



85.70 Short-Term Liabilities

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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.



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- 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.