

3. ACCOUNTING

3.2 Assets

3.2.7 Special Assessments

3.2.7.10 Capital Assessments

The project expenditures should be recorded in a capital projects fund. Revenues should be recognized according to the financing involved.

Capital improvement assessments projects that are an integral part of the government's enterprise activities should be recognized in the enterprise fund.

3.2.7.20 Operating Assessments

The revenues and expenditures should be recorded in either the general (current expense) fund, a special revenue fund, or an enterprise fund. These types of assessments are for operating activities and do not result in the purchase or construction of capital assets (e.g., street cleaning or snow plowing). Both the revenues and expenditures should be recognized on the same basis of accounting as normally used for that fund.

3.2.7.30 Assessments Receivable

A special assessment receivable should be established at the time of the levy, and an equal amount of deferred inflows of resources should be reported in the general, special revenue, or debt service funds.

3.2.7.40 General Long-Term Debt

Special assessment debt for which the government is obligated in some manner, as defined in the [GASB Statement 6, Accounting and Financial Reporting for Special Assessments](#), should be reported with other general long-term liabilities, except for the portion, if any, that is a direct obligation of an enterprise fund or is expected to be repaid from the enterprise fund revenues.

The phrase *obligated in some manner* is defined very broadly by the [GASB Statement 6](#). It would be very rare, if ever, that special assessment debt should not meet these criteria.

No-commitment special assessment debt is a debt in which the benefitting property owners – not a government – will provide the resources needed to repay the debt. So, from the government's viewpoint, resources provided by the no-commitment special assessment debt are essentially similar to resources provided by grantors. Accordingly the issuance of no commitment special assessment debt should not be classified as debt proceeds or other financing sources; instead should be reported as revenue and described as *contributions from property owners*.

3.2.7.50 Debt Service

The long-term debt service transactions associated with a special assessment project should be recorded in a debt service fund. Recognition of bond principal and interest expense should be similar to other long-term debt. However, any portion that is an obligation of an enterprise fund or expected to be repaid from an enterprise fund revenues should be reported in the enterprise fund. Short-term debt service expenditures should be recognized in the fund recording the associated debt.

3.2.7.60 Capital Assets

The capital assets constructed by a capital improvement special assessment should be reported together with other capital assets. The exception is when the asset is related to an enterprise fund.

3.2.7.70 Budgeting

Capital improvements funded by special assessments should be budgeted on a project basis. Although improvement district statutes vary, they normally require formal adoption of an assessment roll. The LID formation ordinance is a perfectly adequate budget for the life of the LID. The amount of the assessment roll is determined by the estimated costs of construction and debt service, which are accordingly approved by the same action. If construction costs exceed estimates, legislative approval is normally required. That approval should be recorded as a budget modification.

3.2.7.80 References

	<u>Authority to Establish and Assess for</u>	<u>RCW Reference</u>
Cities and Towns	LID & ULID	Chapter 35.43 RCW thru Chapter 35.56 RCW
Counties/County Roads	CRID	Chapter 36.88 RCW
Fire Districts	LID & ULID	Chapter 52.20 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Port Districts	LID & ULID	Chapter 53.08 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Library Districts	LID	Chapter 27.14 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Irrigation Districts	LID & ULID	RCW 87.03.480 thru RCW 87.03.527
Irrigation Districts	O&M	RCW 87.03.240 thru RCW 87.03.420
Park and Recreation Districts	LID	RCW 36.69.200 thru RCW 36.69.305
Sewer Districts	ULID	Chapter 56.20 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Water Districts	ULID	Chapter 57.16 RCW, Chapter 35.43 RCW thru Chapter 35.56 RCW
Counties/Sewerage, Water and Drainage System	LID & ULID	RCW 36.94.220 thru RCW 36.94.400

	<u>Authority to Establish and Assess for</u>	<u>RCW Reference</u>
Flood Control Zone Districts	LID & ULID	RCW 86.15.160 , RCW 86.15.165
Flood Control Districts	O&M	RCW 86.09.380 thru RCW 86.09.517
Diking Districts	O&M	RCW 85.05.270 , RCW 85.05.355 , RCW 85.18.150
Drainage Districts	O&M	RCW 85.06.125 , RCW 85.38.140 thru RCW 85.38.170
Diking, Drainage and Sewage Improve. Dist.	O&M	RCW 85.08.410 , RCW 85.08.420 , RCW 85.08.480 , Chapter 85.16 RCW
Public Utility Districts	ULID	RCW 54.16.120 thru RCW 54.16.170

CRID - County Road Improvement District

LID - Local Improvement District

ULID - Utility Local Improvement District

O&M - Operations & Maintenance, Debt Service, etc.