

# School District Accounting Advisory Committee

Selected Accounting Topics for Review and prepare for  
changes to the 2024–25 School District Accounting Manual

October 12, 2023



Washington Office of Superintendent of  
**PUBLIC INSTRUCTION**

# Today's Agenda

- 2023–24 SDAM Addendum #1: In-Lieu of Student Transportation
- E-Rate Federal still unknown.
- Federal Revenue Code Naming Convention for SEFA
- Leases (& SBITAs) in the Capital Projects Fund
- F-196 Process, in General
- SDAAC Sub-Committee: Discussion on CTE Allowable Costs
- Sub-Committee: GASB 87 Leases and RCW 28A.335.170
- Sub-Committee: F-195 Programming
- Sub-Committee: Indirect Rates
- Other Topics
- Updated SDAAC Meeting Schedule



# 2023–2024 SDAM Addendum #1

## In Chapter 6, on Page 6-31:

- Program 99 guidance is modified to clarify allowable costs for In-Lieu of Pupil Transportation. WAC 392-141-350
- Any “to and from” transportation that is not in a district-approved bus is by definition: **“in-lieu of” riding the bus.**
- Prior year fiscal expenditures should be reviewed.

**Questions, Thoughts, Comments about Addendum #1?**

# 2023–2024 SDAM Addendum #1

- Full text on OSPI Webpage: Instructions and Tools / Accounting Manual

## **Accounting Manual**

- [Complete 2023-24 Accounting Manual - 636 pages](#) (posted August 10, 2023)

## **Bulletins & Newsletter Announcements**

- [Newsletter Announcement 230804 | School District Accounting Manual Revisions \(sent August 1, 2023\)](#)
- [Newsletter Announcement 230928 | School District Accounting Manual Addendum #1 \(sent September 29, 2023\)](#)
- OSPI SAFS GovDelivery dated 10/2/2023

# E-Rate Program

- The requirements of Subpart F are being re-evaluated by the FCC and are not currently being applied to E-Rate funds.
- The FCC will make a final determination about the implementation of Subpart F in the near future. However, the FCC will not implement Subpart F for E-Rate any time prior to July 1, 2024, so as to allow enough time to fully communicate the FCC's plans to E-Rate beneficiaries and their auditors so they can prepare accordingly.

# E-Rate—Federal

- “Will not implement Sub-Part F any time prior to July 2024” could mean:
  - Districts that receive E-Rate Funding Commitment Decision Letters for service beginning ON July 1, 2024, could be the recipients of Federal Awards.
  - E-Rate expenditures for July and August of 2024 may need to be reported on the SEFA.

# E-Rate Accounting Best Practice

- You should be able to distinguish the
  - FY23 E-Rate Award and Expenditures from
  - FY24 E-Rate Award and Expenditures
  - Only Federal E-Rate should be coded to 79-66.
- **Questions and Observations about Accounting for E-RATE?**

# Federal Revenue Code Naming Convention and the SEFA

- 61XX
- 62XX
- 63XX

Federal Agency (Pass-Through Agency)	ALN	From Pass Through Awards	From Direct Awards
Federal Agency (via OSPI)		61XX	
Federal Agency [prefix match]	[Prefix match]		62XX
Federal Agency (via another Federal Agency)		63XX?	62XX?
Federal Agency (via another State Agency)		63XX	

- **Questions, Thoughts, Comments, about Narrative Description of Revenue Codes in the Accounting Manual?**



# The F-196 Process, in General

- Share any thoughts about the current year-end fiscal process
- Anything you would add to an F-196 Wish-List
- **Questions, Thoughts, Comments, Observations?**

# SDAAC Sub Committee: The CTE Funding Model

- SDAAC Sub-Committee met on September 29
- Reviewed the CTE funding model and discussed potential modifications to accounting guidance.
- Next Meeting is October 31

**Questions or Feedback about the CTE Sub-Committee Meeting?**

# SDAAC Sub Committee: Leases

## Modifying Lease Guidance for PV Calculation

- First Meeting TBD
- Current Group: Alphonso Melton, Paul Stone, Ryan Montgomery, Holly Burlingame, Sarah Jahn
- **Other Volunteers?**
- GASB 87 Guidance in conflict with RCW 28A.335.170
- Any SDAAC Modification of GASB 87 would be a departure from GAAP
- **Discussion, Comments, Questions?**

# SDAAC Sub Committee: Leases

## Leases (& SBITAs) in the Capital Projects Fund

- Prior to GASB 87, we used the standard of "Capital Leases" to determine if a lease could be charged to the Capital Projects Fund.
- This affects SBITA's as well.
- Now What?
  - Can we record the initial cost 530 and 965 in the CPF?
  - Can we record the interest and principal payments in the CPF?
  - Is it an operating cost accounted for in the GF and money transferred from CPF to GF to cover?
- **Questions, Thoughts, Comments, Observations?**

# SDAAC Sub Committee: Leases Capitalization Threshold — Clearly Trivial

- **FASB ASC 842 Lease Capitalization Policy**
  - Auditors are required under AU-C 450, to accumulate and report misstatements that are more than “**clearly trivial**”.
  - School Districts and their auditors should strive to set a lease capitalization policy where all parties are comfortable that the “**clearly trivial**” threshold of the auditor will not be tripped.
  - AU-C 450.A2 indicates that “clearly trivial” is not another expression for “not material.”
  - In some firms, the “clearly trivial” threshold is set at 10% of an established materiality benchmark. *[Materiality = \$1X: Clearly Trivial = \$0.1X Materiality].*

