



September 12, 2019

() Action Required
(X) Informational

BULLETIN NO. 059-19 SCHOOL APPORTIONMENT AND FINANCIAL SERVICES

TO: Educational Service District Superintendents
Educational Service District Fiscal Officers

FROM: Chris Reykdal, Superintendent of Public Instruction

RE: Revisions to the ESD Accounting Manual for the 2019–20 School Year

CONTACT: Paul Stone, Supervisor, School District and ESD Accounting
360-725-6303, paul.stone@k12.wa.us

PURPOSE AND BACKGROUND

The purpose of this bulletin is to advise educational service districts of revisions to the *Educational Service District Accounting Manual* (ESDAM) for the 2019–20 school year. The effective date to implement changes is September 1, 2019. A summary of the revisions is included in this bulletin.

The *ESD Accounting Manual* is distributed electronically. The *Accounting Manual* can be accessed online by selecting the [ESD Reports and Resources](#) link from the School Apportionment website.

The online “print version” is provided to produce double-sided copies. Hardcopies of the *Accounting Manual* can be ordered from School Apportionment and Financial Services (SAFS) for a fee by contacting Becky Dillon at 360-725-6300, becky.dillon@k12.wa.us, or OSPI SAFS, P.O. Box 47200, Olympia, WA 98504.

REVISIONS TO THE ESDAM FOR THE 2019–20 SCHOOL YEAR

Throughout the ESDAM:

The terminology “Statement of Net Assets” is changed to “Statement of Net Position.”

Modifications made in Chapter 1, Principles of Accounting:

- On page 5, there is narrative that incorrectly describes reporting procedures. It is removed.

The Operating Fund of an ESD, together with any enterprise and fiduciary funds are reported as a proprietary fund in the CAFR for OSPI.

- Beginning on page 7, the guidance for fiduciary activity is rewritten to comply with GASB 84.

Fiduciary Trust Funds

Fiduciary Funds are used to account for resources in situations where the government is acting as a trustee or agent for parties outside the government. Fiduciary Funds *cannot* be used to support the government's own programs. The Fiduciary fund category includes Pension (and Other Employee benefits) Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Custodial Funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Private-Purpose Trust Funds

Private-purpose trust funds are used to report all fiduciary activities *not* required to be reported in pension (and other employee benefits) trust funds and are held in a trust in which the assets are:

- Administered through a trust in which the government itself is *not* a beneficiary,
- Dedicated to providing benefits to recipients in accordance with the benefit terms, and
- Legally protected from the creditors of the government.

These funds are used to report trust arrangements where the income and principal benefits individuals, private organizations, or other governments. Examples are moneys or other assets donated to the educational service districts for scholarship, student aid, charitable, and other like uses. The authority to use the resources comes from the donor who specifies a use or range of allowed uses for assets to be held in trust and, accordingly, the ESD Board of Directors has the authority to determine the use of the assets only within the confines of the original trust agreement. For this reason, ESD boards are required to formalize by board resolution the acceptance of any moneys or other assets to be held in trust.

When established, the Private-Purpose Trust Fund will account for one or more individual trusts, so it will not be necessary to have several trust funds established in the district's accounting records. Thus, the balance of assets in the trust fund will consist of an aggregate of balances of individual trusts.

Custodial Funds

Beginning in 2019–20 and with the implementation of GASB Statement 84, the term Agency Fund is replaced with Custodial Funds. The GASB Board concluded the title *agency fund* often is confused with *agencies* of the government. The Board, therefore, established the custodial fund classification to address this issue.

Custodial funds are used to report fiduciary activities that are *not* required to be reported in pension (and other employee benefit) trust funds or private-purpose trust funds.

Custodial Funds differ from a Private Purpose Trust fund because there is no formal trust agreement. The ESD is acting in an agent capacity for some other organization, government, individual, or fund. They are used where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The modified accrual basis of accounting is used to measure financial position.

Modifications made in Chapter 2, Principles of Reporting:

- Beginning on page 5, additional guidance is added to describe the F-185 financial reports.

Report F-185—Annual Financial Statements

Form SPI F-185, ESD Annual Financial Statements, is the required financial statement report of an educational service district. It reports the financial condition and actual revenues and expenses for the fiscal year. Form F-185 requires ESDs to display amounts in a prescribed format to OSPI. This facilitates an accurate compilation of the ESDs financial activities into a statewide financial summary.

According to WAC 392-125-085, each ESD must submit a financial report to the Office of Superintendent of Public Instruction (OSPI) within 90 calendar days following the end of its fiscal year. If financial information, applicable to all ESDs, is not available in a timely fashion and deprives the ESDs of the ability to complete their financial reporting by this deadline, OSPI is prepared to extend this due date by up to 30 calendar days.

Filing of the Annual Financial Statements is with School Apportionment and Financial Services at OSPI and with Audit Services at the Office of the State Auditor. Form F-185 may be filed electronically via email, with an attached file. The signed Certification Page must be mailed to: OSPI, School Financial Services, Old Capitol Building, PO Box 47200, Olympia, WA; 98504-7200.

Overview of Report F-185

Form F-185, is the format specified by OSPI. It is a spreadsheet-driven report. The completed F-185 excel workbook should be returned without modifications to row descriptions or cells containing formulas. Rows and columns in the F-185 worksheets should remain intact. Spreadsheets not applicable to an individual ESD should remain intact and not deleted. Adding rows or columns in any worksheets is not authorized without prior notification and approval from OSPI.

