investments

See Note X, *Deposits and Investments*.

1. Capital Assets

Capital assets are assets with an initial individual cost of more than $\_\_\_\_ and an estimated useful life in excess of \_\_ years. Capital assets and inventory are recorded as capital expenditures when purchased.

1. Compensated Absences

Vacation leave may be accumulated up to \_\_\_ days and (is or is not) payable upon separation or retirement. Sick leave may be accumulated (indefinitely or up to X hours). Upon separation or retirement employees (do or do not) receive payment for unused sick leave. Payments are recognized as expenditures when paid.

1. Long-Term Debt

See Note X, *Debt Service Requirements*.

1. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by \_\_\_\_\_\_\_\_\_\_\_\_\_. When expenditures that meet restrictions are incurred, the (city/county/district) intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of .

**Note X – Deposits and Investments**

It is the (city/county/district’s) policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds (or if not prorated, explain your unique circumstances).

All deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission). All investments are insured, registered or held by the (city/county/district) or its agent in the government’s name.

Investments are reported at (amortized cost/original cost/fair value). Investments by type at December 31, 20\_\_ are as follows:

Type of Investment

|  |  |  |
| --- | --- | --- |
|  |  |  |
| (City/county/district’s) | Investments held by (city/ county/ | Total |
| **own** investments | district) as an agent for other |  |
|  | local governments, individuals |  |
|  | or private organizations. |  |

L.G.I.P. $ $ $

U.S. Government Securities

Other:

Total $ $ $

Securities Lending Transactions

Derivatives

Compensating Balances

**Note X ‑ Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed (at/after) the end of each month.

Property tax revenues are recognized when cash is received by (city/county/district). Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The (city/county/district’s) regular levy for the year 20\_\_ was $\_\_\_\_\_\_\_\_\_\_ per $1,000 on an assessed valuation of $\_\_\_\_\_\_\_\_\_\_ for a total regular levy of $\_\_\_\_\_\_\_\_\_\_.

**Note X ‑ Interfund Loans**

The following table displays interfund loan activity during 20\_\_\_:

Borrowing Lending Balance Balance

Fund Fund 1/1/20 New Loans Repayments 12/31/20

$\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

  \_\_\_\_\_\_\_\_   \_\_\_\_\_\_\_\_\_   \_\_\_\_\_\_\_\_\_\_   \_\_\_\_\_\_\_\_\_

TOTALS $ $ $ $

**Note X – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the (city/county/district) and summarizes the (city/county/district’s) debt transactions for year ended December 31, 20\_\_.

The debt service requirements for general obligation bonds, revenue bonds and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ are as follows:

Principal Interest Total

20\_\_\_\_ $ $ $

20\_\_\_\_

20\_\_\_\_

20\_\_\_\_

20\_\_\_\_

20   - 20

\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

TOTALS $ $ $

Debt Refunding

The (city/county/district) issued $\_\_\_\_\_\_\_\_\_\_ of (general obligation, revenue) refunding bonds to retire $\_\_\_\_\_\_ of existing \_\_\_\_\_\_ series bonds. This refunding was undertaken to reduce total debt service payments over the next \_\_\_\_\_ years by $\_\_\_\_\_\_\_\_\_\_. The financial statements reflect other financing sources of $\_\_\_\_\_\_ and other financing uses of $\_\_\_\_\_ pertaining to this transaction.

Debt Guarantees

In \_\_\_\_\_\_\_, (city/county/district) guaranteed the (debt instrument name) of the (other entity name), a legally separate entity. In the event that the (other entity name) is unable to make a payment, (city/county/district) will be required to make that payment. The total amount of outstanding debt subject of this guarantee at year end was $\_\_\_\_\_\_\_.

**Note X – Fiduciary Activities**

Washington State law requires counties to act as a fiscal agent on behalf of special purpose districts. The resources collected and held for these districts in a custodial capacity were previously omitted from the financial statements. Starting in fiscal year 2017, counties are required to report the custodial amounts on their financial statements. This requirement resulted in addition of $\_\_\_\_\_\_\_\_\_\_\_\_in custodial deposits reported in the statement of *Fiduciary Fund Resources and Uses Arising from Cash Transactions* for the year ended December 31, 20\_\_. In addition, these amounts are now required to be presented by fund type rather than by individual fund.

**Note X – Pension Plans**

1. State Sponsored Pension Plans

Substantially all (city/county/district’s) full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (list only applicable plans).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems

Communications Unit

P.O. Box 48380

Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The (city/county/district) also participates in the Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 201 (the measurement date of the plans), the (city/county/district’s) proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Employer Contributions | Allocation % | Liability (Asset) |
| PERS 1 |  | % | $ |
| PERS 2/3 |  |  |  |
| PSERS 2 |  |  |  |
| LEOFF 1 |  |  |  |
| LEOFF 2 |  |  |  |
| VFFRPF |  |  |  |
|  |  |  |  |

LEOFF Plan 1

The (city/county/district) also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The (city/county/district) also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

1. Local Government Pension Plans

**Note X – Risk Management**

**Note X - Other Disclosures**

(Please see the BARS manual for possible disclosures)