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2023–24 School District Accounting Manual Addendum #3 – (240604 Gov Delivery)

Good afternoon,

The purpose of this GovDelivery notice is to advise school districts of an addendum to the Accounting Manual for Public School Districts in the State of Washington (Accounting Manual). The effective date of this addendum is September 2023, and the changes are applicable to the school district fiscal year beginning September 1, 2023.

2023–24 SCHOOL DISTRICT ACCOUNTING MANUAL ADDENDUM #3

In the Introduction Section of the Accounting Manual, beginning on page ii: Charter Schools and State-Tribal Education Compacts are specifically identified in the accounting guidance related to sub-fund accounting and reporting.

Beginning in 2018–2019

- School districts, charter schools, and state-tribal education compact were required to deposit local revenues into a sub-fund of the general fund. The State Auditor’s Office (SAO) review of school district financial statements related to this requirement was aimed at ensuring schools have established a local revenue sub-fund.
- In spring of 2018, OSPI provided districts with a new chart of accounts that can be used to accommodate the recording of local revenues using the new local sub-fund.
- SAO will audit for compliance with the requirement to code local levy expenditures to the local revenue sub-fund and the requirement to expend the allocation provided for professional learning as directed by RCW 28A.150.415 (Section 406 (3)).
- Audits related to the accounting of local levies coded to a sub-fund are conducted as part of the regular financial audits for every school district, charter school, and state-tribal education compact of the 2019–20 school year.

Beginning In 2019–2020

OSPI must adopt rules requiring separate accounting of state and local revenues to expenditures. The rule-making process will begin in early 2019 in order to have the rules become final in time for the 2019–20 school year.

- SAO will conduct financial audits of every school district, charter school, and state-

tribal education compact for compliance with all statutory requirements contained in E2SSB 6362, including expenditures, local revenues, and the allocation for professional learning (referenced above). Audits for these provisions will take place during the 2020–21 school year.

In Chapter 1, beginning on page 1-5: Charter Schools and State-Tribal Education Compacts are specifically identified in the accounting guidance related to General Fund sub-fund accounting and reporting.

General Fund (Fund 1)

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. (GASB Cod. Sec. 1100.103a(1). RCW 28A.320.330. See also Sec. 1300, "Fund Accounting.")

The General Fund is financed from local, county, state, and federal sources. These revenues are generally used for financing the current ordinary normal and recurring operations of the school district such as programs of instruction for the students, food services, maintenance, data processing, printing, and pupil transportation. All school districts, charter schools, and state-tribal education compacts must have a General Fund.

Beginning in the 2018–19 school year, every school district, charter school and state-tribal education compact shall establish a local revenue sub-fund of its general fund to account for the financial operations that are paid from local revenues per RCW 28A.320.330.

In Chapter 5, beginning on page 5-1: Charter Schools and State-Tribal Education Compacts are specifically identified in the accounting guidance related to sub-fund accounting in the General Fund.

Sub-Fund Accounting in the General Fund

Effective for the 2018–19 school year, separate accounting of state and local revenues, and local revenues to expenditures is required for every school district, charter school, and state-tribal education compact. Local revenue means enrichment levies collected under RCW 84.52.053, local effort assistance funding received under chapter 28A.500 RCW, and other school district local revenues including, but not limited to, grants, donations, and state and federal payments in lieu of taxes. Local revenue does not include other federal revenues, or local revenues that operate as an offset to the district's basic education allocation under RCW 28A.150.250

School districts, charter schools, and state-tribal education compacts are required to deposit local revenues into a sub-fund of the general fund. Beginning in the 2018–19 school year, the State Auditor's Office (SAO) review of financial statements related to this requirement will be

aimed at ensuring school districts, charter schools, and state-tribal education compacts have established a local revenue sub-fund.

In the Accounting Manual Chapter 6, beginning on page 2: Charter Schools and State-Tribal Education Compacts are specifically identified in the accounting guidance related to sub-fund accounting and reporting.

Fund and Sub-Fund

For reporting purposes to OSPI, the Fund segment is a single integer. Beginning in fiscal year 2018–19, a local revenue sub-fund of its general fund is established to account for the financial operations of every school district, charter school, and state-tribal education compact that are paid from local revenues per RCW 28A.320.330. The Sub-Fund element was added to the account code structure and is also a single integer.

Beginning in fiscal year 2019–20 the Fund and Sub-Fund segment will be combined for F-196 reporting purposes and the two-digit segment will be reported to OSPI.

The sub-fund represents a sub-set of the General Fund and is only applicable to revenue general ledger account codes (GLs) 960 and 965 and expenditure GLs 530, 535, and 536. There is only one General Fund Balance Sheet; but the sub-fund concept will be segregated on the Statement of Revenues, Expenditures, and Changes in Fund Balance in a subsidiary financial statement to report the Sub-Fund Activities to OSPI. The sub-fund concept is described in the Introduction section at the beginning of the Accounting Manual.

For questions regarding this GovDelivery notice, please reach out to Paul Stone at paul.stone@k12.wa.us, or Michelle Matakas at michelle.matakas@k12.wa.us.