F-185 financial reports not submitted to OSPI in the original format will not be accepted and will require resubmission. A number of informational edits can be found on the F-185. These should be corrected before the F-185 is submitted to OSPI. The F-185 Annual Financial Statements and the F-185 template are available on the OSPI website by selecting the [ESD Reports and Resources](#) link from the School Apportionment website.

Because OSPI requires ESDs to prepare the F-185 on a template, the ESD's annual financial reports may need to be modified for GAAP-like financial reports necessary for audit purposes. If circumstances require the district to modify financial reports, retain a copy of the completed F-185 as submitted to OSPI and prepare appropriate GAAP-like financial statements for SAO audit purposes.

Immaterial differences are anticipated between the financial reports prepared for OSPI and GAAP-like financial statements. These differences include, but are not limited to: converting the document to PDF or Word format; modifications to row descriptions; changing cell formulas to values; deleting blank rows or columns; deleting spreadsheets or supplemental reports which are not applicable; adding rows or columns as necessary for appropriate financial statement presentation.

- Beginning on page 12, guidance is modified to identify the new OSPI website link. Sample notes to the financial statements can be accessed on the OSPI website by selecting the [ESD Reports and Resources](#) link from the School Apportionment website.
- Beginning on page 24, guidance for fiduciary activity is added in compliance with GASB 84.

Fiduciary Activity Criteria

An activity is a fiduciary activity **if all** of the following criteria are met:

- The assets associated with the activity are controlled by the ESD. An ESD controls the assets if it (a) holds the assets or (b) has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended recipients.
- The assets associated with the activity **are not** derived either:
 - Solely from the ESD's own-source revenues. An applicable example of own-source revenue includes investment earnings.
 - From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the ESD **does not** have administrative involvement or direct financial involvement. A recipient ESD has administrative involvement if, for example, it (a) monitors secondary recipients for compliance with program-specific requirements, (b) determines eligible secondary recipients or projects, even if using grantor-established criteria, or (c) has the ability to exercise discretion in how the funds are allocated. A recipient ESD has direct financial involvement if, for example, it finances some direct program costs because of a grantor-imposed matching requirement or is liable for disallowed costs.

An activity is a fiduciary activity if the assets associated with the activity have **one or more** of the following characteristics:

- The assets are (a) administered through a trust in which the ESD itself is *not* a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the ESD.
- The assets are for the benefit of individuals and the ESD **does not** have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are *not* derived from the ESD's provision of goods or services to those individuals.
- The assets are for the benefit of organizations or other governments that are *not* part of the financial reporting entity. In addition, the assets are *not* derived from the ESD's provision of goods or services to those organizations or other governments.

Trust Instruments

Each trust within the district's trust fund or funds shall be accepted under the terms of a separate trust agreement to be entered into by the district and the donor at the time the

donation is accepted. Such trust instruments shall stipulate the terms under which moneys may be expended by the district, and shall be ratified by board resolution. Unless otherwise directed by the board, the trust instrument shall constitute an appropriation and authorization for the disbursement of moneys for the purposes established in the trust instrument. Where the donor imposes no specific conditions, a gift may be accepted by board resolution and recorded in a trust activity account that pools similar gifts.

Establishment of Private-Purpose Trust Funds

The establishment in the district's accounting records of a Private-Purpose Trust Fund as deemed appropriate by the board of directors is strongly encouraged as a prerequisite whenever the board of directors chooses to accept, receive or administer for scholarship or student aid purposes, or for the benefit of the ESD any gift, grant, conveyance, devise, or bequest of real or personal property under the authority of RCW 28A.320.030.

New SEFA reporting requirement announced in Chapter 4 – Federal Grants Management:

The Schedule of Expenditures of Federal Awards (SEFA) is now prepared online through the State Auditor's Office website. On page 16, this requirement is noted.

Electronic filing is now available for districts, and is required. The SEFA must be submitted via the Online Filing option on the State Auditor's website at: [SAO](#).

The SEFA is included as a part of the ESD's financial statements. Further information on the SEFA can be found in the Administrative, Budgeting, and Financial Reporting (ABFR) Handbook, or on the website for the State Auditor's Office.

BULLETIN NO. 059-19 SAFS

Page 7

September 12, 2019

INFORMATION AND ASSISTANCE

For questions regarding this bulletin, please contact Paul Stone, Supervisor of School District and ESD Accounting at 360-725-6303 or by email at paul.stone@k12.wa.us. The OSPI TTY number is 360-664-3631. This bulletin is also available on the OSPI website under [Bulletins](#).

Jamila B. Thomas
Chief of Staff

T.J. Kelly
Chief Financial Officer
Financial Resources

Michelle Matakas
Director
School Apportionment and Financial Services

CR: pfs

OSPI provides equal access to all programs and services without discrimination based on sex, race, creed, religion, color, national origin, age, honorably discharged veteran or military status, sexual orientation, gender expression, gender identity, disability, or the use of a trained dog guide or service animal by a person with a disability. Questions and complaints of alleged discrimination should be directed to the Director of the Office of Equity and Civil Rights at 360-725-6162/TTY: 360-664-3631; or P.O. Box 47200, Olympia, WA 98504-7200; or equity@k12.wa.us.