# Sub Committee: Lease Capitalization Threshold — The Direction we are Heading

- The Accounting Manual should prescribe a conservative threshold formula.
- For example, .02% of assets. ( $\$25 \text{ Million Assets} \times .02\% = \$5,000$ )
- Or a \$5,000 base amount and \$10,000 (for larger districts).
- Note 1 has a section titled:
- **Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements (SBITAs) ...**

# Sub Committee: Lease Capitalization Threshold — Direction we are heading

- Accounting Manual will point out: Capitalization thresholds aren't expected to change frequently from year to year.
  - Accounting guidance: Excluded leases should not impact the financials.
  - Accounting guidance: In situations where the district has a large number of small leases, the districts should consider disclosure in the event the cumulative amount becomes significant (greater than trivial) in the aggregate.
- 
- **Questions, Thoughts, Comments, Observations?**

# SDAAC Sub Committee: Modifications to F-195 Programming

- First Meeting TBD
- Need F-195 and the F-200 EDS Systems to Roll Over
- Current Volunteers: Jason Williams, Michelle Matakas, Lee Wlazlak, Travis Belisle; Paul Stone, Melissa Jarmon;
- Other Volunteers?



# SDAAC Sub Committee: Modifications to F-195 Programming

- Review and Research F-195 Programming — Input Flexibility around Levy Amounts — F-195 roll back issues — Levy percentages on the forms — More freedom to input amounts to Revenue Code 1100.
- Add line for Levy Reduction Amount when Districts have exceeded current Budget Authority
- Review Budget Form GF 14 — Long Term Financing — Conditional Sales Contracts — In relation to RCW 28A.335.170

**Discussion, Feedback, Comments, Questions?**

# SDAAC Sub Committee: Indirect Rate Rule Changes

- First Meeting TBD
- Current Group: Michelle Matakas, Paul Stone, Amy Harris, Mike Sando, Ryan Montgomery, Holly Burlingame
- This is a first discussion on modifying and capping the Federal Indirect Rates
- Constraints are needed
- Other States use maximum caps authorized by the Feds
- OSPI is fact finding

# SDAAC Sub Committee: Indirect Rate Rule Changes

- May rewrite WAC 392-122-900(3)(c) to include a new rule for a maximum allowable state recovery rate.
- May rewrite the WAC and eliminate the current recovery rate methodology and use the Federal Unrestricted Indirect Rate.
- Other Volunteers?
- **Discussion, Comments, Questions about Indirect Rates?**

# Other Old or New Business

- Any Additional Topics for Discussion?
- What did I forget to add to the Discussion?

# Updated SDAAC Meeting Schedule

Thursday, October 12	9-11 am	OSPI Video-Conference	Regular Committee Meeting
<del>Friday, November 17</del>	CANCELLED		
Wednesday, December 13	9-11 am	OSPI Video-Conference	Regular Committee Meeting
Tuesday, January 23	9-10:30 am	OSPI Video-Conference	Regular Committee Meeting
Wednesday, March 13	9-11 am	OSPI Video-Conference	Regular Committee Meeting

# Final Thoughts

The next meeting is scheduled for Wednesday, December 13th.

OSPI will host an In-Person; and Broadcast the meeting via Zoom or through another media platform.

If you have taken notes of today's meeting, I would appreciate having a copy. Your notes help as a reminder of items discussed.

Thank you for participating.



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# Additional Information on Topics Presented

# In-Lieu of (Text)

- Per [WAC 392-141-350](#), allowable Program 99 costs for in-lieu of pupil transportation services are the in-lieu of miles driven, multiplied by the state mileage rate.
- Other types of arrangements to reimburse vendors, parents, guardians, or adult students with fuel or other forms of reimbursement are not allowable charges to Program 99.



# In-Lieu of (Text)

- District's may arrange for student transportation in their own fashion and create contractual obligations for those services.
- However, the only allowable cost to Program 99 for these In-Lieu Of student transportation contractual obligations is based on mileage reimbursement rate as described in the WAC.
- Any vendor charges exceeding the mileage reimbursement rate cannot be charged to Program 99.

# E-Rate Program (Extra Notes)

- In the case of the E-Rate program, an award is made in the form of a Funding Commitment Decision Letter.
- Non-Federal entities that receive E-Rate funding commitments are recipients of a Federal award regardless of whether the non-Federal entity also chooses to receive a direct reimbursement against the commitment or has its service provider seek reimbursement on its behalf.
- Participants may be subject to program compliance audits through USAC
- USAC conducts these audits with FCC oversight.

# State Recovery Rate (Rule in WAC)

- WAC 392-122-900(3)(c)
- (i) Divide direct expenditures for program 97 district-wide support by;
- (ii) Total general fund direct expenditures for all programs minus direct expenditures for program 97 district-wide support; and
- (iii) Round to three decimal places.

## One Proposal

- (iv) The maximum allowable state recovery rate shall not exceed ## percent.

# Calculate PV of a Lease: (extra slide) Based on GASB 87 or by RCW Duration

## *Calculation of the Lease Liability*

- The lessee should initially measure the lease liability at the present value of payments expected to be made during the **lease term**.
- **Lease term**: The period during which a lessee has a non-cancelable right to use an underlying asset, **plus periods covered by a lessee's or lessor's option to extend the lease...**

## **RCW [28A.335.170](#) Contracts to lease**

The board of directors of any school district may enter into contracts...

- (1) To rent or lease **building space and portable buildings for periods not exceeding ten years** in duration;
- (2) To rent security systems, computers, and other equipment or to have maintained and repaired security systems, computers, and other equipment **for periods not exceeding five years** in duration;