

3. ACCOUNTING

3.2 Assets

3.2.1 Deposits and Investments

INVESTMENT REQUIREMENTS

3.2.1.10 Each municipal corporation should, by action of its governing body, authorize investment of any moneys which are not required for immediate expense and which are in the custody of the county treasurer or other municipal corporation treasurer.

3.2.1.20 State law (primarily [RCW 39.59](#), along with [RCW 35.39](#) for cities and [36.29](#) for counties) limits the types of investments allowable for local governments. Limitations on eligible investments reflect preservation of capital and liquidity of funds as primary objectives for investment of public funds. In general, local governments may invest in reasonably safe investments, such as:

- Obligations of the federal government, its agencies and government sponsored organizations
- Obligations of Washington State and local governments
- Obligations of other States and local governments located in other states that have one of the three highest credit ratings of a nationally recognized credit agency at the time of purchase
- The Washington State Treasurer's Investment Pool (Chapter [43.250](#) RCW)

Absent statutes specifically authorizing a local government to make an investment in a certain investment type. For example, the following investments are generally not eligible for investment of public funds:

- Corporate stocks
- Corporate bonds
- Foreign government obligations
- Futures, options, swaps and other derivatives
- Real estate or commodities
- Limited partnerships
- Negotiable certificates of deposit
- Certificates of deposit from banks that are not designated as qualified public depositories
- Money market or mutual funds (unless meeting criteria of RCW 39.59)

For a detailed description of eligible and non-eligible investments, along with policy considerations and suggested controls over investing activities, local governments should consult the Office of State Treasurer's [*Guide to Public Funds Investing for Local Governments*](#).

In addition to restrictions imposed by state law, investments of local governments may be further restricted by policy, contract or regulation. For example, debt covenants or arbitrage requirements may restrict investment of bond proceeds. Local governments should consult with bond counsel for guidance on such restrictions.

DEPOSIT REQUIREMENTS

- 3.2.1.60 Except for funds deposited pursuant to a fiscal agency contract with the state fiscal agent or its correspondent bank, no public funds should be deposited in demand or investment deposits except in a public depository located in this state or as otherwise expressly permitted by statute (RCW [39.58.080](#)).
- 3.2.1.70 WAC [389-12-020](#)(3) allows public depositories to arrange for the investment of public funds in certificates of deposit issued by one or more federally insured financial institutions wherever located on behalf of a treasurer provided the funds are initially invested in an authorized Washington public depository.
- 3.2.1.80 The total deposits of public funds by any treasurer in any one public depository may not exceed that depository's net worth. If a public depository's net worth is reduced, a treasurer may allow public funds on deposit in excess of the reduced net worth to remain until maturity as long as the depository provides collateral equal to one hundred percent of the excess deposits (RCW [39.58.130](#)). Net worth for public depositories may be adjusted by the Public Deposit Protection Commission (PDPC) to reflect the depositories proportional net worth position in Washington State.
- 3.2.1.90 A financial institution receives designation as a public depository from the PDPC. This designation is readily verified, either from the financial institution (via a letter of authority from the PDPC) or directly from the PDPC. A quarterly list of each public depository and its net worth is published on the Washington State Treasurer's website at www.tre.wa.gov.
- 3.2.1.100 Washington state and federally chartered credit unions may also accept public deposits within limitations set forth in RCW [39.58.240](#). State law allows up to two hundred fifty thousand dollars on deposit for any one depositor of public funds in any one credit union. A quarterly list of each approved credit union and its public deposit balances is also available on the Washington State Treasurer's website.