

3. ACCOUNTING

3.2 Assets

3.2.2 Investment in the County's External Investment Pool

- 3.2.2.10 Generally accepted accounting principles (GAAP) require the use of fiduciary funds to account and report assets held in a trustee or agency capacity for others. Agency funds are used to account for situations where the government's role is purely custodial. They are most commonly used by counties to account for taxes collected on behalf of special purpose districts. Trust funds normally are subject to a trust agreement that affects the degree of management involvement and length of time that resources are being held. Assets classified as trust or agency funds cannot be used to support the government's own programs.
- 3.2.2.20 Sometimes resources held in agency funds are invested in the county's investment pool. For resources to be considered invested, the special purpose district's governing body must have a formal action approving investment in the county's investment pool. The special purpose district action needs to occur before the county can invest in and classify the resources as part of the external investment trust pool. Supporting documentation should be maintained to back up the special purpose district's request. (RCW [36.29.020](#) and RCW [36.29.024](#))
- 3.2.2.30 When resources held in agency funds are directed by the special purpose districts to be placed in the external investment fund, they are no longer custodial in the nature and should not be reported in the agency funds. Rather, the invested assets should be reported in the investment trust fund while the agency funds report their position in this external investment pool.
- 3.2.2.40 Reporting investments in both funds will cause double reporting of the same cash. The earnings generated or losses incurred by the investment would increase or decrease liabilities that the agency funds have to special purpose districts.
- 3.2.2.50 If the county invests the special purpose districts' resources while holding and before remitting them to the districts (there is no formal investing agreement), for financial reporting purposes, the county should show these deposits not in the investment pool fund but in the agency funds.